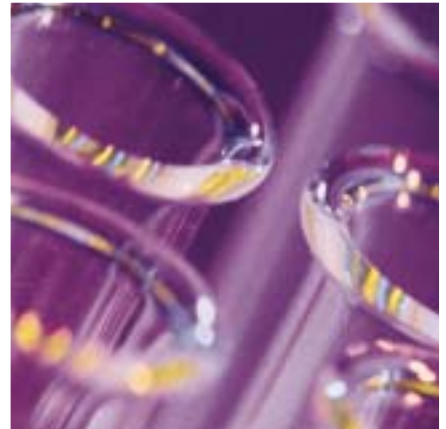


IP2IPO Group plc Annual Report and Accounts

For the financial year ended 31 December 2004



IP2IPO's business is to generate commercial value from IP created by its university partners.

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Highlights

- Successful flotation of three portfolio companies during 2004 (2003: nil).
- Realisation from the sale of shares in a spin out company of £924,000 (2003: nil).
- Market value of shares in quoted companies at year end of £24 million (2003: nil).
- Revenues increased to £1,183,000 (2003: £222,000).
- First full year profit after tax of £322,000 (2003: loss of £583,000).
- Cash balance of £34.8 million (2003: £38.2 million).
- Acquisition of Top Technology Ventures Limited in June 2004.
- Six new spin out companies formed in 2004 – IP2IPO received stakes in each company.
- Acquired 19.9% of share capital of Techtran Group Limited in July 2004.
- Acquired remaining share capital of Techtran Group Limited in January 2005.

Chairman's Statement

Graham Richards

"I am delighted to be able to report that IP2IPO's first full year as a quoted company has been an extremely positive one."

Your Company's business is focused on the commercialisation of intellectual property from UK universities. Its business model is based on entering into long-term partnerships with universities and through these, IP2IPO assists its university partners to realise value from their intellectual property assets. In return, IP2IPO has secured the right to significant interests in university spin out companies and technology licences.

At the end of 2004, IP2IPO had long-term partnerships with four universities: Oxford, Southampton, York and King's College London. In January 2005, IP2IPO announced a fifth partnership – with the University of Leeds – through its acquisition of Techtran Group Limited. Collectively, IP2IPO's partners have total research income greater than £250 million.

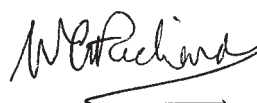
2004 was a highly significant year for IP2IPO. In March, the first university spin out company from the IP2IPO portfolio, Offshore Hydrocarbon Mapping plc, listed on the Alternative Investment Market ("AIM") of the London Stock Exchange. In October, two further companies from the IP2IPO portfolio, Synairgen plc and VASTox plc, followed Offshore Hydrocarbon Mapping plc to AIM. IP2IPO invested a total of £739,000 in these three companies during 2002 and 2003. As at 31 December 2004, the combined market capitalisation of these three companies was just over £150 million and the aggregate value of IP2IPO's holdings was £24 million.

First and foremost, the flotation of three companies from the IP2IPO portfolio during 2004 is a demonstration of IP2IPO's business model and its ability to create value from university intellectual property. However, these flotations have also blazed a trail within the university sector. As at 31 December 2004, the combined value of IP2IPO's university partners' interests in the three companies was greater than £20 million. Your Company's Board believes that the successes which IP2IPO has recorded in 2004 will add momentum to the trends which are already prevalent within the university sector and which are driving the commercialisation of intellectual property to the forefront of the strategies of the UK's research-led universities.

For the year ended 31 December 2004, IP2IPO generated turnover of £1,183,000, a surplus on the disposal of fixed asset investments of £924,000 and profits for the year of £322,000. I am pleased to report that costs were controlled in line with expectations.

During 2005, your Company's primary focus will be on continuing to build a strong portfolio of university spin out companies and to create value from this portfolio. In addition, IP2IPO will remain alert to opportunities to expand its business during the year. Given the growing impetus behind the commercialisation of university intellectual property, the Board of your Company notes the emergence of new entrants into the market. IP2IPO's successes during 2004 have consolidated its position as the market leader, and this gives your Company the opportunity to approach new expansion opportunities selectively.

During 2004 there were a number of changes to the Board of your Company. Alex Snow, Harry Fitzgibbons and Andrew Beeson resigned their non-executive directorships and Dr Steven Lee, IP2IPO's former director of life sciences, left IP2IPO to become chief executive of VASTox plc. I would like to express the Board's thanks for the contribution that all the departing directors made to the success of your Company. In August, I took over the chairmanship of your Company from Dr Bruce Smith, who remains a non-executive director and I would like to record the appreciation of the Board for Bruce's services as chairman and for his continuing commitment to IP2IPO. In October, IP2IPO was fortunate to secure the services of Dr Bruce Campbell, who adds a huge wealth of experience to IP2IPO's executive team as chief scientific officer.



Graham Richards
Chairman

Chief Executive Officer's Review

David Norwood

"2004 has been a year in which IP2IPO focused on proving its business model. Your Company has striven to identify strong commercialisation opportunities from its university partnerships, to build promising university spin out companies and to work with its portfolio of spin out companies to create value."

Quoted portfolio performance

I am delighted to report that three companies from the IP2IPO stable listed on AIM during 2004: Offshore Hydrocarbon Mapping plc, Synairgen plc and VASTox plc. The table below provides a summary of the position at the year end in respect of each of these three companies. It is IP2IPO's accounting policy to carry these investments at cost (less any provision for impairment). However, on the basis of the closing mid-price of each of these investments on 31 December 2004, their aggregate value was some £24 million. From an operational perspective, it is pleasing to note that the £1 million of proceeds received by IP2IPO on account of its part-disposal of Offshore Hydrocarbon Mapping plc shares is greater than the aggregate costs of all three investments.

I am also pleased to report that the flotation of each of the above companies was well received by the stock market and at the year end, all three companies were trading substantially in excess of their listing price. Looking forward, IP2IPO will endeavour to encourage spin out companies in its portfolio to consider a stock market listing, where it believes they have robust business models and exciting growth prospects.

Unquoted portfolio performance

The unquoted portfolio of fixed asset investments in spin out companies formed under IP2IPO's university partnerships has grown and matured during 2004. At 31 December 2004, your Company had 16 such investments, six of which were formed during the year. These 16 investments are recorded on the balance sheet at cost (less any provision for impairment) and total £5.4million. Six companies in the portfolio raised a total of £6.7 million in private equity finance from third parties during the year. Taking into account changes in the share price in any of the unquoted companies by reference to subsequent third party investment, the fair value of the portfolio of unquoted companies at 31 December 2004 is £7.6 million, an increase of 40% over historic cost.

Provisions

IP2IPO made provisions against fixed asset investments during the year totalling £178,000. These provisions were made against fixed asset investments transferred to IP2IPO from Beeson Gregory (its former parent company) in 2001. Included in the figure above, is a provision of £50,000 against Novarc Limited, which has the result of fully providing against the investment as a consequence of that company's voluntary liquidation in January 2005.

Acquisitions during the year

In 2004, IP2IPO took the strategic decision to expand its operations into fund management. Accordingly, in June 2004, IP2IPO acquired all of the share capital of Top Technology Ventures Limited, a manager of UK venture capital funds focused on early stage technology investments, for a consideration of £2.4 million. This acquisition generated £2.9 million of goodwill on the Group balance sheet. In the six months following its acquisition, Top Technology Ventures Limited has streamlined its cost base and has announced its intention to expand the funds under its management.

Company	Date of formation	Cost of investment £'000	Cost of shares sold £'000	Proceeds of disposal £'000	Value of holdings as at 31.12.04 £'000	% holding as at 31.12.04	Uplift in value between original cost of investment and value at 31.12.04
Offshore Hydrocarbon Mapping plc	2002	150	41	1,000	7,131	10	65x
Synairgen plc	2003	564	–	–	10,159	31	18x
VASTox plc	2003	25	–	–	6,747	13	270x
Total		739	41	1,000	24,037		

Chief Executive Officer's Review

Continued

Acquisitions after the year end

In July 2004, IP2IPO invested £2 million in return for a 19.9% interest in Techtran Group Limited ("Techtran"), a company engaged in the commercialisation of intellectual property from the University of Leeds. This investment enabled IP2IPO to work alongside the Techtran management team and to further assess the strengths of the company. In January 2005, IP2IPO completed an acquisition of all of the share capital of Techtran which it did not already own at that time, for a total consideration of £16.1 million. The University of Leeds is one of the leading research universities in the UK with research income of over £100 million. The partnership between Techtran and the University of Leeds is highly innovative because it is the first instance of a UK university completely outsourcing its technology commercialisation function to the private sector. The partnership commenced in 2002 and has a demonstrable record of success. Techtran already has interests in a portfolio of 13 spin out companies from the University of Leeds.

Review of operations

During 2004, IP2IPO continued to control costs carefully, incurring consolidated administrative expenses for the year of £3,260,000. In addition, IP2IPO has continued to generate short-term revenues through the provision of advisory and fund-raising services. In the second half of 2004, Top Technology Ventures Limited added to both IP2IPO's revenues and profitability.

Your Company's cash position is healthy. Cash at the end of the year stood at £34,801,000. Your Company has outstanding commitments to invest significant sums in university spin out companies under the terms of its university partnerships. As at 31 December 2004, these commitments totalled £13,262,000. In addition, a further commitment of £800,000 is payable in deferred consideration, due as a result of the acquisition of Top Technology Ventures Limited. The acquisition of Techtran in January 2005 resulted in net cash outflows of approximately £1,561,000.

Outlook for 2005

I am confident in both the strength of the pipeline of new intellectual property opportunities available to IP2IPO and the overall rigour of IP2IPO's business model. I am also delighted with the progress that IP2IPO has made in the early part of 2005 and I believe that the acquisition of Techtran will cement IP2IPO's position as the UK's leader in the field.

As the business grows and its head count expands, I expect our cost base to rise. However, your Company's management will monitor this carefully and will seek to match costs against sources of short-term income wherever possible.

The successful flotation of Offshore Hydrocarbon Mapping plc, Synairgen plc and VASTox plc demonstrates not only that universities are important engines of breakthrough inventions, but with the right support, university spin out companies can mature rapidly and can develop into robust, stand-alone businesses in a relatively short period of time. During 2005, market conditions permitting, IP2IPO will seek to build on its 2004 record.



