

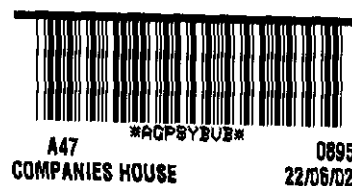
4204490

IP2IPO GROUP LIMITED (formerly IP2IPO Limited and De Facto 929 Limited)

Reports and Financial Statements

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Officers and Professional Advisers

Directors

David Norwood	Chairman
Chris Wright	Chief Executive
Charles Byford	
John Davies	
Tony Bartlett	Non-Executive Director
Andrew Beeson	Non-Executive Director
Roger Brooke	Non-Executive Director
Harry Fitzgibbons	Non-Executive Director
Graham Richards	Non-Executive Director

Company Secretary

David Thomas

Registered Office

The Registry, Royal Mint Court, London EC3N 4LB
Telephone: 020 7488 4040

Company Number

4204490

Auditors

KPMG Audit Plc, One Canada Square, London E14 5AG

Bankers

Barclays Bank PLC, 54 Lombard Street, London EC3P 3AH

Report of the Directors

The directors present their report and the audited group financial statements for the period from incorporation under the name of De Facto 929 Limited on 24 April 2001 to 31 December 2001. On 22 May 2001 the company changed its name to IP2IPO Limited, and on 31 July 2001 it again changed its name to IP2IPO Group Limited, passing on its former name to its subsidiary. Throughout these financial statements the company is referred to by its current name.

Principal activities and business review

The company acts as a holding company and does not itself trade. Through its subsidiary, IP2IPO Limited, the group holds a portfolio of fixed asset investments, primarily obtained through its contract with The University of Oxford, as disclosed in note 7.

In June 2001 the company purchased the whole of the issued share capital of IP2IPO Limited from Beeson Gregory Limited, a fellow subsidiary company. In August 2001 the company raised £3.0m of new capital at a post-money valuation of £33m, and its holding company, Beeson Gregory Group plc, realised a small part of its shareholding. This was designed as the first step to give the company independence from Beeson Gregory, which thus reduced its holding to 86.4%.

An expert team of six staff under the direction of the Chief Executive, Dr Chris Wright, has been established to commercialise intellectual property developed in the chemistry department of The University of Oxford, and in the last quarter of 2001 two spin-out companies, Inhibox and Pharminox, were established and funded by external investment with no requirement for IP2IPO to commit capital; in each of these IP2IPO holds a significant direct equity stake.

Since the period end IP2IPO has also entered into an agreement with Southampton University which endorses the original concept that there are a number of centres of excellence in the UK which need partners with financial expertise to assist in the commercialisation of their research. To satisfy the terms of this agreement, whereby over a period of four years IP2IPO will invest £5m in Southampton University spin-out companies, the company has raised a further £3m of equity at a post new money valuation of £40m. In addition, IP2IPO has been granted a 20% interest in Southampton Asset Management Limited, which will hold the University's equity stakes in future spin-outs.

Results and dividend

The results for the period and the state of the group's affairs are as set out in the attached financial statements. The directors do not recommend the payment of a dividend.

Directors

All directors shown on page 2 were appointed on 17 May 2001, except for Tony Bartlett (16 July), John Davies (16 July), Harry Fitzgibbons (25 October), Roger Brooke (20 December) and Graham Richards (21 December). In addition, Travers Smith Secretaries Limited and Travers Smith Limited were appointed as founding directors on 24 April, both resigning on 17 May, and David Thomas was appointed on 17 May, resigning on 20 December.

As all the directors shown on page 2 were appointed during the period, in accordance with the company's Articles of Association they all offer themselves for re-election at the Annual General Meeting.

Directors' interests

At both 16 July and 31 December 2001 John Davies held options over 420,840 ordinary shares of 5p each in Beeson Gregory Group plc, exercisable at a price of 17.75p per share up to January 2004.

On 15 January 2002 directors were granted the following options to subscribe for 10p ordinary shares in the company:

	Number	Price
John Davies	212,800	£1.4100
Chris Wright	851,200	£1.4100

One third of the above options become exercisable on 2 August 2002, one third on 2 August 2003 and the remaining third on 2 August 2004. In addition Chris Wright may exercise the whole of his options on the flotation of the company. All options lapse on 14 January 2012.

