

Co. NO 04072979

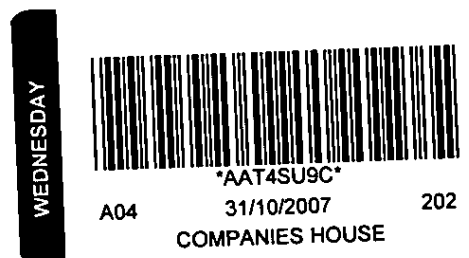
IP2IPO LIMITED

Report and Financial Statements

Year Ended

31 December 2006

Registered number 04072979



IP2IPO LIMITED

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COMPANY INFORMATION

Directors	Alan Aubrey David Norwood Magnus Goodlad William Turner
Company Secretary	Magnus Goodlad
Company number	04072979
Registered office	24 Cornhill London EC3V 3ND
Independent auditors	BDO Stoy Hayward LLP 8 Baker Street London W1U 3LL

IP2IPO LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2006

The directors present their report and the financial statements for the year ended 31 December 2006

Business review and principal activities

The principal activity of IP2IPO Ltd ("the Company") during the period was commercialisation of intellectual property via the formation of long term partnerships with universities. The Company has three subsidiaries: IP2IPO Management Limited, IP2IPO Management II Limited and IP2IPO Management III Limited.

The directors are satisfied that the business has performed satisfactorily for the year under review.

In the year, the Company added five new University partnerships with new agreements signed with Surrey, Queen Mary (University of London), Bath, York and Glasgow. The Company partially disposed of its investment in Oxford Catalysts Group plc, realising a profit on disposal of £1.8m.

A new staff bonus scheme was agreed on 31 October 2005, whereby staff are allocated equity in spin out company investments held by the Company. The first allocations in relation to this scheme were made in the year, giving rise to a charge of £2.7m.

Results and dividends

The results for the period are set out on page 6. The loss for the year amounted to £2.4m. The directors do not recommend payment of a dividend.

Post balance sheet events

Subsequent to the balance sheet date, the Company has sold 2,136,664 ordinary shares in Oxford Catalysts Group plc, generating proceeds of £2.6m. The Company has also sold 1,018,117 ordinary shares in Offshore Hydrocarbon Mapping plc subsequent to the balance sheet date, generating proceeds of £2.5m.

Future outlook

The directors believe the company will continue to trade for the foreseeable future.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the Company are considered to relate to the protection of intellectual property and market risk in respect of its equity investments. Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided in note 14 of IP Group plc's annual report which does not form part of this report.

Key performance indicators ("KPIs")

The directors of IP Group plc manage the group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using KPIs for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of IP Group plc, which includes the Company, is discussed on page 10 of IP Group plc's annual report which does not form part of this report.

IP2IPO LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2006

Charitable and political contributions

The Company made a charitable contribution during the year of £10,000 to a children's hospice (2005 £nil) The Company did not make any political donations in the year

Directors

The following directors held office during the year

Alan Aubrey

David Norwood

Magnus Goodlad (appointed 18th August 2006)

William Turner (appointed 18th August 2006)

Payment of creditors

It is the company'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 company's average creditor payment period at 31 December 2006 was 13 days (31 December 2005 44 days)

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements In accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the entity will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

IP2IPO LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2006

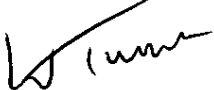
Disclosure of information to auditors

All of the current directors have taken the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

Independent auditors

BDO Stoy Hayward LLP offer themselves for re-appointment as auditors in accordance with section 385 of the Companies Act 1985 and an appropriate resolution will be put to the shareholders at the Annual General Meeting.

Signed on behalf of the board by



William Turner
Director

21 October 2007

Independent Auditor's Report To The Shareholder Of IP2IPO Limited

We have audited the financial statements of IP2IPO Limited for the year ended 31 December 2006 on pages 6 to 23. These financial statements have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

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 a person 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 International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



BDO Stoy Hayward LLP

Chartered Accountants and Registered Auditors

London

29 October 2007

IP2IPO LIMITED**PROFIT AND LOSS ACCOUNT****For the year ended 31 December 2006**

	Notes	2006 £'000	2005 £'000
Turnover	2	262	200
Administrative expenses		(7,031)	(1,633)
Provision against fixed asset investments		(45)	(706)
Operating loss		(6,814)	(2,139)
Income from fixed asset investments		-	209
Interest receivable and similar income	7	2,250	1,742
Profit on disposal of fixed asset investments		1,874	762
(Loss) / profit on ordinary activities before taxation		(2,690)	574
Taxation on (loss) / profit on ordinary activities	8	267	4
(Loss) / profit on ordinary activities after taxation		(2,423)	578