David Norwood
Chief Executive Officer

Biographical Notes on Directors

Professor William Graham Richards, CBE

Non-executive Chairman

Graham is Chairman of Chemistry in the University of Oxford. He was the scientific founder of Oxford Molecular Group plc and is a director of the University of Oxford technology transfer company, Isis Innovation Limited. Graham became a director of IP2IPO in December 2001 and Chairman in August 2004.

David Robert Norwood

Chief Executive Officer

David founded IndexIT Partnership Limited in July 1999, a technology advisory boutique, which was acquired in March 2000 by Beeson Gregory Group plc for £34 million. David served as a director of Beeson Gregory Group plc and subsequently, Evolution Group plc.

John Quantrill Davies, ACA

Chief Financial Officer

John was Finance Director of IndexIT Partnership Limited with responsibility for most of that company's internal operations. After Beeson Gregory Group plc acquired IndexIT Partnership Limited, John worked in its private equity team before joining IP2IPO at its formation.

Dr David Bruce Campbell

Chief Scientific Officer

Bruce was Senior VP of Development at Neurocrine, a NASDAQ listed drug development company, where he had overall responsibility for directing Neurocrine's selection and advancement of drug candidates from research into clinical development. Prior to his role at Neurocrine, Bruce spent 27 years in drug development at Servier. He is also a visiting Professor in Pharmacology at King's College London. Bruce became a director of IP2IPO in October 2004.

Christopher Roger Etrick Brooke

Non-executive Director

Roger founded Candover Investments and built it into one of the UK's foremost venture capital businesses. He retired from Candover as Chairman in May 1999. His previous directorships include: EMI, Beeson Gregory Group plc and he was previously Chairman of the Audit Commission. Roger became a director of IP2IPO in December 2001.

Dr Bruce Gordon Smith, CBE

Non-executive Director

Bruce is Chairman of the Council of Smith Institute for Industrial Mathematics and System Engineering. He was the Chairman and majority shareholder of Smith System Engineering Limited until 1997. Bruce is a fellow of the Royal Academy of Engineering, the Institute of Electrical Engineers and the Institute of Physics. Bruce became a director of IP2IPO in September 2002.

Directors' Report

Report of the Directors

The directors present their report together with the audited financial statements for IP2IPO Group plc (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2004. This report includes the Corporate Governance Statement and Remuneration Report on pages 8 to 13.

Principal activities and business review

IP2IPO Group plc acts as a holding company and does not trade. The Company has six subsidiaries: IP2IPO Limited, IP2IPO Management Limited, IP2IPO Management II Limited and Top Technology Ventures Limited, which itself has two subsidiary companies, both general partners of its limited partnership funds. The business of the Group is i) the commercialisation of intellectual property via the formation of long-term partnerships with universities and ii) management of venture funds focussing on early-stage UK technology companies.

During 2004, six spin out companies were established in which the Group holds an equity stake as a result of the above partnerships: Bioniqs Limited, Ilika Limited, Oxford Medical Diagnostics Limited, Perpetuum Limited, Phonologica Limited and Proximagen Limited.

Results and dividends

During the period the Group made an overall profit after taxation for the year ended 31 December 2004 of £322,000 (2003: loss for the year £583,000). The directors do not recommend the payment of a dividend (2003: £Nil).

Directors

The names of directors who held office during 2004 are as follows:

Executive Directors

David Norwood

John Davies

Bruce Campbell (appointed 8 October 2004)

Steven Lee (resigned 1 September 2004)

Non-executive Directors

Graham Richards (Chairman from 10 August 2004)

Bruce Smith (resigned as Chairman on 10 August 2004)

Roger Brooke

Andrew Beeson (resigned 6 April 2004)

Alex Snow (resigned 21 May 2004)

Harry Fitzgibbons (resigned 9 June 2004)

Details of the interests of directors in the share capital of the Company, together with details of share options granted to them, are set out in the Remuneration Report on pages 8 to 10.

Substantial shareholders

In addition to the Directors' beneficial interests shown on page 9, as at 22 February 2005 the Company had been advised of the following shareholders with interests of 3% or more in its ordinary share capital.

	%
Evolution Group plc	17.4
BNY (OCS) Nominees Limited	9.9
Barclays Capital Nominees (3) Limited	8.9
Morstan Nominees Limited	8.7
Commerz Nominees Limited	8.2
Nutraco Nominees Limited	7.1
DRKWS Nominees Limited	5.3
Goldman Sachs Securities (Nominees) Limited	3.2

Directors' Report

Continued

Post balance sheet events

Full details of all significant post balance sheet events are set out in note 26 to the accounts.

Payment of creditors

It is the Group's current policy to establish payment terms with suppliers when agreeing terms of supply, to ensure that suppliers are made aware of the terms of payment, and to adhere to those terms. The Group's average creditor payment period at 31 December 2004 was 37 days (2003: 40 days). The Company has no trade creditors.

Charitable and political donations

The Group made no charitable or political donations during the year (2003: £Nil).

Cash

It is the Group's current policy to place cash surplus to working capital requirements with reputable cash fund managers. The Group has no foreign currency deposits or other financial instruments.

Auditors

On 12 August 2004, PricewaterhouseCoopers LLP resigned. BDO Stoy Hayward LLP were appointed in their place and they have indicated their willingness to continue in office.

ON BEHALF OF THE BOARD



David Norwood

Chief Executive Officer
8 March 2005

Remuneration Report

This report has been prepared in compliance with the Listing Rules, the Combined Code and the Companies Act 1985 (as amended by the Directors' Remuneration Report Regulations 2002). The Company is not required to produce a Remuneration Report but has done so out of choice. The Company's remuneration policy is the responsibility of the Remuneration Committee. This committee is chaired by Graham Richards and also comprises Bruce Smith, Roger Brooke and David Norwood. Each member of the committee, with the exception of David Norwood, is considered an independent director, and the committee is authorised, if it wishes, to seek independent specialist services to provide information and advice on remuneration at the Company's expense.

The committee has specific responsibility for determining the remuneration and other benefits of executive directors, an overall policy in respect of remuneration of other employees of the Group, and establishing the Group's policy with respect to employee share option schemes. David Norwood does not attend meetings where his remuneration package is discussed. In determining executive remuneration packages of individual directors the Remuneration Committee takes account of the levels of experience, performance and responsibility of each director, and the remuneration packages for similar executive positions in companies it considers are comparable. It also considers the remuneration packages offered within the Group as a whole.

Remuneration policy

a) Executive remuneration

The committee aims to ensure that the remuneration of executive directors is competitive, takes into account individual performance and provides a package which is sufficiently dependent on achievement to motivate and incentivise the individual executive directors. Executive remuneration currently comprises a base salary which is not performance related, an entitlement to private medical insurance, permanent health insurance, life assurance and pension contributions to individual money purchase schemes, and an executive bonus scheme. The Board believes that the interests of directors and shareholders are best aligned with a remuneration policy that provides a base salary that is not dependent on performance together with a discretionary bonus arrangement. Further details relating to bonus arrangements and pension contributions are detailed below:

Bonuses

In 2004, the Board adopted a bonus scheme for the purposes of incentivising and retaining its staff. Executive directors are eligible to receive specific bonuses at the discretion of the Remuneration Committee. Such payments do not form part of pensionable earnings. The executive directors are eligible to participate in this scheme, which is linked to the performance of the business as a whole. Bonuses payable under the scheme to executive directors and staff totalled £1,170,000 in 2004.

Pensions

The executive directors are entitled to a contribution of annual salary which is paid directly into personal money purchase pension plans. This contribution is capped at £12,000 per year for David Norwood, £10,500 per year for John Davies and £9,000 per year for Bruce Campbell.

Share options

Prior to December 2003, the Company entered into option agreements with its executive directors and employees through the Company's discretionary unapproved share option scheme.

b) Non-executive remuneration

Each of the non-executive directors receives a fixed fee for service, which covers preparation for, and attendance at meetings of the full Board and all committees thereof. The non-executive directors are also reimbursed for all reasonable expenses incurred in attending these meetings. Non-executive directors are not entitled to participate in any of the Group's incentive schemes, including the share option scheme and bonus schemes. The executive directors are responsible for setting the level of non-executive remuneration.

c) Service contracts

David Norwood has a service contract which commenced on 29 September 2003, and contains a contractual notice period of one year by either party. John Davies has a service contract which commenced on 29 September 2003, and contains a notice period of six months by either party. Bruce Campbell has a service contract which commenced on 8 October 2004 and contains a notice period of six months by either party. The contracts for executive directors do not provide any predetermined amounts of compensation in the event of early termination. In the event of early termination, payments for loss of office would be determined by the Remuneration Committee who would take account of the particular circumstances of each case, including the unexpired term of the service contract.

Each of the non-executive directors have service agreements which commenced on 10 August 2004 in the case of Graham Richards and Bruce Smith and on 20 December 2001 in the case of Roger Brooke. Each appointment is for an initial term of three years, renewable for a further three years. The non-executive service agreements are terminable on one month's notice by either party save in the case of Graham Richards, whose agreement is terminable on three month's notice by either party.

Executive directors may accept other outside non-executive appointments. Where an executive director accepts an appointment to the board of a company in which the Group is a shareholder, the Group retains the related fees. Fees earned for directorships of companies in which the Group does not have a shareholding are normally retained by the director.

Remuneration Report

Continued

Directors' emoluments (audited)

The following information has been audited by the Company's auditors, BDO Stoy Hayward LLP, as required by Schedule 7A to the Companies Act 1985.

The aggregate remuneration received by directors who served during the year, including remuneration paid through subsidiaries of the Company was as follows:

£'000	Base salary	Bonus	Fees	Benefits	Total (exc. pension)	Pension	Total (inc. pension) 2004	Total (exc. pension) 2003	Pension 2003	Total (inc. pension) 2003
Executive										
David Norwood ⁽ⁱ⁾	95	500	–	1	596	12	608	82	3	85
John Davies	80	250	–	2	332	11	343	100	11	111
Steve Lee	53	150	–	2	205	7	212	100	11	111
Bruce Campbell ⁽ⁱⁱ⁾	14	–	–	–	14	2	16	–	–	–
Non-executive										
Graham Richards	–	–	19	–	19	–	19	11	–	11
Roger Brooke	–	–	15	–	15	–	15	11	–	11
Harry Fitzgibbons ⁽ⁱⁱⁱ⁾	–	–	8	–	8	–	8	11	–	11
Andrew Beeson	–	–	11	–	11	–	11	11	–	11
Bruce Smith	–	–	21	–	21	–	21	14	–	14
Total	242	900	74	5	1,221	32	1,253	340	25	365

(i) David Norwood was the highest paid director during the year ended 31 December 2004 (2003: John Davies and Steven Lee).