Report of the Directors continued

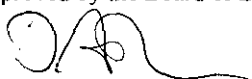
Directors' interests continued

Tony Bartlett, Andrew Beeson, Roger Brooke, Charles Byford and David Norwood were also directors of the parent company Beeson Gregory Group plc at 31 December 2001, and their interests in the share capital of group companies are disclosed in that company's Annual Report. No other director had any other interest in the share capital of group companies during the year,

Auditors

KPMG Audit Plc have expressed their willingness to continue in office as auditors of the company, and a resolution to reappoint them will be proposed at the Annual General Meeting.

Approved by the Board of Directors and signed on their behalf



D A Thomas, Secretary

23 May 2002

Statement of Directors' Responsibilities

for the period ended 31 December 2001

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the group as at the end of the financial period and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and of 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 group, and for the detection of fraud and other irregularities.

Report of the Independent Auditors

to the members of IP2IPO Group Limited

We have audited the financial statements on pages 6 to 14 which have been prepared under the accounting policies set out on page 10.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including, as described on page 4, the preparation of the financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

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 the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of 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 circumstances of the company and the group, 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 of the state of affairs of the company and of the group as at 31 December 2001, and of the group's loss for the period then ended, and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc

Chartered Accountants

Registered Auditor

One Canada Square,

London E14 5AG

23 May 2002

IP2IPO GROUP LIMITED (formerly IP2IPO Limited and De Facto 929 Limited)

Consolidated Profit and Loss Account

for the period ended 31 December 2001

	Notes	Period ended 31 December 2001 £'000
Staff costs	2	(248)
Other operating charges	4	(128)
Total operating (loss)		(376)
Interest receivable		50
(Loss) on ordinary activities before tax		(326)
Tax credit on loss on ordinary activities	5	89
(Loss) for the period	12	(237)

There are no recognised gains or losses for the current period other than as stated above. Movements in equity shareholders' funds are set out in note 12. The loss for the period arose from continuing activities.

IP2IPO GROUP LIMITED (formerly IP2IPO Limited and De Facto 929 Limited)

Consolidated Balance Sheet

at 31 December 2001

	Notes	31 December 2001 £'000
FIXED ASSETS		
Tangible fixed assets	6	20
Fixed asset investments	7	21,903
		<u>21,923</u>
CURRENT ASSETS		
Debtors and prepayments	9	107
Cash at bank and in hand		2,599
		<u>2,706</u>
CREDITORS DUE WITHIN ONE YEAR	10	(659)
NET CURRENT ASSETS		<u>2,047</u>
CREDITORS DUE AFTER ONE YEAR		
Deferred taxation	5	(1)
TOTAL ASSETS LESS LIABILITIES		<u>23,969</u>
CALLLED UP SHARE CAPITAL	11	2,341
RESERVES		
Share premium account		21,865
Profit and loss account		(237)
		<u>21,628</u>
EQUITY SHAREHOLDERS' FUNDS	12	<u>23,969</u>

These financial statements were approved by the Board of Directors on 23 May 2002

Signed on behalf of the Board of Directors:

D R Norwood

C.W. Byford

C.W. Byford
D.R. Norwood

IP2IPO GROUP LIMITED (formerly IP2IPO Limited and De Facto 929 Limited)

Balance Sheet

at 31 December 2001

	Notes	31 December 2001 £'000
FIXED ASSETS		
Fixed asset investments	8	-
DEBTORS NOT REPAYABLE WITHIN ONE YEAR		
Debtors and prepayments	9	23,969
TOTAL ASSETS LESS LIABILITIES		23,969
CALLED UP SHARE CAPITAL	11	2,341
RESERVES		
Share premium account		21,865
Profit and loss account		(237)
		21,628
EQUITY SHAREHOLDERS' FUNDS	12	23,969

These financial statements were approved by the Board of Directors on 23 May 2002
Signed on behalf of the Board of Directors:

D R Norwood
C.W. Byford



IP2IPO GROUP LIMITED (formerly IP2IPO Limited and De Facto 929 Limited)

Consolidated Cash Flow Statement

for the period ended 31 December 2001

	Notes	Period ended 31 December 2001 £'000
Net cash (outflow) from operating activities	13	(365)
Returns on investments and servicing of finance		
Interest received		50
Capital expenditure and financial investment		
Tangible fixed assets purchased	6	(23)
Oxford chemistry investment purchased	7	(21,919)
		(21,942)
Net cash (outflow) before financing		(22,257)
Financing		
Issue of ordinary shares	11	24,271
Costs of shares issued		(65)
Loan from fellow subsidiary		650
		24,856
Increase in cash		2,599

Notes to the Financial Statements

1. Accounting policies

(a) Basis of preparation

The company and group financial statements are prepared under the historical cost convention, and in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

(b) Basis of consolidation

The group financial statements consolidate those of the company and its subsidiary at 31 December 2001. As permitted by Section 230 of the 1985 Companies Act, the profit and loss account of the company is not presented in these financial statements.

