

IP2IPO Group plc  
Interim Report

For the six months ended 30 June 2004



# Directors, Secretary and Advisors to the Company

**Company registration number:** 4204490

**Directors:** Professor William Graham Richards, CBE (non-executive chairman from 10 August 2004)  
David Robert Norwood (chief executive officer)  
John Quantrill Davies (chief financial officer)  
Dr Steven Koon Ching Lee (director of life sciences, resigned 1 September 2004)  
Dr Bruce Gordon Smith, CBE (non-executive director, resigned as chairman 10 August 2004)  
Christopher Roger Ettrick Brooke (non-executive director)

**Registered office:** IP2IPO Group plc  
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Oxford OX1 1ST  
From 1 September 2004:  
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Cursitor Street  
London  
EC4A 1LB

**Company secretary:** Nigel Raymond Gordon

**Nominated adviser and broker:** KBC Peel Hunt Ltd  
111 Old Broad Street  
London EC2N 1PH

**Auditors:** BDO Stoy Hayward LLP  
Park House  
102-108 Above Bar  
Southampton SO14 7NH

**Registrars:** Capita IRG plc  
The Registry  
34 Beckenham Road  
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Kent BR3 4TU

Cover photograph by Darren Millington

# Chairman's half yearly statement

## Graham Richards

During the 6 months ended 30 June 2004, IP2IPO developed significantly.

In March 2004 Offshore Hydrocarbon Mapping plc ('OHM') became the first company from the IP2IPO portfolio to float when it listed its shares on the Alternative Investment Market of the London Stock Exchange plc. At that time, IP2IPO disposed of 588,235 OHM shares to realise gross proceeds of £1 million. IP2IPO continues to hold approximately 3 million OHM shares, representing 10.4% of OHM's share capital. As at 30 June 2004, this holding was worth £7.1m. IP2IPO was instrumental in the creation of OHM in June 2002, at which time IP2IPO invested £150,000 in OHM and received a 26.3% stake in the company. The successful flotation of OHM, some 21 months after its formation, is a major milestone for IP2IPO.

As a result of making its first realisation from the disposal of shares in a spin out company, and as a result also of growth in IP2IPO's income from the provision of advisory services, operating profit for the 6 months ended 30 June 2004 was £440,000. Profit after taxation in the period was £1,202,000.

Your Company has continued to acquire interests in spin out companies with four new investments added to the IP2IPO portfolio in the six month period to 30 June 2004. These additions include investments in the first two spin out companies formed under IP2IPO's partnership with King's College London. As at 30 June 2004, IP2IPO had interests in 17 private companies formed as a result of its long-term university partnerships. Five of these companies secured second round finance during the period.

On 30 June 2004, IP2IPO acquired Top Technology Ventures Limited ('Top Technology'), an investment management company of early stage venture capital funds. The maximum consideration payable of £2.4 million is made up of a combination of cash, shares and deferred cash payment. The acquisition is an important strategic step for IP2IPO and will combine your Company's proven ability to create new ventures based on world leading university intellectual property and Top Technology's expertise in early stage investments.

Subsequent to the period end, IP2IPO invested £2 million to acquire 20% of the share capital of Techtran Group Limited ('Techtran'). This is another significant development for your Company. Techtran is a technology transfer company that has a long-term technology commercialisation contract with the University of Leeds, one of the UK's largest and best regarded research-led universities. Under the terms of this contract, Techtran provides technology commercialisation services to the University of Leeds and in return, Techtran receives a significant (30%) interest in spin out companies and licences based on intellectual property created at the University. At 30 June 2004, Techtran had interests in 15 spin out companies.

The first half of 2004 has been successful for IP2IPO. For the remainder of the year, your Company will seek to build on this success by continuing to focus on driving value from within its portfolio of spin out companies without relinquishing its commitment to disciplined cost control.

