

APO Group Limited

COMPANY BALANCE SHEET

	Note	30 June 2003 £'000	31 December 2002 £'000
Fixed assets			
Investment in subsidiary undertakings	2	-	-
Current assets			
Debtors falling due after more than one year	3	33,135	27,110
Net assets		<u>33,135</u>	<u>27,110</u>
Capital and reserves			
Called up ordinary share capital	4	2,919	2,528
Share premium account	5	30,216	24,582
Profit and loss account	5	-	-
Total equity shareholders' funds	6	<u>33,135</u>	<u>27,110</u>

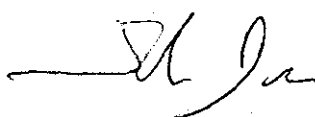
A statement of movement in equity shareholders' funds is given in note 6.

The notes on pages 4 to 6 form an integral part of these statements.

The balance sheet and related notes on pages 3 to 6 were approved by the Board of Directors on 25 September 2003.



David Norwood
Director



John Davies
Director





The IP2IPO Group Limited

Balance sheet and related notes
As at 30 June 2003

Registered Number: 4204490

Statement of Directors' Responsibilities

The following statement, which should be read in conjunction with the independent auditors' report set out on Page 2, is made with a view to distinguishing the respective responsibilities of the directors and of the independent auditors in relation to this balance sheet and related notes.

The directors are required to ensure that balance sheet and related notes give a true and fair view of the state of affairs of the company as at the end of the period.

The directors consider that in preparing the balance sheet and related notes on pages 3 to 6 that:

the Company have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and

all the accounting standards which they consider to be applicable have been followed, and

the balance sheet and related notes have been prepared on a going concern basis.

The directors have responsibility for ensuring that the Company keep accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure the balance sheet and related notes comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

ORDER OF THE BOARD



Secretaries Limited

Secretaries Limited

September 2003

NOTES TO THE BALANCE SHEET
As at 30 June 2003

1. ACCOUNTING POLICIES

Basis of preparation

The balance sheet and related notes have been prepared under the historical cost convention, the accounting policies set out below and in accordance with the applicable accounting standards of the UK Accounting Standards Board and the pronouncements of its Urgent Issues Task Force (UITF).

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at historical cost less provision for any impairment in their value.

2. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

The Company owned at the period end 100% of the ordinary share capital, being 100 ordinary shares of £1 each subscribed at par, of IP2IPO Limited. At the period end IP2IPO Limited owned 100% of the ordinary share capital of IP2IPO Management Limited and 100% of the ordinary share capital of IP2IPO Management II Limited. These companies are registered in England and Wales and their principal activity is intellectual property exploitation.

3. DEBTORS

	30 June 2003 £'000	31 December 2002 £'000
Falling due after more than one year:		
Amount due from subsidiary undertakings	<u>33,135</u>	<u>27,110</u>
	<u>33,135</u>	<u>27,110</u>

The amount due from subsidiary undertakings does not bear any interest and is due on demand. However, the directors have stated that the amount will not be demanded for at least 12 months and accordingly it has been classified as falling due more than one year.

In addition, on 17 September 2003 the Company capitalised £4,000,000 of this inter-company indebtedness between the Company and its subsidiary, IP2IPO Limited, as a result of which the amounts owed to the Company by IP2IPO Limited were reduced by £4,000,000.

4. CALLED UP SHARE CAPITAL

The following table summarises the movements of authorised share capital during the period:

Company	£'000
Authorised	
At 1 January 2003	
30,000,000 ordinary shares of 10p each	3,000
Increase	
5,000,000 ordinary shares of 10p each	500
At 30 June 2003	
35,000,000 ordinary shares of 10p each	<u>3,500</u>

The authorised share capital of the Company was increased by 5,000,000 ordinary shares of 10p each on 27 May 2003.

NOTES TO THE BALANCE SHEET (continued)
As at 30 June 2003

4. CALLED UP SHARE CAPITAL (continued)

The following table summarises the movements of allotted, issued and fully paid share capital during the period:

Company	£'000
Allotted, issued and fully paid	
At 1 January 2003	
25,282,660 ordinary shares of 10p each	2,528
Issues	
3,906,250 ordinary shares of 10p each	391
At 30 June 2003	
29,188,910 ordinary shares of 10p each	<u>2,919</u>

The Company issued 3,906,250 new ordinary shares with a par value of 10p at an issue price of £1.60 for cash on 27 May 2003.

5. RESERVES

	Share premium account £'000	Profit and loss account £'000
At 1 January 2003	24,582	-
Issue of new ordinary shares (net of issue costs)	5,634	-
At 30 June 2003	<u>30,216</u>	-

6. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS FUNDS

	30 June 2003 £'000	31 December 2002 £'000
Equity shareholders' funds at 1 January	27,110	23,969
Profit for the financial period	-	237
Issue of ordinary share capital	6,025	2,904
Net increase in equity shareholders' funds	<u>6,025</u>	<u>3,141</u>
Equity shareholders' funds at 30 June 2003	<u>33,135</u>	<u>27,110</u>

NOTES TO THE BALANCE SHEET (continued)
As at 30 June 2003**7. CAPITAL COMMITMENTS**

The company has no capital commitments. However under the terms of an agreement entered with Kings College London ("KCL"), the Group agreed to make £5million available to KCL for the purposes of making investments in spin-out companies over a period of five years commencing in May 2003. In addition, under the terms of an agreement between the Group and the University of Southampton, the Group agreed to make £5million available to the University of Southampton 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 30 June 2003, £864,000 has been invested in 5 spin out companies from the university: ActiveEm Limited, Capsant Neurotechnologies Limited, Southampton Polypeptides, Nanotecture Limited and HepCgen Limited and the Group have allocated committed expenditure £326,000 representing amounts to be invested pending the meeting of further investment milestones, (£145,000 of which was duly invested in the post balance sheet period). Following the 30 June 2003, the Group invested £564,000 in a sixth spin out company from the university, Synairgen Limited.

8. POST BALANCE SHEET EVENTS

In the third quarter of 2003, the Company's subsidiary IP2IPO Management Limited invested £564,000 in Synairgen Limited, a spin out company from the University of Southampton, and IP2IPO Limited made an investment of £50,017 in Novarc Limited. In addition, IP2IPO Management Limited invested a further £145,000 in Southampton Polypeptides Limited on account of that company having met certain investment milestones.

On 17 September 2003 the Company capitalised £4,000,000 of the inter-company indebtedness between the Company and its subsidiary, IP2IPO Limited, as a result of which the amounts owed to the Company by IP2IPO Limited were reduced by £4,000,000.

The following directors made the following investments subsequent to the period end.

Director	Spin out company	Number of shares	30 June 2003 £'000
Bruce Smith	Synairgen	2,000	20
John Davies	Synairgen	100	1
Andrew Beeson	Synairgen	400	4

Options on IP2IPO Group Limited shares issued to employees in the post balance sheet period comprise options over a maximum of 388,750 shares. The right to exercise the options ordinarily 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.

10. ULTIMATE HOLDING COMPANY

The ultimate holding company and ultimate controlling party is The Evolution Group Plc, a company incorporated in Great Britain and registered in England and Wales. The Evolution Group Plc and IP2IPO Group Limited statutory accounts are available from the Secretary, 9th Floor, 100 Wood Street, London, EC2V 7AN.