IMPERIAL INNOVATIONS GROUP PLC
Annual Report and Financial Statements
For the year ended 31 July 2011

Company number 05796766

Contents

Company Information

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M Knight	(Chairman)
S Searle	(Chief Executive Officer)
R Cummings	(Chief Investment Officer)
J Smith	(Chief Financial and Operations Officer)
D Allen	(Senior Non-Executive Director)
P Atherton	(Non-Executive Director)
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Company Secretary
J Bowen

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Chairman's statement

This financial year has been an exciting and fulfilling one for the Group Exciting, because we completed a major fundraising in the first half of the year, £140 million of equity (before issue costs) Fulfilling, because armed with substantial cash, we were able to press ahead with confidence and resourcefulness in building our portfolio of technology businesses

The completion of this fundraising could not have been done without the strong support of our major shareholders At a time of global financial uncertainty, to have shareholders who are supportive is a great comfort and a source of stability

In the second half of the year, we used our increased resources to good effect As we said we would at the fund raising, we invested substantial capital in our two most significant businesses, Nexeon and Circassia, leading for them funding rounds of £40 million and £60 million respectively We also invested in three companies that have grown out of Cambridge University and University College London (UCL) The total invested by us during the year was £35 1 million, a significantly larger figure than in previous years Since the year end, we have maintained this momentum, with investments or prospects from all of the four research intensive universities on which we focus, Cambridge University, Oxford University, University College London and of course Imperial College London

This level of endeavour could not have been achieved without the hard work of the staff In this regard it is pleasing to note that a number of experienced individuals have joined in 2011 to bolster the expertise of the Group to set up, nurture, invest in and help build technology businesses Relevant experience is at a premium, because it is not easy building technology businesses from scratch, with a firm eye on creating and realising value There are no quick fixes

The year has resulted in a good performance albeit a small profit but it has laid the foundations for the next stage of the Group's progress The prospects for shareholders, as a result of the strength of the performance in the year, are good We look forward with confidence to delivering good value for our shareholders from the portfolio of exciting businesses that we have, and continue to support

Dr Martin Knight
Chairman
4 October 2011

Business highlights

- Completed £140 million equity raise (before issue costs) in January 2011
  - To increase and accelerate investment in the existing Imperial College London portfolio
  - To invest in companies founded by, or based on technologies from, Cambridge University, Oxford University and University College London ("UCL") as well as Imperial College London
- Led £60 million funding round in Circassia – third largest financing of private European biotech company for 15 years
- Led £40 million funding round in Nexeon
- Invested £4 million in Stanmore Implants Worldwide (UCL)
- £35 1 million (FY 2010 £14 million) invested in 23 companies
  - Group's portfolio raised £129 million in cash and investment commitments
- Strong pipeline 351 inventions appraised (FY 2010 344) and 52 patents filed (FY 2010 48)
- Since 31 July 2011 invested £6 3 million in nine companies, including £1 2 million in Mission Therapeutics (Cambridge) and committed £5 million to Autifony (UCL)

Financial highlights

- Gross realisations (proceeds from the sale of investments before revenue share) £2 4 million (FY 2010 £10 4 million)
- Total revenues at £4 5 million (FY 2010 £4 3 million)
- Cash and short term liquidity investments at 31 July 2011 £48 8 million (FY 2010 £23 7 million)
- Net assets £224 1 million at 31 July 2011 (FY 2010 £91 1 million) including equity raise proceeds of which £74 million has been deferred and will be paid in two equal instalments of £37 million in January 2012 and January 2013

Background information to the Group

Imperial Innovations ("the Group") creates, builds and invests in pioneering technologies addressing global problems in healthcare, energy, engineering and the environment The Group supports scientist-entrepreneurs in the commercialisation of their ideas by leading the formation of new companies, providing facilities in the early stages, providing investment and encouraging co-investment to accelerate development, providing operational expertise and recruiting high-calibre management teams

The Group was founded in 1986 as the technology transfer office for Imperial College London, to protect and exploit commercial opportunities arising from research undertaken at the College

In 1997, the Group became a wholly-owned subsidiary of Imperial College London and in 2006 was registered on the Alternative Investment Market of the London Stock Exchange, becoming the first UK University commercialisation company to do so

The Group has a Technology Pipeline Agreement ("TPA") with Imperial College London which extends until 2020, under which it continues to act as the technology transfer office for Imperial College London The Group also acts as the technology transfer office for select NHS Trusts linked to Imperial College London, including Imperial College NHS and North West London Hospital Trusts

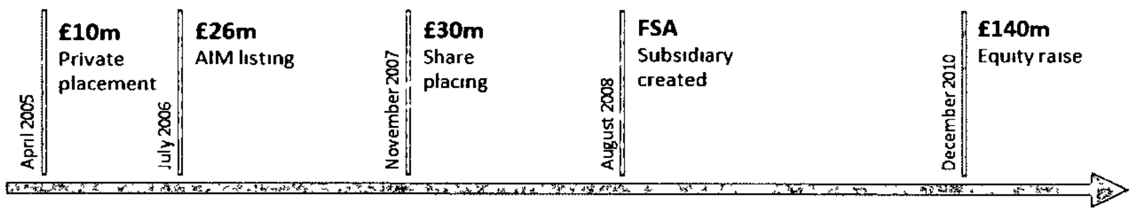
Since 2005, the Group has raised approximately £206 million (before issue costs) in proceeds from investors, which has enabled it to invest in opportunities from its portfolio of spin-out companies

Since the IPO in 2006, Innovations has invested a total of £83 million, and the portfolio of companies has raised investment of over £300 million The Group has holdings in 78 portfolio companies

The Group has achieved some notable early successes with its investments In 2010 the trade sale of RespiVert, a small molecule drug discovery company, resulted in the Group realising £9 5 million of gross cash proceeds from an investment of £2 million, and Ceres Power Holdings, a domestic fuel cell manufacturer, has so far realised £4 8 million from an investment of £0 65 million In addition, the Group's £1 5 million investment in obesity drug developer Thiakis could return £16 1 million, following its sale to Wyeth in 2008 (now Pfizer) for £99 4 million

Following the fundraising in January 2011, the Group has invested larger amounts and maintained its involvement for longer in the most promising opportunities within its portfolio of spin-out companies, with the intention of maximising exit values In addition, the Group has begun to invest in opportunities arising from intellectual property developed at or associated with Cambridge University, Oxford University, and University College London, through its relationships with Cambridge Enterprise, Oxford Spin-out Equity Management, and UCL Business These universities are the top four research intensive universities in Europe with a research income of over £1 billion per annum

Total investment for the financial year ended 31 July 2011 was £35 1 million, compared to £14 0 million in the previous year, reflecting the Group's stated intention to increase investment in its portfolio of companies



Chief Executive's report

Strategic overview

The Group continued to make good progress in commercialising and investing in university-created intellectual property

The first half of the year was focused on fund raising in order to support the revised strategy and increase the rate of the Group's development The strategy is now settled and focused on companies emanating from, or linked to, the UK's four leading research intensive universities, measured by scientific research income Cambridge University, Oxford University, University College London and Imperial College London The focus for the second half of the year was the implementation of that strategy

By successfully raising £140 million (before issue costs) in January 2011, the Group has been able to accelerate the making of, and increase the size of, its investments in companies from Imperial College London The Group has also started to use the funds to invest in companies supported by its collaborations with Cambridge Enterprise, Oxford Spin-out Equity Management and UCL Business In total this financial year, the Group has invested £35 1 million (2010 £14 million) and the Group's portfolio raised £129 million in cash and investment commitments The Group launched six new companies

The Group's portfolio from Imperial College London is developing well in line with the new strategy Highlights include the Group leading a £60 million funding of Circassia, an allergy platform company, which represented the third largest financing of a private European biotech company for 15 years Circassia has now reached a significant technology milestone achieving positive results in two key phase II clinical studies

The Group also led a £40 million round in Nexeon, a next generation battery manufacturing company, which was one of the largest investment rounds during the year in a European private technology business Nexeon has now reached a significant technology milestone of exceeding the performance of the highest performing commercial battery Also in the year GKN, the global engineering group, formed a joint venture with Evo Electric, an electric drive supplier to the automotive sector, in which the Group has a substantial stake

The Group's collaborations with Cambridge Enterprise and UCL Business have already resulted in investments One of these was a Cambridge-linked company, Mission Therapeutics which targets oncology applications The Group has also made two investments in UCL linked companies, Autifony, a drug-discovery company targeting hearing disorders, and Stanmore Implants Worldwide, an orthopaedic implant manufacturer

To support the expanded business, the Group has been active in the recruitment of further highly skilled and experienced personnel A number of key hires have already been made including the appointment of Nigel Pitchford, who joins in January 2012 as Managing Director of Healthcare Investments The Group is now well positioned to deliver on its strategy

Operational review

Realisations

As expected, the Group did not make any substantial realisations during the year This is in line with the Group's strategy of supporting a number of key investments in more mature assets and seeking to grow them into substantial businesses Realisations totalling £2 4 million (£3 1 million including receipts of deferred consideration) came from the sale of smaller holdings in Toumaz, Microsaic and Acrobot and the part disposal of Quantasol

Licensing

In addition to the 12 licence / IP transactions signed in the first half, the Group has also completed 13 further licence agreements based on Imperial College London technologies

Licences and IP transactions signed this year included

- Stanmore Implants Worldwide a modular knee resurfacing design – first implant was successfully made in August 2011 The Group will benefit from milestones and royalties as the product is commercialised, in addition to the value created through its 19 3% equity holding
- Volcano measurement of stenosis in vessels
- Biosense Webster (Johnson & Johnson) software deal for monitoring cardiac performance
- Smith and Nephew surgical tool for dealing with cruciate ligament repair
- EuroImmun AG technology related to the diagnosis, prognosis and treatment of Rheumatoid Arthritis using a protein called citrullinated alpha enolase
- Thomas Swan licence of technology to functionalise carbon nanotubes, making possible their use in composite materials
- JK Tech licence of peak air recovery technique for the global mineral industry

The Group also concluded a number of smaller deals with Novartis, Genentech, ISIS Pharmaceuticals and Alcon

Chief Executive's report - continued

Investments
Since the January 2011 fundraising, the Group has accelerated the size of its investments, selectively supporting funding rounds across its portfolio and particularly those companies which are part of the Group's 'accelerated' growth portfolio In total during the year ended 31 July 2011, the Group invested £35 1 million of which £0 3 million went into pre-seed/seed stage and £34 8 million went into later stages Of the capital invested, £22 4 million went into Nexeon and Circassia, which is consistent with the Group's strategy to scale a small number of existing portfolio companies and build them into more substantial businesses Since the year end, the Group has invested £6 3 million and has committed to invest £5 0 million to Autifony

Circassia
In April 2011, the Group led a £60 million funding round alongside Invesco Perpetual and other existing investors, in Circassia, a speciality biopharmaceutical business focused on the development of anti-allergy products The Group committed £15 0 million This was the third largest financing for a private European biotech company for 15 years The Group holds an equity stake of 18 4% of Circassia

Stanmore Implants Worldwide
In July 2011, the Group invested £4 million in Stanmore, a specialist in the design and manufacture of patient specific orthopaedic implants, based on IP from UCL and Imperial College London Some of the funding will be used to develop Stanmore's 'Saville Row' system, the world's first fully personalised early knee replacement surgery Stanmore is an established business in which Abingworth is also an investor This investment is consistent with the strategy of selectively investing in such businesses where the Group has a deep understanding and insight into the technology and a close association with the management team The Group holds an equity stake of 19 3% of Stanmore

Nexeon
Also in July 2011, Innovations led a £40 million funding round for Nexeon, a battery materials and licensing company, investing £15 million alongside existing investor Invesco Perpetual Funding will be used to scale-up production of Nexeon's silicon anode materials to commercial levels and to provide application development and support to customers With an experienced board and management team in place and clear customer engagement, together with significant funding, we believe that Nexeon has the potential to grow significantly in value The Group holds an equity stake of 40% of Nexeon

Since the year end the Group has made further investments, which include Mission Therapeutics, Autifony, Plaxica and PolyTherics

Mission Therapeutics
In August 2011, the Group made its first investment in a Cambridge University company, Mission Therapeutics, a drug discovery company targeting oncology applications of proteins in the ubiquitin pathways which control cellular responses to DNA damage The company is based on the work of Professor Steve Jackson at the Gurdon Institute, Cambridge and is supported by an experienced management team with an excellent track record at KuDos Pharmaceuticals, which Professor Jackson founded The Group invested £1 2 million in a £6 million round alongside a strong investor syndicate including Sofinnova Partners, SR One and Roche Venture Fund The Group holds 18 1% in Mission Therapeutics post year end

Autifony
Also in August 2011, the Group made an investment in a UCL company, Autifony The Group committed to invest £5 million in a £10 million round alongside SV Life Sciences (SVLS) Autifony is a drug discovery company focussed on undrugged voltage-gated ion channels, the modulation of which is thought to have potential in the treatment of hearing disorders including tinnitus and age-related hearing loss Autifony is a spin-out from GSK and is working in collaboration with leading experts from the UCL Ear Institute UCL Business is a founding shareholder in Autifony and this is the Group's second UCL related investment The Group holds 21 8% in Autifony post year end

Plaxica
In September 2011, the Group made a further investment of £2 2 million into Plaxica as part of a £5 million funding round alongside existing investors Invesco Perpetual and NESTA Plaxica is one of the Group's accelerated growth portfolio companies and the new funds will allow it to further develop its proprietary 2nd generation biopolymers which are derived from sustainable resources

PolyTherics
Also in September 2011, the Group made a further investment of £1 2 million as part of a £2 2 million funding round into PolyTherics alongside new investor ProVen Health VCT and existing investor The Capital Fund The funds will be used to develop PolyTherics's proprietary technologies for the improvement of protein and peptide drugs

Portfolio operational update
Circassia
Circassia has made positive technical progress, successfully completing a large scale, phase II clinical study of its cat allergy treatment, which provided scientific proof of concept The one year follow-up to the cat allergy phase II trials also showed that the result of the treatment is maintained and improves over time The company currently has 10 products in the pipeline, and has undertaken nine phase II trials Its lead products are now financed and planned to enter phase III The Group recruited James Shannon, formerly Head of Global Development at Novartis Pharma AG, to the board of Circassia as a Non-Executive director In September 2011, the company also announced positive phase II clinical results of its hay fever vaccine, showing substantially improved patient allergy symptoms compared to those on placebo

Chief Executive's report - continued

Portfolio operational update - continued

Nexeon

In addition to raising £40 million in July 2011, In March Nexeon announced world record performance by lithium-ion cells achieving a 3 2Ah at a realistic discharge rate This compares to today's commercially available carbon based lithium-ion cells which offer capacities between 2 5Ah and 3 1Ah Batteries with higher energy density can offer longer time between charges, higher power output, smaller size or a combination of these benefits They are eagerly awaited for application in cell phones, laptops and many other consumer devices, as well as having important application in electric vehicles and in storage of renewable energy The new funding will be used to grow the production capability for Nexeon's products and the new manufacturing facility is expected to be on stream in 2013 Nexeon also signed Material Evaluation Agreements with a number of leading battery manufacturers

Evo Electric

Evo Electric, a pioneer in advanced electric drive solutions for the automotive sector, formed a Joint Venture (JV) with GKN Driveline (GKN) GKN has invested £5 million in cash and will provide engineering and commercial resources for the development of Evo Electric and the JV This provides Evo Electric with the ability to exploit the automotive sector and to expand into other sectors

PsiOxus

PsiOxus (previously Myotec Therapeutics), a biotechnology company developing a pipeline of innovative therapeutics for the treatment of serious diseases including cachexia, sarcopenia and cancer, acquired Hybrid Biosystems and concluded an investment of £3 6 million into the combined entity of which the Group invested £1 7 million Technical progress has been made on the "Hybrid" portfolio, including completing a pre-clinical trial with phase I and II trials designed In March 2011 PsiOxus announced the initiation of a phase II study of its lead therapeutic MT-102 This was an example of using an existing management team and encouraging growth through acquisition

Veryan Medical

Veryan Medical, which develops helical stent technology to improve fracture resistance, continued to build on its initial positive results However trials have been slower than expected due to patient recruitment, but the proposition remains sound

CellMedica

CellMedica announced the treatment in February 2011 of the first patient in its cytomegalovirus clinical trial in collaboration with Leukaemia & Lymphoma Research, University of Birmingham and NHS Blood and Transplant In January 2011, the company signed an exclusive licence agreement and research collaboration with the Center for Cell and Gene Therapy (CAGT), Baylor College of Medicine (Houston, Texas), for the commercialisation of an innovative cell-based treatment for cancers In October 2010, CellMedica strengthened its board with the appointment of Dr Thomas Hecht a Non-Executive Director Dr Hecht has a clinical background and formerly worked at Amgen The Group's shareholding is 41 1%

Cortexica

Cortexica, which started with a vertical market strategy, has now accelerated its progress by focusing on the core technology platform The company recruited Iain McCready as CEO, formerly CEO of NeoMedia (a US based bar-code software business) and Chairman, Malcolm Bird, one of the founding team at ARM and an experienced and respected Chairman in the technology arena, to take the business through its next phase of development

Ventures and pipeline development

In addition to the recent substantial funding rounds, and the continued support provided across the portfolio, the Group has continued to support very early stage companies with funds, management expertise and operational support

Indigix and Navion continued to make positive progress in incubation Indigix, which develops novel immune modulators with potential indications including bowel related diseases, raised £1 0 million of which half came from Kurma Biosciences Early pre-clinical testing of its products has commenced The company also appointed David Brown as chairman, formerly of GSK, Roche Ventures, Pfizer and Cellzome

Navion is developing novel therapeutic antibodies against voltage gated sodium channel targets in the treatment of breast cancer and other indications The Group approved a further investment in the company and appointed Phil Bland-Ward, formerly CSO at PanGenetics, as Chief Scientific Officer

From Imperial College London, the Group founded Sweetspot, an antibody platform for the development of therapeutics and seed-funded one other therapeutics business The Group also seed-funded Econic, a company developing a catalyst and process for manufacturing plastics using waste CO2 streams Econic also appointed as Chairman, David Morgan, previously Executive Director responsible for strategy and M&A at Johnson Matthey

The Group also founded two organic growth companies Hexcell, developing technology to increase efficiency in oil and gas refineries, and Alkion, which is developing technology to facilitate extraction of anti-cancer compounds from plants

From Cambridge Enterprise, the Group provided seed funding to Mission Therapeutics alongside Sofinnova Partners followed, after the year end, by a series A funding round which was expanded to include SR One and Roche Venture Fund From UCL, Autifony completed a series A round alongside SVLS post year end

Chief Executive's report - continued

Ventures and pipeline development – continued

The Group has established regular review meetings with each of its collaborators Cambridge Enterprise, UCL Business and Oxford Spin-Out Equity Management Following the fund raising in January 2011, the Group has undertaken 22 detailed evaluations of prospects from which the Group has made three investments

Imperial College's Technology Transfer Office (TTO)

The Group's TTO team filed 52 patents and reviewed 351 invention disclosures maintaining a healthy flow of new opportunities The team continues to provide a range of services to Imperial College London including proof of concept grants, securing large research grants and developing the long term pipeline This year the team secured several translational awards for large research programmes from sources such as the Wellcome Trust and the Medical Research Council The team supported Imperial College London with a number of initiatives including the establishment and support of the Climate Change Knowledge Innovation Centre and the development of a 'software accelerator' to be located in the Incubator

Recruitment and appointments

As part of the increased investment programme, the Group has made good progress in its recruitment as it builds a team with the expertise to support the expanded business Some key appointments have already been made to strengthen the Ventures team including Paul May (founding Technical Director of Cambridge Display Technology and founding CEO of Kamelian), Dayle Hogg (previously Commercial VP at Lectus Therapeutics), and Rebecca Todd (formerly Investment Manager with Oxford Capital Partners) Tony Hickson, who has been with the Group for nine years and is responsible for Imperial College's Technology Transfer Office, was promoted to Managing Director of Technology Transfer

Since the year end, the investment team has been strengthened by the appointment of Nigel Pitchford as Managing Director of Healthcare Investments He joins in January 2012 Nigel has 14 years venture capital experience, 12 as a Partner at 3i Cambridge and two at DFJ Esprit following their acquisition of the 3i portfolio He has a strong track record including Domantis, sold to GSK for $423 million and Apatech, sold to Baxter for $330 million

Outlook

The Group has begun to deliver its broader strategy set out in the equity raising Prospectus In the coming year its key priorities are

- To establish a portfolio of companies emanating from Cambridge University, Oxford University, University College London and Imperial College London,
- To maintain and enhance the Imperial College London pipeline,
- To maintain the investment momentum across the portfolio at all stages of each company's development and continue to put capital to work in high quality opportunities,
- To develop further the 'accelerated' companies, Circassia and Nexeon, which are now well positioned to progress both commercially and technically, and
- To identify and progress the next cohort of accelerated companies

Susan Searle
Chief Executive Officer

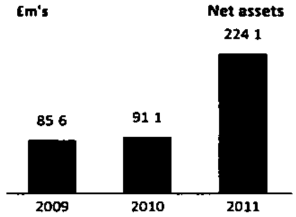
Financial report

Summary

The balance sheet strengthened significantly, primarily reflecting the £140 million (before issue costs) equity raise The Group ended the period with net assets at £224 1 million (2010 £91 1 million) up by £133 0 million from 31 July 2010

The Group successfully completed an equity raise of £140 million (before issue costs), which included the issue of partly paid shares The sum of £66 million (before issue costs) was received in January 2011 and a further two sums of £37 million each are to be received in January 2012 and January 2013 This innovative structure has allowed the Group to have sufficient cash resources available when required to further build, and invest, in the existing portfolio and to support the Group's widened sources of investment opportunities

The Group's pre-tax profit was £0 6 million in the year to 31 July 2011 (2010 £5 5 million) although gross profit increased to £3 4 million (2010 £3 1 million) The prior year benefited from the realisation of Respivert, whereas this year the Group focused on consolidating and building its portfolio of investments



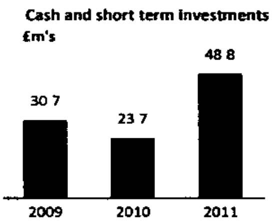
Cash, short-term liquidity investments and the next tranche due for the partly paid shares (before discounting) under the equity raise substantially increase the Group's liquid reserves available to invest over the next year to £85 8 million (2010 £23 7 million)

The Group achieved total gross realisations of £2 4 million (2010 £10 4 million) Net cash collected from realisations, including receipt of amounts outstanding at the start of the year, was £3 1 million (2010 £9 2 million)

As planned, the Group continued to increase its rate of investment in its portfolio companies and invested £35 1 million across 23 portfolio companies (2010 £14 0 million) This takes the total invested since the IPO at the end of 2006 to £83 million, and the total raised by the Group's portfolio companies to over £300 million

Cash and short-term liquidity investments

The Group ended the financial year with total cash and short-term liquidity investments of £48 8 million (2010 £23 7 million), comprising £23 8 million of cash and £25 0 million of short-term liquidity investments



Including the future committed deferred receipts from the equity raise of £74 million, the total available for investment would be £122 8 million

The increase in the cash and short term liquidity investments balance of £25 1 million from the opening balance of £23 7 million can be analysed as follows

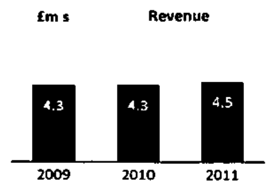
	2011 £m	2010 £m
Net cash used in operating activities	(4 4)	(3 4)
Purchase of trade investments	(35 0)	(13 4)
Net proceeds from sale of trade investments	3 1	9 2
Net cash (used in) / generated from other investing activities	(12 2)	17 5
Financing activities (issue of net equity – tranche 1)	61 1	(0 1)
Movement during year	12 6	9 8
Adjustment for short term liquidity investments	12 5	(16 8)
Movement in net cash reserves	25 1	(7 0)

The Group invests cash surplus to working capital requirements in short-term deposits, classified as short term liquidity investments, across a number of banks with a focus on capital preservation rather than interest earned The Group has no foreign currency deposits