(ii) From 8 October 2004 to 31 December 2004.

(iii) Fees were paid to Top Technology Ventures Limited for the services of Harry Fitzgibbons, all of which accrued prior to IP2IPO's acquisition of that company.

Directors' interests in ordinary shares

The directors, who held office at 31 December 2004 had the following interests in the ordinary shares of the Company:

	2004 Number of shares	2003 Number of shares
Roger Brooke	31,250	31,250
John Davies	3,750	3,750
David Norwood	528,636	363,636
Graham Richards	1,850	1,850
Bruce Smith	34,625	34,625
Bruce Campbell ⁽ⁱ⁾	16,363	–

(i) Bruce Campbell held these shares on his appointment as a Director on 8 October 2004.

There has been no change in the interests set out above between 31 December 2004 and 8 March 2005.

Directors' options (audited)

The following information has been audited by the Company's auditors, BDO Stoy Hayward LLP, as required by Schedule 7A to the Companies Act 1985.

The executive directors have the following interests in options over the shares of the Company under the Group share option scheme. No options have been exercised during the year by any directors.

Remuneration Report

Continued

Date of grant	At 1 January 2004	Granted during the year	At 31 December 2004	Exercise price (p)	Earliest exercise date	Expiry date
John Davies						
15.01.02 ⁽ⁱ⁾	212,800	–	212,800	141	2.08.02	14.01.12
29.07.03 ⁽ⁱⁱ⁾	100,000	–	100,000	160	29.07.04	28.07.13
David Norwood						
29.07.03 ⁽ⁱⁱ⁾	250,000	–	250,000	160	29.07.04	28.07.13
7.10.03 ⁽ⁱⁱⁱ⁾	700,000	–	700,000	275	7.10.04	6.10.13

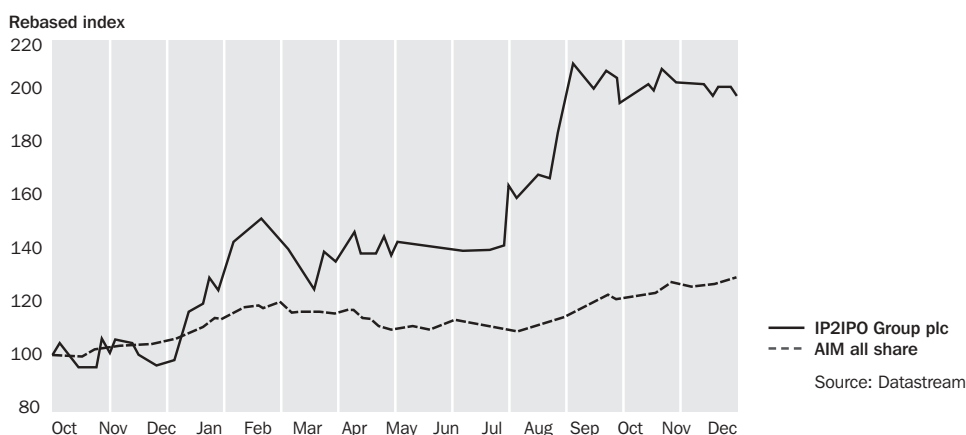
- (i) The right to exercise options vests in respect of one third of the award in August 2002, 2003 and 2004. The vesting and exercise of the options is subject to the relevant option holder continuing to be an employee or director of a company in the same Group as the Company at the relevant time. There are no further performance criteria.
- (ii) The right to exercise options vests in respect of one third of the award in July 2004, 2005 and 2006. The vesting and exercise of the options is subject to the relevant option holder continuing to be an employee or director of a company in the same Group as the Company at the relevant time. There are no further performance criteria.
- (iii) The right to exercise options vests as follows: on the first anniversary, up to 100,000 ordinary shares; on the second anniversary, up to 200,000 ordinary shares and on the third anniversary, up to 400,000 ordinary shares. Vesting is conditional upon David Norwood holding an office or being employed by the Group, and the amount of options that vest in each period is further conditional on the achievement of targets related to growth in turnover and growth in share price.

The middle market price of the ordinary shares on 31 December 2004 was 654 pence (31 December 2003: 325 pence). The high and low market prices during the year were 694 pence and 325 pence respectively (2003: 350 pence and 314 pence respectively).

Apart from the interests disclosed above, none of the directors had any interest at any time during the year ended 31 December 2004 in the share capital of the Company or its subsidiaries. However, certain directors hold interests in the shares of spin out companies that the Group has an equity interest in. Details of these interests are disclosed in note 27 of the financial statements.

Performance graph

The chart below shows the shareholder return performance during 2004, alongside the performance of the FTSE AIM all-share index. For ease of comparison, these figures have been rebased such that the Group's share price is equal to the FTSE AIM all-share index at 15 October 2003, the date of the Company's flotation. The directors have selected the FTSE AIM all-share index as, in their opinion, this comprises the most relevant equity index of which the Company is a member against which the total shareholder return of IP2IPO Group plc should be measured.



ON BEHALF OF THE BOARD

Graham Richards
Chairman of the Remuneration Committee
8 March 2005

Corporate Governance

The Board supports the principles of corporate governance advocated by The Principles of Good Governance and Code of Best Practice (2003) (hereafter referred to as the "Combined Code") issued by the Financial Services Authority. The Company has applied the principles of the Combined Code throughout 2004.

The Board

The Group's business is managed by the Board of Directors. The full Board meets regularly, and met a total of eleven times during 2004. A discussion of current and future performance and strategy is included on the agenda for each meeting. In addition, the Board has a schedule of matters reserved for its decision, which includes, but is not restricted to, the approval of interim and annual accounts, major investments and disposals, budgets and long-term plans, litigation, and executive remuneration and appointments.

Each Board member receives monthly management accounts including a review and analysis of performance against budget and other forecasts. Directors are sent an agenda and a full set of Board papers for each agenda item to be discussed at the meeting. Additional information is provided as appropriate.

On 31 December 2004 the Board consisted of six directors, three of whom are non-executive. Their names are set out on page 5. The Company has a Non-executive Chairman, who is also considered to be the senior independent Non-executive Director. The Board believe that this arrangement is appropriate given the size of the Group but recognise that this is not in compliance with the Combined Code. The Company has a separate Chief Executive Officer. All of the non-executive directors are considered by the Board to be free from any business or other relationship that could materially impact their independent judgement. The non-executive directors receive a fixed fee for their services and the reimbursement of reasonable expenses incurred in attending meetings. In the post balance sheet period two further executive directors joined the Board: Alan Aubrey and Alison Fielding.

There is an agreed procedure for directors to take independent professional advice at the Company's expense. In addition, every director has direct access to the impartial advice of the Company Secretary. The Company Secretary is responsible for ensuring that Board procedures and applicable rules and regulations are followed.

Directors have made *de minimis* investments in spin out companies formed under the university partnerships. Details of these investments are set out in note 27 to the financial statements. Under the Company's current policy, directors and employees are able to invest in spin out companies at financing rounds subsequent to the initial investment by IP2IPO.

While the Board retains overall responsibility for the Company, the day to day management of the business is conducted by the executive directors. In addition, in accordance with best practice, the Board has established Audit, Nomination and Remuneration Committees with written terms of reference for each that set out their duties and authority.

Attendance

The directors attended each Board meeting held during the year or during their tenure as director, with the following exceptions: David Norwood and Graham Richards were absent from one Board meeting during the year; Roger Brooke was absent from four Board meetings during the year; Harry Fitzgibbons was absent from one Board meeting during his tenure and Alex Snow and Andrew Beeson were absent from two Board meetings during their tenure.

Committees of the Board

Audit Committee

The Audit Committee was established in October 2003 and has met twice in 2004. The committee comprises Roger Brooke (Chairman), Bruce Smith and Graham Richards. Both meetings during 2004 were attended by all three members of the committee. The Auditors and Chief Financial Officer attend the meetings by invitation. The Audit Committee examines and reviews internal controls, together with accounting policies and practices, the form and context of financial reports and statements and general matters raised by the Auditors. It reviews the interim financial information and annual accounts before they are submitted to the Board. In addition the Audit Committee makes recommendations to the Board regarding the appointment of the external Auditors, reviews their independence and objectivity, and monitors the scope and results of the audit. The Audit Committee is also responsible for agreeing the level of audit fees and monitoring the provision of non audit services provided by the Group's auditors. The Audit Committee assesses the likely impact on the auditors' independence and objectivity before awarding them any material contract for additional services.

Remuneration Committee

The Remuneration Committee was established in October 2003 and meets as and when required. It comprises Graham Richards (Chairman), Bruce Smith, Roger Brooke and David Norwood. This is non-compliant with the Combined Code because Graham Richards is Chairman of the Group and David Norwood is an executive director. However, the Board believe that the composition of the Remuneration Committee is in the best interests of shareholders. One meeting was held in 2004 at which all members attended. The committee's objective is to develop remuneration packages for executive directors that enable the Group to attract, retain and motivate executives of the appropriate calibre without paying more than is necessary. No director is involved in deciding his or her remuneration. The Board's policy on executive remuneration and the details of executive directors' individual remuneration packages are fixed by the Committee or the Board. Full details of the directors' remuneration are set out in the Remuneration Report on pages 8 to 10.

Corporate Governance

Continued

Nomination Committee

The Nomination Committee was established in October 2003 and meets as and when required. There was one meeting in 2004. It considers the appointment of both executive and non-executive directors. It comprises Bruce Smith (Chairman), David Norwood, Graham Richards and Roger Brooke. All members of the Nomination Committee attended the sole meeting in 2004. The Combined Code stipulates that the Nomination Committee should comprise a majority of independent non-executive directors. For future appointments to the Board, the Nomination Committee will consider candidates at the request of the Board. It also advises the Board on matters generally relating to senior appointments.