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented

The profit / (loss) on ordinary activities before and after taxation has been computed on the historical cost basis

IP2IPO LIMITED

BALANCE SHEET

As at 31 December 2006

	Note	2006 £'000	2005 £'000
Fixed assets			
Intangible assets	9	13	14
Tangible assets	10	108	78
Investments			
Equity rights	11	15,657	16,640
Fixed asset investments	12	12,295	7,154
Limited partnership investments	13	168	-
		28,120	23,794
		28,241	23,886
Current assets			
Debtors	14	6,747	4,526
Cash at bank and in hand		48,602	39,841
		55,349	44,367
Creditors amounts falling due within one year	15	(2,012)	(708)
Net current assets		53,337	43,659
Total assets less current liabilities		81,578	67,545
Creditors amounts falling due after more than one year	16	(82,477)	(66,021)
Net liabilities		(899)	1,524
Capital and reserves			
Called up share capital	17	40	40
Share premium account	18	3,960	3,960
Profit and loss account	18	(4,899)	(2,476)
Shareholders' funds	19	(899)	1,524

The financial statements were approved by the board of directors and authorised for issue on October 2007 and were signed on its behalf by


William Turner
Director

IP2IPO LIMITED

BALANCE SHEET
As at 31 December 2006

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William Turner
Director

IP2IPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 1985

The financial statements have been prepared on a going concern basis as the Company's ultimate parent undertaking, IP Group plc, has confirmed its intention to continue its financial support of the Company so as to ensure it is able to meet its liabilities as they fall due for at least a period of twelve months after the date of approval of these financial statements

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom accounting standards

1.3 Preparation of consolidated accounts

The financial statements contain information about IP2IPO Limited as an individual company and do not contain consolidated financial information as a parent of a group. The company is exempt by virtue of section 228 from the requirement to prepare group accounts on the basis that the parent company is included in the accounts of a larger group

1.4 Turnover

Turnover, comprising fees for various advisory 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 in sterling and is stated exclusive of value added tax

1.5 Equity bonuses

Staff bonuses are recognised in the profit and loss account in the period to which the bonus relates, in accordance with IP Group plc's bonus policy. Bonuses settled by way of equity in spin out companies are measured at historic cost

1.6 Intangible fixed assets – 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 lives

1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows

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

IP2IPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the year ended 31 December 2006**

1 8 Equity and limited partnership investments

Equity investments and limited partnership 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

1 9 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 the relevant spin out companies are created, the pipeline of future opportunities at the time, historic cost of the Company'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.

1 10 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 periods and the period over which the equity rights are realised.

The life of the partnership with University of Oxford is fifteen years. The lives of the partnerships with the University of Southampton, University of York, University of Bristol, King's College London, University of Surrey, University of Bath, University of Glasgow and Queen Mary (University of London) are all twenty five years.

1 11 Pension commitments

The Company makes defined contributions to certain 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.

1 12 Operating leases

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

IP2IPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the year ended 31 December 2006**

1 13 Deferred taxation

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.

1 14 Related party transactions

Under FRS8 – Related Party Disclosures, the company discloses details of material transactions between the reporting entities and related parties. However, transactions between the Company and other group companies including transactions between associate and joint venture companies have not been disclosed in accordance with the exemption in Financial Reporting Standard 8 paragraph 3(c).

1 15 Cash flow statement

The Company has taken advantage of the exemption conferred upon it by FRS 1 "Cash Flow Statements" (Revised 1996) not to prepare a cash flow statement whereby the cash flows of the Company are incorporated into those of the ultimate parent undertaking and these financial statements are publicly available.