Financial report - continued

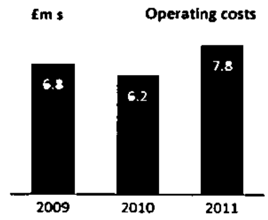
Revenues, cost of sales and operating costs

Total revenues increased to £4 5 million (2010 £4 3 million) Licence and royalty revenue from initial licence payments and intellectual property licences was £1 9 million (2010 £2 2 million) reflecting the difficult economic environment



Revenue from services (which includes Intellectual property management consultancy fees) was £1 2 million (2010 £1 4 million) There was a £0 6 million increase in corporate finance fees to £1 3 million (2010 £0 7 million), reflecting the increased value of the funding rounds which the Group led Additionally, dividends received were £0 2 million (2010 £nil)

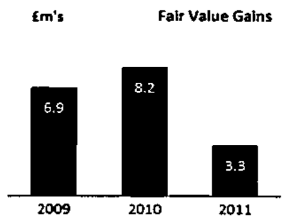
Cost of sales, which mainly arises from the revenue-sharing arrangement with Imperial College London, fell to £1 1 million (2010 £1 3 million) reflecting the lower royalty and licence activity



As expected, operating costs increased from £6 2 million to £7 8 million, with £0 4 million of the additional costs arising from the separation of the Group from Imperial College London (as Imperial College London's holding in the Group fell below 50% following the equity raise) and the upfront costs incurred on the move into the new offices These are not expected to recur The balance of the increase in the operating cost base primarily reflects the scaling-up of the business post equity raise

Administrative expenses also include costs of £0 9 million (2010 £0 9 million) incurred filing patents and protecting the as yet unexploited intellectual property emanating from Imperial College London

Interest income was £1 7 million (2010 £0 4 million), and includes £1 0 million (2010 £nil) finance income on the unwinding of the deferred equity raise proceeds (financial asset – partly paid share capital)

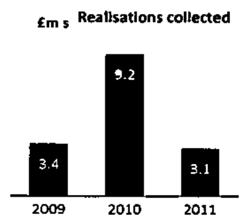


The Group reported a pre-tax profit of £0 6 million (2010 profit £5 5 million)

Basic earnings per share was 0 93p (2010 9 35p) The Board is not recommending the payment of a dividend (2010 £nil)

Investment portfolio performance

During the year, the Group's investment portfolio grew from £67 6 million spread across 81 companies, to £104 5 million across 78 companies Portfolio companies raised more than £92 million in cash from all sources of investment during the year, and secured total cash and investment commitments of over £129 million in total



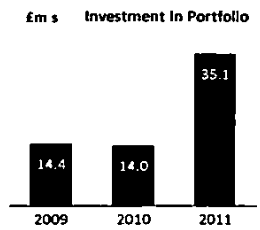
The fair value of the Group's holdings was £4 4 million (2010 £8 4 million), before taking into account associated revenue sharing obligations, and by £3 3 million (2010 £8 2 million) after these obligations

Portfolio movements excluding cash invested	2011 £m	2010 £m
Gains on the revaluation of investments	11 3	14 7
Losses on the revaluation of investments	(6 9)	(6 3)
Fair value gains	4 4	8 4
Movement in associated revenue sharing obligations and other movements	(1 1)	(0 2)
Net fair value gain	3 3	8 2

(Based on International Private Equity and Venture Capital Valuation Guidelines (IPEVCVG))

Investment and divestment activity

The Group made £35 1 million of investments to fund 23 technology companies in its portfolio The early stage nature of many of the technology companies is such that investments are made on a milestone/tranche basis that matches the companies' need for cash with the achievement of agreed milestones This provides investment security for the companies and more control over the Group's cash payments to the portfolio



Additional investment commitments undrawn at the year-end amounted to £9 9 million Additionally, some investments are made as convertible loans and at the year end there was a total of £6 3 million which is included in fixed-asset investments

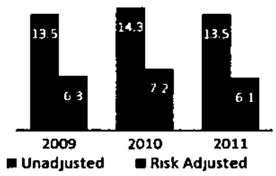
Financial report - continued

The Group realised gross £2 4 million (2010 £10 4 million) from the realisation of four investment assets Taken together with the receipt of consideration deferred from prior year's asset sales this brings the total proceeds arising from the sale of assets to £3 3 million (2010 £9 6 million) and £3 1 million (2010 £9 2 million) after accounting for associated revenue sharing obligations

Analysis of sale of investment	Gross £m	Revenue share [1] £m	Net £m
Proceeds of sale arising	2 4	(0 6)	1 8
Revenue share outstanding	-	0 5	0 5
Cash received in the year	2 4	(0 1)	2 3
Cash received from prior year's deferred sale proceeds	0 9	(0 1)	0 8
Total cash received arising from the sale of investments	3 3	(0 2)	3 1

As at the year end, the Group was holding a total of £6 1 million (2010 £7 2 million) as discounted deferred proceeds on sales of investment assets These amounts are held within other receivables The total unadjusted potential proceeds are £13 5 million (2010 £14 3 million) This relates primarily to Thiakis and the remaining Respivert proceeds

£m's Deferred cash proceeds arising from the sale of assets



Analysis of Deferred Sale Proceeds	Gross £m	Revenue share [1] £m	Net £m
Sale proceeds deferred at the start of the year	19 5	(5 2)	14 3
Sale proceeds deferred during the year	-	-	-
Prior deferral received in year	(0 9)	0 1	(0 8)
Sale proceeds deferred at the end of the year	18 6	(5 1)	13 5
Risk adjusted deferred proceeds at start of the year	9 5	(2 3)	7 2
Risk adjusted deferred proceeds at end of the year	8 4	(2 3)	6 1

Net cash flows from investments in trade investments in the year was £31 9 million (2010 £4 2 million)

[1] Revenue share represents amounts payable to Imperial College London, other third parties and the Appointee Directors' Pool on revenue and on the future realisation of investments (based on fair values)

Portfolio company creation

At 31 July 2011, the Group held equity stakes in 78 companies (2010 81 companies) The movement reflects disposals, formations and equity acquired less dissolutions and liquidations during the year

Financial report - continued

Portfolio company overview

The table below sets out the top 15 technology companies, by value, in the portfolio including contingent deferred consideration (Thiakis and Respivert), to illustrate the spread of the investments held and their relative carrying value All of the carrying values listed below reflect the net fair value of the investment, being the gross value of the holding less the attributable revenue-sharing obligations associated with each investment The percentage of issued share capital represents the absolute percentage of the shares held, without reflecting any revenue-sharing obligations The percentage holdings in these companies are increasing in line with the Group's strategy to hold larger stakes in its portfolio companies

Name of company		Net investment carrying value at 31 July 2010 £'000	Cash invested / (cash divested) 12 months to 31 July 2011 £'000	Fair value movement 12 months to 31 July 2011 £'000	Net investment carrying value at 31 July 2011 £'000	% of Issued share capital held 31 July 2011 %
Nexeon		11,327	16,123	6,636	34,086	40 0
Circassia Holdings		13,422	6,250	819	20,491	18 4
Veryan Medical		8,065	-	-	8,065	48 4
PsiOxus Therapeutics	A	2,692	1,701	-	4,393	57 6
Stanmore Implants Worldwide		-	4,000	-	4,000	19 3
Evo Electric		2,746	83	1,002	3,831	32 6
PolyTherics		2,953	-	-	2,953	34 6
Plaxica		1,250	1,082	-	2,332	41 5
Cortexica		853	1,200	-	2,053	30 6
Molecular Vision		1,407	500	-	1,907	57 2
Cell Medica		1,181	400	-	1,581	41 1
Novacem		600	750	-	1,350	43 9
Process Systems Enterprise		1,280	-	-	1,280	25 4
Repregen		898	300	-	1,198	33 9
Ixico		967	-	-	967	18 0
Respivert [1]	B	1,397	(955)	(20)	422	
Thiakis [2]	C	5,746	-	-	5,746	

[1] See note 12 and note 23 to the financial statements for further explanation (current and non-current trade and other receivables)

[2] See note 12 to the financial statements for further explanation (current trade and other receivables)

A PsiOxus Therapeutics (formerly known as Myotec Therapeutics)

B In May 2010, the Group sold its stake in Respivert for £9 5 million Of the £1 4 million deferred proceeds outstanding £1 0 million was paid in the period and £0 4 million will be paid in 6 months subject to any retentions

C On 18 December 2008, the Group divested its holding in Thiakis Under the sales agreement, the Group could receive cash payments of £22 2 million (net of transaction costs) After revenue-sharing obligations of £6 1 million payable to Imperial College London and other research sponsors, the net receipt to the Group would be £16 1 million As at 31 July 2009, the first payment of £3 3 million had been received and after revenue-sharing obligations, the net receipt was £2 9 million The estimated fair-value uplift of the remaining contingent deferred consideration, after risk adjustment using industry-standard criteria and discounting for time at 12% per annum, resulted in a fair value uplift in the 12 months ended 31 July 2009 of £6 0 million

At each accounting reference date the fair value of the contingent deferred consideration is adjusted to reflect the probability of completion of the associated milestones and the timing of any cash receipts At 31 July 2011, there has been no change to the contingent deferred consideration carrying value and the probability of milestone receipts is considered to be unchanged As future payments are a contractual entitlement, the £5 7 million contingent deferred consideration is reflected in the balance sheet within trade and other receivables

The Group is exposed to the impact of exchange rate volatility of Sterling with US Dollars on the remaining £0 4 million Respivert proceeds During 2010, the Group entered into a forward contract to exchange US Dollars for Sterling in November 2011 with respect to the £0 4 million of proceeds The purpose of this contract is to hedge the balance sheet position of the Group to minimise foreign exchange exposure

The discounted fair value of the currency forward exchange contract held at 31 July 2011 was £0 1 million (31 July 2010 £0 1 million) The Group's policy is not to trade in derivatives, but to use these instruments to hedge anticipated exposures

Financial report - continued

Deferred payment obligations
The Group has a Technology Pipeline Agreement (TPA) with Imperial College London which stipulates the terms for sharing revenue generated from the commercialisation of Imperial College London intellectual property which is assigned to Imperial Innovations Limited

Non-current liabilities (including those due under the TPA) increased from £5 2 million to £5 7 million at the end of 2011, reflecting the increase in the revenue-sharing obligations to Imperial College London and other parties arising on the revaluation and realisations of investments in technology companies

Fixed-asset investments
All equity investments held by the Group are defined as financial assets under International Accounting Standard (IAS) 32 'Financial Statement Disclosure and Presentation' and are classified as financial assets held at fair value under IAS 39, 'Financial Instruments Recognition and Measurement' This includes all UCSF equity investments

Under IAS 39 the carrying value of all investments is measured at fair value with changes in fair value between accounting periods being charged or credited to the Consolidated Statement of Comprehensive Income

University Challenge Seed Fund
The University Challenge Seed Fund (UCSF) reflects an award made by the UK government and third parties and must be deployed according to the conditions of that award The purpose of the fund covers seed investment and funds for proof of concept awards These terms include a restriction on distribution of monies from UCSF investments until the fund size has reached a multiple of three times the original investment of £4 15 million, excluding donations from industry parties The corresponding creditor balance is reflected on the balance sheet under 'non-current liabilities' The decline in the value of this asset in the period arises mainly as a result of write downs in equity and loan balances in addition to the costs of running the fund

Taxation
The Group was eligible for Substantial Shareholdings Exemption (SSE), as it was a member of a trading group whilst it was a subsidiary of Imperial College London

As part of the equity raise in January 2011, Imperial College London's shareholding fell below 50% and therefore, from this date, Imperial Innovations was no longer part of the Imperial College Group

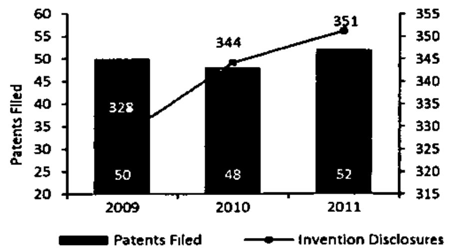
In January 2011, Imperial Innovations Limited and Imperial Innovations Investments Limited transferred their shares in Imperial Innovations Businesses LLP to a new Luxembourg Holding Company ("Imperial Innovations Sarl") in a share for share exchange Following this transfer the dividends and gains arising to Imperial Innovations Sarl (through its interest in Imperial Innovations Businesses LLP) should be exempt from tax under Luxembourg law provided the conditions for the participation exemption are met for each investment or each investment can be attributed to a UK permanent establishment Tax residence of Imperial Innovations Sarl will be maintained in Luxembourg and no UK tax should arise on the gains in the Group

Julian Smith
Chief Financial and Operations Officer

Key performance indicators

1 The health and quality of the intellectual property pipeline and the flow of opportunities

Demonstrated through the number of inventions disclosed, the patents filed and proof of concept projects undertaken



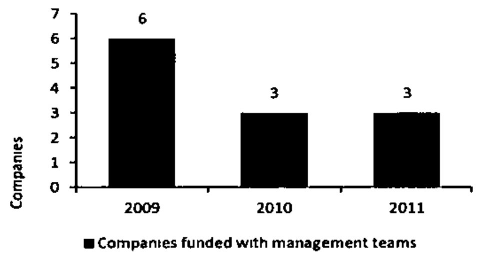
Invention disclosures are ideas that are recorded and assessed as having commercial merit on which the technology transfer team conducts initial work

Of the 351 invention disclosures this year, 296 came from Imperial College London and 55 came from external sources The Group continues to expect the pipeline to remain "steady"

Registered intellectual property is an important component in the Group's commercial package and our patent portfolio provides the feedstock for licensing and the kernel for the creation of spinouts However, models evolve allowing for the exploitation of many technologies not underpinned by patents – for example software, which is covered by copyright During the year, the Group filed 52 new patent applications, which is slightly up on previous years

2 Rate of commercialisation of intellectual property

Measured by the number of IP agreements executed and the number of stand-alone technology companies with appropriate launch management teams and funding IP agreements comprise licences and options granted both to established companies and to newly formed spin-outs The number of these deals, at 25 for the year, is an indicator of growth in the portfolio of licences However, this number should be considered in the knowledge that the financial returns are likely to be skewed, with a small number of IP agreements generating the bulk of the returns A few high value licences will therefore represent a more valuable asset than many low value ones – and at this early stage it is difficult to identify which will be successful and generate the highest returns

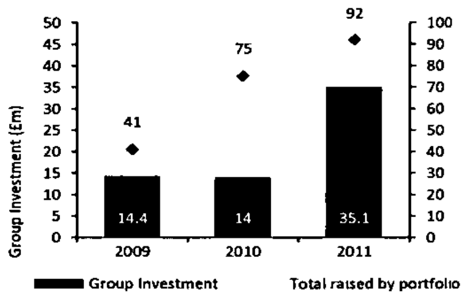


The Group previously moved away from merely measuring the number of companies formed, and now considers the number of companies seed funded, where appropriate, with launch management teams

Effectively this is moving the point of measurement away from the initial formation point and towards a point at which it is clear that the technology has been of sufficient quality to attract a management team and that the company has the financial capital to proceed The number will be lower than the raw number of companies formed, but is a better reflection of the metric used by management in the business and as a performance indicator

3 The investments made in the portfolio of technology companies

Measured in terms of total cash raised by the portfolio together with the investments we make and commitments entered into



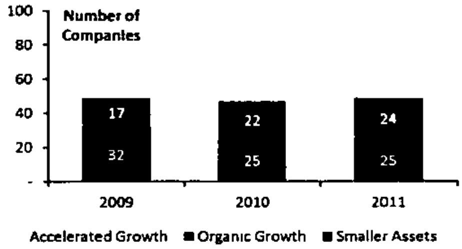
This gives an indication of the appetite for funding within the portfolio, and demonstrates progress in the portfolio During 2011, total investments of £35 1 million were completed by the Group (2010 £14 0 million)

Outstanding commitments due under convertible loans and milestone investments were £9 9 million (2010 £1 7 million) The companies in the portfolio raised cash in excess of £92 million (2010 £75 million) and total cash and commitments in excess of £129 million

Key performance indicators - continued

4 Potential value available from the existing portfolio

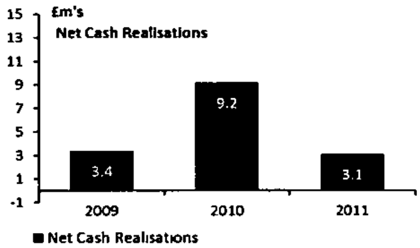
Measured by the number of accelerated and organic growth technology companies in the portfolio Accelerated growth will be achieved through attraction of entrepreneurs, management and directors together with the investment of equity capital facilitating relationships with commercial partners



At the end of July 2011, there were 78 technology companies in the portfolio (2010 81) with active management of 29 accelerated growth companies, 24 organic growth companies under asset management and 25 smaller asset companies managed less actively or projects being formed

5 Exits achieved

Measured to give an indication of cash return to sustain future investments and because it is the ultimate indicator of the success of the business

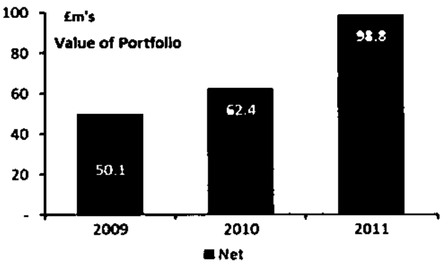


During the year, net cash realised from disposals after accounting for revenue sharing obligations and excluding deferred consideration and retentions carried in trade and other receivables but including cash receipts from prior year debtors and deferred consideration was £3 1 million (2010 £9 2 million)

Total gross disposals were £2 4 million (2010 £10 4 million) and net realisations after accounting for the payments due under the revenue-sharing obligations to Imperial College London and others were £1 9 million (2010 £9 9 million)

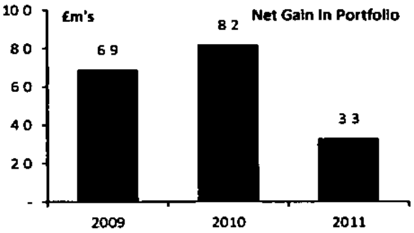
6 The growth in the value of the portfolio of technology companies

Measured in terms of the net value and net gain / (loss) arising in the value of the portfolio using established valuation methodologies based on International Private Equity and Venture Capital Valuation Guidelines (IPEVCVG)



Absolute value of the technology company portfolio

At the end of July 2011, the value of technology company holdings, net of revenue sharing obligations, on our Balance Sheet had increased to £98 8 million (2010 £62 4 million)



Net gain / (loss) in the value of the portfolio

The portfolio had net gains of £3 3 million (2010 £8 2 million gain) split into a £0 9 million loss in the quoted stocks (2010 £3 3 million loss) and £4 2 million gain in privately held companies (2010 £11 5 million gain)

Current business and economic environment

The Group recognises that other universities, research institutions and companies may create intellectual property that competes directly or indirectly with that generated by Imperial College London and the Group's other partners The Group aims to identify competition and, where appropriate, will seek to pool intellectual property to ensure that its IP proposition is competitive and strengthens its commercial activities Alternatively, the Group will seek to license out technology rather than establishing a new company competing with an existing business

The Directors believe that the Group possesses a number of strengths within its business model that are especially attractive in combination In particular, the Group

- has proprietary access to IP generated at Imperial College London, one of the highest ranked universities in the world,
- has access, through Imperial College London and its associated Academic Health Science Centre, to the largest medical school and one of the largest groups of hospitals providing teaching and patient care in the UK,
- has a strong focus on developing technologies for industry applications and has established efficient and effective use of Imperial College London's relationships,
- maintains a close working relationship with a number of multinational corporations that interact with Imperial College London,
- is located at Imperial College London's main campus,
- operates an integrated business model from the early assessment of ideas and protection of intellectual property, product development and licensing to the creation and investment in technology businesses,
- has an experienced senior management team, the members of which cover complementary disciplines including business development, technology licensing, intellectual property, new venture creation, portfolio management and investment,
- has access to proof of concept funding and seeks to demonstrate technical and commercial viability as part of its process,
- is able to lead or co-invest in opportunities and can follow through from seed through series A and B and so maintain both influence and significant stakes in its key portfolio companies, and
- Collaborates with Cambridge Enterprise, Oxford Spin Out Equity Management and UCL Business each of which is responsible for spin-outs Such collaborations serve as a source of deal flow to the Group both in the form of new inventions, which might form the basis of a company, and the referral of existing spin-outs

There are a number of potential negative impacts of the current economy on the Group's business that need to be managed Mitigation has been sought for these impacts

- The availability of fewer co-investors at early stage for our companies Mitigation a number of close relationships with investors across different stages are in place
- Technology companies may take longer to raise money and may find it more difficult to sell products Mitigation ensuring that companies are not formed until funding can be raised to take them to a clear value inflexion point and only moving companies from the capital efficient environment of the incubator when co-investors and sufficient funding are in place
- Technology transfer revenue, in particular upfront licence fees are more difficult to secure Mitigation the Group's approach is to focus on securing the right long-term partner rather than on up-front payments, as downstream royalties are likely to be more significant and the right partner will often apply substantial resource and funding to developing and commercialising the technologies

There are also a number of positive impacts of the current economy, in particular

- Availability of management talent, both in terms of experienced entrepreneurs who have exited start ups and industry experienced people to complement this talent
- There is a focus on government support for SMEs, for example funding available from the Technology Strategy Board
- Company valuations are attractive, making it less costly to increase the Group's stake in its key portfolio companies
- The relative lack of early stage capital makes the environment for sourcing new opportunities from the university collaborators a positive one, as companies are receptive to both value added through the Group's involvement and cash

Principal risks and uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks Risks are formally reviewed by the Board and appropriate processes put in place to monitor and mitigate them If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the Group The key business risks affecting the Group are set out below, any number of which could have a material adverse effect on the Group, its financial condition, results of operations, portfolio companies and prospects

Changes in legislation and government policy
Changes in legislation and governmental policy may occur in the UK and European Union during the life of the Company that may have an adverse effect on it, its business, taxation and/or the position of the Shareholders and may reduce returns to Shareholders Specifically, any change to the laws and regulations relating to the funding and resources available to any Research Intensive University may have an adverse effect on the ability of such an organisation to carry out research and therefore a reduction in the creation of intellectual property in which the Group may otherwise have had an opportunity to invest Furthermore, although the Government has announced as part of its comprehensive spending review that investment in science and research will be "ring fenced", it may in future decide (or a future Government may decide) to cease or reduce its funding of technology

The value of the Group's technology businesses portfolio and income receivable through realisations may be dominated by a single or limited number of technology businesses, companies or licensing agreements
A large proportion of the overall value of the portfolio of technology companies held by the Group may at any time be dominated by one, or very few, technology companies Accordingly, there is a risk that were one or more such Investee companies to experience financial difficulties or suffer technical failure, this could have a material adverse impact on the overall value of the Group's portfolio of Investee companies The Group mitigates this risk by carefully monitoring its assets on a regular basis, careful portfolio management and by employing appropriately qualified experienced staff However, it is the Group's expectation that there will always be companies that dominate in this way

Protection of intellectual property developed
The Group's objective is to create value from intellectual property in which it has an interest It is therefore subject to the normal risks experienced by organisations operating in this industry The technology transfer marketplace is based on the principles of identification and protection of intellectual property and its subsequent transfer to commercial partners where appropriate The scope of patent protection is dependent upon the relevant invention being kept secret before the patent application is filed

The Group has no contractual right to prevent academics of Imperial College London or any other Research Intensive University from publishing their inventions before the point at which intellectual property is transferred Where inventions are published before a patent has been obtained, this could have a material adverse affect on its value

Prosecution and protection of intellectual property can lead to protracted and expensive litigation but it is important for a company in the business of commercialising intellectual property to be seen to defend and protect its intellectual property Alternatively, the Group and/or Investee companies in which it has a shareholding may receive claims that they are infringing others' intellectual property Such events can materially affect the value of intellectual property, and the Group's ability to exploit intellectual property, and may result in a loss of value to the Investee company concerned and/or to the Group itself

