

IP2IPO Management III Limited

Report and Financial Statements

Period from 30 October 2006 to 31 December 2007



Registered number 05981923

IP2IPO Management III Limited

Annual report and financial statements for the period ended 31 December 2007

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Directors

Magnus Goodlad
Greg Smith

Secretary and registered office

Magnus Goodlad

24 Cornhill
London
EC3V 3ND

Company number

05981923

Independent Auditors

BDO Stoy Hayward LLP, 55 Baker Street, London, W1U 7EU

IP2IPO Management III Limited

Report of the directors for the period ended 31 December 2007

The directors present their report together with the audited financial statements for the period ended 31 December 2007

Business review and principal activities

IP2IPO Management III Limited ("the Company") was incorporated on 30 October 2006 with the principal activity being to manage investments in spin out companies from UK universities

During the period, the Company acquired an equity investment in Glycoform Limited from IP2IPO Limited by way of a share for share exchange

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

Results and dividends

The Company has not received income nor incurred any expense in the year as discussed in note 2
The directors do not recommend payment of a dividend

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 IP Group plc's annual report which does not form part of this report

Financial instruments

The Company's primary exposure to financial instruments is in relation to equity investments in spin out companies and loans received from fellow group companies

The directors manage the risks inherent from holding equity instruments through the establishment, at a group wide level, of investment appraisal processes and asset monitoring procedures which are subject to overall review by the Board. The group has also established a capital markets team dedicated to investor relations

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 in IP Group plc's annual report which does not form part of this report

Directors

The directors of the company during the period were

Pinsent Masons Director Limited (resigned 14 November 2006)

Magnus Goodlad (appointed 14 November 2006)

William Turner (appointed 14 November 2006, resigned 8 January 2008)

In addition Greg Smith was appointed on 8 January 2008

Charitable and political contributions

During the period the Company made no charitable or political contributions

IP2IPO Management III Limited

Report of the directors for the period ended 31 December 2007

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 period 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.

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 485 of the Companies Act 2006 and an appropriate resolution will be put to the shareholders at the Annual General Meeting.

ON BEHALF OF THE BOARD



Greg Smith
Director

17 October 2008

Independent auditor's report to the shareholder of IP2IPO Management III Limited

We have audited the financial statements of IP2IPO Management III Limited for the period ended 31 December 2007 on pages 4 to 7. These financial statements have been prepared under the accounting policies set out therein.

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 2.

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 2007,
- 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

21 October 2008

IP2IPO Management III Limited

Balance sheet as at 31 December 2007

| | Note | 2007 £'000 |
|----------------------------------|------|---------------|
| Fixed Assets | | |
| Investments | 6 | 528 |
| Net assets | | <u>528</u> |
| Capital and reserves | | |
| Called up share capital | 7 | - |
| Share premium account | 8 | 528 |
| Profit and loss account | 8 | - |
| Total shareholders' funds | 9 | <u>528</u> |

The notes on page 5 to 7 form part of these financial statements

The financial statements were approved by the Board of directors and authorised by issue on 17 October 2008 and were signed on its behalf by



Greg Smith
Director

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 United Kingdom accounting standards. A summary of the more important accounting policies which have been applied consistently throughout the period is set out below.

Equity investments

Equity investments are stated at historic cost less 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 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.

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 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.

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.

Related party transactions

FRS 8 "Related Party Disclosures", requires the disclosure of the details of material transactions between the reporting entity and any related parties. However, transactions between the Company and other group companies including their associates and joint ventures have not been disclosed in accordance with the exemption in FRS 8 paragraph 3(c).

Share based payment

Assets acquired in a share based payment transaction are recognised when acquired. For equity settled transactions, the corresponding amount is recognised as an increase in equity. The transaction is measured at the fair value of the assets acquired. In respect of unquoted equity investments acquired, the fair value was determined by reference to the price of any recent investment in those instruments by third parties.

2. PROFIT AND LOSS ACCOUNT

The Company has received no income nor incurred any expense in the period. Furthermore, the Company has no recognised gains or losses in the period. Consequently no separate profit and loss account or statement of total recognised gains and losses has been presented.

There is no difference between the result on ordinary activities and its historical cost equivalent.

IP2IPO Management III Limited

Notes to the financial statements for the period ended 31 December 2007

3. AUDITORS REMUNERATION

| | Period 30 October 2006 to 31 December 2007 £'000 |
|---|---|
| Audit services: | |
| Fees payable to company auditor for the audit of the financial statements | 1 |

Auditors' remuneration is being paid and borne by another group company in the period

4. EMPLOYEES

During the period the Company had no employees

5. DIRECTORS' EMOLUMENTS

The directors are remunerated for their services to other group companies within the group headed by the Company's ultimate parent, IP Group plc. No amounts were received by them as directors of IP2IPO Management III Limited

6. FIXED ASSET INVESTMENTS

| | Unlisted Equity Investments £'000 |
|-----------------------------------|--|
| Cost and net book value | |
| At 30 October 2006 | - |
| Investments in spin-out companies | 528 |
| At 31 December 2007 | 528 |

At 31 December 2007 the Company has no investments where it holds more than 20% of the issued share capital

7. CALLED UP SHARE CAPITAL

| | 2007 £ |
|------------------------------------|-----------|
| Authorised | |
| 100,000 ordinary shares of £1 each | 100,000 |
| Allotted, called up and fully paid | |
| 2 ordinary shares of £1 each | 2 |

The Company was incorporated on 30 October 2006, and on that date one ordinary subscriber share of £1 was issued for consideration of £1

On 14 November 2006, one further ordinary share of £1 was issued. Consideration was satisfied by way of 16,500 shares in Glycoform Limited, a private limited company. The fair value of this equity investment in Glycoform was £528,000. Of this amount, £527,999 has been credited to the share premium account.

IP2IPO Management III Limited

Notes to the financial statements for the period ended 31 December 2007

8. RESERVES

| | Share premium account £'000 | Profit and loss account £'000 |
|--------------------------------------|--------------------------------------|--|
| At 30 October 2006 | - | - |
| Issue of share capital in the period | 528 | - |
| At 31 December 2007 | 528 | - |

9 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

| | £'000 |
|--|------------|
| Shareholders' funds at 30 October 2006 | - |
| Issue of share capital in the period | 528 |
| Shareholders' funds at 31 December 2007 | 528 |

10. IMMEDIATE AND ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The directors regard IP2IPO Limited as the immediate parent company and controlling party

The ultimate parent company and the ultimate controlling party is considered to be 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