All directors are required to submit themselves for re-election by the shareholders at the Company's Annual General Meeting following their first appointment and thereafter at least every three years. Notwithstanding this, at least one third of all the directors must submit themselves for re-election each year. At the forthcoming Annual General Meeting Graham Richards, Bruce Campbell and Roger Brooke will submit themselves for re-election along with Alison Fielding and Alan Aubrey who were appointed to the Board after the year end.

Internal control

The Board is responsible for establishing and monitoring internal control systems, and for reviewing the effectiveness of these systems. The Board views the effective operation of a rigorous system of internal control as critical to the success of the Group, however it recognises that such systems can provide only reasonable and not absolute assurance against material misstatement or loss. The key elements of the Group's internal control system, all of which have been in place during the financial year and up to the date these financial statements were approved, are as follows:

Control environment

The Group has a clear organisational structure with defined responsibilities and accountabilities. It adopts the highest values surrounding quality, integrity and ethics, and these values are documented and communicated clearly throughout the whole organisation.

Identification and evaluation of risks

The Board actively identifies and evaluates the risks inherent in the business, and ensures that appropriate controls and procedures are in place to manage these risks. Specifically, all decisions relating to strategic partnerships and acquisitions entered into by the Group are reserved for the Board's review. The Board formally reviews the performance of university partnerships and equity investments on a quarterly basis, although performance of specific investments may be reviewed more frequently if deemed appropriate.

Information and financial reporting systems

The Board approves the annual operating budgets, and each month receives details of actual performance measured against the budget.

Control procedures

Detailed written policies and procedures have been established covering key financial operating and compliance risk areas. These will be reviewed and updated at least annually by the Board. Due to the nature of the Group's operations and its size, the Board considers that there is no current requirement for an internal audit function, although it will continue to review the requirement for such a function on a periodic basis.

Performance evaluation

The performance of the chairman and each director is formally evaluated on an annual basis. The non-executives meet annually, and whenever deemed necessary, to appraise the chairman's performance in the absence of the chairman. The performance of non-executive directors, other than the chairman, is reviewed by the chairman and executive directors on an annual basis. The first such review took place in April 2004. The performance of executive directors is reviewed by the Board, as deemed necessary, in the absence of the executive director under review.

Relations with shareholders

The Company is committed to constructive dialogue with its shareholders. The Company uses the Annual General Meeting as an opportunity to communicate with its shareholders. Notice of the Annual General Meeting, which will be held at 11am on 27 April 2005 at Buchanan Communications, 107 Cheapside, London, EC2V 6DN, is enclosed with this report. In line with the Combined Code the Notice of the AGM is sent to shareholders at least 20 working days before the meeting. Details of the resolutions and explanatory notes thereto are included with the Notice along with a Proxy Form for members of the Company unable to attend.

The Group's website (www.ip2ipo.com) is the primary source of information on the Group. This includes an overview of the activities of the Group, key university partnership agreements and details of all recent Group announcements.

Statement of compliance

The directors are satisfied that, with the exception of those areas indicated above, the Company has complied with the Code provisions set out in section 1 of the Combined Code from 1 January 2004 to the end of the year.

Corporate Governance

Continued

Directors' responsibilities

Company law requires the directors to prepare financial statements for each year that give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2004. The directors also confirm that applicable accounting standards have been followed.

The directors are also responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. 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 also responsible for the maintenance and integrity of the IP2IPO Group plc website. The uncertainty regarding legal requirements in this regard is compounded as the information published on the internet is accessible in many countries with different jurisdictions.

Going concern

The directors confirm that they have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future, and accordingly they continue to adopt the going concern basis in preparing the financial statements.

ON BEHALF OF THE BOARD



John Davies

Chief Financial Officer
8 March 2005

Independent auditors' report to the shareholders of IP2IPO Group plc

We have audited the financial statements for the year ended 31 December 2004 on pages 15 to 34. These financial statements have been prepared under the accounting policies set out on pages 19 and 20. We have also, at the request of the directors, audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, the Chief Executive Officer's Review, the Corporate Governance Statement, the unaudited part of the Directors' Remuneration Report and the Directors' Report. We consider implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

We also, at the request of the directors (because the Company applies the Financial Services Authority listing rules as if it were a fully listed Company), review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the Combined Code specified by the Financial Services Authority for review by auditors of listed companies, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 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.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and that part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Company's affairs as at 31 December 2004 and of the profit of the Group for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

BDO STOY HAYWARD LLP

Chartered Accountants and Registered Auditors

Southampton

8 March 2005

Consolidated Profit and Loss Account

For the year ended 31 December 2004

	Note	2004 £'000	2003 £'000
Turnover			
Continuing operations	2	519	222
Acquisition	2	664	–
		1,183	222
Administrative expenses			
Provision against fixed asset investments	12	(178)	(109)
Other	3	(3,260)	(1,170)
Total		(3,438)	(1,279)
Surplus on disposal of fixed asset investments			
Continuing operations		924	–
Operating profit (loss)			
Continuing operations		(1,435)	(1,057)
Acquisition		104	–
		(1,331)	(1,057)
Interest receivable and similar income	6	1,616	474
Profit (loss) on ordinary activities before taxation	2, 3	285	(583)
Tax on profit (loss) on ordinary activities	7	37	–
Profit (loss) on ordinary activities after taxation	20	322	(583)
Basic profit (loss) per ordinary share	8	0.79p	(1.9p)
Diluted profit (loss) per ordinary share	8	0.77p	(1.9p)

There is no difference between the profit (loss) on ordinary activities before taxation and the profit (loss) for the years stated above, and their historical cost equivalents. The notes on pages 19 to 34 form part of these financial statements.

There are no recognised gains and losses other than the profit (loss) above and therefore no separate statement of total recognised gains and losses has been presented.

Consolidated Balance Sheet

As at 31 December 2004

	Note	2004 £'000	2003 £'000
Fixed assets			
Intangible fixed assets			
Goodwill	10	2,850	–
Other	10	15	12
Tangible fixed assets	11	55	27
Investments			
Equity rights	12	16,861	17,556
Equity investments	12	9,988	5,804
Investments in Limited Partnerships	12	87	–
		26,936	23,360
		29,856	23,399
Current assets			
Debtors	13	1,238	170
Cash at bank and in hand	17	34,801	38,245
		36,039	38,415
Creditors: Amounts falling due within one year	14	(3,345)	(774)
Net current assets		32,694	37,641
Total assets less current liabilities		62,550	61,040
Creditors: Amounts falling due after more than one year	15	–	(383)
Provision for liabilities and charges	16	(90)	–
Net assets		62,460	60,657
Capital and reserves			
Called up share capital	18	4,129	4,064
Share premium account	19	59,605	58,972
Merger reserve	19	783	–
Profit and loss account (deficit)	19	(2,057)	(2,379)
Total equity shareholders' funds	20	62,460	60,657

The notes on pages 19 to 34 form part of these financial statements.

The financial statements on pages 15 to 34 were approved by the Board of Directors on 8 March 2005 and were signed on its behalf by:



Graham Richards
Chairman



John Davies
Director


Company Balance Sheet

As at 31 December 2004

	Note	2004 £'000	2003 £'000
Fixed assets			
Equity investments	12	2,019	–
Investment in subsidiary undertakings	12	6,510	4,000
Loans to subsidiary undertakings	12	55,988	59,036
Net assets		64,517	63,036
Capital and reserves			
Called up share capital	18	4,129	4,064
Share premium account	19	59,605	58,972
Merger reserve	19	783	–
Profit and loss account	19	–	–
Total equity shareholders' funds		64,517	63,036

The notes on pages 19 to 34 form part of these financial statements.

The financial statements on pages 15 to 34 were approved by the Board of Directors on 8 March 2005 and were signed on its behalf by:



Graham Richards
Chairman



John Davies
Director

Consolidated Cash Flow Statement

For the year ended 31 December 2004

	Note	2004 £'000	2003 £'000
Net cash outflow from operating activities	22	(2,021)	(708)
Returns on investments and servicing of finance			
Interest received		1,374	474
Net cash inflow from returns on investment and servicing of finance		1,374	474
Taxation		-	-
Capital expenditure and financial investment			
Purchase of intangible fixed assets		(4)	(12)
Purchase of tangible fixed assets		(30)	(5)
Purchase of fixed asset investments		(3,728)	(1,818)
Sale of fixed asset investments		965	-
Net cash outflow from capital expenditure and financial investment		(2,797)	(1,835)
Net cash outflow before financing and acquisitions		(3,444)	(2,069)
Acquisitions			
Purchase of subsidiary undertaking		(911)	-
Net cash acquired with subsidiary		230	-
		(681)	-
Net cash outflow before financing		(4,125)	(2,069)
Financing			
Issue of ordinary shares		681	37,738
Share issue costs		-	(1,812)
Net cash inflow from financing		681	35,926
(Decrease) Increase in cash	22	(3,444)	33,857

Notes to the Financial Statements

1. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention, in accordance with the Companies Act 1985 and applicable accounting standards. A summary of the more important accounting policies which have been applied consistently throughout the year is set out below.

Basis of consolidation

The Group's consolidated financial statements comprise the financial statements of the Company and all its subsidiary undertakings made up to the end of the financial year. Intercompany transactions are eliminated on consolidation and the consolidated accounts reflect external transactions only.

The directors consider that as the Group's equity investments are held as part of the Group's portfolio with a view to the ultimate realisation of capital gains, equity accounting, which would be the normal treatment for such investments, would not give a true and fair view of the Group's interest in these investments. It is impracticable to quantify the effects of this departure. The treatment adopted is in accordance with Financial Reporting Standard 9 – Associates and Joint Ventures.

Through its subsidiary, Top Technology Ventures Limited, the Group manages certain venture capital limited partnerships in which it has a minority interest. These partnerships are subsidiary undertakings under the terms of the Companies Act 1985 and should be consolidated in full. However, the directors consider that the inclusion of these subsidiary undertakings would not give a true and fair view since the Group's relationship with these limited partnerships is simply that of fund managers. These subsidiaries are therefore excluded from the consolidation under S229(2) of the Act. Investments in limited partnerships are stated at the Group's share of net assets in these undertakings. In the opinion of the Directors, this is the fairest method to reflect the Group's interests in these undertakings.