Under English law, intellectual property generated by an institution's employees in the course of normal duties is owned by the institution itself but employee inventors may in some cases receive compensation (which may be substantial) Should the relevant legislation change so as to allow employees rights to own or exploit intellectual property which they have generated themselves, or to give employees a material share of resulting revenue, the Research Intensive Universities may be required to implement such changes and this may have an impact on the value of the intellectual property available for the Group

The Group mitigates this risk by employing an experienced technology transfer, legal, patent and licensing team who seek to protect the Group's position by education of, and building relationships with, the academic community, regularly reviewing the intellectual property for any potential infringement, and conducting searches and commissioning independent reports to ensure freedom to operate The Group will defend against infringement of intellectual property rights should this be required

Track record of investment in Companies not created from Imperial College IP
The Group has an established model for identifying inventions, protecting intellectual property, negotiating and concluding licence deals and forming new Investee companies emanating from Imperial College London However, it has a limited track record of making and managing investments in companies which have been established for the purpose of exploiting intellectual property with collaborators created other than by Imperial College London As such, there can be no guarantee that the investments in investee companies, from collaborators, going forward will produce returns The Group seeks to mitigate this risk by devoting appropriate resources to establish relationships with collaborators, whilst maintaining the investment processes deemed appropriate to ensure the best possible investment decisions are made independent of the source of the originating intellectual property

Investments made are early stage
The Group intends to use its funds principally to invest further in its existing Investee company portfolio and to take advantage of the future opportunities to invest in intellectual property from both Imperial College London and resulting from collaborators The majority of these investments will be in early stage companies which may be subject to one or more of the following specific risks (or a combination of these risks)

Principal risks and uncertainties - continued

(a) early stage companies may not be able to secure later rounds of funding and may not be able to source and retain appropriately skilled personnel,
(b) it may take time to realise investments and Investee companies may not grow rapidly and achieve exit,
(c) Investee companies may not be able to achieve required growth plans given their early stage of development,
(d) there is no certainty that an Investee company will generate significant direct returns for its shareholders, and
(e) Investee companies may not be able to develop intellectual property into commercially viable products or technologies

To mitigate this risk, the Group employs experienced personnel who have considerable experience of building and developing early stage technology based companies Initial investments may involve seed funding to identify and mitigate early risks before proceeding with more substantial investments The Group seeks to monitor the progress of the spin out companies, and may take a Board seat for a substantial period of time to ensure familiarity with issues and risk

Appetite for investment and ability to realise equity shareholdings
Some Investee companies may have significant funding requirements in the future The success of these Investee companies may be influenced by the market's appetite for investment in early stage companies which may be insufficient in relation to the funding demands of Investee companies As a result, it may take longer than anticipated to develop the business of an Investee company or it may not be able to develop its business at all Consequently, it may take longer for the Group to realise value from equity holdings in Investee companies which have significant funding requirements and the consideration received by the Group may include shares and/or deferred cash consideration, the value of which may depend upon the future performance of the Investee Company, alternatively the Group may not realise value from such holdings at all The Group seeks to mitigate the risk of spin out companies being unable to access sources of funds by assisting or leading funding rounds, by maintaining relationships with co-investors and by helping to ensure that the spin out company is appropriately capitalised such that it is not dependent on a premature exit The Group has ensured that it is appropriately capitalised such that it is not dependent on short-term realisations

Equity realisations and payments under licences vary from year to year
As equity realisations from Investee companies are expected to be achieved through liquidity events, including trade sales and initial public offerings, the total income receivable by the Group from these sources may vary substantially from year to year In addition, payments under licences are often subject to milestones which may not be achieved, meaning the total income receivable by Imperial Innovations from these sources may also vary substantially from year to year

Termination or failure of licences
Licences or agreements over intellectual property granted to third parties by the Group are often terminable, inter alia, on a few months' notice without cause by the licensee, so that there is no contractual certainty of a particular licence lasting beyond that period and, therefore, continuing to produce revenue Some licences terminate if the relevant researcher, or a whole research team, cease to be employed by Imperial College London, an event over which Imperial Innovations does not have any legal control On termination of a licence, the licensee has no further rights to use the intellectual property granted pursuant to the licence, which reverts to the licensor The Group seeks to licence across a number of technologies in a number of different sectors in order to avoid over reliance, or the impact of a termination, of any one particular licence Where the Group is the licensor, it may seek to re-license the intellectual property to a third party

Terms of research funding and industrial funding and the Technology Pipeline Agreement ("TPA")
Universities receive research funding from a number of sources including the UK government's Research Councils and the Higher Education Funding Council for England, charities and sponsored research contracts If there is pronounced reduction in research funding this may have an adverse effect on the quantity and quality of the output from the research conducted thereby reducing the opportunities to commercialise intellectual property that may otherwise have been made available to the Group Furthermore, the terms on which research is funded may also have an adverse impact on the ability of any institution to commercialise any intellectual property arising out of its research In order to mitigate some of the risks associated with the terms of research funding, Imperial College London is incentivised to protect intellectual property through the structure of the TPA

Termination of, material changes under, and lack of renewal of, the Technology Pipeline Agreement and indemnity in favour of Imperial College London
Imperial College London has the ability to terminate the Technology Pipeline Agreement during the remainder of its term until 2020 in circumstances where a change of control of the Group occurs and the new controlling party is a body which Imperial College London reasonably considers would significantly affect its ability to obtain research funding or whose activities are incompatible with Imperial College London's ethical principles or which may affect Imperial College London's charitable status

At the end of the term of the Technology Pipeline Agreement, the Group has no right to further Imperial College London intellectual property IP Equity, acquired by the Group during the term of the Technology Pipeline Agreement, will be retained by it when the Technology Pipeline Agreement ends, as will intellectual property that has arisen during the period of the Technology Pipeline Agreement (subject to limited cases where Imperial College London can require reassignment) IP Equity, licence agreements and intellectual property which came into existence during the term of the Technology Pipeline Agreement will continue to be subject to revenue share arrangements If, during the term of the Technology Pipeline Agreement, Imperial College London undergoes a merger or a similar transaction, Imperial College London is obliged to impose terms substantially equivalent to the Technology Pipeline Agreement on the relevant part of the new merged entity There may nevertheless be practical difficulties in this event The Group seeks to mitigate this risk by diversifying its sources of opportunities across other Research Intensive Universities and other industrial sources

Directors and Company Secretary

Dr Martin Knight (aged 62) - Chairman
Dr Martin Knight joined and became Chairman of the Group in July 2003 Martin joined Morgan Grenfell & Co Ltd in 1974, becoming a director in 1982, having responsibility for five years for Project and Export Finance Since 1988, he has advised, worked with and served on the boards of a number of private and public companies, focusing on strategic and capital raising matters Martin is a graduate of, and has a DPhil in History from, Oxford University Until 31 December 2010 he was Chief Finance and Operating Officer of Imperial College London

Susan Searle (aged 48) - Chief Executive Officer
Susan Searle joined the Group in 1994 and was appointed to the position of Chief Executive Officer in January 2002 Susan was previously employed at Montech (Australia), Signet Group plc, Bank of Nova Scotia and Shell Chemicals Limited in the UK and internationally, in a variety of business growth and commercial roles Susan has served on the boards of several companies including TurboGenset prior to its listing in 2000, and Thiakis Limited, prior to its sale to Wyeth in 2008 Susan currently serves on the boards of the following Group technology companies Plaxica Limited and EVO Electric Limited Susan has an MA in Chemistry from Oxford University

Russ Cummings (aged 47) - Chief Investment Officer
Russ Cummings joined the Group from Scottish Equity Partners Limited where as director in the Information Technology Group he was responsible for investment in high growth technology companies Previously, Russ worked at 3i Group plc where he was a director in their UK Technology Group (and previously worked at Rolls-Royce Motors as a development engineer) Russ manages the investment portfolio and decision-making process Russ serves on the boards of the following Group technology companies Circassia Holdings Limited and Nexeon Limited Russ has a BSc in Mechanical Engineering from Imperial College London

Julian Smith (aged 46) - Chief Financial and Operations Officer
Julian Smith was appointed to the Group as Chief Financial and Operations Officer in January 2006 He joined the Group from RadioScape Limited where he spent six years as Chief Financial Officer and a member of the Board of Directors Julian's other previous roles include Director of Treasury Operations, Company Secretary, and Group Financial Controller at Metapath Software International Group and nine years at Arthur Andersen Julian is a Chartered Accountant Julian has an MA in Engineering Science from Oxford University

Dr David Allen (aged 57) – Senior Non-Executive Director - Chairman of the Remuneration Committee
Dr Allen joined the Group in 2008 after nearly 30 years with BP plc, one of the world's leading energy firms During his career with BP he held various posts within the company, including five years as a main board director, and was Chief of Staff from 2000 until 2007 Dr Allen has a DPhil in Physical Chemistry from Oxford University

Dr Paul Atherton (aged 58) - Non-Executive Director
Dr Paul Atherton co-founded Queensgate Instruments and was Managing Director until its sale in March 2000 Paul is an active angel investor, focusing on nanotechnology and photonics, and is a board member of a number of companies Paul is a shareholder in, and chairman, of two of the Group's technology companies, Nexeon Limited and Midaz Lasers Limited Paul also sits on the board of Sussex Place Ventures and was previously a governor of the London Business School Paul has a PhD in Physics from Imperial College London

Mark Rowan (aged 53) - Non-Executive Director – Chairman of the Audit Committee
Mark Rowan is a partner of Comvest Limited which specialises in early stage technology investment Mark previously worked at both JPMorgan and American International Group, Inc where he was President of Banque AIG and in charge of European Corporate Finance Since 1997 Mark has concentrated on the small business sector providing advice on strategic and structural issues to a broad spectrum of companies Mark is a shareholder in, and a director of, a Group technology company, Repregen Limited (formerly BioCeramic Therapeutics Limited) Mark has an MA in Economics from Cambridge University

Professor Stephen Richardson (aged 59) - Non-Executive Director
Appointed to the Board in 2009, Professor Richardson has had a distinguished career at Imperial College London since joining as an undergraduate in 1969 and obtaining a PhD in chemical engineering in 1975 Prior to his current roles as Deputy Rector and, since 2008, Principal of the Faculty of Engineering, Professor Richardson was Head of the Department of Chemical Engineering and Chemical Technology, from 2001, and since 1994 has been Professor of Chemical Engineering

Justin Bowen (aged 41) - General Counsel and Company Secretary
Justin Bowen joined the Group in January 2004 having previously held legal positions at GEC/Marconi plc and at RAC plc Called to the Bar in 1994 and with over 15 years of legal experience in industry, Justin manages the Legal department, is the Company Secretary of the Group and is responsible for regulatory matters Justin has an MA in Classics from Cambridge University

Senior management team

A number of other senior members of staff are involved in the execution of the Group's tactical plans which are set by the Board of Directors However, these senior members of staff are not considered to be key management personnel as described in IAS 24 as they are not involved with the planning, directing and controlling of the Group's strategic plan or for the setting of tactical plans

Brian Graves
Director of Commercialisation Services
Brian Graves joined the Group in 2001 as head of the Engineering Technology Transfer team Brian has over 20 years' experience in business development, product development and marketing in the engineering industry and previously worked for John Crane Limited, a division of Smiths Group plc

Tony Hickson
Managing Director of Technology Transfer Office
Tony Hickson joined the Group in early 2002 and is head of the Technology Transfer team Tony has over 17 years of commercial experience in bioscience companies including Wellcome, Murex Biotech, Abbott Laboratories and Kalibrant Limited

John Holden
Investment Director
John Holden joined the Group in 2007 He spent the first six years of his career as a corporate financier in the City Following an MBA he spent eight years with venture capital house 3i, latterly as an Investment Director with the UK Technology Group in London Most recently he was a Director and Joint Head of the UK Ventures team at ANGLE plc with responsibility for setting up and developing early stage technology based companies

Simon Kerr
Director of Bioscience Ventures
Simon Kerr joined the Group in September 2008 Having worked initially in marketing and business development roles in Beecham Pharmaceuticals and Wellcome plc, Simon moved into the biotechnology sector during the mid-90s He has extensive experience of emerging bioscience businesses, has held board-level positions in four unlisted companies and has led over 25 licensing, financing and M&A transactions He was most recently Commercial Director of CeNeS Pharmaceuticals plc until its acquisition by Paion AG in June 2008

Paul May
Director of Engineering Ventures
Paul joined the Group in July 2011 and has substantial experience in leadership roles in entrepreneurial ventures including the founding Technical Director of Cambridge Display Technology, a leading developer in polymer electronic displays, founding CEO of Kamelian, a global leader in low cost optical amplifiers, and Chairman of Ocuity, a 3D display company His recent role as Executive Director of the East of England Development Agency, with responsibility for innovation investments and high growth business support, has advanced his strong profile in the Cambridge entrepreneurial community Paul has a PhD in Laser Physics and an MSC in BioInformatics & Systems Biology, both from Imperial College London and an MBA from the London Business School

Jon Page
Director of Engineering Ventures
Jon Page worked for PwC and NatWest Bank, initially in their internal consultancy divisions and later in their e-commerce teams where he developed the strategy for e-payments He has over 20 years' experience in the consulting and finance sector and joined the Group in 2001 initially to head the Engineering team Jon created the New Ventures team in 2004 Jon sits on the board of Novacem Limited, one of the Group's technology companies

Directors' report for the year ended 31 July 2011

The Directors present their Report and the audited financial statements for the year ended 31 July 2011

Principal activity and review of business and future developments

The Group commercialises, incubates and invests in a wide range of technologies and businesses based on technology from Imperial College London, the University of Oxford, the University of Cambridge and University College London primarily within the areas of healthcare, energy and the environment Imperial Innovations Group plc acts as a holding company A review of the business of the Group is included in the Chief Executive's report The Group had 8 subsidiaries at 31 July 2011 which are described more fully in note 1 to the financial statements

The Chairman's statement together with the Chief Executive's report, the Financial report, the Key performance indicators, the Principal risks and uncertainties and the Corporate Governance Report describe the principal activities, key risks and performance indicators together with the financial position and future developments of the Group

Results and dividends

The Group successfully completed an equity raise of £140 million (before issue costs) The Group's profit for the financial year was £0 6 million (2010 £5 5 million) The Directors do not recommend the payment of a dividend (2010 £nil)

Research and development

The Group from time to time funds technology development through its proof of concept programme to establish the technical viability of the inventions disclosed during its technology identification process Wherever possible these activities are funded through a number of proof of concept funds secured from external sources such as the Higher Education Innovation Fund The intellectual property is normally retained within the Group These activities tend to be low in value between £5,000 and £25,000 and last between six and 18 months

Charitable donations

The Group made £600 of charitable donations in the year (2010 £nil) No donations were made to any political party (2010 £nil)

Financial risk management

Financial risk management is set out in note 18 to the financial statements

Directors

The Directors of the Group who served during the reported year, and up to the date of this report, and their appointment dates are as follows

	Company	Group
M Knight (Chairman)	25 Mar 03	27 Apr 06
S Searle (Chief Executive Officer)	14 Jul 99	27 Apr 06
R Cummings (Chief Investment Officer)	18 Sep 06	18 Sep 06
J Smith (Chief Financial and Operations Officer)	03 Jan 06	27 Apr 06
D Allen (Non-Executive Director)	-	01 Aug 08
P Atherton (Non-Executive Director)	29 Apr 04	27 Apr 06
S Richardson (Non-Executive Director)	-	21 Dec 09
M Rowan (Non-Executive Director)	13 Jan 05	27 Apr 06

Company appointment indicates when the Director was appointed as a Director of Imperial Innovations Limited which, prior to the creation of Imperial Innovations Group plc, had been the holding company of the Group Group appointment indicates when the Director was appointed as a Director of Imperial Innovations Group plc

All of the Directors above served on the Board throughout the reported year There have been no changes to the composition of the Board of Imperial Innovations Group plc between 31 July 2011 and the date of this report

Business review

The Chairman's statement, Chief Executive's report and the Financial report provide a business review of the Group's position at the end of the financial year including the development and performance of the business In the sections before this report are set out the Key performance indicators, the Current business and economic environment and a description of the principal risks and uncertainties facing the Group

General Statistics	2011	2010
Profit for the financial year (£m)	0 6	5 5
Increase in fair value of equity investments net of revenue share (£m)	3 3	8 2
Cash and short term liquidity investments (£m)	48 8	23 7
Net cash collected from sale of trade investments (£m)	3 1	9 2
Partly paid share capital due in two instalments (£m)	72 3	-
Purchase of trade investments (£m)	35 1	14 0
Revenue (£m)	4 5	4 3
New Intellectual Property Agreements	25	27

Directors' report for the year ended 31 July 2011 - continued

Set out below are details of the Directors' shareholdings and share options at the end of the period under review and there are no changes to those details as at the date of this report

Directors' Interests in the Ordinary Shares of Imperial Innovations Group plc

The following Directors held, either directly or indirectly, an interest in the following ordinary shares of Imperial Innovations Group plc

Number of Ordinary Shares held by Directors at 31 July	2011 Ordinary Shares	2010 Ordinary Shares
M Knight (Chairman)	329,990	597,492
S Searle (Chief Executive Officer)	465,790	601,927
J Smith (Chief Financial and Operations Officer)	216,402	270,501
R Cummings (Chief Investment Officer)	49,311	74,137
D Allen (Senior Non-Executive Director)	7,188	4,313
P Atherton (Non-Executive Director)	34,375	20,625
S Richardson (Non-Executive Director)	–	–
M Rowan (Non-Executive Director)	20,625	20,625

The analysis of the direct holding and the beneficial interest held by the independent trustees of the Employee Benefit Trust is as set out in the two tables below

Directors' Direct shareholdings

The following Directors directly held the following Ordinary Shares of Imperial Innovations Group plc

Number of Ordinary Shares held by Directors at 31 July	2011 Ordinary Shares	2010 Ordinary Shares
M Knight (Chairman)	100,640	118,140
S Searle (Chief Executive Officer)	67,800	118,140
J Smith (Chief Financial and Operations Officer)	39,219	78,760
R Cummings (Chief Investment Officer)	–	2,577
D Allen (Senior Non-Executive Director)	7,188	4,313
P Atherton (Non-Executive Director)	34,375	20,625
S Richardson (Non-Executive Director)	–	–
M Rowan (Non-Executive Director)	20,625	20,625

Directors' Beneficial interest held by the EBT

The Trustee of the Group's Employee Benefit Trust (EBT) has notified Directors that it holds Ordinary Shares in the Group for their benefit on the dates as set out below

Number of shares held by the EBT for the benefit of a director as at 31 July	2011 Ordinary Shares	2010 Ordinary Shares
M Knight (Chairman)	229,350	479,352
S Searle (Chief Executive Officer)	397,990	483,787
J Smith (Chief Financial and Operations Officer)	177,183	191,741
R Cummings (Chief Investment Officer)	49,311	71,560

The Group has not been notified of any change in such holdings since 31 July 2011

The following intentions of the EBT (as set out below) include periods that have not yet expired As a result, the Directors do not yet have an interest in the Ordinary shares and therefore these have not been included in the tables above

- The EBT notified Mr Cummings of its intention to benefit Mr Cummings with 3,548 Ordinary Shares should Mr Cummings continue to be employed on 20 October 2011 Such condition has not yet been met

- The EBT notified Ms Searle of its intention to benefit Ms Searle with 4,435 Ordinary Shares should Ms Searle continue to be employed on 20 October 2011 Such condition has not yet been met

- The EBT notified Mr Cummings of its intention to benefit Mr Cummings with 50,000 Ordinary Shares, providing that Mr Cummings shall have been continuously employed by the Group until at least 23 September 2011 As at the date of this report, this condition has been met but the condition was not met as at 31 July 2011

Directors' report for the year ended 31 July 2011 - continued

Directors' awards of share options
No director was awarded options over ordinary shares in the Group during the period under review As at 31 July 2011, the following Directors held the following options over Ordinary Shares

Number of share options held by Directors at 31 July	2011 Options	2010 Options
M Knight (Chairman)	78,760	78,760
S Searle (Chief Executive Officer)	78,760	78,760
P Atherton (Non-Executive Director)	272,151	272,151
M Rowan (Non-Executive Director)	251,526	251,526

No director exercised share options during the period under review and there are no changes to the above as at the date of this report

Further details of the interests of the Directors in options over ordinary shares of the Group are shown in the Directors' remuneration report

Company Secretary
The Company Secretary of the Group is J Bowen

Substantial shareholdings
As at 4 October 2011 the Company had been advised of the following shareholders with interests of 3% or more in its Ordinary Share capital

Shareholder percentage holdings

Company	%
Invesco Limited (The Bank of New York (Nominees))	45 57
Imperial College of Science, Technology and Medicine	30 26
Lansdowne Partners (Morstan Nominees Ltd)	13 71

The Group has considered whether Invesco Limited, with its significant shareholding in the Group (albeit in a number of its different funds), is a related party As Invesco Limited does not take part in financial or operating policy decisions, has no right to appoint a Board member, and does not exert significant influence over the Group, the Group has taken the view that Invesco Limited is not a Related Party

Given Invesco's substantial shareholding, the Board of Directors manage the relationship with Invesco carefully to ensure that any co-investment involving the Group and Invesco is conducted on an arm's length basis Although the Group may have significant influence over an investee company, ultimately the investee company makes the final decision regarding the investors as part of a fund-raising Where the Group leads a fund-raising all co-investors are responsible for their own evaluation and due diligence with no preferential treatment afforded to any particular investor

Policy and practice on payment to creditors
The Group is a supporter of the Better Payment Practice Group's 'Better Payment Practice Code' to which it subscribes when dealing with all of its suppliers Copies of the Better Payment Practice Group's code are available from the Department of Trade and Industry

Trade payables at the year-end represented 35 days (2010 36 days) of purchases for the Group and 29 days (31 July 2010 nil) for the Company As in the previously reported year, it is the Group's policy in respect of all suppliers to agree payment terms in advance of the supply of goods and to adhere to those payment terms

Employees
The Group employed an average of 43 employees (2010 41) throughout the year, including Executive Directors, all of whom are located on the same site and the Group is therefore of a size where it is not necessary to have introduced formal consultation processes However, the employees are encouraged to be involved with the decision making processes, through departmental meetings, bi-monthly CEO updates and an open and informal reporting structure

The Group operated a discretionary annual bonus scheme during the year for its staff whereby staff are eligible for an annual bonus based on their own and the Group's performance for the year

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes of the applicant concerned In the event of members of staff becoming disabled every effort is made to ensure that their employment within the Group continues and that the appropriate training is arranged It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability

Directors' report for the year ended 31 July 2011 - continued

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the company and of the profit or loss of the Group for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements respectively, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the Group's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006 The indemnity was in force throughout the last financial year and is currently in force The Company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its Directors

Provision of information to auditors

So far as each of the directors is aware there is no relevant audit information of which the Company's auditors are unaware Each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Annual general meeting

The Annual General Meeting of the Group will be held at 12 00 pm on Wednesday 14 December 2011 in The Boardroom, 52 Princes Gate, Exhibition Road, London SW7 2PG

Independent auditors

A resolution to re-appoint the auditors, PricewaterhouseCoopers LLP, will be proposed at the Annual General Meeting

By order of the Board

Just Bowen

J Bowen
Company Secretary
4 October 2011

Directors' remuneration report

This Report has been prepared in accordance with the requirements of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("the Regulations") concerning disclosure of Directors' remuneration and the provisions in Chapter 6 of Part 15 of the Companies Act 2006 as if the Group were a company quoted on the official list

The Board has chosen to comply with the Regulations in order to demonstrate its commitment to best practice in corporate governance Unless otherwise disclosed, the Report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to Directors' remuneration As required by the Regulations for companies quoted on the official list, a resolution to approve the Report will be proposed at the Annual General Meeting of the Group

The Regulations require the auditors to report to the Group's members on part of the Directors' Remuneration Report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 2006 and the Regulations This report has therefore been divided into separate sections for audited and unaudited information

Unaudited information

The following information has been prepared by the Group but has not been subject to an audit by the independent auditors

The Remuneration Committee (the "Committee') (Unaudited)