IP2IPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2006

2 Turnover

The total turnover of the company for the period has been derived from its principal activity wholly undertaken in the United Kingdom

3 Profit / Loss on ordinary activities before taxation

	2006 £'000	2005 £'000
Profit / loss on ordinary activities before taxation is stated after charging		
Depreciation of tangible fixed assets	23	14
Amortisation of acquisition costs	24	9
Provision against fixed asset investments	45	-
Operating lease charges – leasehold properties	192	16

4 Auditor's remuneration

Auditor's remuneration in respect of audit services for the year was £2k (2005 £2k) Auditor's remuneration for other services are included within the Company's ultimate parent company, IP Group plc's, consolidated financial statements

5 Directors' emoluments

The aggregate emoluments of the directors of the Company computed in accordance with Schedule 6 of the Companies Act 1985 are shown below The highest paid director had aggregate emoluments of £707k (2005 £302k) and contribution to the money purchase scheme of £12k (2005 £12k) During the year 3 directors were members of the money purchase scheme

	2006 £'000	2005 £'000
Remuneration in respect of directors		
Aggregate emoluments	1,934	629
Contributions to money purchase pension schemes	36	30
	1,970	659

The above details of directors' emoluments include emoluments in relation to Magnus Goodlad which are paid by a fellow subsidiary company

IP2IPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2006

6 Employees

During the year the Company had 22 employees all of whom were involved in management and administration activities (2005 10 employees)

Total staff costs for the year are highlighted below

	2006 £'000	2005 £'000
Wages and salaries	2,499	733
Equity in spin out companies allocated to staff	2,675	-
Social security costs	285	83
Pension costs	85	80
	5,544	896

7 Interest receivable and similar income

	2006 £'000	2005 £'000
Bank interest receivable	2,250	1,742

8 Taxation

	2006 £'000	2005 £'000
Current tax		
Group relief receivable	267	4
Tax on profit / (loss) on ordinary activities	267	4

There is a potential deferred tax asset at 31 December 2006 of £3,267k (2005 £1,956k), relating to fixed asset timing differences, provisions against investments and losses. 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 differences could be deducted.

IP2IPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

The tax assessed for the year is different than the standard rate of corporation tax in the UK (30%)
Factors affecting the current tax charge for the year are explained below

	2006 £'000	2005 £'000
(Loss) / profit on ordinary activities before tax	(2,690)	574
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 30%)	(807)	172
Effects of		
Costs not deductible for tax purposes	819	19
Non taxable income	-	(149)
Fixed asset timing differences	(5)	-
Losses carried forward to future periods	1,406	419
Other short term timing differences	23	-
Relief for employee share acquisition	(1,703)	(465)
Current tax charge for the year	(267)	(4)

9 Intangible fixed assets

	Intellectual property rights £'000	Total £'000
Cost		
At 1 January and 31 December 2006	16	16
Depreciation		
At 1 January 2006	2	2
Charge for the period	1	1
At 31 December 2006	3	3
Net book values		
At 31 December 2006	13	13
At 31 December 2005	14	14

IP2IPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

10 Tangible fixed assets

	Computer equipment	Fixtures and fittings	Total
	£'000	£'000	£'000
Cost			
At 1 January 2006	141	9	150
Additions	53	-	53
At 31 December 2006	194	9	203
Depreciation			
At 1 January 2006	70	2	72
Charge for the period	23	-	23
At 31 December 2006	93	2	95
Net book values			
At 31 December 2006	101	7	108
At 31 December 2005	71	7	78

11 Fixed asset investments – Equity rights

	Oxford University Chemistry Investment £'000	Acquisition costs £'000	Total £'000
Cost			
At 1 January 2006	16,328	395	16,723
Transfer to equity investments in spin out companies	(1,032)	-	(1,032)
Additions	-	73	73
At 31 December 2006	15,296	468	15,764
Amortisation of costs			
At 1 January 2006	-	83	83
Charge for the year	-	24	24
At 31 December 2006	-	107	107
Net book value			
At 31 December 2006	15,296	361	15,657
At 31 December 2005	16,328	312	16,640

IP2IPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the year ended 31 December 2006**

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 fifteen 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 licenses 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 £15.7m 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 £15.7m by March 2016, the remaining equity rights asset will be written off.

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 investments 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 Company.

The directors have reviewed the carrying value of the equity rights as at 31 December 2006. 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 department of chemistry, 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 University of Oxford is fifteen years. The lives of the partnerships with the University of Southampton, University of York, University of Bristol, King's College London, University of Surrey, University of York, University of Bath, University of Glasgow and Queen Mary (University of London) are all twenty five years.