**Graham Richards**  
Chairman

# Consolidated Profit and Loss Account

	Unaudited six months to 30 June 2004 £'000	Unaudited six months to 30 June 2003 £'000	Audited 12 months to 31 December 2003 £'000
<b>Turnover</b>	<b>379</b>	39	222
Administrative expenses			
Provision against fixed asset investments	-	-	(109)
Other	<b>(863)</b>	(418)	(1,170)
Total	<b>(863)</b>	(418)	(1,279)
<b>Surplus on disposal of fixed asset investments</b>	<b>924</b>	-	-
Operating profit (loss)	<b>440</b>	(379)	(1,057)
Interest receivable and similar income	<b>762</b>	87	474
Profit (loss) on ordinary activities before taxation	<b>1,202</b>	(292)	(583)
Tax on profit (loss) on ordinary activities	-	-	-
Profit (loss) on ordinary activities after taxation	<b>1,202</b>	(292)	(583)
<b>Basic profit (loss) per ordinary share</b>	2 <b>2.96p</b>	(1.1p)	(1.9p)
<b>Diluted profit (loss) per ordinary share</b>	2 <b>2.86p</b>	(1.1p)	(1.9p)

# Consolidated Balance Sheet

	Unaudited at 30 June 2004 £'000	Unaudited at 30 June 2003 £'000	Audited at 31 December 2003 £'000
Note			
<b>Fixed assets</b>			
Intangible fixed assets			
Goodwill	3 <b>2,919</b>	–	–
Other	<b>14</b>	–	12
Tangible fixed assets			
Investments	<b>59</b>	33	27
Equity rights	3 <b>17,371</b>	17,532	17,556
Equity investments	3 <b>7,379</b>	3,771	5,804
	<b>24,750</b>	21,303	23,360
	<b>27,742</b>	21,336	23,399
<b>Current assets</b>			
Debtors	<b>501</b>	75	170
Cash at bank and in hand	<b>37,344</b>	9,703	38,245
	<b>37,845</b>	9,778	38,415
<b>Creditors: Amounts falling due within one year</b>	<b>(2,417)</b>	(67)	(774)
<b>Net current assets</b>	<b>35,428</b>	9,711	37,641
<b>Total assets less current liabilities</b>	<b>63,170</b>	31,047	61,040
<b>Creditors: Amounts falling due after more than one year</b>	<b>(383)</b>	–	(383)
<b>Provisions for liabilities and charges</b>	<b>(128)</b>	–	–
<b>Net assets</b>	<b>62,659</b>	31,047	60,657
<b>Capital and reserves</b>			
Called up share capital	<b>4,081</b>	2,919	4,064
Share premium account	<b>59,755</b>	30,216	58,972
Profit and loss account (deficit)	<b>(1,177)</b>	(2,088)	(2,379)
<b>Total equity shareholders' funds</b>	<b>62,659</b>	31,047	60,657

# Consolidated Cash Flow Statement

	Unaudited six months to 30 June 2004 £'000	Unaudited six months to 30 June 2003 £'000	Audited 12 months to 31 December 2003 £'000
<b>Net cash outflow from operating activities</b>	5 <b>(620)</b>	(395)	(708)
<b>Returns on investments and servicing of finance</b>			
Interest received	<b>762</b>	87	474
<b>Net cash inflow from returns on investment and servicing of finance</b>	<b>762</b>	87	474
<b>Taxation</b>	-	-	-
<b>Capital expenditure and financial investment</b>			
Purchase of intangible fixed assets	<b>(2)</b>	-	(12)
Purchase of tangible fixed assets	<b>(3)</b>	-	(5)
Purchase of fixed asset investments	<b>(1,353)</b>	(402)	(1,818)
Sale of fixed asset investments	<b>965</b>	-	-
<b>Net cash outflow from capital expenditure and financial investments</b>	<b>(393)</b>	(402)	(1,835)
<b>Acquisitions</b>			
Purchase of subsidiary undertaking	<b>(880)</b>	-	-
Net cash acquired with subsidiary	<b>230</b>	-	-
	<b>(650)</b>	-	-
Net cash outflow before financing	<b>(901)</b>	(710)	(2,069)
<b>Financing</b>			
Issue of ordinary shares	-	6,250	37,738
Share issue costs	-	(225)	(1,812)
<b>Net cash inflow from financing</b>	-	6,025	35,926
<b>(Decrease) Increase in cash</b>	5 <b>(901)</b>	5,315	33,857

### 1. Basis of preparation

The results for the half-year are unaudited. They have been prepared on the same basis as the accounts for the year ended 31 December 2003. The financial information in this interim announcement does not constitute statutory accounts within the meaning of Section 240(5) of the Companies Act 1985.