The members of the Committee are D Allen (Non-Executive Director of the Board, Senior Independent Director and Chairman of the Committee), M Rowan (Non-Executive Director of the Board, a member of the Committee) and M Knight (Chairman of the Board, a member of the Committee) The main responsibilities of the Committee are set out in the Corporate Governance Report

The Board is responsible for the remuneration of the Non-Executive Directors and in that matter the Non-Executive Directors play no part The Committee is responsible for the remuneration of the Chairman and the Executive Directors The Chief Executive Officer and the Chief Financial and Operations Officer may be invited to attend the Committee's meetings but are not present when their own remuneration is discussed During the year, the Committee commissioned and received the advice of legal advisers (Macfarlanes) with regard to the Group's executive incentive arrangements

Remuneration policy (Unaudited)

In forming the Group's policy on remuneration the Board gives full consideration to Schedule A of the UK Corporate Governance Code (June 2010) that sets out the guidelines for dealing with the design of performance-related remuneration The directors believe that the success of the Group depends, in part, on the performance of the senior management The directors also recognise the importance of ensuring that employees are incentivised and identify closely with the value of the Group The Remuneration Committee considers when determining the remuneration of the Chairman and the Executive Directors not only the pay and conditions of the Chairman and the Executive Directors but also those employees that are members of the senior management team and employees as a whole

The Group's policy is to provide remuneration packages to members of the senior management that are a fair reward for their contribution to the business, having regard to the complexity of the Group's operations and the need to attract, retain and motivate high quality senior management Remuneration comprises basic salary, discretionary awards, long-term performance-based Carried Interest Plan benefits, benefits in kind and pensions

The components of the remuneration of the Chief Executive Officer, the Chief Financial and Operations Officer and the Chief Investment Officer are set out in the following sections of the Directors' remuneration report and are designed to ensure retention in the long-term The remuneration packages as a whole are designed to be broadly comparable with those offered by other similar businesses

No Executive Director who serves as a Non-Executive director of another company in which the Company has an investment, receives from that appointment remuneration that is not vested in the Group

Base salary (Unaudited)

Individual base salaries of Executive Directors and senior employees are reviewed regularly by the Committee, taking into account a number of factors, including individual performance, responsibility changes and the Group's performance Base salary may also be determined with reference to the advice of external consultants and an appropriate comparator group of companies which may be reviewed annually The base salaries of directors have been increased by the Committee as set out in the table later in this report under the heading "Remuneration Details"

Discretionary Annual Award (Unaudited)

Each year the Remuneration Committee considers and recommends a discretionary award to be made to employees based on their own and the Group's performance For the Chief Executive Officer, the Chief Financial and Operations Officer and the Chief Investment Officer such consideration includes their performance against a target set by the Remuneration Committee For the reported year, the Group has recommended awards to such officers that are set out under the heading "Remuneration Details" in the column headed "Bonus Payments" The Chairman and the Non-Executive Directors are not eligible for any annual award or payment

Benefits (Unaudited)

In addition to their pension provisions described below, the Chief Executive Officer, the Chief Financial and Operations Officer and the Chief Investment Officer are each entitled to Death-in-Service benefit at four times annual salary and private medical insurance (family cover)

Pension arrangements (Unaudited)

The Chief Executive Officer, the Chief Financial and Operations Officer and the Chief Investment Officer are members of the Imperial Innovations Pension Scheme to which the Group contributes Pensionable earnings do not include elements of remuneration other than salary This scheme is described more fully in note 21 of the Consolidated Financial Statements

Directors' remuneration report - continued

Unaudited information - continued

Long-term Incentive arrangements (Unaudited)
The Group operates, or has operated, the following long-term incentive arrangements

The "Incentive Plans" - Options over Ordinary Shares under the Long-Term Incentive Plan and the Unapproved Share Option Scheme (Unaudited)
The Incentive Plans were adopted by the Board on 24 May 2006 and were approved by shareholders of the Group at an Extraordinary General Meeting on 20 July 2006 Eligible employees (including certain directors) may be awarded options over Ordinary Shares of the Group Only the Remuneration Committee has the discretion to grant awards under the Incentive Plans During the year under review, no options to employees or directors have been awarded under the Incentive Plans

As at 31 July 2011, and the date of signing the financial statements, there are no share options outstanding under the Incentive Plans Other share options under other arrangements remain outstanding in respect of directors as set out in the information later in this report in respect of the interests of the Directors in options over Ordinary Shares of the Group

EBT arrangements (Unaudited)

The Group established an Employee Benefit Trust (EBT) in 2005 for the purpose of benefitting current and former staff (other than the Non-Executive Directors) and certain of their family members The trustee of the EBT is RBC cees Trustee Limited, part of the Royal Bank of Canada (the "Trustee"), which is an independent and professional trustee

The EBT is entirely discretionary and the Group may only make recommendations regarding benefits provided to any beneficiary the Group has no control over any aspect of such benefits, should the Trustee see fit to provide them

The EBT currently holds Ordinary Shares in the Group for the benefit of Directors as set out in the Directors' Report The Group has no control over these shares and therefore such assets included in the EBT have not been consolidated by the Group

The EBT also has a small pool of unallocated shares and unallocated cash These amounts are considered to be under the de-facto control of the Group and have therefore been consolidated in the Group financial statements

Directors' remuneration report - continued

Unaudited information - continued

Carried Interest Plan (Unaudited)

For several years, the Group has maintained a long-term incentive arrangement known as the Carried Interest Plan It is the intention of the Group to continue to use the Carried Interest Plan as the Group's primary long-term incentive arrangement A carried interest plan is a form of long-term incentive arrangement used by the Venture Capital industry The Group's Carried Interest Plan allows Executive Directors and other permanent employees of the Group to obtain an equity participation in the growth of the underlying investments of the Group The Carried Interest Plan and its terms and conditions were designed by MM&K and are intended to follow best practice in the Venture Capital industry

The Carried Interest Plan is divided into several separate carried interest plans Investments in a given financial year are contributed to a carried interest plan for that financial year The exception is the first plan, the Class 2007 carried interest plan, which is based on investments that were made at any time prior to 31 July 2007 over a period of several financial years The second plan, the Class 2008 carried interest plan, ended on 31 July 2008, the third, the Class 2009 carried interest plan, ended on 31 July 2009, the fourth, the Class 2010 carried interest plan, ended on 31 July 2010 and the fifth, the Class 2011 carried interest Plan ended on 31 July 2011 and the sixth, the Class 2012 carried interest Plan, will end on 31 July 2012

The Group's policy is that participation in each of the carried interest plans is offered to permanent employees of the Group, including the Executive Directors The Chairman and the Non-Executive Directors are not eligible to participate in the Plan

Before any payment to a participant becomes due under any of the carried interest plans, the Group must have first received back the amount of the Group's original investment in the Group's underlying investments that are subject to the plan, together with interest on that original investment at a rate of 8% per annum compounded each year This return to the Group is known as the 'hurdle' The amount of the proceeds from the sale of investments in excess of the hurdle (the Excess Return) may be shared with the participants in the ratio 15% to the participants/85% to the Group The amount which participants receive as a result of that sharing of the Excess Return is known as the carried interest

Interests of the Executive Directors in the carried interest plans are as set out in the table below and there are no changes to those details as at the date of this report The maximum permissible percentage interest of all participants in the Excess Return (as defined above) of each carried interest plan is 15% The individual percentage interest of each Executive Director in the Excess Return of each carried interest plan is shown below, comprising any interests awarded to them during and since the reported year as well as any existing interests

Directors' Interests in the Carried Interest Plans (Unaudited)

	As at 31 July 2010	Awarded in year	As at 31 July 2011	[1]Amounts receivable in respect of scheme interests	Accrued value of scheme interest as at 31 July 2011
S Searle					
Class 2007 carried interest plan	2 55%	Nil	2 55%	Nil	Nil
Class 2008 carried interest plan	2 22%	Nil	2 22%	Nil	Nil
Class 2009 carried interest plan	1 12%	0 79%	1 91%	Nil	Nil
Class 2010 carried interest plan	0 56%	0 34%	0 90%	Nil	Nil
Class 2011 carried interest plan	Nil	0 52%	0 52%	Nil	Nil
J Smith					
Class 2007 carried interest plan	1 95%	Nil	1 95%	Nil	Nil
Class 2008 carried interest plan	1 70%	Nil	1 70%	Nil	Nil
Class 2009 carried interest plan	0 84%	0 11%	0 95%	Nil	Nil
Class 2010 carried interest plan	0 42%	0 03%	0 45%	Nil	Nil
Class 2011 carried interest plan	Nil	0 26%	0 26%	Nil	Nil
R Cummings					
Class 2007 carried interest plan	2 40%	Nil	2 40%	Nil	Nil
Class 2008 carried interest plan	2 09%	Nil	2 09%	Nil	Nil
Class 2009 carried interest plan	1 06%	0 85%	1 91%	Nil	Nil
Class 2010 carried interest plan	0 53%	0 37%	0 90%	Nil	Nil
Class 2011 carried interest plan	Nil	0 52%	0 52%	Nil	Nil

[1] No amounts are receivable in respect of scheme interests as there is no amount of proceeds from the sale of investments that is in excess of the hurdle

Directors' remuneration report - continued

Unaudited information - continued

Life assurance arrangements (Unaudited)
The Group has a Group Death-in-Service benefit insured with Legal & General covering all employees The inception date for this arrangement was 1 August 2005 The benefit pays a lump sum of four times the employee's basic annual salary

Directors' shareholdings (Unaudited)
Details of the directors' shareholdings in the Group are set out in the Directors' Report and, in so far as they relate to share options, below under the heading "The interests of the directors in options over Ordinary Shares of the Group"

Executive directors' service contracts (Unaudited)
Executive directors each have a service contract of indefinite duration until normal retirement age It is the Group's policy that directors' service contracts should incorporate no more than six months' notice of termination from the Group, in line with current best practice None of the directors' service contracts have a provision for compensation for loss of office or wrongful termination upon change of control beyond payment in lieu of contractual notice

The Committee's policy for provision for compensation for loss of office is to provide compensation which reflects the Group's contractual obligations

The acceptance by an Executive Director of Non-Executive director appointments with other companies is subject to Board approval

S Searle is employed as Chief Executive Officer of the Group under a service agreement dated 17 February 2005 The appointment is continuing and is terminable by either party on not less than six months' written notice S Searle is entitled to 25 days' paid holiday per annum, in addition to normal public holidays On termination of S Searle's employment, the Group may at its discretion require her not to carry out any duties during her notice period or pay her salary in lieu of notice S Searle is not entitled to any other benefits on the termination of her employment

J Smith is employed as Chief Financial and Operations Officer of the Group under a service agreement dated 4 October 2005 (although J Smith commenced his employment on 3 January 2006) The appointment is continuing and is terminable on not less than three months' written notice by either party J Smith is entitled to 25 days' paid holiday, in addition to normal public holidays On termination of J Smith's employment, the Group may at its discretion require him not to carry out any duties during his notice period or pay him his salary in lieu of his notice J Smith is not entitled to any other benefits on the termination of his employment

R Cummings is employed as Chief Investment Officer of the Group under a service agreement dated 18 September 2006 The appointment is continuing and is terminable on not less than six months' written notice by either party R Cummings is entitled to 25 days' paid holiday, in addition to normal public holidays On termination of R Cummings' employment, the Group may at its discretion require him not to carry out any duties during his notice period or pay him salary in lieu of notice R Cummings is not entitled to any other benefits on the termination of his employment

Non-Executive Directors (Unaudited)
The remuneration of Non-Executive Directors is determined by the Board, in which matter the Non-Executive Directors play no part D Allen, P Atherton, M Rowan and S Richardson do not participate in the Group pension plan

Each of P Atherton and M Rowan was appointed as a Non-Executive Director of Imperial Innovations Group plc by a letter of appointment each dated 15 April 2005 as amended by an agreement dated 30 October 2006 D Allen was appointed as a Non-Executive Director by a letter of appointment dated 9 July 2008 Whilst each of such letters originally anticipated a term of appointment of three years and that period has in each case expired, the Board has resolved to continue such appointments upon their existing terms, subject to and conditional upon the re-election of such directors by shareholders from time to time in accordance with the Group's Articles of Association

The appointment of each of D Allen, P Atherton and M Rowan is terminable at any time on either party giving three months' written notice

The annual fee for P Atherton and M Rowan was increased to £37,000 per annum with effect from 1st August 2011 The annual fee for D Allen was increased to £40,000 per annum with effect from 1st August 2011 Each individual is not entitled to any benefits upon the termination of his service to the Group

S Richardson was appointed to the Board on 21 December 2009 by Imperial College London in accordance with its right under the Relationship Agreement to appoint up to two directors and the appointment of S Richardson is governed by that agreement

Directors' remuneration report - continued

Unaudited information - continued

The Chairman (Unaudited)

The remuneration of the Chairman is determined by the Remuneration Committee, in which matter the Chairman plays no part and does not participate in the Committee's decision M Knight does not participate in the Group pension plan

M Knight's appointment as Chairman to the Group is through a consultancy agreement with Merrycroft Limited dated 25 July 2005 (as amended), with a fee of £60,000 per annum, terminated with effect on 31 December 2010 With effect from 1 January 2011, M Knight's service both as a Non-Executive Director and as Chairman has been through a Letter of Appointment with a fee per annum as specified below Whilst it is anticipated that M Knight's appointment will continue until 31 December 2012 on the terms of that letter, either the Group or M Knight may terminate his appointment at any time on giving three months' prior written notice to the other

M Knight is not entitled to any benefits upon the termination of his services to the Group The annual fee for the Chairman is £100,000 per annum with effect from 1 August 2011 (previously since 1 January 2011, £80,000)

Remuneration of directors (Unaudited)

Further details of directors' remuneration are shown in note 20

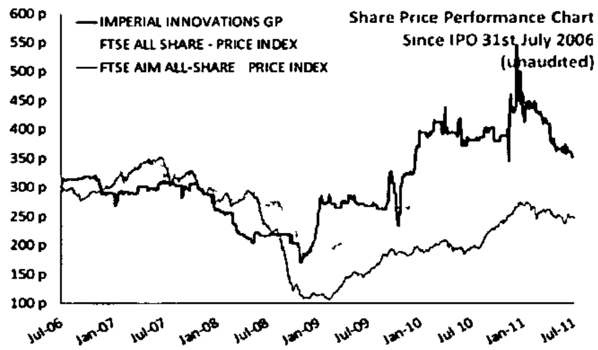
Total Shareholder Return (Unaudited)

A graph of the Total Shareholder Return (TSR), showing the Group's TSR for the last financial period ended 31 July and comparisons to indices has been set out below The Group's shares were registered on 31 July 2006 and therefore no information is available prior to this date

Performance graph (Unaudited)

The chart below shows the share price performance for the period from 31 July 2006, when the Group was registered on the Alternative Investment Market of the London Stock Exchange ("AIM"), to 31 July 2011 alongside the performance of the FTSE AIM all-share and FTSE all-share indices

For ease of comparison these figures have been rebased such that the Group's share price on 31 July 2006 is equal to the FTSE AIM All Share and FTSE All Share indices The directors have selected the FTSE AIM all-share and FTSE all-share indices as, in their opinion, these indices comprise the most relevant equity indices of which the Group is a member against which total shareholder return of the Group should be measured



Directors' remuneration report - continued

Audited information

Full details of the directors' remuneration, together with options granted over Ordinary Shares of the Group, are set out below

Remuneration details

	Salary / Fees £	[5]Benefits in Kind £	Bonus Payments £	2011 Total £	2010 Total £	2011 Pension £	2010 Pension £
M Knight[1]	71,667	-	-	71,667	60,000	-	-
S Searle[2]	174,774	5,421	90,000	270,195	199,995	18,677	16,375
J Smith[2]	138,245	2,645	70,000	210,890	160,797	11,751	10,820
R Cummings[2]	163,333	2,386	90,000	255,719	168,149	13,883	10,820
D Allen[3 4]	32,000	-	-	32,000	32,000	-	-
P Atherton[3]	32,000	-	-	32,000	32,000	-	-
S Richardson[3]	-	-	-	-	-	-	-
M Rowan[3]	32,000	-	-	32,000	32,000	-	-
Total	644,019	10,452	250,000	904,471	684,941	44,311	38,015

1 Chairman Fees were paid to Merrycroft Limited for the services of M Knight until 31 December 2010 From 1 January 2011 fees have been paid to M Knight The Remuneration Committee determined that the fees paid to M Knight were to be £80,000 per annum from 1 January 2011, rising to £100,000 per annum from 1 August 2011

2 Executive Director With effect from 1 April 2011, the Remuneration Committee increased the Executive Directors' base salaries as follows S Searle £200,000 per annum (previously, £162,161 per annum), R Cummings £200,000 per annum (previously, £145,000 per annum) and J Smith £150,000 per annum (previously, £132,368 per annum) With effect from 1 August 2011, the Remuneration Committee has increased the Executive Directors' base salaries as follows S Searle £215,000 per annum, R Cummings £210,000 per annum and J Smith £175,000 per annum

3 Non-Executive Director With effect from 1 August 2011, the Group increased the fees of the following Non-Executive Directors as follows D Allen £40,000 per annum, P Atherton £37,000 per annum, M Rowan £37,000 per annum

4 Senior Independent Director (appointed with effect from 24 January 2011)

5 Benefits in Kind comprises private healthcare cover and death-in-service benefit

Directors' remuneration report - continued

Audited information - continued

The interests of the directors in options over Ordinary Shares of the Group

Part 1	Number of options					Exercise Dates	
	at date of Report	at 31 July 2011	at 31 July 2010	Date of Grant	Exercise Price	from	To
M Knight	78,760	78,760	78,760	20 Jul 06	£100[1]	31 Jul 2006	19 July 2016
S Searle	78,760	78,760	78,760	20 Jul 06	£100[1]	31 Jul 2006	19 July 2016

Part 2	Number of options					Exercise Dates	
	at date of Report	at 31 July 2011	at 31 July 2010	Date of Grant	Exercise Price	from	to
P Atherton	123,651	123,651	123,651	20 Jul 06	£2 42[2]	28 Apr 2008	19 July 2016
	148,500	148,500	148,500	20 Jul 06	£3 65[2]	28 Apr 2008	19 July 2016
M Rowan	103,026	103,026	103,026	20 Jul 06	£2 42[2]	28 Apr 2008	19 July 2016
	148,500	148,500	148,500	20 Jul 06	£3 65[2]	28 Apr 2008	19 July 2016

[1] In aggregate for all Ordinary Shares exercised
[2] for each Ordinary Share exercised
No price was paid for the award of any of the options referred to in the table above

The options set out in part 1 of the table above were granted prior to the admission of the Group's ordinary shares to trading on AIM on 31 July 2006 (Admission) upon the conversion of former options over shares in a subsidiary of the Group that were granted to those individuals The options may be exercised subject to their terms, unless at the date of any purported exercise the options have lapsed

The options set out in part 2 of the table, which have an exercise price of £3 65, were granted in July 2006, prior to Admission, in the context of a fund-raising on Admission The options described in part 2 of the table, which have an exercise price of £2 42, were granted in July 2006, prior to Admission, upon the conversion of former options over shares in a subsidiary of the Group that were granted in the context of a fund-raising by a private placing of shares

No changes since grant have been made to the criteria relating to any of the options described above

No options were exercised by directors during the period (2010 nil)

The market price of the Company's shares at the end of the financial year (being at close on the last trading day of that year, 29 July 2011) was £3 52 (2010 £4 68) The range of prices during the year was between £3 45 and £5 45

By Order of the Board

Dr David Allen,
Chairman, Remuneration Committee
4 October 2011

Corporate governance report

The Group has a policy of seeking to comply with established best practice in the field of corporate governance as set out in the UK Corporate Governance Code (June 2010) It should be noted that the Group is not required to comply with the UK Corporate Governance Code (June 2010) The following sets out the main principles of good governance in the UK Corporate Governance Code (June 2010) that have been followed by the Board and how those principles have been applied The following disclosure is voluntary for the Group and indicates where appropriate relevant principles have been adopted The UK Corporate Governance Code (June 2010) is publically available on the Financial Reporting Council website (www frc org uk) A statement as to the Group's compliance with the UK Corporate Governance Code (June 2010) is made below

The Board

The Group is controlled through its Board of Directors, which comprises those individuals set out in the Directors' report The Board's main roles are to create value for shareholders, to provide entrepreneurial leadership of the Group, to approve the Group's strategic objectives and to ensure that the necessary financial and other resources are made available to enable them to meet those objectives

The Board, which meets normally at least every month (except for August), has a schedule of matters reserved for its approval Board papers are sent to all directors in advance of each Board meeting including management accounts and accompanying reports from Executive Directors and other members of the senior management team At each meeting the Board is briefed on issues arising, reviews the progress of the Group towards its objectives and monitors financial performance against budget and forecast During the year the Board met 14 times at the Group's offices All of the serving directors attended 10 of those meetings In respect of the remaining 4 meetings which not all directors attended, D Allen was unable to attend one and P Atherton, S Richardson and M Rowan were unable to attend two respectively

The specific responsibilities reserved for the Board include setting Group strategy and approving an annual budget and medium term projections, reviewing operational and financial performance, approving the material terms of any acquisition, investment, divestment or capital expenditure which has a value of over £25,000, reviewing the Group's systems of financial control and risk management, ensuring that appropriate management development and succession plans are in place, reviewing the environmental, health and safety performance of the Group, approving appointments to the Board, approving policies relating to directors' remuneration and the severance of directors' contracts, and ensuring that a satisfactory dialogue takes place with shareholders

Other than as set out above, operational control is delegated by the Board to the Chief Executive Officer or to such other person as the Chief Executive Officer shall determine Non-Executive Directors are able to contact the Executive Directors at any time for further information

Remuneration Committee

During the year, the Remuneration Committee comprised D Allen (Chairman of the Committee), M Rowan and M Knight (each a member of the Committee) The Committee met 8 times during the year at the Group's offices In all cases all serving members attended the meetings, by telephone where appropriate When necessary, non-Committee members were invited to attend No Director is involved in deciding his or her own remuneration The Committee's principal responsibilities are the review and recommendation of the scale and structure of remuneration for senior management

The Committee's terms of reference are publicly available on request or on the Group's website

The UK Corporate Governance Code (June 2010) specifies that it is the Board that must report on the remuneration of its members and not the Committee This report is presented in the Directors' Remuneration Report above

Re-election of directors

All directors are subject to election by shareholders at the first annual general meeting after their appointment, and to re-election thereafter at intervals of no more than three years The names of directors submitted for election or re-election are accompanied by sufficient biographical details and any other relevant information to enable shareholders to take an informed decision on their election

At the next Annual General Meeting, resolutions will be proposed to re-elect D Allen, M Rowan and J Smith Further details will be set out in the Notice of Annual General Meeting sent to all shareholders

Audit Committee

During the year, the Audit Committee comprised M Rowan (Chairman of the Committee) and P Atherton (a member of the Committee) The Audit Committee met 4 times during the year with the auditors in attendance All serving members attended the meetings When necessary, non-Committee members were invited to attend

The Audit Committee regularly reviews its functions against best practice with the assistance of the Group's auditors The Committee's terms of reference are publicly available on request or on the Group's website

The Committee's principal responsibilities are ensuring that the financial performance of the Group is properly reported on and monitored and reviewing the auditors' reports relating to accounts and internal control systems The Committee reviews at least annually the provision of non-audit services and monitors the auditors' independence In addition, the Chairman maintains dialogue with the auditors outside the Audit Committee

Corporate governance report - continued

Nomination Committee
The Nomination Committee comprises of M Knight (Chairman of the Committee), P Atherton and M Rowan (each a member of the Committee) The Committee's principal responsibility is considering appointments to the Board Before an appointment is made, the Committee evaluates the balance of skills, knowledge and experience on the Board and, in the light of this evaluation, prepares a description of the role and capabilities required for a particular appointment The Committee's terms of reference are publicly available on request or on the Group's website

The Committee gives full consideration to succession planning in the course of its work, taking into account the challenges and opportunities facing the Group and what skills and expertise are therefore needed on the Board and from senior management in the future