IP2IPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2006

12 Fixed asset investments – Equity investments

	Listed £'000	Unlisted £'000	Total £'000
Cost			
At 1 January 2006	525	9,159	9,684
Reclassifications	949	(949)	-
Transfer from equity rights	-	1,032	1,032
Disposal of spin out companies	(238)	(661)	(899)
Investment in spin out companies	500	4,553	5,053
At 31 December 2006	1,736	13,134	14,870
Provision for diminution in value			
At 1 January 2006	-	2,530	2,530
Provisions made in the year	-	45	45
At 31 December 2006	-	2,575	2,575
Net book value			
At 31 December 2006	1,736	10,559	12,295
At 31 December 2005	525	6,629	7,154

The company holds 100% of the issued ordinary share capital of IP2IPO Management Limited, IP2IPO Management II Limited and IP2IPO Management III Limited. These companies are registered in England and Wales and their principal activity is the commercialisation of intellectual property.

At 31 December 2006 the market value of listed shares was £27.5 million (2005: £6.5 million).

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.

IP2IPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2006

Significant equity investments

At 31 December 2006 the Company has investments where it holds 20% or more of the issued share capital in the following companies

Company	Country of incorporation	Type of share	% of issue held	Net assets / (liabilities) ⁽¹⁾ (£'000)	Profit / (loss) ⁽¹⁾ (£'000)
Amaethon Ltd	UK	Ordinary shares	33%	459	(148)
Oxford Medical Diagnostics Ltd	UK	Ordinary shares	25%	348	N/A ⁽⁴⁾
Oxford Nanolabs Ltd	UK	Ordinary shares	42%	7,755	(560)
Oxford RF Sensors Ltd	UK	Ordinary shares	23%	292	N/A ⁽⁴⁾
Revolymex Ltd	UK	Ordinary shares	33%	163	N/A ⁽⁴⁾
Retroscreen Virology Ltd	UK	Ordinary shares	25%	798	372
COE Group plc	UK	Ordinary shares	31%	(923)	(1,173)
Oxford Advance Surfaces Ltd	UK	Ordinary shares	46%	N/A ⁽²⁾	N/A ⁽²⁾
Oxtox Ltd	UK	Ordinary shares	46%	N/A ⁽²⁾	N/A ⁽²⁾
Surrey Nanosystems Ltd	UK	Ordinary shares	40%	(229)	(141)
Bioniqs Ltd	UK	Ordinary shares	36%	413	N/A ⁽⁴⁾
Southampton Asset Management Ltd	UK	Ordinary shares	20%	N/A ⁽³⁾	N/A ⁽³⁾

(1) Figures obtained from accounts most recently filed with Companies House with year end on or prior to 31 December 2006

(2) No accounts filed with Companies House as at the date of these accounts and accordingly no financial information has been presented

(3) 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

(4) Abbreviated accounts filed with Companies House and accordingly no profit and loss account is included

IP2IPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2006

13 Fixed asset investments – Limited partnership investments

	Total Limited Partnership investments £'000
Cost	
At 1 January 2006	-
Additions	168
At 31 December 2006	168
Amortisation of costs	
At 1 January 2006	-
Charge for the year	-
At 31 December 2006	-
Net book value	
At 31 December 2006	168
At 31 December 2005	-

14 Debtors

	31 December 2006 £'000	31 December 2005 £'000
Trade debtors	94	78
Amounts owed by group undertakings	4,265	2,926
Other debtors	86	92
Loan to Leeds University	1,191	1,400
Prepayments and accrued income	1,111	30
	6,747	4,526

Amounts due from group undertakings are unsecured, interest free and have no fixed date of repayment. All the above amounts with the exception of the Loan to Leeds University are repayable within 12 months. The loan to Leeds University is unsecured and interest free.

15 Creditors amounts falling due within one year

	31 December 2006 £'000	31 December 2005 £'000
Trade creditors	54	119
Other tax and social security	27	31
Other creditors	1,811	446
Accruals and deferred income	120	112
	2,012	708

IP2IPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2006

16 Creditors amounts falling due after one year

	31 December 2006 £'000	31 December 2005 £'000
Amounts due to group undertakings	82,477	66,021

Amounts due to group undertakings are unsecured, interest free and have no fixed date of repayment

17 Share capital

	31 December 2006 £'000	31 December 2005 £'000
Authorised		
50,000 Ordinary shares of £1 each (2005 50,000)	50	50
Allotted, called up and fully paid		
40,100 Ordinary shares of £1 each (2005 40,100)	40	40