The statutory accounts of IP2IPO Group plc for the year ended 31 December 2003 have been reported on by the company's auditors and have been delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under Section 237(2) or 272(3) of the Companies Act 1985.

### 2. Earnings per share calculation

The basic profit per share has been calculated by dividing the profit for the year of £1,202,000 (for the period ended 30 June 2003: loss of £292,000; for the year ended 31 December 2003: loss of £583,000) by the weighted average number of shares of 40,638,910 in issue during the six month period to 30 June 2004 (for the six month period ended 30 June 2003: 26,038,012; for the year ended 31 December 2003: 30,031,187).

The diluted profit per share has been calculated by dividing the profit for the year of £1,202,000 by 41,991,935, the sum of the weighted average number of shares in issue adjusted for the conversion of the dilutive potential shares, weighted for the period they were outstanding. The diluted earnings per share for the year ended 31 December 2003 and period ended 30 June 2003 are equal to the basic earnings per share for these periods as IP2IPO Group plc recorded a loss for these periods.

### 3. Intangibles

Goodwill of £2,919,000 had been recognised in respect of the acquisition of Top Technology Ventures Limited on 30 June 2004, representing consideration of £2.4 million plus the net liabilities of that company at completion.

### 4. Fixed asset investments

#### Equity rights

	University of Oxford chemistry department equity rights £'000	Acqui- sition costs £'000	Total £'000
<b>Cost</b>			
At 31 December 2003	17,256	354	17,610
Transfer to equity investments	(175)	–	(175)
Additions	–	–	–
<b>At 30 June 2004</b>	<b>17,081</b>	<b>354</b>	<b>17,435</b>



**4. Fixed asset investments** continued

	University of Oxford chemistry department equity rights £'000	Acqui- sition costs £'000	Total £'000
<b>Aggregate amortisation of acquisition costs</b>			
At 31 December 2003	–	(54)	(54)
Charge for the period	–	(10)	(10)
<b>At 30 June 2004</b>	<b>–</b>	<b>(64)</b>	<b>(64)</b>

**Net book value**

<b>At 30 June 2004</b>	<b>17,081</b>	<b>290</b>	<b>17,371</b>
At 31 December 2003	17,256	300	17,556

**Equity investments**

	University of Oxford spin outs £'000	University of South- ampton spin outs £'000	King's College London spin outs £'000	Amaethon Limited £'000	Other £'000	Total £'000
<b>Cost</b>						
At 31 December 2004	2,672	1,802	–	1,150	1,826	7,450
Investment in spin out companies	475	392	661	–	–	1,528
Assets acquired with Top Technology	–	–	–	–	88	88
Disposals in spin out companies	–	(41)	–	–	–	(41)
<b>At 30 June 2004</b>	<b>3,147</b>	<b>2,153</b>	<b>661</b>	<b>1,150</b>	<b>1,914</b>	<b>9,025</b>

**Provision for impairment**

At 31 December 2003	–	–	–	–	1,646	1,646
Charge for the period	–	–	–	–	–	–
<b>At 30 June 2004</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,646</b>	<b>1,646</b>

**Net book value**

<b>At 30 June 2004</b>	<b>3,147</b>	<b>2,153</b>	<b>661</b>	<b>1,150</b>	<b>268</b>	<b>7,379</b>
At 31 December 2003	2,672	1,802	–	1,150	180	5,804

## Notes to the Interim Results

Continued

### 4. Fixed asset investments continued

Disposals in spin out companies relates to the disposal of 588,235 shares in Offshore Hydrocarbon Mapping plc, a spin out company from the University of Southampton, on its admission to the Alternative Investment Market on 11 March 2004.