The Chairman does not chair the Nomination Committee when it is dealing with the appointment of a successor to the Chairmanship, in which case, the Committee is chaired by a Non-Executive Director elected by the remaining members The Nomination Committee does not meet in respect of appointments to the Board made by Imperial College London which are made in accordance with its right under the Relationship Agreement to appoint up to two directors

The Nomination Committee did not meet during the period under review

The roles of the Chairman and the CEO
The division of responsibilities between the Chairman of the Board and the Chief Executive Officer is clearly defined M Knight, the Chairman, spends 1-2 days per week on the business of the Group The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda The Chairman facilitates constructive relations between Executive and Non-Executive Directors, and ensures that Directors receive accurate, timely and clear information and also effective communication with shareholders

The Chief Executive Officer has direct charge of the Group on a day-to-day basis and is accountable to the Board for the operational and financial performance of the Group

Senior Independent Director
Upon the raising of £140 million (before issue costs) in January 2011, the Board decided that it was appropriate to appoint a senior independent Non-Executive Director, given the Group's size and development With effect from 24 January 2011, the Board appointed Dr David Allen as senior independent Non-Executive Director

Directors and Directors' independence
The composition of the Board of Directors at the date of this report is set out in the Directors' report All of these Directors served throughout the period under review

The Board considers that the Chairman of the Audit Committee has the appropriate recent and relevant financial experience

The Board currently comprises the Chairman, four other Non-Executive Directors and three Executive Directors The Non-Executive Directors constructively challenge, help develop proposals on strategy, bring strong, independent judgement, knowledge and experience to the Board's deliberations

Until his departure from the position of Chief Finance and Operating Officer of Imperial College London, the majority shareholder of the Group prior to the equity raise, on 31 December 2010, M Knight, Chairman, was not deemed to be an independent Non-Executive Director

S Richardson is not deemed to be an independent Non-Executive Director due to his position as Deputy Rector of Imperial College London

M Knight, Chairman, and P Atherton and M Rowan, each a Non-Executive Director, have options over Ordinary Shares of the Group as set out in the Directors' Remuneration Report Directors, other than the Executive Directors, may accept appointments as Directors of other companies and retain any related fees paid to them M Knight, D Allen, P Atherton and M Rowan act as Directors of a number of private companies outside the Group

The Executive Directors may accept external appointments as Non-Executive Directors of other companies with the prior consent of the Board and, where such appointment is to the board of one of the Group's technology companies, they must vest in the Group any related fees paid to them

M Knight, P Atherton and M Rowan also serve on the boards of some of the Group's technology companies, as set out in note 24 and retain the related fees paid to them P Atherton and M Rowan are also shareholders in the Group's technology companies, as set out in note 24

D Allen, P Atherton and M Rowan are independent from Imperial College London The Board considers D Allen, P Atherton and M Rowan to be sufficiently independent to be classified as independent Non-Executive Directors

The Directors are given access to independent professional advice at the Group's expense when the directors deem it is necessary in order for them to carry out their responsibilities

All Directors have access to the advice and services of the Company Secretary who is responsible to the Board as a whole for ensuring that Board procedures are properly followed and that applicable rules and regulations are complied with

Corporate governance report - continued

The Group has adopted a code of dealings in securities of the Group which is considered appropriate for a company on AIM The Directors comply with Rule 21 of the AIM Rules relating to Directors' dealings and take all reasonable steps to ensure compliance by the Group's 'applicable employees' (as defined in the AIM Rules)

Professional development
On appointment, a Director takes part in an induction programme when they receive information about the Group, the role of the Board and the matters reserved for its decision, the terms of reference and membership of the Board committees, the Group's corporate governance practices and procedures, and the latest financial information about the Group Throughout their period in office the Directors are continually updated on the Group's business and the competitive and regulatory environments in which it operates Directors are also advised on appointment of their legal and other duties and obligations as a Director of an AIM listed company and they are also updated on changes to the legal and governance requirements of the Group and upon themselves as Directors

Board evaluation
The Board is mindful of the requirement to undertake an annual evaluation of its performance and that of its committees and individual Directors The Board has adopted the following procedures in order to conduct Board performance evaluation

The performance of the Board, its committees, the Executive Directors and the Non-Executive Directors is evaluated by the Chairman on an on-going basis The Chairman meets each of the Executive Directors regularly throughout the year The Chairman conducts an annual formal performance appraisal of the Chief Executive Officer The Chairman, in conjunction with the Chief Executive Officer, assesses annually the performance of the Chief Financial and Operations Director, the Chief Investment Officer as well as the Company Secretary and other senior managers

Re-election
All Directors are required to stand for re-election at the first Annual General Meeting following their appointment In accordance with the Company's Articles of Association, at every Annual General Meeting one third of the Board, who are subject to rotation, retire from office The term of office of Non-Executive Directors is anticipated to be three years At the end of that period their suitability for continuing service is considered and if appropriate extended, subject to their re-election as above by shareholders The terms and conditions are set out in their letter of appointment as detailed in the Directors' remuneration report

Relations with shareholders
The Board attaches great importance to communications with both institutional and private shareholders In fulfilment of the Chairman's obligations under the UK Corporate Governance Code (June 2010), the Chairman gives feedback to the Board, and in particular to the Non-Executive Directors, on issues raised with him by major shareholders Regular communication is maintained with all shareholders through company announcements, the Annual Report and Accounts, Preliminary Results and the Interim Report

The directors seek to build a mutual understanding of objectives between the Group and its shareholders Institutional shareholders are in contact with the Directors through presentations and meetings to discuss issues and to give feedback regularly throughout the year With private shareholders this is not always practical The Board therefore intends to use the Group's Annual General Meeting (AGM) as the opportunity to meet private shareholders who are encouraged to attend the AGM when there is an opportunity to ask questions of the Directors on a formal and informal basis and to discuss development of the business

The Group has been in compliance during the reported year, and since the end of that year, with the undertaking which it gave at the time of its fund-raising in January 2011 to Imperial College London, not to issue ordinary shares such that on a fully diluted basis Imperial College's shareholding should fall to 30% or less

The Group operates a website, which can be found at www imperialinnovations co uk The website contains the information about the Group that is required by AIM Rule 26 That information contains, amongst other information, details on the Group and its activities, the Group's regulatory announcements, its Annual Reports and Interim Reports and details of the Group's share price

Corporate governance report - continued

Internal control

It is the responsibility of the Directors and senior management to safeguard the value of the business and assets of the Group Part of this responsibility requires the development of relevant policies and appropriate internal controls to ensure proper management of the Group's resources and the identification of risks which might serve to undermine them

The Board acknowledges that it has ultimate responsibility for the Group's system of internal controls and for reviewing their effectiveness However, the system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss The system of internal control accords with the Turnbull Guidance and is reviewed at least once a year by the Audit Committee of the Board

The Board complies with principle C 2 of the UK Corporate Governance Code (June 2010) in having a continuous process for identifying, evaluating and managing the significant risks the Group faces This process has been in place throughout the year in review and up to the date of the approval of the Annual Report and Accounts Appropriate members of staff are aware of the internal controls of the Group and the Group has adopted a whistle-blowing policy for all staff

Procedures are in place to deal with conflicts of interest and they have been operated effectively throughout the year Directors are regularly appraised of their duties as directors in respect of conflicts of interest

The Audit Committee, which was established by the Board, is chaired by M Rowan and includes P Atherton The Audit Committee reviews the risk management and control processes and reports to the Board The Audit Committee reached its recommendation to the Board that a resolution be put to shareholders to re-appoint the auditors after consideration of the Group's policies and controls including its policy on using auditors for non-audit services

The Board has reviewed the effectiveness of the material internal controls during the year The key features of the internal control systems that operated throughout the period covered by the Financial Statements are set out below

- The Group prepares detailed budgets and working capital forecasts, which are based upon the strategy of the Group and are approved by the Board Detailed management accounts are prepared each month and are compared to budgets, with any variances being investigated
- The Board monitors the activities of the Group through the supply of regular information from various areas of the business as set out in Board papers
- The Board routinely monitors the performance of its investments The Group employs stringent investment appraisal processes prior to deciding on investment Regular reports are made to the Board on the status and valuation of investments and significant disposals require Board approval
- The Group has a structure with clearly drawn lines of accountability and authority Employees are required to follow clearly laid out internal procedures and policies appropriate to the business and their position within the business
- The Group employs directors and senior employees with the appropriate knowledge and experience

Given the Group's size and development, the Board did not consider it necessary to have an internal audit function during the year The Board will continue to monitor this requirement

After making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future For this reason, they continue to adopt the going concern basis in preparing the accounts

Corporate governance report - continued

Corporate and social responsibility

The principal activities of the Group are technology commercialisation and investments During the year, the Group employed an average of 43 people The Group aims to conduct its business in a socially responsible manner and in all its activities the Group aims to be commercial and fair, to maintain its integrity and professionalism and to respect the needs of its investors, employees and suppliers

Part of the Group's strategy is to improve the world by creating value from inventions made by Imperial College London and the Group's other university partners The Group works in partnership with inventors, customers and co-investors and seeks to share reward fairly There are circumstances where we consider intellectual property must be exploited with great sensitivity

For example, the Group has supported the development of drugs that will help countries in the third world, specifically, the Group has helped to persuade pharmaceutical companies to supply drugs at modest cost to those countries

The Group is involved in the development of technologies for a low carbon environment and, as such, employees are encouraged to propose new measures for the business in keeping with these programmes

Statement of Directors' Responsibilities

A statement of the Directors' responsibilities is set out in the Directors' Report

Going concern

Compliance with the UK Corporate Governance Code (June 2010)

During the year ended 31 July 2011, the Group has been in compliance with all relevant provisions set out in the UK Corporate Governance Code (June 2010) except in the five areas listed below

i M Knight, Chairman, was not deemed to be an independent Non-Executive Director for part of the year due to his position as Chief Finance and Operating Officer of Imperial College London for part of the year

ii M Knight, Chairman, and P Atherton and M Rowan, both independent Non-Executive Directors, have options over Ordinary Shares of the Group as set out in the Directors' remuneration report,

iii M Knight, Chairman, has been notified by the Group's EBT of him being benefitted with Ordinary Shares of the Group as set out in the Directors' Report,

iv S Richardson is not deemed to be an independent Non-Executive Director due to his position as Deputy Rector of Imperial College London, and

v The Nomination Committee does not meet in respect of appointments to the Board made by Imperial College London, which are made in accordance with its right under the Relationship Agreement to appoint up to two directors

Independent auditors' report to the members of Imperial Innovations Group plc

We have audited the group financial statements of Imperial Innovations Group plc for the year ended 31 July 2011 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities set out on page 24, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the group financial statements

- give a true and fair view of the state of the group's affairs as at 31 July 2011 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Other matters
We have reported separately on the parent company financial statements of Imperial Innovations Group plc for the year ended 31 July 2011 and on the information in the Directors' Remuneration Report that is described as having been audited

Stuart Newman

Stuart Newman (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
4 October 2011

Consolidated statement of comprehensive income

For the year ended 31 July 2011

	Note	2011 £000	2010 £000 (Restated)[1]
Revenue	2	4,520	4,341
Cost of sales		(1,072)	(1,283)
Gross profit		**3,448**	**3,058**
Change in fair value of investments	3 (i)	3,262	8,217
Administrative expenses	4	(7,809)	(6,171)
Operating (loss) / profit		**(1,099)**	**5,104**
Finance income	6	1,672	431
Profit before taxation	7	**573**	**5,535**
Taxation	8	-	-
Profit and total comprehensive income for the financial year		**573**	**5,535**
Basic earnings per Ordinary Share (pence)	9	0 93	9 35
Diluted earnings per Ordinary share (pence)	9	0 71	9 33

[1] Basic and diluted earnings per ordinary share has been restated to take account of the bonus element of the Equity raise (see note 9)

The notes on pages 42 to 73 are an integral part of these consolidated financial statements

Consolidated balance sheet

As at 31 July 2011

Company registered number 05796766

	Note	2011 £000	2010 £000
Assets			
Non-current assets			
Property, plant and equipment	11	98	77
Investments	3(i)	104,103	67,015
University Challenge Seed Fund (UCSF)			
- Investments	3(iii)	419	516
- Loans	3(iii)	10	42
Other receivables	23	-	443
Financial asset – partly paid share capital	16	35,705	-
Total non-current assets		**140,335**	**68,093**
Current assets			
Trade and other receivables	12	8,372	8,010
Financial asset – partly paid share capital	16	36,572	-
Short term liquidity investments	13	25,000	12,513
Cash and cash equivalents	13	23,848	11,219
Total current assets		**93,792**	**31,742**
Total assets		**234,127**	**99,835**
Equity and liabilities			
Equity attributable to equity holders			
Issued share capital	16	129,661	1,812
Share premium		61,381	51,748
Retained earnings		6,822	11,399
Share-based payments		8,138	8,070
Other reserves	17	18,096	18,096
Total equity		**224,098**	**91,125**
Liabilities			
Non-current liabilities			
University Challenge Seed Fund (UCSF)	15	457	559
Provisions for liabilities and charges	3(i)	5,275	4,633
Total non-current liabilities		**5,732**	**5,192**
Current liabilities			
Trade and other payables	14	4,297	3,518
Total liabilities		**10,029**	**8,710**
Total equity and liabilities		**234,127**	**99,835**

The notes on pages 42 to 73 are an integral part of these consolidated financial statements

The Financial Statements on pages 38 to 73 were approved by the Board of Directors on 4 October 2011 and were signed on its behalf by J Smith and S Searle

J Smith
Chief Financial and Operations Officer
4 October 2011

S Searle
Chief Executive Officer
4 October 2011

Consolidated cash flow statement

For the year ended 31 July 2011

	Note	2011 £000	2010 £000
Cash flows from operating activities			
Operating (loss) / profit		(1,099)	5,104
Adjustments to reconcile operating (loss) / profit to net cash flows from operating activities			
Depreciation of property, plant and equipment		34	19
Fair value movement in investments		(3,262)	(8,217)
Share based payments charge		68	58
Working capital adjustments			
Increase in trade and other receivables		(640)	(968)
Increase in trade and other payables		472	635
Net cash used in operating activities		**(4,427)**	**(3,369)**
Cash flows from investing activities			
Purchase of trade investments	13	(34,993)	(13,445)
Proceeds from sale of trade investments	13	3,374	9,609
Revenue share paid on asset realisations of trade investments	13	(246)	(413)
Net cash flows from investments in trade investments		**(31,865)**	**(4,249)**
Purchase of property, plant and equipment		(55)	(68)
Interest received		348	775
Movement in short term liquidity investments		(12,487)	16,787
Net cash flows (used in) / generated from other investing activities		**(12,194)**	**17,494**
Net cash (used in) / generated from investing activities		**(44,059)**	**13,245**
Cash flows from financing activities			
Proceeds from share issues		65,531	66
Expenses of share issues		(4,529)	-
Movement in cash held by EBT		85	-
Purchase of share options		-	(124)
UCSF cash		28	-
Net cash generated from / (used in) financing activities		**61,115**	**(58)**
Net increase in cash and cash equivalents		12,629	9,818
Cash and cash equivalents at beginning of the year		11,219	1,401
Cash and cash equivalents at end of the year	13	**23,848**	**11,219**

The notes on pages 42 to 73 are an integral part of these consolidated financial statements

Consolidated statement of changes in equity attributable to equity holders of the Group

	Issued Share Capital £000	Share Premium £000	Retained Earnings £000	Share-based Payments £000	Other Reserves £000	Total £000
At 1 August 2009	**1,746**	**51,748**	**5,903**	**8,097**	**18,096**	**85,590**
Comprehensive income						
Profit for the year	-	-	5,535	-	-	5,535
Total comprehensive income	**-**	**-**	**5,535**	**-**	**-**	**5,535**
Transactions with Owners						
Value of employee services	-	-	-	58	-	58
Proceeds from shares issued	66	-	-	-	-	66
Share based payment reserve movement	-	-	(39)	(85)	-	(124)
Transactions with owners	**66**	**-**	**(39)**	**(27)**	**-**	**-**
At 31 July 2010	**1,812**	**51,748**	**11,399**	**8,070**	**18,096**	**91,125**
Comprehensive income						
Profit for the year	-	-	573	-	-	573
Total comprehensive income	**-**	**-**	**573**	**-**	**-**	**573**
Transactions with owners						
Value of employee services	-	-	-	68	-	68
Share capital issued	126,817	9,959	-	-	-	136,776
Costs of equity raise	-	(326)	(4,203)	-	-	(4,529)
Unwinding of discount on partly paid shares	1,032	-	(1,032)	-	-	-
EBT reserve movement	-	-	85	-	-	85
Transactions with owners	**127,849**	**9,633**	**(5,150)**	**68**	**-**	**132,400**
At 31 July 2011	**129,661**	**61,381**	**6,822**	**8,138**	**18,096**	**224,098**

Treasury shares with a cost of £6,013 have been netted against retained earnings representing shares held by the Employee Benefit Trust

The notes on pages 42 to 73 are an integral part of these consolidated financial statements

Notes to the consolidated financial statements

1 Accounting policies

General information

Imperial Innovations Group plc is a Public Limited Company incorporated and domiciled in the United Kingdom whose shares are registered on the Alternative Investment Market of the London Stock Exchange (AIM) The address of the registered office is Imperial Innovations Group plc, 52 Princes Gate, Exhibition Road, London SW7 2PG Imperial Innovations Group plc's shares were admitted to the AIM market of the London Stock Exchange on 31 July 2006

Basis of preparation

The consolidated Financial Statements comprise a consolidation of amounts included in the financial statements of the following subsidiary companies

Company	Nature of operations	Country of Incorporation
Imperial Innovations Limited	Technology licensing and investment holding company	England
Imperial Innovations LLP	Investment holding company	England
Imperial Innovations Investments Limited	Investment holding company	England
Imperial Innovations Businesses LLP	Investment holding company	England
Imperial Innovations Investment Management Limited	Investment services company	England
Imperial College Company Maker Limited	Investment holding company	England
Imperial Innovations Sarl	Investment holding company	Luxembourg
Sweetspot Therapeutics Limited	Newly formed Technology company	England

All the subsidiaries of the Group are 100% owned within the Group and have been included in the consolidated Financial Statements

The consolidated Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities at fair value through profit and loss (including derivative financial instruments), as required by International Accounting Standard (IAS) 39 'Financial Instruments Recognition and Measurement'

The consolidated Financial Statements of Imperial Innovations Group plc (the Group) have been prepared in accordance with European Union Endorsed International Financial Reporting Standards (IFRSs), the IFRS Interpretations Committee (formerly the International Financial Reporting Interpretations Committee (IFRIC)) interpretations and the Companies Act 2006 applicable to companies reporting under IFRS The Group has elected to prepare its entity accounts in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and these are presented on pages 75 to 78

The preparation of financial statements in conformity with IFRS as endorsed by the EU requires the use of certain critical accounting estimates It also requires management to exercise its judgement in the process of applying the Group's accounting policies The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated Financial Statements are disclosed in note 19

New standards, amendments and interpretations

(a) Standards, amendments and interpretations effective for the first time in the year ended 31 July 2011

Amendment to IAS 32 on classification of rights issue
Amendments to IFRS 2, Share-based payments group cash-settled transactions
Annual improvements 2009
IFRIC 18, 'Transfer of assets from customers'
IFRIC 19, 'Extinguishing financial liabilities with equity instruments'
Amendments to IFRIC 9 and IAS 39 regarding embedded derivatives

None of these have had any impact on the reported results of the Group

Notes to the consolidated financial statements - continued

1 Accounting policies - continued

New standards, amendments and interpretations - continued

(b) Standards, amendments and interpretations that are not yet effective and have not been early adopted
Amendment to IAS 24, 'Related party disclosures'
Amendment to IFRIC 14, 'Prepayments of minimum funding requirement'
Annual improvements 2010

The Directors do not anticipate that the adoption of these Standards, Amendments and Interpretations, where relevant, in future periods will have a material impact on the Group's financial statements

(c) Standards, amendments and interpretations that are not yet effective and have not yet been endorsed by the EU
IAS 19 (revised 2011), 'Employee benefits'
Amendment to IAS 1, 'Financial statement presentation' on other comprehensive income (OCI)
Amendments to IFRS 7 on de-recognition
Amendment to IAS 12, 'Income taxes' on deferred tax
IFRS 9, 'Financial instruments' on 'Classification and measurement' of financial assets
IFRS 9, 'Financial instruments' on 'Classification and measurement' of financial liabilities
IFRS 10, 'Consolidated financial statements'
IFRS 11, 'Joint arrangements'
IFRS 12, 'Disclosure of interests in other entities'
IFRS 13, 'Fair value measurement'
IAS 27 (revised), 'Separate financial statements'
IAS 28 (revised), 'Investments in associates and joint ventures'

The Directors do not anticipate that the adoption of these Standards, Amendments and Interpretations, where relevant, in future periods will have a material impact on the Group's financial statements

Notes to the consolidated financial statements - continued

1 Accounting policies - continued

Basis of Consolidation

The Group's consolidated Financial Statements consist of Imperial Innovations Group plc and all of its subsidiaries The consolidated financial statements exclude intra-group transactions

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of more than half of the voting rights (currently exercisable or convertible potential voting rights), or by way of contractual agreement Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group

The cost of acquisition is measured at fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange Acquisition related costs are expensed as incurred Identifiable assets acquired, and liabilities assumed, in a business combination are initially measured at their fair values at acquisition date, irrespective of the extent of any non-controlling interest The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets is recorded as goodwill

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated Unrealised losses are also eliminated

Associates

Investments that are held as part of the Group's investment portfolio are carried in the balance sheet at fair value even though the Group may have significant influence over these companies This treatment is permitted by IAS 28 'Investments in Associates', which requires such investments to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39 (Financial instruments Recognition and measurement), with changes in fair value recognised in the period of change

Notes to the Consolidated Financial Statements - continued

1 Accounting policies - continued

Foreign currency translation
The consolidated Financial Statements are presented in pounds sterling, which is the Company's functional and the Group's presentation currency The Group determines the functional currency of each entity and items included in the Financial Statements of each entity are measured using that functional currency Transactions denominated in foreign currencies are translated into sterling at the actual rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated at rates ruling at the Balance Sheet date Exchange differences are included in the Consolidated Statement of Comprehensive Income

Forward contracts
Forward currency contracts are classified under IAS 39, "Financial Instruments Recognition and Measurement" as "at fair value through profit or loss" They are recognised initially and re-measured throughout the contract's life at fair value, with changes in fair value taken to the Consolidated Statement of Comprehensive Income

Property, plant and equipment
All property, plant and equipment are stated at historical cost, together with any incidental costs of acquisition Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use Depreciation is provided on all property, plant and equipment at rates calculated to write each asset down to its estimated residual value on a straight line basis over its expected useful life, as follows

Office equipment	- over four years
Computers	- over four years

Intangible assets
Intangible assets, which include acquired patent rights, are stated at recoverable amount (fair value) and are tested annually for any impairment and whenever circumstances indicate that the carrying amount may not be recoverable Patent costs incurred on internally generated intellectual property are written off to the Consolidated Statement of Comprehensive Income in the period in which they are incurred

Goodwill
Goodwill arising on the acquisition of a subsidiary represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired Goodwill is recognised as an asset and is reviewed annually for impairment and is carried at cost less accumulated impairment On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal

Equity investments and other financial assets
Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through the profit and loss, loans or receivables, held to maturity investments or available for sale financial assets except in the case of University Challenge Seed Fund (UCSF) investments, which are held at fair value When financial assets are recognised initially they are measured at fair value, plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs Changes in the fair value of the UCSF investments are set against the value of the UCSF fund and not through the Consolidated Statement of Comprehensive Income This is in recognition that the value of the fund has to increase threefold before any repayments or disbursements can be made to the Group

Financial Assets at fair value through profit or loss
The Group classifies all its equity investments as financial assets at fair value through profit and loss The financial assets carried at fair value through profit or loss are initially recognised at fair value and subsequently re-measured at their fair value Investments in associated undertakings that are held by the Group with a view to the ultimate realisation of capital gains are designated as financial assets at fair value through profit and loss Investments in undertakings that do not meet the definition of an associate undertaking are also designated as financial assets at fair value through profit and loss on initial recognition The fair value movement is net of revenue share (as set out in note 3)