Turnover

Turnover, comprising fees for various advisory and fund management services, is recognised in the profit and loss account when the related services are performed and when considered recoverable. All turnover is generated within the United Kingdom and is stated exclusive of value added tax.

Intangible fixed assets

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings, representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired is capitalised and written off on a straight line basis over its useful economic life, which is 20 years. Provision is made for any impairment.

Intellectual property rights

Intangible fixed assets are stated at historical cost less amortisation and provision for any impairment. Historical cost comprises the purchase price together with any incidental costs of acquisition. Amortisation is calculated so as to write off the cost of intangible fixed assets on a straight line basis over their expected useful economic lives.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less depreciation and provision for any impairment. Historical cost comprises the purchase price together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost, less estimated residual values, of tangible fixed assets on a straight line basis over their expected useful economic lives. The annual depreciation charge is based on the following expected useful economic lives:

Fixtures and fittings	Over 3 to 5 years
Computer equipment	Over 3 to 5 years
Motor vehicles	Over 1 to 5 years

Notes to the Financial Statements

Continued

1. Accounting policies continued

Equity rights

Equity rights represent sums paid to the University of Oxford between December 2000 and June 2001. The equity rights are held at cost, less any impairment in value, less any amounts transferred to equity investments on account of i) the acquisition of interests in spin out companies from the University of Oxford's chemistry department and ii) the successful exit of the spin out companies. Equity rights are treated in the balance sheet as a financial asset.

The directors review the carrying value of the University of Oxford chemistry department equity rights at each period end by reference to the rate at which relevant spin out companies are created, the pipeline of future opportunities at the time, historic cost of the Group's interest in such spin out companies, the performance of the spin out companies as evidenced by achieved, or expected, disposals or exits, overall market conditions and the remaining life of the partnership.

Acquisition costs

The acquisition costs comprise related costs to secure the equity rights and other university partnership arrangements. These costs are amortised over the life of the partnership, or in respect of the University of Oxford partnership, the shorter of the partnership period and the period over which the equity rights are realised.

The life of the partnership with the University of Oxford is 15 years. The lives of the partnerships with the University of Southampton, University of York and King's College London are all 25 years.

Equity investments

Equity investments are stated at historic cost less any provision for impairment in value, and are held for long-term investment purposes.

Provisions are based upon an assessment of events or changes in circumstances that indicate that an impairment has occurred such as the performance and/or prospects (including the financial prospects) of the investee company being significantly below the expectations on which the investment was based, a significant adverse change in the markets in which the investee company operates or a deterioration in general market conditions.

Pension commitments

The Group makes defined contributions to employees' approved personal pension plans. Contributions are charged to the profit and loss account in the period in which payments are payable to the pension funds.

Operating leases

Costs in respect of operating leases, where substantially all the benefits and risks of ownerships remain with the lessor, are charged to the profit and loss account on a straight line basis over the lease term.

Deferred tax

Provision is made in full for deferred tax liabilities that arise from timing differences where transactions or events, that result in an obligation to pay more tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised to the extent that it is considered more likely than not that they will be recoverable. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted.

Financial instruments

Currently the Group does not enter into derivative financial instruments. Financial assets and financial liabilities are recognised and cease to be recognised on the basis of when the related titles pass to or from the Group. Financial assets are stated at the lower of cost to the Group, less provision for amortisation and impairment.

Notes to the Financial Statements

Continued

2. Turnover and profit (loss) on ordinary activities before taxation

The Group's turnover and profit (loss) on ordinary activities before taxation are derived entirely from its principal activity within the United Kingdom. The directors have not disclosed a segmental analysis as they believe this would not be in the interests of the Group.

3. Profit (loss) on ordinary activities before taxation

	2004 £'000	2003 £'000
Loss on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets	35	25
Amortisation of acquisition costs, intangibles and goodwill	94	20
Provision against fixed asset investments	178	109
Auditors remuneration – audit services (Company: £5,000 (2003: £5,000))	49	35
Auditors remuneration – non audit services	36	10
Operating lease charges – leasehold properties	39	23

The total for administrative expenses includes amounts relating to acquired operations of £560,000.

4. Directors' emoluments

In respect of directors' remuneration, the Company has taken advantage of the permission in paragraph 1(6) of Schedule 6 to the Companies Act 1985 to omit aggregate information that is capable of being ascertained from the detailed disclosures in the report of the Remuneration Committee on pages 8 to 10 which form part of these financial statements.

	2004 £'000	2003 £'000
Aggregate emoluments	1,221	340
Company pension contribution to money purchase schemes	32	25
Total	1,253	365

The Company pension contributions during the year are in respect of four directors (2003: three directors).

5. Employees

The average monthly number of persons (including executive directors) employed by the Group during the year was 11, all of whom were involved in management and administration activities (2003: 8 employees).

Total staff costs for the year were as follows:

	2004 £'000	2003 £'000
Basic wages and salaries	867	461
Discretionary bonuses	1,170	50
Social security costs	253	62
Pension costs	119	44
	2,409	617

6. Interest receivable and similar income

	2004 £'000	2003 £'000
Bank interest receivable	1,616	474

7. Tax on profit (loss) on ordinary activities

	2004 £'000	2003 £'000
Current tax:		
Adjustment in respect of previous periods	1	–
Deferred tax:		
Adjustment in respect of previous periods	(38)	–
Tax on profit (loss) on ordinary activities	(37)	–

The tax assessed for the year is lower (2003: higher) than the standard rate of corporation tax in the UK (30%).

Notes to the Financial Statements

Continued

7. Tax on profit (loss) on ordinary activities continued

Factors affecting the current tax charge for the year are explained below:

	2004 £'000	2003 £'000
Profit (loss) on ordinary activities before tax	285	(583)
Profit (loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003: 30%)	86	(175)
Effects of:		
Expenses not deductible for tax purposes	54	11
Fixed asset timing differences	9	4
Adjustment in respect of previous period	1	–
Losses carried forward to future periods	804	127
Other short-term timing differences	62	33
Relief for employee share acquisition	(738)	–
Other exempt gains	(277)	–
Current tax charge	1	–

There is a potential deferred tax asset at 31 December 2004 of £1,253,000 (2003: £1,091,000), relating to fixed asset timing differences, tax losses carried forward and provisions against investments. This asset has not been recognised in the financial statements due to current uncertainties surrounding the reversal of the underlying timing differences. The deferred tax asset would be recovered if there were future taxable profits from which the reversal of the underlying timing difference could be deducted.

8. Basic and diluted profit (loss) per ordinary share

The basic and diluted profit (loss) per ordinary share is based on profits attributable to ordinary shareholders for the year of £322,000 (2003: loss of £583,000). The basic profit (loss) per share is based on the weighted average number of ordinary shares of 40,777,613 in issue during the year (2003: 30,031,187). The diluted profit (loss) per ordinary share in 2004 is based on the weighted average number of ordinary shares plus the potentially dilutive options over ordinary shares of 41,883,290. Since the Group reported a net loss in 2003, the diluted loss per share for that year is equal to the basic loss per share.

9. Result for the financial period

As permitted by section 230 of the Companies Act 1985, the Company's profit and loss account has not been included in these financial statements. The Company's result for the financial year was £Nil (2003: £Nil).

10. Intangible fixed assets

Group	Goodwill £'000	Intellectual property rights £'000	Total £'000
Cost			
At 1 January 2004	–	12	12
Additions	2,923	4	2,927
At 31 December 2004	2,923	16	2,939
Aggregate amortisation			
At 1 January 2004	–	–	–
Charge for the year	(73)	(1)	(74)
At 31 December 2004	(73)	(1)	(74)
Net book value			
At 31 December 2004	2,850	15	2,865
At 31 December 2003	–	12	12

Goodwill arose on the acquisition of Top Technology Ventures Limited on 30 June 2004. See note 21.

Notes to the Financial Statements

Continued

11. Tangible fixed assets

Group	Motor vehicles £'000	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 January 2004	–	63	20	83
Additions	9	28	32	69
Disposals	–	–	(21)	(21)
At 31 December 2004	9	91	31	131
Accumulated depreciation				
At 1 January 2004	–	46	10	56
Charge for the year	9	12	14	35
Disposals	–	–	(15)	(15)
At 31 December 2004	9	58	9	76
Net book value				
At 31 December 2004	–	33	22	55
At 31 December 2003	–	17	10	27

12. Fixed asset investments

Equity rights

Group	Oxford University chemistry department Equity Rights £'000	Acquisition costs £'000	Total £'000
Cost			
At 1 January 2004	17,256	354	17,610
Transfer to equity investments in spin out companies	(675)	–	(675)
At 31 December 2004	16,581	354	16,935
Aggregate amortisation of acquisition costs			
At 1 January 2004	–	(54)	(54)
Charge for the year	–	(20)	(20)
At 31 December 2004	–	(74)	(74)
Net book value			
At 31 December 2004	16,581	280	16,861
At 31 December 2003	17,256	300	17,556

The University of Oxford Chemistry Department Equity Rights

The Company has the right to 50% of the University of Oxford's shareholdings in companies spun out of its chemistry department for 15 years up to 2015, at a price equivalent to that subscribed by external investors. It also has the right to 50% of the royalties due to the University under licences of intellectual property generated by the chemistry department, entered into during the same period.

This agreement with the University of Oxford was signed in December 2000 and the equity rights remaining at the year end of £16.6 million will be realised firstly by the receipt of shares in spin out companies from the University of Oxford chemistry department and secondly, by the enhanced valuation of the cost of such shares subsequent to an exit. In the event that the equity rights are fully realised prior to November 2015, then IP2IPO Limited will be entitled to acquire the shares in spin out companies from the chemistry department to which it is entitled under the terms of the agreement at par value. In the event that the value of shares received in spin out companies is insufficient to utilise the £16.6 million by March 2016, the remaining equity rights asset will be written off.

Notes to the Financial Statements

Continued

12. Fixed asset investments continued

Equity rights continued

Realisation of the equity rights in the way described above, depends upon:

- The availability and quality of research from the chemistry department at the University of Oxford, which will provide a continued pipeline of IP spin out opportunities from the University of Oxford chemistry department over the remaining period of the agreement to March 2016;
- The valuation and volume of successful IP spin out opportunities arising from the chemistry department, which will allow the utilisation of the equity rights within the remaining time frame of the agreement;
- Market conditions in general including the availability of external funds to invest in the spin out companies, which will be largely dependent upon the appetite for investment in the life science sector and other sectors; and
- The availability and skill of IP2IPO staff to negotiate with the academics and the University of Oxford to successfully convert the IP opportunities to spin out companies.