18 Statement of movements on other reserves

	Share Premium Account £'000	Profit and loss account £'000
At 1 January 2006	3,960	(2,476)
Loss for the period	-	(2,423)
At 31 December 2006	3,960	(4,899)

19 Reconciliation of movements in shareholders' funds

	31 December 2006 £'000	31 December 2005 £'000
Profit / (Loss) for the period	(2,423)	578
Net reduction to/(addition to) shareholders' funds	(2,423)	578
Opening shareholders' funds	1,524	946
Closing shareholders' funds	(899)	1,524

IP2IPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2006

20 Capital commitments

Partnership	Year of commencement of partnership	Original commitment (£'m)	Invested to date (£'m)	Remaining commitment (£'m)
University of Southampton (i)	2002	5.0	3.0	2.0
Kings College London (ii)	2003	5.0	1.8	3.2
University of York – CNAP (iii)	2003	0.8	0.2	0.6
University of Bristol (iv)	2005	5.0	0.5	4.5
University of Surrey (v)	2006	5.0	0.5	4.5
University of York (iii)	2006	5.0	-	5.0
Queen Mary, University of London (vi)	2006	5.0	-	5.0
University of Bath (vii)	2006	5.0	-	5.0
University of Glasgow (viii)	2006	5.0	-	5.0
		45.8	8.5	37.3

(i) Under the terms of an agreement entered into in 2002 between the Company, the University of Southampton and certain of the University of Southampton's subsidiaries, IP2IPO Limited agreed to make £5.0m available for the purposes of making investments in University of Southampton spin out companies. Of this amount, at 31 December 2006, £3.0m had been invested in eleven spin out companies from the university.

(ii) Under the terms of an agreement entered into during 2003 between the Company and King's College London ("KCL") and KCL Enterprises Limited, the Company agreed to make £5.0m available for the purposes of making investments in spin out companies. At 31 December 2005, £1.8m has been invested in three spin out companies from KCL. Under the terms of this agreement, KCL can require the Company to make a further £5.0m available for investments in spin out companies on the tenth anniversary of the partnership.

(iii) In 2003 the Company entered into an agreement with the University of York. The agreement relates to a specialist research centre within the University of York: the Centre for Novel Agricultural Products ("CNAP"). The Company has committed to invest up to a total of £0.8m in spin out companies based on CNAP's intellectual property. At 31 December 2005, £0.2m has been invested in one spin out company. In 2006 The Company extended its partnership with the University of York to cover the entire university. The Company has committed to invest £5.0m in University of York spin-outs over and beyond the £0.8m commitment as part of the Company's agreement with CNAP.

(iv) In December 2005, the Company entered into an agreement with the University of Bristol. The Company has committed to invest up to a total of £5.0m in University of Bristol spin out companies. At 31 December 2006, £0.5m has been invested in one University of Bristol spin-out company.

(v) Under the terms of an agreement entered into in 2006 between the Company and the University of Surrey ("Surrey"), the Company has committed to invest up to a total of £5.0m in spin-out companies based on Surrey's intellectual property. At 31 December 2006, £0.5m has been invested in one University of Surrey spin-out company.

(vi) In July 2006 the Company entered into an agreement with Queen Mary, University of London ("QM") to invest in QM spin-out companies. The Company has committed to invest up to a total of £5.0m in QM spin out companies.

(vii) In September 2006 the Company entered into an agreement with the University of Bath ("Bath") to invest in Bath spin-out companies. The Company has committed to invest up to a total of £5.0m in Bath spin out companies.

(viii) In October 2006 the Company entered into an agreement with the University of Glasgow ("Glasgow") to invest in Glasgow spin-out companies. The Company has committed to invest up to a total of £5.0m in Glasgow spin out companies.

IP2IPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2006

21 Financial commitments

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings	
	2006	2005
	£'000	£'000
Expiry date		
Within one year	16	16

22 Controlling party

The immediate and ultimate parent undertaking was IP Group Plc, a public limited company registered in England and Wales. The smallest and largest group into which these accounts are consolidated is IP Group plc. Copies of the ultimate parent company's financial statements may be obtained from the secretary of IP Group plc, 24 Cornhill, London, EC3V 3ND.

23 Financial support

The Company's ultimate parent undertaking, IP Group plc, has pledged its continuing financial support for a period of not less than twelve months from the date of approval of these financial statements.