Treatment of gains and losses arising on fair value
Realised and unrealised gains and losses on financial assets at fair value through profit or loss are included in the Consolidated Statement of Comprehensive Income in the period in which they arise

Notes to the Consolidated Financial Statements - continued

1 Accounting policies - continued

Valuation of investments
The fair values of quoted investments are based on bid prices at the Balance Sheet date

The fair value of unlisted securities is established using International Private Equity and Venture Capital Valuation Guidelines (IPEVCVG) The valuation methodology used most commonly by the Group is the 'price of recent investment' contained in the IPEVCVG Given the nature of the Group's investments in seed, start-up and early-stage companies, where there are often no current and no short term future earnings or positive cash flows, it can be difficult to gauge the probability and financial impact of the success or failure of development or research activities and to make reliable cash flow forecasts Consequently, the most appropriate approach to determine fair value is a methodology that is based on market data, that being the price of a recent investment The Group considers that fair value estimates that are based entirely on observable market data will be of greater reliability than those based on assumptions and accordingly where there has been any recent investment by third parties, the price of that investment will generally provide a basis of the valuation The following considerations are used when calculating the fair value using the 'price of recent investment' guidelines

- where the investment being valued was itself made recently, its cost will generally provide a good indication of fair value unless there is objective evidence that the investment has since been impaired, such as observable data suggesting a deterioration of the financial, technical, or commercial performance of the underlying business,
- where there has been any recent investment by third parties, the price of that investment will provide a basis of the valuation,
- if there is no readily ascertainable value from following the 'price of recent investment' methodology, the Group considers alternative methodologies in the IPEVCVG guidelines, being principally discounted cash flows and price-earnings multiples requiring management to make assumptions over the timing and nature of future earnings and cash flows when calculating fair value,
- where a fair value cannot be estimated reliably, the investment is reported at the carrying value at the previous reporting date unless there is evidence that the investment has since been impaired,
- all recorded values of investments are regularly reviewed for any indication of impairment and adjusted accordingly,
- the length of period for which it remains appropriate to use the price of recent investment depends on the specific circumstances of the investment and the stability of the external environment During this period the Group considers whether any changes or events subsequent to the transaction would imply a change in the fair value of the investment may be required,
- where the Group considers that the price of recent investment, unadjusted, is no longer relevant and there are limited or no comparable companies or transactions from which to infer value, the Group carries out an enhanced assessment based on milestone analysis and/or industry and sector analysis In applying the milestone analysis approach to investments in companies in early or development stages the Group seeks to determine whether there is an indication of change in fair value based on a consideration of performance against any milestones that were set at the time of the original investment decision, as well as taking into consideration the key market drivers of the investee company and the overall economic environment,
- where the Group considers that there is an indication that the fair value has changed, an estimation is made of the required amount of any adjustment from the last price of recent investment Wherever possible, this adjustment is based on objective data from the investee company and the experience and judgement of the Group However any adjustment is, by its very nature, subjective Where deterioration in value has occurred, the Group reduces the carrying value of the investment to reflect the estimated decrease If there is evidence of value creation, the Group may consider increasing the carrying value of the investment However, in the absence of additional financing rounds or profit generation it can be difficult to determine the value that a purchaser may place on positive developments given the potential outcome and the costs and risks to achieving that outcome This is a critical accounting judgement as set out in note 19,
- factors which the Group considers include inter alia technical measures such as product development phases and patent approvals, financial measures such as cash burn rate and profitability expectations, and market and sales measures such as testing phases, product launches and market introduction,
- where the equity structure of a portfolio company involves different class rights in a sale or liquidity event, the Group takes these different rights into account when forming a view of the value of its investment

Recognition of financial assets
The purchase or sale of financial assets is recognised using trade date accounting for all assets held at fair value through profit and loss The recognition of an asset and the liability to pay for it or the de-recognition of an asset, recognition of any gain or loss on disposal and the recognition of a receivable from a buyer occur on the date that an irrevocable commitment is made to purchase or to sell the asset

Pensions
The Group makes payments to a defined contribution scheme The assets of the scheme are held separately from the Group in independently administered funds Contributions made by the Group are charged to the Consolidated Statement of Comprehensive Income in the period to which they relate

Notes to the Consolidated Financial Statements - continued

1 Accounting policies - continued

Share-based payments

Equity settled transactions

Employees (and Directors) receive remuneration in the form of share-based payments, whereby employees render services in exchange for shares or for rights over shares The fair value of the employee services received in exchange for the grant of options or shares is recognised as an expense The total amount to be expensed on a straight line basis over the vesting period is determined by reference to the fair value of the options or shares determined at the grant date, excluding the impact of any non-market based vesting conditions (for example, continuation of employment and performance targets) The share options are valued using the binomial option pricing model Non-market based vesting conditions are included in assumptions about the number of options that are expected to become exercisable or the number of shares that the employee will ultimately receive This estimate is revised at each Balance Sheet date to allow for forecast leaving employees and the difference is charged or credited to the Consolidated Statement of Comprehensive Income, with a corresponding adjustment to equity

Revenue recognition and cost of sales

Revenue, which excludes value added tax, represents the income generated by the Group from licensing activities, royalty revenues, services provided by the Group to Imperial College London and other parties and corporate finance fees Revenue is stated gross of any revenue share due to Imperial College London, where appropriate, with any revenue share included in cost of sales

Licence and royalty revenue

When granting a licence, an initial up-front fee is receivable on signing followed by subsequent payments when milestone conditions are met In addition, sales royalties may also be due under licence agreements The initial up-front fee receivable on the execution of a licence is generally recognised in full on signing as long as all the Group's obligations under the licence have been completed and the fees are not refundable Milestone payments are recognised at the date all the conditions are satisfied for the particular milestone payment and all the Group's obligations have been completed and the fees are not refundable Sales royalties receivable under a licence are generally recognised on receipt of a royalty statement unless accurate sales information is available to accrue revenue for royalty over the financial period

Income received in the form of quoted or unquoted investments from licensing activities is recognised as licensing income for those investments that have either a market value or a value attributed to them by other independent third parties

Revenue from services

Revenue from services represents intellectual property management and other commercialisation services provided to Imperial College London and other parties Revenue from intellectual property management services is recognised on a straight line basis over the period to which the services relate Grant and investment awards are recognised on an accruals basis

Commercial Proof of Concept type awards are recognised in the Consolidated Statement of Comprehensive Income and matched to related expenditure Technical Proof of Concept type awards are recognised in the Balance Sheet, under payables, and matched to related expenditure

Corporate finance fees

Corporate finance fees are generally earned as a fixed percentage of total funds raised and recognised at the time the related transaction is successfully concluded

Notes to the Consolidated Financial Statements - continued

1. Accounting policies - continued

Trade and other receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate The amount of the provision is recognised in the Consolidated Statement of Comprehensive Income within administrative expenses

Other receivables includes deferred contingent consideration Deferred contingent consideration is recognised at its fair value at the date of sale and subsequently categorised as an available-for-sale debt asset If there is a change in the expected level of consideration to be received, the Group re-calculates the carrying amount of the debt instrument by discounting the revised estimated cash flows using the original effective interest rate The resulting adjustment to the carrying amount is recognised immediately in the Consolidated Statement of Comprehensive Income as a gain or loss Other fair value movements (for example, those caused by changes in market interest rates) are recognised in equity

Trade payables
Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held with banks, bank overdrafts and other short-term highly liquid investments with original maturities of less than 3 months Short term liquid investments with a maturity of over three months are included in a separate category 'Short term liquidity investments'

Current and Deferred Income tax
Income tax on the result for the year comprises current and deferred tax Income tax is recognised in the Consolidated Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis

Operating leases
Costs in respect of operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term

Notes to the Consolidated Financial Statements - continued

1 Accounting policies - continued

Provisions

Technology Pipeline Agreement
The Group provides for liabilities in respect of revenue sharing with Imperial College London, arising under the Technology Pipeline Agreement (TPA), and other parties Provision for revenue share, based on fair value, on the future realisation of quoted and unquoted investments is recognised as part of the movement in fair value through profit and loss (see note 3)

Appointee Director Pool
Imperial Innovations LLP, whose parent company is Imperial Innovations Group plc, has entered into a Carry Plan Agreement with members of the Appointee Director Network Upon a sale by Imperial Innovations LLP of all or part of a shareholding in one of the specified companies, an 'allocated amount' (based on a fixed percentage of net proceeds) will be paid to the Appointee Directors A provision is made for this expected future payment based on fair value

Carried Interest Plan
The Group operates a Carried Interest Plan for Executive Directors and employees to invest their own money in the investment part of the business Before any payment to a participant becomes due under the carried interest plan, the Group must first have received back the amount of their investment in the relevant class together with a hurdle rate of 8% per annum compound on their investment At the point at which the hurdle rate has been exceeded a provision is included for the unrealised gain due to members of the carried interest plan The provision is measured by reference to the fair value of the relevant investments, with movements in the provision taken to the Consolidated Statement of Comprehensive Income

Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's Chief Operating Decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available Operating segments are aggregated into reporting segments where they share similar economic characteristics

Share capital

Ordinary shares and Convertible B shares are classified as equity Incremental costs directly attributable to the issue of new Ordinary and Convertible B shares are shown as a deduction, net of tax, from the proceeds

For partly paid shares, where there is a fixed schedule of definite call dates when the shareholders must pay instalments of the outstanding amount on the shares, and the shareholder is contractually obliged to pay, the Company recognises a receivable for the outstanding future proceeds at the issue date of the shares, with a corresponding entry in equity The receivable is a financial asset and measured at fair value on initial recognition and subsequently at amortised cost Amortised cost is calculated using the effective interest rate The unwinding of the discount on the receivable is recognised in the Consolidated Statement of Comprehensive Income over the expected payment period

Notes to the Consolidated Financial Statements - continued

2 Segmental reporting

For the year ended 31 July 2011 and the year ended 31 July 2010, the Group's revenue and profit was derived from its principal activity within the United Kingdom

The Group has adopted IFRS 8, "Operating Segments" IFRS 8 defines operating segments as those activities of an entity about which separate financial information is available and which are evaluated by the Chief Operating Decision Maker to assess performance and determine the allocation of resources The Chief Operating Decision Maker has been identified as the Board of Directors The Directors are of the opinion that under IFRS 8 the Group has only one operating segment, being Technology Transfer, Incubation and Investment The Board of Directors assess the performance of the operating segment using financial information which is measured and presented in a manner consistent with that in the financial statements

The Group has two customers that account for £1 2 million (26%) of the Group's revenue (2010 £0 5 million (10 8%) one customer) Both customers account for £0 6 million (13%) each

Breakdown of the revenue from all services is as follows

Analysis of revenue by category	2011 £'000	2010 £'000
Licence and royalty revenue	1,875	2,235
Revenue from services	1,168	1,430
Corporate finance fees	1,286	676
Dividends received	191	-
Total revenue	4,520	4,341

3 Investments

3(i) Net change in fair value of investments held at fair value through profit or loss

Net change in fair value for the period represents the change in fair value less the revenue share charge on these fair value movements Net change in fair value of investments of £3,262,000, as set out on the face of the Consolidated Statement of Comprehensive Income, represents the change in net fair value of £3,249,000 plus £13,000 to reflect final adjustments on realisations before revenue share with third parties as summarised below

	2011 £'000	2010 £'000
Net fair value gain on portfolio	3,249	8,223
Changes in fair value realised during the period	13	(6)
Net fair value movement recognised in the Consolidated Statement of Comprehensive Income	3,262	8,217

Included within the net fair value movement recognised in the Consolidated Statement of Comprehensive Income are provisions for liabilities and charges These are made up of the revenue sharing provision which represents a fair value estimate of monies due to Imperial College London and other third parties such as co-funders of research work and the Appointee Directors' Pool The provision will be payable upon the eventual realisation of investments held by the Group under the revenue sharing arrangements of the Technology Pipeline Agreement (TPA) and in recognition of Imperial College London's right to call for a transfer of its share of the Group's holding in investments The timing and amount of the realisation of the provision is dependent on the timing of the disposal of investments, which is uncertain as this is determined by the investment strategy

The following tables in this note set out how the net fair value recognised in the Consolidated Statement of Comprehensive Income for each of the periods is generated, along with the year end position with respect to the carrying value of investments

Notes to the Consolidated Financial Statements - continued

3 Investments - continued

3(i) Net change in fair value of investments held at fair value through profit or loss – continued

For the year ended 31 July 2011

The table below sets out the movement in the balance sheet value of the investments from the start to the end of the year, setting out the fair value gains and losses together with any investments and disposals

Gross investments – designated at fair value through profit or loss For the year ended 31 July 2011	Quoted [1] Companies £'000	Unquoted Companies £'000	Total £'000
At 1 August 2010	2,606	64,409	67,015
Gains on the revaluation of investments	328	11,021	11,349
Losses on the revaluation of investments	(1,133)	(5,773)	(6,906)
Fair value (losses) / gains	(805)	5,248	4,443
Investments during the year	-	35,064	35,064
Transfers	380	(380)	-
Proceeds from the sale of investments	(1,123)	(1,296)	(2,419)
Net investment	(743)	33,388	32,645
At 31 July 2011	1,058	103,045	104,103

The table below sets out the movement in the balance sheet value of the provision for liabilities and charges arising on revenue sharing obligations from the start to the end of the year, setting out any fair value gains and losses together with the impact arising as a result of disposals

Provisions for liabilities and charges [2] For the year ended 31 July 2011	Quoted [1] Companies £'000	Unquoted Companies £'000	Total £'000
At 1 August 2010	407	4,226	4,633
Increase in liability arising from changes in fair value of investments	170	1,275	1,445
Decrease in liability arising from changes in fair value of investments	(55)	(196)	(251)
Net change in fair value of liability during the year	115	1,079	1,194
Provisions utilised in the year	-	-	-
Transfers	190	(190)	-
Realisations during the year	(552)	-	(552)
At 31 July 2011	160	5,115	5,275

The table below sets out the movement in the net carrying value of investments from the start to the end of the year, setting out the fair value gains and losses together with any investments and disposals

Investments – designated at fair value through profit or loss (net of revenue share) For the year ended 31 July 2011	Quoted [1] Companies £'000	Unquoted Companies £'000	Total £'000
At 1 August 2010	2,199	60,183	62,382
Gains on the revaluation of investments	158	9,746	9,904
Losses on the revaluation of investments	(1,078)	(5,577)	(6,655)
Fair value (losses) / gains	(920)	4,169	3,249
Investments during the period	-	35,064	35,064
Transfers	190	(190)	-
Proceeds from the sale on investments	(571)	(1,296)	(1,867)
Net investments	(381)	33,578	33,197
At 31 July 2011	898	97,930	98,828

Notes to the Consolidated Financial Statements - continued

3 Investments - continued

3(i) Net change in fair value of investments held at fair value through profit or loss - continued

[1] All quoted companies are listed on AIM

[2] The provision for liabilities and charges represents monies due to Imperial College London upon the eventual realisation of investments held by the Group under the revenue sharing arrangements of the Technology Pipeline Agreement (TPA) and in recognition of Imperial College London's right to call for a transfer of its share of the Group's holding in these particular investments The timing and amount of the realisation of the provision is dependent on the timing of the disposal of investments, which is uncertain as this is determined by the investment strategy Deferred consideration represents monies due to Imperial College London upon the eventual realisation of the Imperial Innovations LLP assets acquired from Imperial College London as part of the private share placement in 2005

Additionally, monies are due to parties in the Appointee Directors' Pool in respect of the Imperial Innovations LLP assets acquired as part of the stepped acquisition in 2005 and to other third parties These are included in 'Revenue Sharing Other' in the table below The timing and amount of the realisation of the provision is dependent on the timing of the disposal of investments, which is uncertain as this is determined by the investment strategy

The following table analyses the provision by obligation

	Revenue Sharing Imperial College London £000	Revenue Sharing Other £000	Deferred Consideration £000	Total £000
At 1 August 2010	4,125	423	85	4,633
Settlements and provisions utilised	(390)	(162)	-	(552)
Changes in fair value attributable to revenue share	1,259	(19)	(46)	1,194
At 31 July 2011	**4,994**	**242**	**39**	**5,275**

Notes to the Consolidated Financial Statements - continued

3 Investments - continued

3(i) Net change in fair value of investments held at fair value through profit or loss - continued

For the year ended 31 July 2010

The table below sets out the movement in the balance sheet value of the investments from the start to the end of the year, setting out the fair value gains and losses together with any investments and disposals

Gross investments – designated at fair value through profit or loss For the year ended 31 July 2010	Quoted Companies £'000	Unquoted Companies £'000	Total £'000
At 1 August 2009	5,962	48,992	54,954
Gains on the revaluation of investments	27	14,694	14,721
Losses on the revaluation of investments	(3,444)	(2,854)	(6,298)
Fair value (losses) / gains	(3,417)	11,840	8,423
Investments during the year	-	14,013	14,013
Transfers	61	(61)	-
Proceeds from the sale on investments	-	(10,375)	(10,375)
Net investments	61	3,577	3,638
At 31 July 2010	2,606	64,409	67,015

The table below sets out the movement in the balance sheet value of the provision for liabilities and charges arising on revenue sharing obligations from the start to the end of the period, setting out any fair value gains and losses together with the impact arising as a result of disposals

Provisions for liabilities and charges For the year ended 31 July 2010	Quoted Companies £'000	Unquoted Companies £'000	Total £'000
At 1 August 2009	571	4,312	4,883
Increase in liability arising from changes in fair value of investments	13	944	957
Decrease in liability arising from changes in fair value of investments	(177)	(580)	(757)
Net change in fair value of liability during the year	(164)	364	200
Provisions utilised in the year	-	-	-
Realisations during the year	-	(450)	(450)
At 31 July 2010	407	4,226	4,633

The table below sets out the movement in the net carrying value of investments from the start to the end of the period, setting out the fair value gains and losses together with any investments and disposals

Investments – designated at fair value through profit or loss (net of revenue share) For the year ended 31 July 2010	Quoted Companies £'000	Unquoted Companies £'000	Total £'000
At 1 August 2009	5,391	44,680	50,071
Gains on the revaluation of investments	14	13,750	13,764
Losses on the revaluation of investments	(3,267)	(2,274)	(5,541)
Fair value (losses) / gains	(3,253)	11,476	8,223
Investments during the period	-	14,013	14,013
Transfers	61	(61)	-
Proceeds from the sale on investments	-	(9,925)	(9,925)
Net investments	61	4,027	4,088
At 31 July 2010	2,199	60,183	62,382

Notes to the Consolidated Financial Statements - continued

3 Investments - continued

3(ii) Trade investments

Group listed investments are all listed on AIM in the United Kingdom The Group does not hold 20% or more of the Ordinary Share capital in any of the listed investments

Additions to unlisted investments in the year ended 31 July 2011 included cash investments of £34,993,000 (2010 £13,445,000) and the balance represented debt to equity conversions and amounts due as set out in note 13

In accordance with the Group's accounting policy, investments that are held as part of the Group's investment portfolio are carried in the balance sheet at fair value even though the Group may have significant influence over these companies This treatment is permitted by IAS 28, "Investments in Associates"

At 31 July 2011, the Group has investments where it holds 20% or more of the issued share capital as follows

	% of Issued Share Capital Held	Net assets/ (liabilities) £000	Profit/(loss) £000	Date of Financial Statements
Aldwych 2011 limited (formerly Quantasol Limited)	38 1%	(252)	(2,304)	31 December 2009
Asep Healthcare Limited	28 5%	(123)	(48)	28 February 2010
Atazoa Limited	24 9%	(2,685)	(3)	30 June 2010
Cardiovascular Imaging Solutions Limited	24 9%	227	96	31 July 2010
Casect Limited	36 1%	(181)	11	30 November 2009
Cell Medica Limited	41 1%	(754)	(1,079)	31 December 2009
Cortexica Vision Systems Limited	30 6%	(919)	(730)	31 July 2010
Emcision Limited	23 6%	413	(113)	30 June 2010
Epigeum Limited	20 0%	34	24	31 July 2010
Equinox Pharma Limited	45 5%	50	(31)	31 July 2010
Ervitech Limited	23 7%	N/A	N/A	[1]None Available
EVO Electric Limited	32 6%	(1,716)	(1,811)	31 March 2010
Heliswirl Holdings Limited	22 6%	(36)	(355)	31 December 2010
i2India Holdings Limited	35 2%	N/A	N/A	[1]None Available
IC 16 Limited	47 9%	1	4	31 August 2010
iDext Technology Limited	20 0%	1	-	30 June 2009
Indigix Limited [2]	50 0%	N/A	N/A	[1]None Available
IR Pharma Limited	27 9%	N/A	N/A	[1]None Available
Jointanalysis Limited	20 0%	(5)	(5)	31 December 2009
Medermica Limited	24 9%	(115)	(83)	30 April 2010
Metabometrix Limited	25 6%	(1,399)	2	30 April 2010
Midaz Lasers Limited	48 0%	49	(150)	31 December 2010
Molecular Vision Limited [2]	57 2%	350	(715)	31 July 2010
Mycologix Limited	41 4%	(134)	(134)	31 August 2010
Navion Pharma Limited [2]	54 8%	3	(113)	30 July 2010
Nexeon Limited	40 0%	6,244	(4,011)	31 December 2010
Novacem Limited	43 9%	294	(410)	31 July 2010
OSspray Limited [2]	56 6%	1,564	(994)	31 December 2010
Permasense Limited	27 8%	592	515	31 October 2009
Plaxica Limited	41 5%	2,762	(1,389)	31 December 2010
PolyTherics Limited	34 6%	(189)	(1,477)	31 December 2010
Process Systems Enterprise Limited	25 4%	1,606	75	31 July 2010
PsiOxus Therpeutics Limited (formerly Myotec Therapeutics) [2]	57 6%	1,290	(1,467)	30 November 2010
RepRegen Limited	33 9%	354	(951)	30 June 2010
Riotech Limited	26 1%	15	(2)	30 November 2010
Sensixa Limited	42 7%	92	60	31 July 2010
Smart Surgical Appliances Limited	36 6%	(9)	(145)	31 August 2010
Southside Thermal Sciences (STS) Limited	25 0%	(723)	(171)	31 July 2010
Sweetspot Therapeutics Limited [2]	100 0%	N/A	N/A	[1]None Available
Think Play Do Group Limited	21 1%	30	(9)	30 June 2010
Topivert Limited [2]	50 0%	N/A	N/A	[1]None Available
Veryan Medical Limited	48 4%	1,876	(2,497)	31 December 2010

[1] Financial statements are not available where companies have recently been incorporated or have not yet filed an annual return
[2] The Group does not control these companies (control as defined by IAS 27), and therefore does not consolidate them The Group does not have, directly or indirectly, more than half of the voting power of these entities, with the exception of Sweetspot Therapeutics Limited, which has been consolidated in these financial statements, nor does it have power over more than half of the

Notes to the Consolidated Financial Statements - continued

3 Investments – continued

3(ii) Trade investments - continued

voting rights by virtue of any agreement with any other investor As a result, with the exception of Sweetspot Therapeutics Limited, these investment companies have not been consolidated

In addition, at 31 July 2011 the Group has the following investments in portfolio companies where it holds less than 20% of the issued share capital

Portfolio Company	% of Issued Share Capital
Alkion Biopharma Limited	9 1%
Circassia Holdings Limited	18 4%
DeltaDOT Limited	6 3%
D-Gen Limited	19 7%
Duvas Technologies Limited	8 7%
Dynamic Boosting Systems Limited	8 9%
Dynamic Therapeutics Limited	5 1%
Evince Technology Limited	11 9%
Futures Fuels (International) Limited	9 0%
Heliswirl Petrochemical Holdings Limited	19 8%
Hydroventuri Limited	7 1%
Innovative Materials Processing Technologies Limited	16 9%
Ionscope Limited	19 8%
IXICO Limited	18 0%
Lontra Limited	14 3%
Microsaic Limited	3 1%
Microtest Matrices Limited	14 8%
Orion Logic Limited	12 5%
Photobiotics Limited	15 5%
Solarstructure Limited	12 5%
Stanmore Implants Worldwide Limited	19 3%
Storm Bio Inc	12 6%
Trojantech	11 2%
Vertical Band Limited	8 0%
Amura Holdings Limited	0 03%
Autifiony Limited	2 1%
Ceres Power Holdings plc	2 8%
DNA Electronics Limited	1 9%
Econic Limited	1 7%
Hexcell Limited	0 9%
Mission Therapeutics Limited [1]	0 0%
Omnicyte Limited	1 7%
Pulmagen Therapeutics (Asthma) limited (formerly Argenta Oral Therapeutics Limited)	0 9%
Pulmagen Therapeutics (Holdings) limited (formerly Argenta Inhaled Therapeutics Group Limited)	0 9%
Pulmagen Therapeutics (Inflammation) limited (formerly Argenta Therapeutics Limited)	0 9%
Visbion Limited	1 6%