There is no certainty that individual spin out companies will prove to be successful or generate a return on investment for the Group.

The directors have reviewed the carrying value of the equity rights as at 31 December 2004. Based on the rate at which spin out companies from the University of Oxford chemistry department have been created to date, the remaining life of the partnership, the rate at which spin out companies from University of Oxford chemistry department are anticipated to be created in the future, the size of IP2IPO Limited's stake in such companies and the continued prestige of the chemistry department, the directors continue to believe that the equity rights will be realised in full.

Acquisition costs

The acquisition costs comprise related costs to secure the equity rights and other university partnerships. These costs are amortised over the life of the partnership, or in respect of the University of Oxford partnership, the shorter of the life of the partnership and the period in which the equity rights are realised.

The life of the partnership with the University of Oxford is 15 years. The lives of the partnerships with the University of Southampton, University of York and King's College London are all 25 years.

Equity investments

Group	University of Oxford spin outs £'000	University of Southampton spin outs £'000	King's College London spin outs £'000	University of York spin outs £'000	Other investments £'000	Total £'000
Cost						
At 1 January 2004	2,672	1,802	–	–	2,976	7,450
Investment in spin out companies	300	598	661	150	–	1,709
Disposals	–	(41)	–	–	–	(41)
Transfer from equity rights	675	–	–	–	–	675
Investment in Techtran Group	–	–	–	–	2,019	2,019
At 31 December 2004	3,647	2,359	661	150	4,995	11,812
Provision for impairment						
At 1 January 2004	–	–	–	–	1,646	1,646
Charge for the year	–	–	–	–	178	178
At 31 December 2004	–	–	–	–	1,824	1,824
Net book values						
At 31 December 2004	3,647	2,359	661	150	3,171	9,988
At 31 December 2003	2,672	1,802	–	–	1,330	5,804

University of Oxford spin outs

During the year ended 31 December 2004 an investment was made in Oxford Medical Diagnostics Limited with a value of £475,000. This investment comprised shares acquired for a cash consideration of £300,000 and shares with a value of £175,000 acquired under the agreement with the University of Oxford. The transfer between equity rights and equity investments includes £500,000 made in respect of the successful flotation of VASTox plc.

At the year end the directors have undertaken a review of the carrying values of these investments and concluded that there is no indication of impairment.

Notes to the Financial Statements

Continued

12. Fixed asset investments continued

Equity investments continued

University of Southampton spin outs

Under the terms of the partnership with the University of Southampton the Group owns a 20% interest in the share capital of Southampton Asset Management Limited (the remaining shares in which are owned by the University of Southampton). The purpose of Southampton Asset Management Limited is to hold the University of Southampton's equity interests in spin out companies. The Group's interest in Southampton Asset Management Limited results in the Group receiving a directly owned stake in spin out companies equivalent to 20% of the stake to which Southampton Asset Management Limited is entitled. These equity interests in spin out companies are acquired by the Group at a price per share equal to par value and as such do not represent material amounts in the financial statements. The Group has no participating influence in Southampton Asset Management Limited.

In addition, the Group has committed to invest up to £5 million directly in spin out companies from the University of Southampton in return for direct equity interests in these companies. During the year ended 31 December 2004, the Group made investments with a total value of £598,000.

At the year end the Directors have undertaken a review of the carrying values of these investments and concluded that there is no indication of impairment.

King's College London spin outs

Under the terms of an agreement entered into during 2003 between IP2IPO Limited, IP2IPO Management II Limited and King's College London ("KCL") and KCL Enterprises Limited, IP2IPO Limited agreed to make £5 million available for the purposes of making investments in spin out companies over a period of five years commencing in May 2003. At 31 December 2004, £661,000 has been invested in two spin out companies from the college. In addition, IP2IPO Limited has committed to make a £250,000 payment to KCL over a five year period. Under the terms of this agreement, KCL can require the Company to make a further £5 million available for investments in spin out companies on the tenth anniversary of the partnership.

University of York spin outs

Under the terms of an agreement entered into in October 2003 between IP2IPO Limited, the Centre for Novel Agricultural Products ("CNAP") and the University of York, IP2IPO Limited agreed to make £750,000 available for the purposes of making investments in spin out companies over a period of five years commencing in 2003. At 31 December 2004, £150,000 has been invested in one spin out company from CNAP.

Other investments

Other investments include i) investments made in university spin outs not included within the partnerships with the Universities of Oxford, Southampton, York and King's College London; ii) an investment made in Amaethon Limited and iii) an investment made in Techtran Group Limited.

i) Other University spin outs

Other university spin outs relate to those investments not included within the partnerships with the Universities of Oxford, Southampton, York and King's College London. These investments were originally made by Beeson Gregory Technology Investments Limited and subsequently transferred to the Company in July 2001.

At the year end the directors have undertaken a review of the carrying values of these investments and concluded that a further provision of £178,000 is required.

ii) Amaethon Limited

Under the terms of the partnership with CNAP, a specialist division of the University of York, a commercialisation company, Amaethon Limited, has been set up which will hold all the University of York's interest in spin out companies and licenses based on CNAP's intellectual property. The Company has committed to invest £1.15 million in Amaethon Limited over a three year period and in return has received a 33% interest in the equity share capital of this company, with the University owning the remaining shares. At 31 December 2004 the Company has made payments in respect of this investment totalling £383,000, with the balance due in 2005.

iii) Techtran Group Limited

In July 2004 the Group acquired 19.9% of the then issued share capital of Techtran Group Limited for a consideration of £2,000,000 plus expenses.

At the year end the directors have undertaken a review of the carrying value of this investment and concluded that there is no indication of impairment.

Notes to the Financial Statements

Continued

12. Fixed asset investments continued

Significant equity investments

At 31 December 2004 the Group has investments where it holds 20% or more of the issued share capital in the following companies:

Undertaking	% of issued share capital held	Net assets £'000	Loss before tax £'000	Date of financial statements
Proximagen Limited	46.1	–	–	–
Oxford Medical Diagnostics Limited	43.6	–	–	–
Southampton Polypeptides Limited	41.0	150	–	31.12.03
Phonologica Limited	42.3	–	–	–
Amaethon Limited	33.3	–	–	–
Novarc Limited ⁽ⁱ⁾	30.8	754	(962)	31.12.03
Synaigen plc	30.6	470	(153)	30.06.04
Ilika Limited	28.8	–	–	–
Perpetuum Limited	28.2	–	–	–
HepCgen Limited	23.3	1,410	(457)	31.03.04
Bioniqs Limited	21.4	–	–	–
Capsant Neurotechnologies Limited	20.5	351	–	31.12.03
Southampton Asset Management Limited	20.0	–	–	–

(i) Novarc Limited entered into voluntary liquidation on 21 January 2005.

All companies are incorporated in England and Wales.

Proximagen, Oxford Medical Diagnostics, Phonologica, Perpetuum, Amaethon, Bioniqs and Ilika have not filed annual accounts as at the date of these accounts and accordingly no financial information is presented in respect of these companies.

Southampton Asset Management Limited holds investments in spin out companies from Southampton University. The Company's indirect investments in spin out companies from the University of Southampton are included within Equity Investments as this reflects the structure of the partnership with the University. Accordingly no disclosure is made above of the net assets and profit or loss of Southampton Asset Management Limited.

In addition, at 31 December 2004, the Group has the following investments in spin out companies where it holds less than 20% of the issued share capital:

Undertaking	% of issued share capital held
Techtran Group Limited	19.9
Stratophase Limited	19.8
Nanotecture Limited	15.9
Inhibox Limited	15.0
Pharminox Limited	13.8
Zyentia Limited	13.2
Glycoform Limited	13.0
VASTox plc	12.9
Reox Limited	12.2
Offshore Hydrocarbon Mapping plc	10.4
Toumaz Limited	5.1
Powerlase Limited	<1.0

All companies are incorporated in England and Wales.

Notes to the Financial Statements

Continued

12. Fixed asset investments continued

Investments in subsidiary undertakings

Company	£'000
Cost and net book value	
At 1 January 2004	4,000
Additions	2,510
At 31 December 2004	6,510

At the year end the Company directly owned 100% of the ordinary share capital of IP2IPO Limited, which in turn holds 100% of the share capital of IP2IPO Management Limited and IP2IPO Management II Limited. These companies are registered in England and Wales and their principal activity is the commercialisation of intellectual property. On 30 June 2004 the Company acquired 100% of the share capital of Top Technology Ventures Limited. Top Technology Ventures Limited in turn owns 100% of the share capital of HATT III General Partner Limited and TTV IV General Partner Limited. Top Technology Ventures Limited is registered in England and Wales and its principal activity is management of technology venture capital funds.

Investments in Limited Partnerships

Group	£'000
Cost and net book value	
At 1 January 2004	–
Additions	89
Share of loss for the period	(2)
At 31 December 2004	87

The Group manages as General Partner two venture capital limited partnerships, HATT III Limited Partnership and TTV IV Limited Partnership, in which it has a minority interest of 1%. These partnerships are subsidiary undertakings under the terms of the Companies Act 1985 and should be consolidated in full. However, the directors consider that the inclusion of these subsidiary undertakings is not material for the purpose of giving a true and fair view since the Company's interests in these assets is merely that of investment managers, and these subsidiaries are therefore excluded from the consolidation under S229(2) of the Act.

Equity investments

Company	£'000
At 1 January 2004	–
Additions	2,019
At 31 December 2004	2,019

In July 2004 the Company acquired 19.9% of the then issued share capital of Techtran Group Limited for a consideration of £2,000,000 plus £19,000 of expenses.

Loans to subsidiary undertakings

Company	£'000
At 1 January 2004	59,036
Deductions	(3,048)
At 31 December 2004	55,988

The amounts due from subsidiary undertakings are interest free, unsecured and have no fixed date of repayment.