24 Post balance sheet events

Subsequent to the balance sheet date, the Company has sold 2,136,664 ordinary shares in Oxford Catalysts Group plc, generating proceeds of £2.6m. The Company has also sold 1,018,117 ordinary shares in Offshore Hydrocarbon Mapping plc subsequent to the balance sheet date, generating proceeds of £2.5m.

25 Related party transactions

At 31 December 2006 the following directors had investments with the following spin out companies

Director	Spin out company	Number of shares held at 1 January 2006	Number of shares acquired (disposed) during the year	Number of shares held at 31 December 2006	% of issued share capital held at 31 December 2006	Cost of investment at 31 December 2006 £'000
David Norwood	ActivotecSPP Limited	-	1,500	1,500	1.0	-
	Bioniqs Limited	-	1,063	1,063	1.0	-
	Capsant Neurotechnologies Limited	-	162	162	<0.1	-
	COE Group plc	-	246,094	246,094	1.5	-
	Ilika Technologies Limited	-	1,175	1,175	0.9	-
	Oxford Medical Diagnostics Limited	-	3,250	3,250	1.4	-
	Oxford Catalysts Group plc	-	285,580	285,580	<0.1	-
	Oxford Nanolabs Limited	-	17,442	17,442	2.2	100
	Pharminox Limited	265	685	950	0.7	10
	Revolymex Limited	-	2,963	2,963	1.5	-
	Oxford RF Sensors Limited	-	53,639	53,639	0.8	-

IP2IPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2006

Director	Spin out company	Number of shares held at 1 January 2006	Number of shares acquired (disposed) during the year	Number of shares held at 31 December 2006	% of issued share capital held at 31 December 2006	Cost of investment at 31 December 2006 £'000
David Norwood	Theragenetics Limited	-	3 150	3,150	1.7	-
Alan Aubrey	ActivotecSPP Limited	-	1,500	1,500	1.0	-
	Bioniqs Limited	-	1 063	1 063	1.0	-
	Capsant Neurotechnologies Limited	-	162	162	<0.1	-
	COE Group plc	-	246 094	246 094	1.5	-
	Ilika Technologies Limited	-	1 175	1 175	0.9	-
	Oxford Medical Diagnostics Limited	-	3 250	3,250	1.4	-
	Oxford Catalysts Group plc	-	435 580	435 580	1.2	-
	Oxford Nanolabs Limited	-	11 442	11 452	1.4	-
	Oxford RF Sensors Limited	-	53 639	53 639	0.8	-
	Pharminox Limited	-	685	685	0.5	-
	Revolymex Limited	-	2 963	2 963	1.5	-
	Theragenetics Limited	-	3 150	3 150	1.7	-
Magnus Goodlad	ActivotecSPP Limited	-	627	627	0.5	-
	Bioniqs Limited	-	533	533	0.5	-
	Capsant Neurotechnologies Limited	-	60	60	<0.1	-
	COE Group plc	-	246,094	246,094	1.5	-
	Ilika Technologies Limited	-	260	260	0.2	-
	Oxford Medical Diagnostics Limited	-	2,500	2 500	1.1	-
	Oxford Catalysts Group plc	-	98,381	98 381	0.3	-
	Oxford Nanolabs Limited	-	2 231	2 231	0.3	-
	Oxford RF Sensors Limited	-	29 735	29 735	0.4	-
	Pharminox Limited	-	274	274	0.2	-
	Revolymex Limited	-	666	666	0.3	-
	Theragenetics Limited	-	1 260	1 260	0.7	-
William Turner	ActivotecSPP Limited	-	250	250	0.2	-
	Bioniqs Limited	-	212	212	0.2	-
	Capsant Neurotechnologies Limited	-	49	49	<0.1	-
	COE Group plc	-	65 625	65,625	0.4	-
	Oxford Medical Diagnostics Limited	-	415	415	0.2	-
	Oxford Catalysts Group plc	-	28 538	28 538	<0.1	-
	Oxford RF Sensors Limited	-	2 944	2 944	<0.1	-
	Pharminox Limited	-	137	137	0.1	-

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Director	Spin out company	Number of shares held at 1 January 2006	Number of shares acquired (disposed) during the year	Number of shares held at 31 December 2006	% of issued share capital held at 31 December 2006	Cost of investment at 31 December 2006 £'000
William Turner	Revolmer Limited	-	434	434	0.2	-
	Theragenetics Limited	-	630	630	0.4	-