[1] A convertible loan was made to Mission Therapeutics Limited in June 2011 As these are of a long-term investment nature they are accounted for in the same way as equity investments i e held at fair value through profit or loss

All companies are incorporated in England and Wales with the exception of Storm Bio Inc , which is registered in the US, i2India Holdings Limited, which is registered in Mauritius, and Trojantech, which is registered in Cyprus

Notes to the Consolidated Financial Statements - continued

3 Investments - continued

(iii) University Challenge Seed Fund

The Group is the agreed corporate vehicle for holding Imperial College London's University Challenge Seed Fund (UCSF) This is managed under the terms of an award established by The Office of Science and Technology of the United Kingdom Government The award established a fund of £4 15 million

The purpose of the fund is to provide seed funding to early stage companies The fund is ring-fenced in recognition that the value has to increase threefold before any repayments or disbursements can be made to Imperial College London Imperial College London has assigned its rights to receive monies greater than £12 45 million to the Group

The fund is recognised on the Balance Sheet as a non-current liability falling due after more than one year

UCSF advances are initially made as a loan to individual technology businesses All loans are non-interest bearing 'Pathfinder' loans to a maximum of £25,000 and seed funding loans to a maximum of £250,000 are made to individual portfolio companies The overall loan cannot exceed £250,000

The loan is then repayable in cash or converted to equity, at a rate mutually agreed, at the earliest opportunity after the company's formation Loans are treated on the same basis as equity for valuation purposes UCSF equities are bi-annually reviewed for revaluation or impairment Changes in value arising on revaluation or impairment are set against the fund

University Challenge Seed Fund – Equity Investments and Loans

The tables below represent the carrying values of the equity investments and loans held in the University Challenge Seed Fund Changes in the fair value of equity investments and loans are set against the value of the UCSF fund and not through the Consolidated Statement of Comprehensive Income This is in recognition that the value of the fund has to increase threefold before any repayments or disbursements can be made to the Group See also note 15

Year ended 31 July 2010	£000
Equity investments – Fair value	
At 1 August 2009	763
Fair value movements	(432)
Conversion of loan to equity	185
At 31 July 2010	516

	£000
Loans - Fair value	
At 1 August 2009	42
Fair value movements	185
Conversion of loan to equity	(185)
At 31 July 2010	42

Year ended 31 July 2011	£000
Equity investments – Fair value	
At 1 August 2010	516
Fair value movements	(69)
Disposals	(28)
At 31 July 2011	419

	£000
Loans - Fair value	
At 1 August 2010	42
Fair value movements	(32)
At 31 July 2011	10

4 Administrative expenses

	2011 £000	2010 £000
Staff related (note 20)	4,428	3,456
Share-based payments (note 5)	68	58
Patent costs	882	893
Other	2,431	1,764
	7,809	6,171

Notes to the Consolidated Financial Statements - continued

5 Share-based payments

(i) Awards made under long-term incentive and other arrangements

The following information applies to options outstanding at the end of the year

Arrangement	1 Replacement Share Options granted to Directors	2 Share Options granted to Non-Executive Directors	3 Replacement Share Options granted to Non-Executive Directors
Date of grant	20 July 2006	20 July 2006	20 July 2006
Number of options granted	157,520	297,000	226,677
Contractual life at grant date (years)	10	10	10
Vesting conditions	Listing of the company on AIM	Continuous service following 27 April 2008	Continuous service following 27 April 2008
Risk-free interest rate	4 76%	4 76%	4 76%
Fair value per granted instrument determined at the grant date	310 14 pence	50 56 pence	111 19 pence

Range of exercise prices (pence)	Weighted average exercise price (pence)	Number of options ('000)	Weighted average remaining life (years) Expected	Contractual
0-100	0 13 pence	157	1	5
201-300	242 pence	227	1	5
301-400	365 pence	297	1	5

Reconciliation of movements in the number of share options as follows	Number of Options	Weighted average exercise price (pence)
Outstanding at 1 August 2010	681,197	239 7
Outstanding at 31 July 2011	681,197	239 7
Exercisable at 31 July 2011	681,197	239 7

The nature of all arrangements is the grant of share options and these have an expected option life at grant date of three years Expected dividend (dividend yield) in all cases is 0% The binomial model has been used for valuation purposes All options are expected to be settled in shares The expected volatility in all cases is 25% based upon review of comparators and analysis of movements to the share price since the Company's listing Expected departures at grant date are nil

The Replacement Share Options granted to Directors (1) refer to the options described more fully in Part 1 of the Audited information of the Directors' Remuneration report The Replacement Share Options granted to Non-Executive Directors (3) and the Share Options granted to Non-Executive Directors (2) refer to the options described more fully in Part 2 of the Audited Information of the Directors' Remuneration Report

As at 31 July 2011, these share options had fully vested and therefore the share-based payment charge for the year was £nil (2010 £nil)

Notes to the Consolidated Financial Statements - continued

5 Share-based payments - continued

(ii) Shares issued under the EBT

The following information applies to the share based payment charge in the year

Arrangement	Shares issued under the EBT	Shares issued under the EBT
Date of grant	8 October 2009	20 October 2009
Number of shares granted	50,000	20,490
Contractual life at grant date (years)	2	2
Vesting conditions	Continuous service and average share price for the 30 preceding dealing days of at least 401 5 pence	Continuous service
Risk-free interest rate	4 00%	4 00%
Fair value per granted instrument determined at the grant date	192 83 pence	192 83 pence

The share-based payment charge for the year ended 31 July 2011 is £68,000 (2010 £58,000) and relates to shares awarded by the Employee Benefit Trust ("EBT") from its unallocated shares The charge relates to awards for the benefit of two Directors and two employees

The general terms and conditions in respect of the benefits notified to two directors are that the EBT benefitted one director with 3,548 Ordinary shares and, should he continue to be employed by the Group on 20 October 2011, a further 3,548 shares and that the EBT benefitted a second director with 4,435 Ordinary shares and, should she continue to be employed by the Group on 20 October 2011, a further 4,435 shares

The general terms and conditions in respect of the benefits notified to two employees are that the EBT benefitted one employee with 1,806 Ordinary shares and, should he continue to be employed by the Group on 20 October 2011, a further 1,806 shares and that the EBT benefitted a second employee with 456 Ordinary shares and, should he continue to be employed by the Group on 20 October 2011, a further 456 shares

The shares were granted at nil cost with the share-based payment charge calculated using the binomial model Expected dividend (dividend yield) in all cases is 0% The expected volatility in all cases is 25% based upon review of comparators and analysis of movements to the share price since the Company's listing Expected departures at grant date are nil The charge calculated is not materially different to the charge calculated using the share price at the grant date

6 Finance income

	2011 £000	2010 £000
Interest receivable on cash deposits	640	431
Unwinding of discount on partly paid shares (note 16)	1,032	-
	1,672	431

7 Profit before taxation

	2011 £000	2010 £000
Profit before taxation is stated after charging		
Staff costs (note 20)	4,428	3,456
Share based payment charge (note 5)	68	58
Depreciation of property, plant and equipment	34	19
Operating lease costs (land and buildings)	222	280
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the parent company and consolidated accounts	35	33
Fees payable to the Company's auditors for other services		
- The auditing of accounts of associates of the Company pursuant to legislation	55	52
- Other services pursuant to such legislation	11	11
- Other services supplied including services for taxation	277	81
- All other services	3	18

During the year ended 31 July 2011, the Group incurred auditors' Reporting Accountants fees totalling £145,000 in relation to the equity raise (2010 £nil) These costs have been debited to the share premium account and retained earnings (see also note 16)

Notes to the Consolidated Financial Statements - continued

8. Taxation

	2011	2010
	£000	£000
Analysis of charge in the year		
United Kingdom corporation tax at 27% (2010 28%) representing total current tax	-	-
Total tax charge	-	-

There is no current tax charge in the year as the Group has utilised management losses brought forward and was exempt from tax on disposals made (see below) The tax for the year is lower (2010 lower) than the standard rate of corporation tax in the UK of 27% (2010 28%) The differences are explained below

	2011	2010
Reconciliation from reported profit to total tax charge	£000	£000
Profit before taxation	573	5,535
Profit before taxation multiplied by the applicable rate of corporation tax in the UK of 27% (2010 28%)	155	1,550
Tax effect of		
Income not subject to tax	(1,111)	(3,573)
Tax effect of other income not subject to tax	(330)	-
Expenses not deductible for tax purposes	31	16
Items for which no deferred tax income tax asset was recognised	1,255	2,007
Total tax charge	-	-

During the year, the change in the UK corporation tax rate, which was effective from 1 April 2011, reduced the tax rate to 27% (2010 28%)

	2011	2010
Deferred tax liability	£000	£000
Accelerated capital allowances	(8)	4
Deferred tax arising on fair value uplifts of non-substantial shareholdings	-	(62)
Losses	8	58
Total deferred tax liability	-	-

As at 31 July 2011, the unrecognised deferred tax asset amounted to £4,726,000 (2010 £4,186,000)

The Group was eligible for Substantial Shareholdings Exemption (SSE), as it was a member of a trading group whilst it was a subsidiary of Imperial College London

As part of the equity raise in January 2011, Imperial College London's shareholding fell below 50% and therefore, from this date, Imperial Innovations was no longer part of the Imperial College Group

In January 2011, Imperial Innovations Limited and Imperial Innovations Investments Limited transferred their shares in Imperial Innovations Businesses LLP to a new Luxembourg Holding Company ("Imperial Innovations Sarl") in a share for share exchange Following this transfer the dividends and gains arising to Imperial Innovations Sarl (through its interest in Imperial Innovations Businesses LLP) should be exempt from tax under Luxembourg law provided the conditions for the participation exemption are met for each investment or each investment can be attributed to a UK permanent establishment Tax residence of Imperial Innovations Sarl will be maintained in Luxembourg and no UK tax should arise on the gains in the Group

Notes to the Consolidated Financial Statements - continued

9 Earnings per share

Basic earnings per share is calculated by dividing the profit for the financial year by the weighted average number of Ordinary Shares in issue during the year The partly paid New Convertible B shares are not included in the calculation of basic earnings per share as these shares are not entitled to dividends However, as described in note 16 below, they have been included in share capital as the future tranches are contractually obliged to be paid by the shareholders Diluted earnings per share is computed by dividing the net profit for the financial period, by the weighted-average number of Ordinary Shares outstanding and, when dilutive, adjusted for the effect of all potentially dilutive shares, including share options and partly paid New Convertible B Shares on an as-if-converted basis The potential dilutive shares are included in diluted earnings per share computations on a weighted average basis for the year The prior year earnings per share has been restated for the impact of the bonus element of the equity raise by including an additional 455,000 shares The profits and weighted average number of shares used in the calculations are set out below

	2011	2010 Restated
Earnings per Ordinary Share		
Profit for the financial year (£000)	573	5,535
Weighted average number of Ordinary Shares (basic) (thousands)	61,496	59,220
Effect of dilutive potential Ordinary Shares	19,297	129
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share (thousands)	80,793	59,349
Earnings per Ordinary Share basic (pence)	0 93	9 35
Earnings per Ordinary Share diluted (pence)	0 71	9 33

Notes to the Consolidated Financial Statements - continued

10 Intangible Assets

Year ended 31 July 2010	Goodwill £000	Intellectual Property £000	Total £000
Cost			
At 1 August 2009	2,524	27	2,551
Additions	–	–	–
At 31 July 2010	2,524	27	2,551
Impairment			
At 1 August 2009	(2,524)	(27)	(2,551)
Impairment charge for the period	–	–	–
At 31 July 2010	(2,524)	(27)	(2,551)
Net book value			
At 31 July 2010	–	–	–
At 31 July 2009	–	–	–

Year ended 31 July 2011	Goodwill £000	Intellectual Property £000	Total £000
Cost			
At 1 August 2010	2,524	27	2,551
Additions	-	-	-
At 31 July 2011	2,524	27	2,551
Impairment			
At 1 August 2010	(2,524)	(27)	(2,551)
Impairment charge for the period	-	-	-
At 31 July 2011	(2,524)	(27)	(2,551)
Net book value			
At 31 July 2011	–	–	–
At 31 July 2010	–	–	-

Goodwill of £2 5 million arose following the acquisition of the non-controlling interest in Imperial Innovations LLP during the year ended 31 July 2005 This represented the excess of the consideration given over the fair value of the assets and liabilities acquired and has been written off to the Consolidated Statement of Comprehensive Income on consolidation as this was deemed to be an overpayment The consideration which gave rise to the goodwill written-off included payment for certain rights which were acquired from Fleming Family & Partners and which have no future value to the Group

Notes to the Consolidated Financial Statements - continued

11 Property, plant and equipment

Year ended 31 July 2010	Office equipment and computers £000
Cost	
At 1 August 2009	131
Additions	68
At 31 July 2010	199
Aggregate depreciation	
At 1 August 2009	(103)
Charge for the period	(19)
At 31 July 2010	(122)
Net book value	
At 31 July 2010	77
At 31 July 2009	28

Year ended 31 July 2011	Office equipment and computers £000
Cost	
At 1 August 2010	199
Additions	55
Disposals	(116)
At 31 July 2011	138
Aggregate depreciation	
At 1 August 2010	(122)
Charge for the period	(34)
Disposals	116
At 31 July 2011	(40)
Net book value	
At 31 July 2011	98
At 31 July 2010	77

Notes to the Consolidated Financial Statements - continued

12 Trade and other receivables

	2011 £000	2010 £000
Current		
Trade and other receivables [1]	8,293	7,904
Less provision for impairment of trade receivables	(170)	(236)
Net trade receivables	8,123	7,668
Receivables from ultimate parent	-	137
Prepayments	249	205
Total	8,372	8,010

The ageing of trade receivables at the reporting date was as follows

	2011 Gross £000	2011 Impairment £000	2010 Gross £000	2010 Impairment £000
Not past due	1,437	–	268	–
Past due 0-30 days	95	–	245	–
Past due 31-60 days	74	–	74	–
Past due 61-90 days	60	–	306	–
More than 91 days [1]	6,627	(170)	7,011	(236)
Total	8,293	(170)	7,904	(236)

[1] Current year receivables includes £5,746,000 (2010 £5,746,000) deferred consideration on the disposal of Thiakis and £422,000 (2010 £886,000) on the sale of Respivert Although these amounts are included within 'more than 91 days' in the table above, because of the length of time that has elapsed since their disposal, the amounts are not payable until certain milestones are met, in the case of Thiakis, and until November 2011, in the case of Respivert

Movements on the provision for impairment of trade receivables are as follows

	2011 £000	2010 £000
At 1 August	236	395
Release of receivables provision	(66)	(159)
At 31 July	170	236

The impairment provision at 31 July 2011 relates to trade receivables from portfolio companies

The movement in the provision for impaired receivables has been included in administrative expenses in the Consolidated Statement of Comprehensive Income (note 4) The other classes within trade and other receivables do not contain impaired assets The maximum exposure to credit risk of the receivables at the reporting date is the fair value of each class of receivable mentioned above The Group does not hold up collateral as security

13 Short term liquidity investments and cash and cash equivalents

	2011 £000	2010 £000
Cash at bank and in hand	23,848	11,219
Total cash and cash equivalents	23,848	11,219
Total short term liquidity investments (3 to 12 months)	25,000	12,513

Reconciliation of amounts invested to Trade Investments.

	2011 £000	2010 £000
Investments in period	35,064	14,013
Amounts due at the year end	(12)	-
Current year debt to equity conversions	(59)	(568)
Net cash invested in trade investments in the year	34,993	13,445

Reconciliation of cash flows arising from sale of Trade Investments

	2011 £000	2010 £000
Disposals of trade investments	2,419	10,939
Deferred revenue on prior years' disposal of trade investments	955	(1,330)
Cash flow arising on the proceeds from sale of investment in trade investments	3,374	9,609

Notes to the Consolidated Financial Statements - continued

13 Short term liquidity investments and cash and cash equivalents - continued

Reconciliation of cash flows arising on revenue share paid on asset realisations of trade investments

	2011 £000	2010 £000
Movement in revenue sharing liability arising from disposal of trade investments	701	562
Revenue share outstanding	(455)	(149)
Cash flow arising on the settlement of revenue sharing liabilities on sale of trade investments	246	413

14 Trade and other payables – current

	2011 £000	2010 £000
Trade payables	629	434
Amounts owed to parent undertaking (including accruals)	-	1,010
Other tax and social security	121	90
Accruals and deferred income	3,547	1,984
Total	4,297	3,518

15 UCSF – non-current

	2011 £000	2010 £000
UCSF amounts represented by		
Investments and loans less provisions	429	559
UCSF cash	28	-
Total	457	559

UCSF loans are non-interest bearing The repayment terms are set out in note 3 (iii)

Investments and loans on the Balance Sheet are matched with an equal and opposite creditor evidencing that these are ring-fenced, as fund income cannot be used by the Group until the fund value exceeds three times the original fund

Notes to the Consolidated Financial Statements – continued

16 Issued share capital

Ordinary shares	2011 £000	2010 £000
Allotted and fully paid		
Balance at beginning of year (59,790,621 Ordinary Shares of £0 0303 each) (2010 57,630,313 Ordinary Shares of £0 0303 each)	1,812	1,746
Issue of share capital during the year[1]	87	66
Balance as at end of year (62,660,949 Ordinary shares of £0 0303 each)	1,899	1,812

Convertible B shares	2011 £000	2010 £000
Allotted and part paid		
Balance at beginning of year	-	-
Issue of share capital during the year[2]	126,730	-
Unwinding of discount on partly paid shares (note 6)	1,032	-
Balance as at end of year (36,990,086 Convertible B shares)	127,762	-
Total balance as at end of year (99,651,035 Ordinary shares and partly paid Convertible B shares)	129,661	1,812

[1] Issue of 2,870,328 New Ordinary Shares of £0 0303 each pursuant to the 2 for 3 Rights Issue
[2] Issue of 36,990,086 New Convertible B Shares of £3 50 each (partly paid and discounted (see below))

On 19 January 2010, the Company issued 2,160,308 Ordinary Shares of 3 and 1/33 pence each, on the exercise of share options, for placing on the Alternative Investment Market of the London Stock Exchange, for a cash consideration of £65,463

On 24 January 2011, the Company's total issued voting share capital increased through the issue of 2,870,328 New Ordinary Shares of 3 and 1/33 pence each at 350 pence each pursuant to a 2 for 3 Rights Issue (taking the total number of Ordinary shares admitted to trading on AIM to 62,660,949) and 36,990,086 New Convertible B shares of 350 pence each which have not been admitted to trading on AIM The issue price for the New Convertible B shares is 350 pence (the "issue price") each payable in three instalments comprising 150 pence (paid during the period of the Rights Issue), 100 pence due on 20 January 2012 and 100 pence due on 21 January 2013 The unpaid element of the New Convertible B shares has been included in share capital (and financial assets – see below) as the holders are liable to pay the outstanding instalments

The New Convertible B Shares represent a separate class of shares but, save as expressly provided for in the Group's Articles of Association (adopted on 6 January 2011), rank pari passu in all respects, including voting, with the Existing Ordinary Shares The New Convertible B shares have a nominal value of 350 pence but, until the entire Issue Price has been paid, are non-transferable The New Convertible B shares carry no right to dividends and other distributions declared, made or paid during the period of their issue Once the Company has received all payments in respect of the Issue Price of all New Convertible B shares held by a holder, all New Convertible B shares held by that holder will be converted into fully paid Ordinary Shares

On conversion of the New Convertible B shares, a holder shall be entitled to one Ordinary Share for each New Convertible B share held and the Ordinary Shares resulting from the conversion will in all respects rank as one uniform class with the issued and fully paid Ordinary Shares then in issue

The total issued voting share capital as at 31 July 2011 was 99,651,035 voting shares (31 July 2010 59,790,621 voting shares)

Equity raise

The Company raised net proceeds of £135 million from the Rights Issue and issue of New Convertible B shares during the period This is made up of £10 million received from the 2 for 3 Rights Issue of 2,870,328 New Ordinary Shares at 350 pence each, £129 5 million from the issue of 36,990,086 New Convertible B shares at 350 pence each (payable in three instalments), less expenses of £4 5 million, which relate primarily to investment banking, legal and regulatory filing fees, accounting, printing and public relations fees These issue expenses have been taken directly to the share premium account and retained earnings in proportion to the proceeds from the Rights Issue and issue of New Convertible B shares respectively

The New Convertible B shares are payable at 350 pence each in three instalments comprising 150 pence paid during the period of the Rights Issue, 100 pence due on 20 January 2012 and 100 pence due on 21 January 2013

Therefore, of the total net proceeds of £135 million, £61 million cash has been received in the period, comprising £10 million from the 2 for 3 Rights Issue, £55 5 million from the first instalment of the New Convertible B shares less £4 5 million of issue expenses

Of the remaining total proceeds of £74 million relating to the New Convertible B shares, £37 million is due on 20 January 2012 and £37 million is due on 21 January 2013 These receivables are included in the balance sheet as financial assets within current assets and non-current assets respectively

Notes to the Consolidated Financial Statements - continued

16 Issued share capital - continued

These financial assets have been measured at their fair values, applying an appropriate discount rate, with an amount of £36,572,000 included in current assets and £35,705,000 included in non-current assets The discount rates reflect management's best estimate of the time value of money with reference to the yields of Invesco's bonds due to be repaid in 2012 and 2013 respectively

The amount discounted is being unwound through the Statement of Comprehensive Income with a subsequent reserve transfer to issued share capital

Employee Benefit Trust

As at 31 July 2011, the Employee Benefit Trust held 198,416 of the Group's Ordinary Shares, which have a cost of £6,013 As set out in the Directors' remuneration report on page 26, these represent unallocated shares which are considered to be under the de-facto control of the Group and have therefore been consolidated in the financial statements

17 Other reserves

The other reserve represents a reserve arising on consolidation, being the share capital and share premium account balances of Imperial Innovations Limited at 1 August 2005 less the nominal value of the shares issued by the Group to acquire the shares, reflecting the position as if the merger had occurred on 1 August 2005

18 Financial risk management

Financial risk factors
In the normal course of business, the Group uses certain financial instruments including cash, financial assets-partly paid share capital, equity rights, equity investments and loans to investee companies

Monies provided by way of UCSF grants are loaned to individual technology businesses These loans are repayable in cash or convertible to equity, at a rate mutually agreed by the Group and technology business, at the earliest opportunity after the technology business' formation Loans are treated on the same basis as equity for valuation purposes

Risk management objectives
The Group is exposed to a number of risks through the performance of its normal operations The most significant are liquidity and market price risk Income from surplus funds is dependent on market interest rates and expose the Group to interest rate risk

The Group's main objective in using financial instruments is to promote the commercialisation of intellectual property held by technology businesses through the raising and investing of funds for this purpose The Group's policies in calculating the nature, amount and timing of investments are determined by planned future investment activity

Due to the nature of the Group's activities, the Directors may consider it necessary to use derivative financial instruments to hedge the Group's exposure to fluctuations in exchange rates, where these exposures have been significant