(c) Fixed asset investments

The group's fixed asset investments are stated at cost, less provisions for permanent impairment in value where appropriate.

The company's investments in its subsidiaries are stated at their net asset values. Where these are below original cost the resulting deficit is charged to the profit and loss account, and where they exceed original cost the resulting surplus is credited to the revaluation reserve.

(d) Pension commitments

The group makes defined contributions to employees' approved personal pension plans, and the costs of these are written off when they are incurred.

(e) Deferred taxation

Where costs are allowed for corporation tax in periods earlier than they are charged in the financial statements, deferred tax is provided at the anticipated tax rate, but only to the extent that such liabilities are considered likely to crystallise in the foreseeable future. Where costs are not allowed for corporation tax in the current period, but are expected to be allowed in the following period, deferred tax recoverable is recognised in the financial statements and is included in prepayments and accrued income.

(f) Related party transactions

Except as disclosed in notes 2 and 3, there were no transactions with related parties during the period which required disclosure under Financial Reporting Standard 8.

2. Staff costs

Staff costs comprise the following:

	Period ended 31 December 2001 £'000
Salaries of staff and directors	166
Social security costs - re salaries	18
Other pension costs	23
Other staff costs	41
	<hr/> 248 <hr/>

The average number of group employees (including executive directors) during the period was five.

Notes to the Financial Statements continued

3. Directors' emoluments

The total remuneration of the directors was as follows:

	Period ended 31 December 2001
	£'000
Salaries, fees, bonuses and other benefits	86
Contributions to money purchase pension schemes	13
	<u>99</u>

The number of directors accruing benefits under money purchase pension schemes during the period was three, and none were members of defined benefit pension schemes. The highest paid director received remuneration of £47,915, inclusive of pension contributions, during the period.

4. Other operating charges

Other operating charges include the following:

	Period ended 31 December 2001
	£'000
Auditors' remuneration:	5
Depreciation	3
Amortisation of fixed asset investment acquisition costs	16
	<u>24</u>

5. Tax credit on loss on ordinary activities

Tax credit/(charge) on the results for the period at 30%:

	Period ended 31 December 2001
	£'000
Group relief	90
Deferred tax	(1)
	<u>89</u>

6. Tangible fixed assets

	Equipment & computers
	£'000
Cost:	
Transfer from fellow subsidiary	28
Accumulated depreciation:	
Transfer from fellow subsidiary	(5)
Charge for the period	(3)
	<u>(8)</u>
Net book amount:	
At 31 December 2001	<u>20</u>

IP2IPO GROUP LIMITED (formerly IP2IPO Limited and De Facto 929 Limited)

Notes to the Financial Statements continued

7. Fixed asset investments: Group

The following table summarises the components of the group's investment portfolio:

	Loan to Oxford University £'000	Acquisition costs £'000	Oxford chemistry spin-outs £'000	Other university spin-outs £'000	Total investments £'000
Cost:					
On acquisition of subsidiary	19,890	254	-	-	20,144
Transfer from fellow subsidiary	-	-	-	1,125	1,125
Investment in Oxford chemistry spin-out companies	(854)	-	854	-	-
Additions during the period	-	-	-	650	650
At 31 December 2001	19,036	254	854	1,775	21,919
Amortisation of costs in 2001	-	(16)	-	-	(16)
Net book amount:					
At 31 December 2001	19,036	238	854	1,775	21,903

The group's subsidiary, IP2IPO Limited, has the right to 50% of The University of Oxford's founding 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. IP2IPO also has the right to 50% of all royalties due to the University in respect of intellectual property generated by its chemistry department in this period.