Notes to the Financial Statements

Continued

13. Debtors

Group	2004 £'000	2003 £'000
Trade debtors	398	72
Amounts owed by Limited Partnership undertakings	223	–
Other debtors	601	29
Other tax recoverable	–	33
Prepayments and accrued income	16	36
	1,238	170

14. Creditors: Amounts falling due within one year

Group	2004 £'000	2003 £'000
Trade creditors	71	259
Other tax and social security	112	36
Other creditors	1,530	383
Accruals and deferred income	1,632	96
	3,345	774

15. Creditors: Amounts falling due after more than one year

Group	2004 £'000	2003 £'000
Other creditors	–	383

Other creditors relates to the deferred consideration due to Amaethon Limited in respect of the Group's investment in this company. This amount is due to be paid in 2005 and is now held as a current liability.

16. Provision for liabilities and charges

Group	2004 £'000	2003 £'000
Acquired from acquisition	128	–
Movement during the year (see note 7)	(38)	–
	90	–

Provisions for liabilities and charges relates to a provision for TTV IV General Partner Limited as a result of deferred tax due to timing differences on advance priority profit share (£98,000), fixed asset timing differences (asset of £5,000) and excess management charges (asset of £3,000).

17. Financial instruments

In the normal course of business, the Group uses certain financial instruments including cash, equity rights and equity investments but has no borrowings. The Group has no foreign currency assets, liabilities or other financial investments, all balances being in sterling. All short-term debtors and creditors have been excluded from all of the following disclosures.

The Group's cash and short-term deposits were as follows:

Group	2004 £'000	2003 £'000
On short-term deposit – floating rate	14,689	38,222
On dated deposit – fixed rate	20,000	–
On current account	112	23
	34,801	38,245

The interest rate for short-term deposits is variable dependent on the rates offered by the Group's bankers. The interest rates for dated deposits are dependent on the rates offered by the Group's borrowers. During the year to 31 December 2004, the short-term deposit facility returned an average rate after fees of 3.8% (2003: 3.7%). The dated deposit facilities returned an average rate after fees of 4.5% (2003: n/a). Dated deposits are held on deposit for periods between one month and one year.

The Group has detailed policies and strategies in respect of these financial instruments, which seek to minimise the associated risks.

Risk Management Objectives

Through its normal operations, the Group is exposed to a number of risks, the most significant of which are liquidity and market risks. The management of these risks is vested in the Board of Directors.

Notes to the Financial Statements

Continued

17. Financial instruments continued

Management of Liquidity Risk

The Group seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Accordingly the Group only invests in low risk funds with reputable institutions.

Management of Market Risk

The Group is exposed to market risk in respect of its equity rights and equity investments. Note 12 summarises the risks associated with holding these equity rights and equity investments and the movements in the balances during the year. The Group mitigates this risk by having established investment appraisal processes and asset monitoring procedures which are subject to overall review by the Board.

Fair Value of Financial Instruments

Equity investments are stated at historical cost less provision for impairment in value. During the year ended 31 December 2004, there have been flotations in respect of three spin out companies acquired under the Group's arrangements with the University of Oxford and the University of Southampton: Offshore Hydrocarbon Mapping plc, VASTox plc and Synairgen plc. The market value of the Group's shareholding in these companies, as at 31 December 2004, is tabled below.

Undertaking	Cost at 31 December 2004 £'000	Market value at 31 December 2004 £'000
Offshore Hydrocarbon Mapping plc	109	7,131
Synairgen plc	564	10,159
VASTox plc	25	6,747
	698	24,037

The directors believe that the fair values of the remaining unquoted spin out companies formed under IP2IPO's university partnerships and categorised as equity investments are best estimated by their carrying value in the absence of third party evidence to support any upward revaluation. Where second or subsequent rounds of finance are completed prior to the balance sheet date, the corresponding valuation is considered. The directors believe that the fair value of the unquoted equity investments was £7,612,000 at 31 December 2004 (2003: £7,539,000). The carrying value of the unquoted equity investments was £5,443,000 (2003: £5,549,000).

No fair value of the equity rights has been disclosed as the directors believe it is not practicable to estimate the fair value with sufficient reliability. The directors believe it is not practicable because the asset is unique, the future cash flows are difficult to predict and a reliable valuation is not available. See note 12 for further details of the financial instrument and its carrying value at the year end.

18. Called up share capital

Group and Company	2004 £'000	2003 £'000
Authorised: 90 million ordinary shares of 10p each (2003: 90 million)	9,000	9,000
Allotted, called up and fully paid: 41,294,140 ordinary shares of 10p each (2003: 40,638,910)	4,129	4,064

On 30 June 2004, the Company issued 172,092 new ordinary shares with a par value of 10p at an issue price of £4.65 as part consideration for the acquisition of Top Technology Ventures Limited. On 21 October 2004, the Company issued 212,800 new ordinary shares, with respect to the exercise of share options, with a par value of 10p and an exercise price of £1.41. On 16 December 2004, the Company issued 270,338 new ordinary shares, with respect to the exercise of share options, with a par value of 10p and an exercise price of £1.41.

Notes to the Financial Statements

Continued

18. Called up share capital continued

Share options

Options over ordinary shares of 10p each held by employees and directors of the Group at 31 December 2003 and 31 December 2004 were as follows:

Date of grant	Ordinary shares under option at 31 December 2003	Ordinary shares under option at 31 December 2004	Exercise price (p)	Earliest exercise date	Latest exercise date
1 August 2001	868,905	385,767	141	2.08.02	14.01.12
26 September 2002	31,250	31,250	160	26.09.03	25.09.13
29 July 2003	618,750	350,000	160	29.07.04	28.07.13
14 September 2003	50,000	118,750	160	14.09.03	13.09.13
14 September 2003	50,000	50,000	275	14.09.03	13.09.13
17 September 2003	10,000	10,000	160	17.09.04	16.09.13
17 September 2003	10,000	10,000	275	17.09.04	16.09.13
7 October 2003	100,000	100,000	160	7.10.04	6.10.13
7 October 2003	700,000	700,000	275	7.10.04	6.10.13
20 October 2003	25,000	25,000	160	21.10.04	20.10.13
20 October 2003	25,000	25,000	275	21.10.04	20.10.13

19. Reserves

	Group			Company		
	Share premium account £'000	Profit and loss account (deficit) £'000	Merger reserve £'000	Share premium account £'000	Profit and loss account £'000	Merger reserve £'000
At 1 January 2004	58,972	(2,379)	–	58,972	–	–
Profit for the financial year	–	322	–	–	–	–
Premium on issue of shares	633	–	783	633	–	783
At 31 December 2004	59,605	(2,057)	783	59,605	–	783

20. Reconciliation of movements in shareholders' funds

Group	2004 £'000	2003 £'000
Profit (loss) for the financial year	322	(583)
Net proceeds of shares issued	1,481	35,926
Net increase in shareholders' funds	1,803	35,343
Opening shareholders' funds	60,657	25,314
Equity shareholders' funds at 31 December	62,460	60,657

Notes to the Financial Statements

Continued

21. Acquisitions

Acquisition of Top Technology Ventures Limited

On 30 June 2004 the Group acquired Top Technology Ventures Limited for £2,431,000 paid by cash and shares. In calculating the goodwill arising on acquisition, the fair value of the net liabilities of Top Technology Ventures Limited have been assessed and compared to book value at the time of acquisition. At 30 June 2004, the directors concluded that no fair value adjustment was necessary. The table below summarises the net assets at acquisition.

	Book value £'000
Fixed assets	
Tangible assets	39
Investments	89
	128
Current assets	
Debtors	91
Cash at bank and in hand	230
	321
Creditors: Amounts falling due within one year	(733)
Net current liabilities	(412)
Total assets less current liabilities	(284)
Provision for liabilities and charges	(128)
Net liabilities	(412)
	£'000
Cash consideration	831
Shares issued (172,092 shares at 465p)	800
Deferred cash consideration	800
Expenses	80
	2,511
Net liabilities acquired	412
Goodwill arising on acquisition (note 10)	2,923

The results of Top Technology Ventures Limited prior to acquisition were as follows:

Profit and loss account

	1 April 2004 to 30 June 2004 £'000	Year ended 31 March 2004 £'000
Turnover	324	1,279
Operating profit	11	247
Other interest receivable and similar income	4	9
Loss on disposal of subsidiary	(23)	–
(Loss) profit on ordinary activities before taxation	(8)	256
Tax on profit on ordinary activities	–	(3)
(Loss) profit on ordinary activities after taxation	(8)	253
Minority interests – equity	–	4
Loss (profit) on ordinary activities attributable to the members of Top Technology Ventures Limited	(8)	257
Dividends	(110)	(380)
Retained for the period	(118)	(123)

Notes to the Financial Statements

Continued

21. Acquisitions continued

Statement of total recognised gains and losses

	1 April 2004 to 30 June 2004 £'000	Year ended 31 March 2004 £'000
Retained loss for the period	(118)	(123)
Unrealised surplus on revaluation of investments	–	31
Total recognised losses relating to period	(118)	(92)

Cash flows

The net outflow of cash during the year arising from the acquisition of Top Technology Ventures Limited was as follows:

	£'000
Cash consideration	(831)
Expenses	(80)
	(911)
Cash acquired with subsidiary	230
Net outflow of cash	(681)

22. Notes to the cash flow statement

i) Net cash flow from operating activities

	2004 £'000	2003 £'000
Operating loss	(1,331)	(1,057)
Depreciation of tangible fixed assets	35	25
Amortisation of intangible fixed assets	74	–
Amortisation of acquisition costs	20	20
Loss on disposal of tangible fixed assets	6	–
Profit on disposal of fixed asset investments	(924)	–
Increase in debtors and accrued income	(736)	(123)
Increase in creditors	657	318
Provision against fixed asset investments	178	109
Net cash outflow from operating activities	(2,021)	(708)

ii) Reconciliation of net cash flow to movement in net funds

	2004 £'000	2003 £'000
Movement in cash in the year	(3,444)	33,857
Changes in net funds resulting from cash flows	(3,444)	33,857
Movement in net funds in the year	(3,444)	33,857
Opening net funds	38,245	4,388
Closing net funds	34,801	38,245

iii) Analysis of net funds

	At 1 January 2004 £'000	Cash flow £'000	At 31 December 2004 £'000
Cash at bank and in hand	38,245	(3,444)	34,801
Net funds	38,245	(3,444)	34,801

Notes to the Financial Statements

Continued

23. Major non cash transactions

During the year the Group has made an investment in a university spin out company under the agreement it has in place with the University of Oxford. Further details of this transaction are given in note 12.