(a) Market risk
(i) Price risk
The Group is exposed to price risk in respect of equity rights, equity investments and loans to the technology businesses held by the Group and classified on the balance sheet as at fair value through profit or loss The Group seeks to manage this risk by routinely monitoring the performance of these investments The Group employs stringent investment appraisal processes prior to deciding on investment Regular reports are made to the Board on the status and valuation of investments and significant disposals require Board approval The value of the investment portfolio is affected by the performance of the international equity markets and the carrying value is likely to be adversely affected by material declines in these markets Furthermore, the ability to liquidate market positions will be affected by weak equity markets

The Group holds investments which are traded on the Alternative Investment Market ('AIM') and investments which are not traded on an active market The table below summarises the impact of one per cent increase/decrease in price of both quoted and unquoted investments on the Group's post tax profit for the year

		2011			2010	
	Quoted £000	Unquoted £000	Total £000	Quoted £000	Unquoted £000	Total £000
Investments – designated at fair value through profit and loss	11	1,030	1,041	26	644	670

Post tax profit for the year would increase/decrease as a result of fair value gains/losses on investments classified at fair value through profit or loss There would be no impact on other components of equity The Group is not exposed to commodity price risk

Notes to the Consolidated Financial Statements - continued

18 Financial risk management – continued

(a) Market risk - continued

(ii) Interest rate risk
The Group has directly maintained special interest bearing accounts with corporate banks at variable and fixed rates of interest related to LIBOR These deposits are made on a daily basis with minimal balances held on current account The table below sets out the Group's cash and deposits

	2011	2010
	£000	£000
Sterling deposits – fixed rate	32,002	11,219
Sterling deposits – variable rate	16,846	12,513
Total	48,848	23,732

The variable rates are linked to clearing banks' base rates The weighted average interest rate on the variable deposits during the year ended 31 July 2011 was 1 13% (2010 1 11%) The weighted average interest rate on the fixed rate deposits during the year ended 31 July 2011 was 1 65% (2010 1 94%)

At 31 July 2011, it is estimated that a general increase/decrease of one percentage point in interest rates would increase/decrease the Group's profit before tax by approximately £188,000 (2010 £33,000) as a result of higher/lower interest received on floating rate cash deposits

At 31 July 2011, it is estimated that a general increase/decrease of one percentage point in interest rates would increase/decrease the Group's profit before tax by approximately £260,000 (2010 £203,000) as a result of higher/lower interest received on fixed rate deposits

The Group's liabilities consist of short-term payables and other payables falling due after more than one year, none of which are interest bearing The other payables falling due after more than one year relate to UCSF loans

The Group had no undrawn committed borrowing facilities available during the year

(iii) Foreign exchange risk
The Group occasionally enters into transactions in currencies other than sterling Any exposure to fluctuations in market currency exchange rates is generally considered immaterial from a Group perspective Occasionally, where the Group operates internationally, it may be exposed to foreign exchange risk arising from various currencies, primarily with respect to the US dollar Foreign exchange risk arises from future commercial transactions in foreign operations

Management has set up a policy to require Group companies to manage their foreign exchange risk The Group companies are required to hedge their foreign exchange risk exposure To manage their foreign exchange risk arising from future commercial transactions, entities in the Group use forward contracts Foreign exchange risk arises when future commercial transactions are denominated in a currency that is not the entity's functional currency

At 31 July 2011, 100% (2010 100%) of the foreign currency receivable was hedged by a foreign currency contract The foreign currency receivable relates to the deferred consideration on the sale of Respivert of $693,000 (2010 $1,386,000) The Group's forward currency contract is due to mature in less than one year

(b) Liquidity risk
The Group seeks to manage financial risk, and in particular liquidity risk, ensuring that sufficient liquidity is available to meet foreseeable requirements and to invest surplus cash in low risk instruments with reputable institutions

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date The amounts in the table are the contractual undiscounted cash flows equal to the carrying balances

	Less than 1 year	Over 1 year
At 31 July 2011	£000	£000
UCSF	-	457
Trade and other payables	4,297	-

	Less than 1 year	Over 1 year
At 31 July 2010	£000	£000
UCSF	-	559
Trade and other payables	3,518	-

Notes to the Consolidated Financial Statements - continued

18 Financial risk management - continued

(c) Credit risk

Credit risk is managed on a Group basis Credit risk arises from cash and cash equivalents and short term liquidity investments as well as credit exposures to trade and other receivables

The table below shows analysis of the Group's cash and cash equivalents and short term liquidity investments according to Fitch's short term credit rating or long term credit rating

	2011	2010
Fitch Credit ratings – short term	£000	£000
F1+	29,846	21,732
F2	11,000	2,000
F3	3,002	-
	43,848	23,732
Fitch Credit rating – long term		
AAAmmf	5,000	-
Total	48,848	23,732

The Group does not currently hold any long-term liquidity investment as defined by credit agencies as investments in excess of 13 months

Group policy is to place no more than £15 million of its cash (at the time the cash is placed) with any one institution All investments are in sterling with a minimum credit rating of F3

The maximum exposure to credit risk for trade and other receivables is represented by their carrying amount set out in note 12 The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers The Group assesses the credit quality of customers, taking into account their current financial position and past experience Note 12 discloses £5,746,000 deferred consideration due on the disposal of Thiakis The Thiakis receivable represents one-off contingent performance-related consideration on the sale of Thiakis with proceeds dependent on future milestones The Group considers that, in the context and spread of all its cash and cash equivalents and short term liquidity investments with its counterparties, and balances due from customers, that the £5 7m on Thiakis is not a particularly significant concentration

(d) Capital risk management

The Group is funded 100% by equity finance Total capital is calculated as 'total equity' as shown in the consolidated balance sheet (which includes partly paid shares from the equity raise in January 2011) It is the intention of the Group to remain debt free for the foreseeable future

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt The Group maintains a maturity analysis profile for short term liquidity investments The Group has no external debt and no material externally imposed capital requirements and the Group's share capital is clearly set out in note 16

(e) Fair values

The fair values of the Group's financial assets and liabilities are considered a reasonable approximation to the carrying values shown in the balance sheet The basis for determining fair values is disclosed in note 1

Notes to the Consolidated Financial Statements - continued

18 Financial risk management - continued
(f) Fair Value estimation

The following table presents the Group's assets that are measured at fair value at 31 July 2011

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Assets				
Financial assets at fair value through profit or loss	1,058	-	103,474	104,532
Derivatives used for hedging	-	55	-	55
Total Assets	1,058	55	103,474	104,587

The following table presents the Group's assets that are measured at fair value at 31 July 2010

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Assets				
Financial assets at fair value through profit or loss	1,885	721	64,967	67,573
Derivatives used for hedging	-	103	-	103
Total Assets	1,885	824	64,967	67,676

The fair value of financial instruments traded in active markets is based upon quoted market prices at the balance sheet date A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, price service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis The quoted market prices used for financial assets held by the Group is the current bid price These instruments are included in Level 1 Instruments included in Level 1 comprise AIM registered equity investments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2 For the Group this category includes derivatives used for hedging and quoted securities that are not actively traded in an active market

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3 For the Group this includes all unquoted companies, and UCSF investments and loans

The following table presents the changes in Level 3 instruments for the year ended 31 July 2011 and the year ended 31 July 2010

	2011 £000	2010 £000
Opening balance	64,967	49,797
Investments into Level 3	35,064	14,013
Realisations from Level 3	(1,296)	(10,375)
Fair value movements on UCSF	(101)	(247)
Transfers	(380)	(61)
UCSF disposals	(28)	-
Gains and losses recognised in profit or loss	5,248	11,840
Closing balance	103,474	64,967
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting year	5,248	11,840

Notes to the Consolidated Financial Statements - continued

19 Critical accounting estimates and judgements

The Directors have made the following judgements and estimates that have had the most significant effects on the carrying amounts of the assets and liabilities in the financial statements

Valuation of Unquoted Equity Investments
The judgements required to determine the appropriate valuation methodology of unquoted equity investments means there is a risk of material adjustment to the carrying amounts of assets and liabilities These judgements include a decision whether or not to impair or uplift investment valuations Note 18 summarises the impact of a one per cent increase/decrease in the price of unquoted investments on the Group's post tax profit for the year

20 Employees and Directors

	2011 £000	2010 £000
Wages and salaries	3,693	2,891
Social security costs	386	346
Other pension costs (note 21)	349	219
Total before share based payment charge	4,428	3,456
Share based payments (note 5)	68	58
Total	4,496	3,514

Average monthly number of persons (including Executive Directors) employed

By activity	2011 Number	2010 Number
Investment and technology transfer	30	29
Central Group functions (see below)	13	12
Total	43	41

Central Group functions comprise general management, finance, legal, human resources, marketing and information technology

Key management compensation	2011 £000	2010 £000
Salaries and short-term employee benefits	905	685
Share-based payments charge	53	41
Post employment benefits	44	38
Total	1,002	764

The Group considers all members of the Board to be key management Directors' emoluments are as follows

Directors	2011 £000	2010 £000
Aggregate emoluments	880	625
Company contributions to defined contribution pension schemes	44	38
Sums paid to third parties for Directors' services	25	60
Total	949	723

There were no gains made by individual Directors from the exercise of share options (2010 £nil)

The Directors to whom retirement benefits accrued under money purchase pension schemes in the year to 31 July 2011 and the year to 31 July 2010 were S Searle, J Smith and R Cummings Detailed disclosures of Directors' individual remuneration and share options are given in the Directors' remuneration report

21 Pension

The Group contributes to a money purchase pension scheme for employees The Group contributes up to 10 5% of pensionable salary to the scheme for staff who have been in employment since before 27 April 2005 and 8 5% for all other employees The amount paid in the year to 31 July 2011 was £349,000 (31 July 2010 £219,000) As at 31 July 2011, the amount outstanding was £nil (31 July 2010 £nil)

Notes to the Consolidated Financial Statements - continued

22 Operating lease commitments

	2011 £000	2010 £000
The future aggregate minimum lease payments under non-cancellable operating leases are as follows		
No later than one year	225	225
Later than one year and no later than five years	900	1,125
Later than 5 years	4,275	4,275
Total	5,400	5,625

Lease payments represent amounts payable by the Group for its office property The lease term is 25 years with a break clause after 10 years

23 Other receivables

	2011 £000	2010 £000
Non-current	-	443

Other receivables as at 31 July 2010 represented a receivables balance due on 30 November 2011 following the Respivert disposal on 28 May 2010 The receivable is in a foreign currency and the Group has used a forward contract to manage the foreign exchange risk This receivable is now included in current receivables as at 31 July 2011

24 Related party disclosures

The Group's ultimate parent company was Imperial College London (Imperial College of Science, Technology and Medicine, South Kensington Campus, London SW7 2AZ, United Kingdom) by virtue of its shareholding in the Group, until the date of the equity raise The Group has a Technology Pipeline Agreement (TPA) with Imperial College London which stipulates the terms for sharing revenue generated from the commercialisation of Imperial College London intellectual property which is assigned to Imperial Innovations Limited The Group has agreements with Imperial College London across a range of services, including an operating lease for office premises (from June 2010 at 52 Princes Gate, Exhibition Road) and an agreement covering information technology and intellectual property advice (services agreement) In addition, Imperial College London has a right to nominate two members to sit on the Board of Imperial Innovations On this basis the Directors have considered that Imperial College London continues to be a related party Amounts receivable from or payable to Imperial College London with respect to subsidiary companies of Imperial Innovations Group plc are disclosed separately in the Company's Financial Statements (note 8)

Transactions with Appointee Directors are excluded as these are not considered to exert influence on the Group

As a result of the equity raise Invesco Limited's shareholding in the Group has risen to 45 6% The Group has considered whether Invesco Limited, with its significant shareholding in the Group (albeit in a number of its different funds), is a related party As Invesco Limited does not take part in financial or operating policy decisions, has no right to appoint a Board member, and does not exert significant influence over the Group, the Group has taken the view that Invesco Limited is not a Related Party

Given Invesco's substantial shareholding, the Board of Directors manage the relationship with Invesco carefully to ensure that any co-investment involving the Group and Invesco is conducted on an arm's length basis Although the Group may have significant influence over an investee company, ultimately the investee company makes the final decision regarding the investors as part of a fund-raising Where the Group leads a fund-raising all co-investors are responsible for their own evaluation and due diligence with no preferential treatment afforded to any particular investor

Sale of goods and services (including recovery of costs)	2011 £000	2010 £000
Trading with Imperial College London	580	486
Government grants received via Imperial College London	885	841
Recoveries and disbursements from Imperial College London	242	145
	1,707	1,472

Purchases of goods and services	2011 £000	2010 £000
Rent paid to subsidiary of Imperial College London	225	267
Revenue share, and other expenditure with Imperial College London	1,211	1,721
Payments to Chairman's service company	25	61
	1,461	2,049

Notes to the Consolidated Financial Statements - continued

24 Related party disclosures - continued

Year end balances arising from sales/purchases of goods / services	2011 £000	2010 £000
Receivables from portfolio companies	746	376
Receivables from Imperial College London	13	137
Payables to Imperial College London	(929)	(1,010)
	(170)	(497)

The receivables from related parties arise mainly from sale transactions and are due one month after the date of sale The receivables are unsecured in nature and bear no interest The payables to related parties arise mainly from purchase transactions and are due one month after the date of purchase The payables bear no interest

Loans to portfolio companies	2011 £000	2010 £000
Beginning of the year	4,599	6,941
Loans advanced during the year	4,262	2,035
Loan disposed of during the year	(400)	-
Loans converted or exchanged from debt to equity during the year	(1,158)	(3,375)
Loan became a related party during the year	423	-
Loan impaired during the year	(1,214)	-
Loan at beginning of the year no longer a related party	(325)	(1,002)
31 July	6,187	4,599

Convertible loans to portfolio companies are expected to convert to equity and are of a long-term investment nature As a result, they are included within Fixed Asset Investments (see note 3(i))

Transactions with Directors

The Group considers all members of the Board to be key management and their remuneration is disclosed in note 20 Directors' shareholdings in the Group are disclosed in the Directors' Report

Directors' Shareholdings in Portfolio Companies as at 31 July 2011 are as follows

Director	Portfolio Company	Shares held at 1 August 2010	Shares Acquired during the Year	Shares Held at 31 July 2011	% of Issued Share Capital Held at 31 July 2011	Cost of Investment in the year £000
P Atherton	Midaz Lasers Limited	63,464	5,490	68,954	30 0	30
	Nexeon Limited	42,926	-	42,926	5 4	-
M Rowan	Repregen Limited[1]	9,333	13,334	22,667	4 2	100

[1] Comvest Limited, in which M Rowan is a Partner, also holds 86,666 shares in Repregen Limited

M Knight was previously a member of the Council of Imperial College London Imperial Innovations LLP and certain individuals not considered to be related parties, including M Knight, are parties to an Appointee Director pool The agreement provides for the payment of cash to the individuals on any sale by Imperial Innovations LLP of its shareholdings in specified companies Any payments to these individuals are outside the control of the Group and are directed solely by a committee of those individuals During the year, the individuals became entitled to receive £8,993 pending review by the Committee and have received additionally, £69,096, £158,411 and £9,753 in aggregate following asset disposals in previous years and are entitled to receive £13,979 from the prior year pending review by the Committee

M Knight has agreed that following his receipt of a cumulative total of £18,750, representing the deemed value of his interest in the carry plan to the date he started to receive remuneration as Chairman of the Group, any further amount he receives shall be paid or assigned to the Group Such cumulative total at present stands at £13,291, leaving a further £5,459 before M Knight pays or assigns to the Group any such further amount

Notes to the Consolidated Financial Statements - continued

24 Related party disclosures - continued

Directors' Fees from Portfolio Companies received and receivable in the year

Director	Portfolio Company	Fees
		£000
P Atherton	Nexeon Ltd	30
M Knight [1]	Toumaz Holdings Plc	10

[1] The Group's holding in Toumaz Holdings Plc was disposed of in March 2011

25 Financial commitments

The Group has agreed to make further investments of £9,900,000 (2010 £1,700,000) in certain technology businesses under milestone provisions contained in investment agreements These relate to future investments so have not been included in the financial statements

Company Financial Statements

Independent auditors' report to the members of Imperial Innovations Group plc

We have audited the parent company financial statements of Imperial Innovations Group plc for the year ended 31 July 2011 which comprise the Company Balance Sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 24, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the parent company financial statements

- give a true and fair view of the state of the company's affairs as at 31 July 2011,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the Directors' Report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the group financial statements of Imperial Innovations Group plc for the year ended 31 July 2011

Stuart Newman

Stuart Newman (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge

4 October 2011

Company balance sheet as at 31 July 2011

Company registered number 05796766

	Note	2011 £000	2010 £000
Fixed assets			
Investments in subsidiary undertakings	3	9,524	9,456
Current assets			
Debtors (including amounts due after more than one year of £35,705,000 (2010 £nil))	4	148,558	38,386
Short term deposits		32,002	12,513
Cash at bank and in hand		15,630	10,515
		196,190	61,414
Total assets		205,714	70,870
Capital and reserves			
Issued share capital	6	129,661	1,812
Share premium	9	61,381	51,748
Retained earnings	9	1,832	5,496
Share-based payments	9	8,138	8,070
	10	201,012	67,126
Creditors – amounts falling due within one year	5	4,702	3,744
Total equity and liabilities		205,714	70,870

The Financial Statements on pages 75 to 78 were approved by the Board of Directors on 4 October 2011 and were signed on its behalf by J Smith and S Searle

J Smith
Chief Financial and Operations Officer
4 October 2011

S Searle
Chief Executive Officer
4 October 2011

Notes to the Company financial statements

1 Accounting Policies

Basis of preparation

The Financial Statements have been prepared under the historical cost convention in accordance with applicable United Kingdom accounting standards and the Companies Act 2006 A summary of the more important Company accounting policies, which have been consistently applied except where noted, is set out below

Fixed asset investments

Unlisted investments are held at cost less any provision for impairment

Share based payments

As the parent company has granted rights over its equity instruments to the employees of Imperial Innovations Limited there is a corresponding increase recognised in the investment in the subsidiary

Cash at bank and in hand

Cash at bank and in hand and short term deposits includes cash in hand, deposits held with banks, bank overdrafts and other short-term deposits that are repayable on demand Short term deposits comprise bank deposits that are not repayable on demand

Cash flow statement

The Company has taken advantage of the exemption in FRS 1 (revised 1996), "Cash Flow Statements", which provides that where a company is a member of a Group and a consolidated Cash Flow Statement is published, the Company does not have to prepare a Cash Flow Statement

Deferred tax

Deferred tax arises from timing differences as a result of the different treatment for accounts and taxation purposes of transactions and events recognised in the Financial Statements of the current period and previous periods It is calculated using the incremental liability method Deferred tax assets are not recognised in the accounts because of the uncertainty of future taxable profits against which they may be recovered Deferred tax assets and liabilities are not discounted

Share capital

Ordinary shares and Convertible B shares are classified as equity Incremental costs directly attributable to the issue of new Ordinary and Convertible B shares are shown as a deduction, net of tax, from the proceeds

For partly paid shares, where there is a fixed schedule of definite call dates when the shareholders must pay instalments of the outstanding amount on the shares, and the shareholder is contractually obliged to pay, the Company recognises a receivable for the outstanding future proceeds at the issue date of the shares, with a corresponding entry in equity The receivable is a financial asset and measured at fair value on initial recognition and subsequently at amortised cost Amortised cost is calculated using the effective interest rate The unwinding of the discount on the receivable is recognised in the Profit and Loss account over the expected payment period

2 Results for the Parent Company

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and have not presented a Profit and Loss Account for the Parent Company The Parent Company's result for the year was a profit of £1,571,000 (2010 profit £420,000)

Notes to the Company Financial Statements - continued

3 Investments in subsidiary undertakings

	£000
At 1 August 2010	9,456
Capital contributions arising from FRS 20 charges	68
At 31 July 2011	9,524

The Capital contributions arising from FRS 20 charges represents the Company granting rights over its equity instruments to the employees of Imperial Innovations Limited This results in a corresponding increase in investment in subsidiary

Details of the Company's subsidiary undertakings (which are all wholly owned within the Group) at 31 July 2011 are as follows

Company	Nature of operations	Country of Incorporation
Imperial Innovations Limited	Technology licensing and investment holding company	England
Imperial Innovations LLP [1]	Investment holding company	England
Imperial Innovations Investments Limited	Investment holding company	England
Imperial Innovations Businesses LLP [1]	Investment holding company	England
Imperial Innovations Investment Management Limited	Investment services company	England
Imperial College Company Maker Limited [1]	Investment holding company	England
Imperial Innovations Sarl [1]	Investment holding company	Luxembourg
Sweetspot Therapeutics Limited	Newly formed Technology company	England

[1] Indirectly held

4 Debtors

	2011 £000	2010 £000
Amounts falling due within one year		
Other debtors	313	268
Amounts due by subsidiary undertakings	75,968	38,118
Partly paid shares	36,572	-
	112,853	38,386
Amounts falling due after more than one year		
Partly paid shares	35,705	-
Total	148,558	38,386

Amounts due by subsidiary undertakings represent investments made on behalf of Imperial Innovations Investments Limited, Imperial Innovations Businesses LLP and Imperial Innovations Limited These are unsecured, interest free and there is no fixed repayment term

5 Creditors - amounts falling due within one year

	2011 £000	2010 £000
Amounts owed to Imperial Innovations Limited	1,213	1,213
Amounts owed to Imperial Innovations LLP	2,918	2,530
Amounts owed to Imperial Innovations Businesses LLP	550	-
Other creditors	21	1
Total	4,702	3,744

The amounts owed to Imperial Innovations Limited, Imperial Innovations LLP and Imperial Innovations Businesses LLP are unsecured, interest free and there is no fixed repayment term

Notes to the Company Financial Statements - continued

6 Issued share capital

Ordinary shares	2011 £000	2010 £000
Allotted and fully paid		
Balance at beginning of year (59,790,621 Ordinary Shares of £0 0303 each) (2010 57,630,313 ordinary shares of £0 0303 each)	1,812	1,746
Issue of share capital during the year[1]	87	66
Balance as at end of year (62,660,949 Ordinary shares of £0 0303 each)	1,899	1,812

Convertible B shares	2011 £000	2010 £000
Allotted and part paid		
Balance at beginning of year	-	-
Issue of share capital during the year[2]	126,730	-
Unwinding of discount on partly paid shares	1,032	-
Balance as at end of year (36,990,086 Convertible B shares)	127,762	-
Total balance as at end of year (99,651,035 Ordinary shares and partly paid Convertible B shares)	129,661	1,812

[1] Issue of 2,870,328 New Ordinary Shares of £0 0303 each pursuant to the 2 for 3 Rights Issue
[2] Issue of 36,990,086 New Convertible B Shares of £3 50 each (partly paid and discounted)

See note 16 of the Consolidated Financial Statements for further details regarding the equity raise during the period

7 Share-based payments

The parent company has granted rights over its equity instruments to the employees of Imperial Innovations Limited For detailed share based payment disclosures, see note 5 to the consolidated Financial Statements

8 Related parties

During the year ended 31 July 2011, the Company made investments on behalf of Imperial Innovations Investments Limited, Imperial Innovations Businesses LLP and Imperial Innovations Limited (see note 4) See note 24 of the Consolidated Financial statements for details of the Group's related party transactions

9 Reserves

	Share Premium £000	Retained Earnings £000	Share-based Payments £000	Total £000
At 1 August 2010	51,748	5,496	8,070	65,314
Share based payment	-	-	68	68
Share capital issued	9,959	-	-	9,959
Cost of equity raise	(326)	(4,203)	-	(4,529)
Unwinding of discount on partly paid shares	-	(1,032)	-	(1,032)
Profit for the year	-	1,571	-	1,571
At 31 July 2011	61,381	1,832	8,138	71,351

10 Reconciliation of movements in shareholders' funds

	2011 £000	2010 £000
At 1 August	67,126	66,706
Share based payment	68	58
Share based payment reserve movement	-	(124)
Share capital issued	136,776	66
Cost of equity raise	(4,529)	-
Profit for the year	1,571	420
As at 31 July	201,012	67,126

11. Directors' emoluments and employee information

The remuneration of the Directors is borne by Group subsidiary undertakings Full details of Directors' remuneration can be found in the Directors' remuneration report The Company had no employees during the years ended 31 July 2010 and 31 July 2011