This agreement was signed in December 2000, and in 2001 two companies were spun out of the chemistry department, resulting in a reduction of the loan from IP2IPO to The University, as shown above; this loan is only repayable out of the proceeds of the sale of shares in spin-out companies to IP2IPO. The acquisition costs comprise payments to the University and related costs to secure these rights, and are amortised in equal instalments over the life of the agreement.

Where IP2IPO holds over 20% of the issued share capital of Oxford chemistry spin-outs and other unlisted companies, these investments have not been treated as associates. The directors believe that to do so would be misleading as the group's percentage holdings are likely to reduce over time as a result of future fundraisings, the exercise of employee share options and progressive realisations by the group, either following the listing of investee companies' stock or through trade sales. At 31 December 2001 IP2IPO held the following stakes in excess of 20%:

	% of current issued ordinary share	Fully diluted shareholding %	Share capital and reserves *
Novarc Limited	45.5%	31.6%	£1,318,000
Pharminox Limited	22.0%	20.9%	£750,000

* As both companies were incorporated during the last 12 months, neither has yet produced its maiden financial statements; the figures quoted here relate to the amount of capital they raised during 2001.

Novarc is developing novel ways of producing tools and dies using a sophisticated process control technology based on sprayforming. Pharminox is developing cancer treatment drugs from platinum based compounds.

8. Fixed asset investments: Company

The subsidiary undertaking which has been consolidated in the financial statements at 31 December 2001 is IP2IPO Limited, which is registered in England and Wales, and in which the company holds the whole of the issued share capital, being 100 ordinary shares of £1 each, subscribed at par.

IP2IPO GROUP LIMITED (formerly IP2IPO Limited and De Facto 929 Limited)

Notes to the Financial Statements continued

9. Debtors and prepayments

	31 December 2001 £'000
The Group	
Group relief receivable	90
Prepayments	17
	<u>107</u>
The Company	
Amount due from subsidiary	24,207
Provision	(238)
Balance sheet amount	<u>23,969</u>
The amount due from subsidiary is not repayable within one year and has no fixed repayment date.	

10. Creditors due within one year

	31 December 2001 £'000
The Group	
Amount due to fellow subsidiary	650
Accrued expenditure and deferred income	9
	<u>659</u>

11. Called up share capital

	31 December 2001 £'000
Authorised:	
30 million ordinary shares of 10p each	3,000
Allotted, called up and fully paid:	
23,407,660 ordinary shares of 10p each	<u>2,341</u>

In April 2001 the company was incorporated with an authorised share capital of 1,000 ordinary shares of £1 each, all of which were issued at par for cash. In August 2001 the authorised capital was increased to 30 million ordinary shares of 10p each, and the shares in issue were converted to 10,000 ordinary shares of 10p each. Immediately following this 21,270,000 10p ordinary shares were issued to the ultimate parent company at a price of £1 each in order to repay the inter-group loan financing the fixed asset investments. A further 2,127,660 10p ordinary shares were then issued to outside investors at a price of £1.41 each.

12. Movement in equity shareholders' funds

	Share premium account £'000	Profit and loss account £'000	Total reserves £'000	Called up share capital £'000	Equity shareholders' funds £'000
Group & Company					
Proceeds of shares issued	21,930	-	21,930	2,341	24,271
Costs of shares issued	(65)	-	(65)	-	(65)
(Loss) for the year	-	(237)	(237)	-	(237)
31 December 2001	<u>21,865</u>	<u>(237)</u>	<u>21,628</u>	<u>2,341</u>	<u>23,969</u>

Under Section 230 of the Companies Act 1985 the company is exempted from presenting an individual profit and loss account. The company's loss on ordinary activities after tax for the year was £237,000.

IP2IPO GROUP LIMITED (formerly IP2IPO Limited and De Facto 929 Limited)

Notes to the Financial Statements continued

13. Reconciliation of operating (loss) to net cash (outflow) from operating activities

	Period ended
	31 December 2001
	£'000
Operating (loss)	(376)
Add back non-cash items:	
Depreciation of tangible fixed assets	3
Amortisation of acquisition costs	16
	<u>(357)</u>
(Increase) in debtors	(17)
Increase in creditors	9
Net cash (outflow) from operating activities	<u>(365)</u>

14. Ultimate parent company

The company's ultimate parent company and controlling entity is Beeson Gregory Group plc, a company registered in England and Wales. Group accounts are available from The Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff CF14 3UZ, or from the company's Registered Office.