24. Capital commitments

Under the terms of an agreement entered into during the year ended 31 December 2002 between IP2IPO Limited, IP2IPO Management Limited, the University of Southampton and certain of the University of Southampton's subsidiaries, IP2IPO Limited agreed to make £5 million available for the purposes of making investments in University of Southampton spin out companies over a period of four years commencing in April 2002. Of this amount, at 31 December 2004, £2,394,000 has been invested in nine spin out companies from the university.

Under the terms of an agreement entered into during 2003 between IP2IPO Limited, IP2IPO Management II Limited and King's College London ("KCL") and KCL Enterprises Limited, IP2IPO Limited agreed to make £5 million available for the purposes of making investments in spin out companies over a period of five years commencing in May 2003. At 31 December 2004, £661,000 has been invested in two spin out companies from the college. In addition, IP2IPO Limited has committed to make a £250,000 payment to KCL over a five year period. Under the terms of this agreement, KCL can require the Company to make a further £5 million available for investments in spin out companies on the tenth anniversary of the partnership.

In October 2003, the Group entered into an agreement with the University of York. The agreement relates to a new specialist research centre within the University of York: the Centre for Novel Agricultural Products ("CNAP"). The Group has committed to invest up to a total of £750,000 over three years in spin out companies based on CNAP's intellectual property. This amount may be increased at the Group's option. At 31 December 2004, £150,000 has been invested in one spin out company.

25. Financial commitments

At 31 December 2004 the Group had annual commitments under non-cancellable operating leases expiring as follows:

Group	Land and buildings	
	2004 £'000	2003 £'000
Within one year	7	–
Within two to five years	61	23
	68	23

26. Post balance sheet events

On 20 January 2005, the Group announced the acquisition of the entire issued share capital of Techtran Group Limited ("Techtran"). At 31 December 2004 the Group owned 19.9% of the share capital of Techtran. The total consideration payable is £16.1 million, of which, an immediate consideration of 1,862,609 IP2IPO ordinary shares of 10p each and £3.4 million in cash was made on 20 January 2005. A further payment of £600,000 is due in 2006. The acquisition places an implied value of £20 million on Techtran. At the date of acquisition, Techtran had net assets of approximately £1.7 million and for the eight months to 31 December 2004, recorded losses of £700,000.

Notes to the Financial Statements

Continued

27. Related party transactions

The following directors had investments with the following spin out companies as at 31 December 2004:

Director	Spin out company	Number of shares held at 1 January 2004	Number of shares acquired (disposed) during the year	Number of shares held at 31 December 2004	% of issued share capital held at 31 December 2004	Cost of investment at 31 December 2004 £'000
John Davies	Pharminox	53	26	79	<0.1	3
	Glycoform	31	–	31	<0.1	1
	Offshore Hydrocarbon Mapping plc ⁽ⁱ⁾	9	–	3,249	<0.1	1
	Capsant Neurotechnologies	–	49	49	<0.1	1
	Proximagen	–	200	200	0.1	1
	Phonologica	–	200	200	0.1	1
	Synairgen plc ⁽ⁱⁱ⁾	100	–	10,000	<0.1	1
David Norwood	Pharminox	265	–	265	0.2	10
Graham Richards	VASTox plc ⁽ⁱⁱⁱ⁾	50	–	1,010,100	3.2	5
Bruce Smith	Nanotecture	10,000	–	10,000	0.8	15
	HepCgen	2,000	–	2,000	1.1	20
	Synairgen plc ⁽ⁱⁱ⁾	2,000	–	20,000	1.5	20
	Offshore Hydrocarbon Mapping plc ⁽ⁱ⁾	279	(20,921)	79,519	0.3	30
	Capsant Neurotechnologies	4,000	–	4,000	2.0	30
	Phonologica	–	2,000	2,000	1.1	10
Roger Brooke	Nanotecture	6,667	–	6,667	0.5	10
	HepCgen	1,000	–	1,000	0.6	10
	ReOx	4,000	–	4,000	0.3	20
	Stratophase	2,134	2,415	4,549	1.2	7
	Pharminox	265	521	786	0.6	10
	Zyentia	1,266	2,500	3,766	0.3	5
	Glycoform	312	–	312	0.2	10
	Inhibox	500	–	500	0.6	7
	Offshore Hydrocarbon Mapping plc ⁽ⁱ⁾	139	–	51,179	0.2	15
	Capsant Neurotechnologies	2,667	–	2,667	1.3	20
	Southampton Polypeptides	800	–	800	0.9	10
	Phonologica	–	2,000	2,000	1.0	10
	Proximagen	–	3,000	3,000	1.8	15

(i) In February 2004 Offshore Hydrocarbon Mapping plc issued shares pursuant to a 360 for 1 bonus issue.

(ii) In October 2004 Synairgen plc made a 10 for 1 stock split.

(iii) In October 2004 VASTox plc made a 20,202 for 1 stock split.

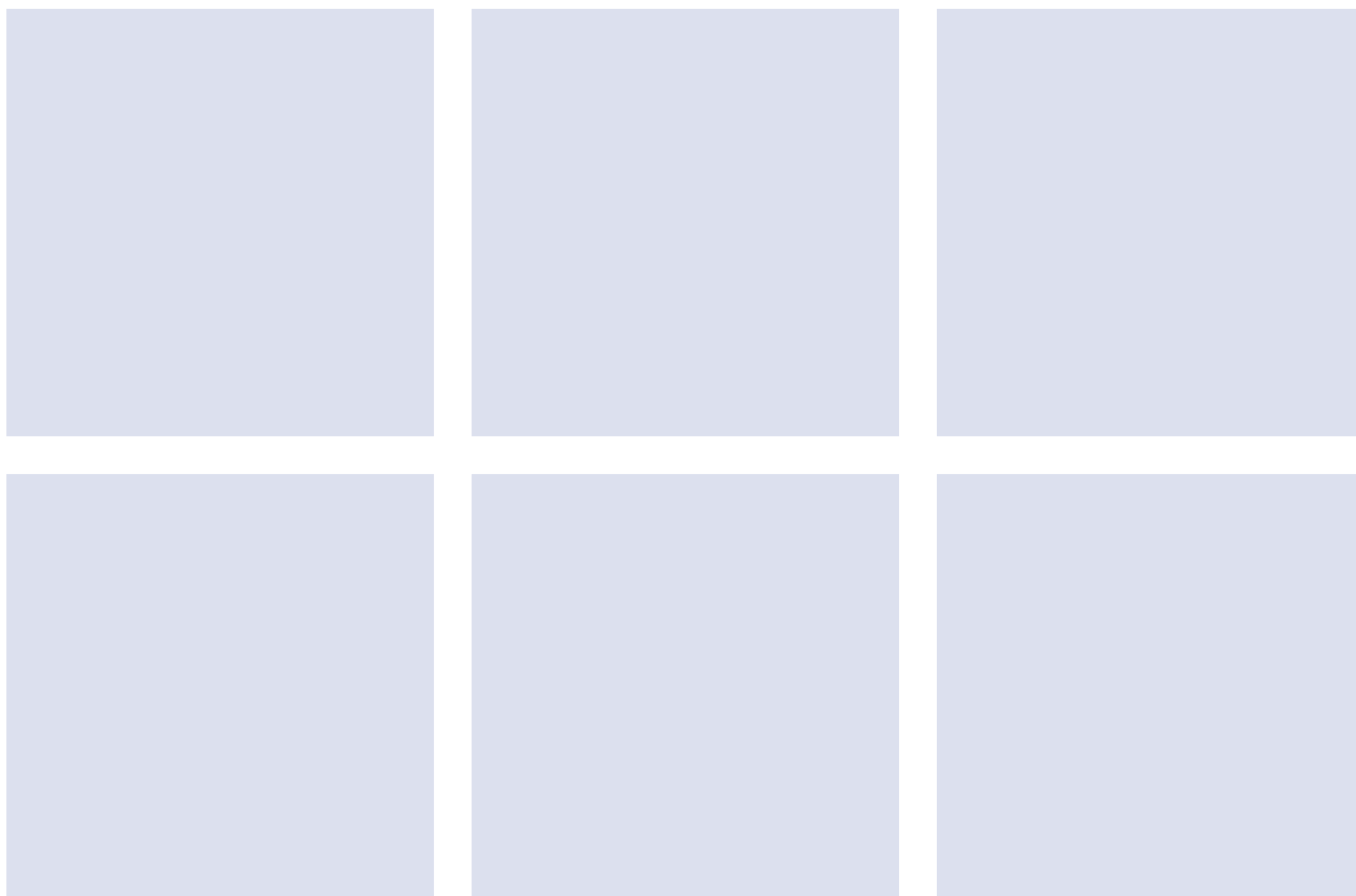
In addition, at 31 December 2004 Bruce Campbell is Chairman of Proximagen Limited and holds an option over 10,000 ordinary shares, equal to 5% of the fully diluted share capital of that company.

Directors, secretary and advisors to the Group

Company registration number	4204490	
Registered office	1st Floor 20-21 Tooks Court Cursitor Street London EC4A 1LB	
Directors	Professor William Graham Richards, CBE (Non-executive Chairman) David Robert Norwood (Chief Executive Officer) John Quantrill Davies, ACA (Chief Financial Officer) Dr David Bruce Campbell (Chief Scientific Officer) Dr Bruce Gordon Smith, CBE (Non-executive Director) Christopher Roger Ettrick Brooke (Non-executive Director)	
Secretary	Magnus Goodlad	
Brokers	KBC Peel Hunt Ltd 111 Old Broad Street London EC2N 1PH	Lehman Brothers 25 Bank Street London E14 5LE
Registrars	Capita IRG plc The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	
Bankers	Royal Bank of Scotland PO Box 333 Silbury House 300 Silbury Boulevard Milton Keynes MK9 2ZF	
Solicitors	Masons 30 Aylesbury Street London EC1R 0ER	
Public relations	Buchanan Communications 107 Cheapside London EC2V 6DN	
Auditors	BDO Stoy Hayward LLP Park House 102-108 Above Bar Southampton SO14 7NH	

Notes

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