### 5. Notes to the cash flow statement

#### i. Net cash flow from operating activities

	<b>Unaudited six months to 30 June 2004 £'000</b>	Unaudited six months to 30 June 2003 £'000	Audited 12 months to 31 December 2003 £'000
Operating profit (loss)	<b>440</b>	(379)	(1,057)
Depreciation of tangible fixed assets	<b>10</b>	14	25
Amortisation of acquisition costs	<b>10</b>	9	20
Profit on disposal of fixed asset investments	<b>(924)</b>	–	–
Increase in debtors and accrued income	<b>(240)</b>	(28)	(123)
Increase (decrease) in creditors	<b>84</b>	(6)	318
Other non-cash movement	–	(5)	–
Provision against fixed asset investments	–	–	109
Net cash flow from operating activities	<b>(620)</b>	(395)	(708)

#### ii. Reconciliation of net cash flow to movement in net funds

	<b>Unaudited six months to 30 June 2004 £'000</b>	Unaudited six months to 30 June 2003 £'000	Audited 12 months to 31 December 2003 £'000
Movement in cash in the year	<b>(901)</b>	5,315	33,857
Changes in net funds resulting from cash flows	<b>(901)</b>	5,315	33,857
Movement in net funds in the year	<b>(901)</b>	5,315	33,857
Opening net funds	<b>38,245</b>	4,388	4,388
Closing net funds	<b>37,344</b>	9,703	38,245

# Independent Review Report to IP2IPO Group plc

## Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2004 on pages 2 to 7. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of the London Stock Exchange for companies trading securities on the Alternative Investment Market and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

## Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. Where a company is fully listed, the directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed. The directors of IP2IPO Group plc have voluntarily complied with this requirement in preparing the interim report.

## Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom by auditors of fully listed companies. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

## Review conclusion

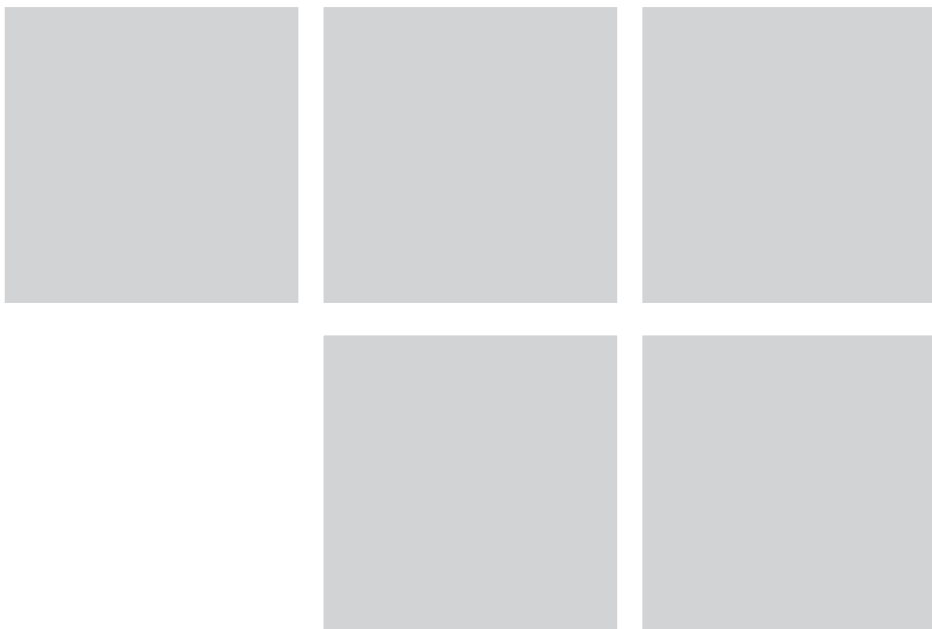
On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2004.

## BDO STOY HAYWARD LLP

Chartered Accountants

Southampton

31 August 2004



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