the evolution group plc

The Evolution Group Plc

(“Evolution Group” or the “Group”)

Interim results for the six months ended 30 June 2003

Evolution Group, the listed investment bank and retail fund management group, today announces its results for the six months ended 30 June 2003.

Financial highlights

- Group turnover increased by 168% to £13.7m (2002: £5.1m)
- Gross profit increased by 206% to £12.9m (2002: £4.2m)
- Operating profit before amortisation, non-recurring costs and profit on/and provisions against fixed asset investments of £3.2m (2002: loss of £2m)

Operational highlights

- First half demonstrates considerable growth in revenues
- Investment banking division has made an excellent start to full year trading on a combined basis as Evolution Beeson Gregory
- IP2IPO strengthened by partnership deal with King’s College London
- Move to the Official List completed in June 2003

Richard Griffiths, Evolution Group’s Chairman, commented:

“The Evolution Group has developed significantly over the course of 2003. The Board is extremely encouraged by the continued improvement across the Group’s operating businesses as the third quarter progresses.

“Investment banking revenues and the corporate finance pipeline look strong whilst equity trading profits and commissions from the secondary market continue to perform well ahead of expectations. Christows’ revenue figures are stronger week-by-week, and the organic wins in funds under management look set to be supplemented as we attract new discretionary managers with existing client portfolios. IP2IPO has progressed its strategy of forging university partnerships and announced it signed a deal with King’s College London in May this year.”

-Ends-

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Graeme Dell, Finance Director

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Andrew Jaques / Georgina Briscoe

Notes to Editors:

The Evolution Group Plc

The Evolution Group is the holding company of Evolution Beeson Gregory, Christows and IP2IPO. The Evolution Group is fully listed with a current market capitalisation of approximately £180 million.

Evolution Beeson Gregory ("EVBG") aims to be the "leading investment bank to small and mid cap companies". This is based upon the belief that it has the strategy and capabilities to achieve this goal, coupled with the fact that the market opportunity exists for this strategy to be a successful and profitable one.

The company's capabilities are strong across the primary and secondary equity market and central to this is the presence of a leading corporate retained client base in the small and mid cap sector. We service these clients by providing the full range of corporate finance, equity research, market making and sales activities and delivering all of these with a strong client service culture.

Christows is a leading independent firm of stockbrokers and portfolio managers which, from its foundation in 1991 in Exeter, has always set out to provide a traditional stockbroking service whilst developing an innovative product offering. Christows now also operates from London and Bournemouth and has 55 staff across account executive, research, sales and administration staff.

As at 30 June 2003, Christows had a total of £360m client funds under management, on over three quarters of which it receives a recurring fee based commission. Christows' strategy for 2003 is one of controlled growth of the funds under management by organic means through the sales and account executive teams and by the recruitment of likeminded account executives who can attract new clients to the company.

IP2IPO is a majority owned subsidiary of Evolution Beeson Gregory. IP2IPO's business is the formation of long-term university partnerships in which it receives a significant interest in the intellectual property created by its university partners.

IP2IPO's first partnerships were with the University of Oxford's Chemistry Department and the University of Southampton.

In May 2003, IP2IPO announced that it had entered into a partnership with King's College London.

CHAIRMAN'S STATEMENT

Key Financial Information

	6 months to 30 June 2003 £'000	6 months to 30 June 2002 £'000	% change
Group turnover	13,701	5,117	168 % increase
Commissions payable	(754)	(885)	15 % decrease
Gross profit	12,947	4,232	206 % increase
Other operating income	-	5	-
Operating costs	(9,728)	(6,249)	56 % increase
Operating profit / (loss) before amortisation, non-recurring costs and profit on/and provisions against fixed asset investments	3,219	(2,012)	-
Non recurring costs and amortisation	(624)	-	-
Provision against and profit on fixed asset investments	(4,862)	(1,987)	145% increase
Operating loss	(2,267)	(3,999)	43% decrease
Basic loss per share (pence)	(0.63)	(2.91)	78% decrease
Earnings / (loss) per share (pence)	1.34	(1.18)	-
(based on operating profit / (loss) before amortisation, non-recurring costs and profit on/and provisions against fixed asset investments)			

Review of the half year ended 30 June 2003

The first half of 2003 has been one of considerable progress for The Evolution Group Plc ("Evolution" or the "Group") and I am pleased to report operating profits, before amortisation, non-recurring charges and provisions against and profits on fixed asset investments of £3.2 million, giving the Group an adjusted earnings per share figure of 1.34p per share (2002: loss per share of 1.18p).

Investment Banking

Evolution Beeson Gregory has made an excellent start to its first full year of trading on a combined basis. Our revenues have been ahead of budget and have been generated across the full range of activities. The cultural change within the firm is tangible and this has enabled us to deepen our focus on client service, idea generation and transaction execution. We have continued to pursue rigorous overall cost management, whilst at the same time making investments in systems and processes to facilitate future gains in scalability, control and management information. In August, we completed the successful relocation of the Group to our new City of London headquarters enabling this momentum to be driven on through the second half of the year.

Private Client Stockbroking & Fund Management

Christows has certainly had to contend with a very difficult set of market conditions during the first half of 2003. The first quarter marked a new low point, for both transaction and management fee based revenues, following the weakening trend quarter by quarter in 2002. The situation improved markedly in the second quarter as confidence returned producing greater transaction revenues and increased recurring management fees as the market conditions improved. Our sales team and discretionary managers have continued to introduce new funds under management, and this has increased as the first half ended.

IP2IPO

IP2IPO, the Group's Intellectual Property business, has made further important progress in the first half. Its third university partnership deal was completed with King's College London ("KCL") where IP2IPO will receive 20% of KCL's interest in spin out companies and technology licences for a term of 25 years. This has cemented our leadership in the field of university IP commercialisation in the UK. The KCL deal was funded by way of a placing of 3,906,250 shares at £1.60 per share. The spin-outs coming from Oxford University's Chemistry Department and the University of Southampton have continued in the first half with a total of four new companies having been spun out. The total number of spin-outs from IP2IPO partnerships currently stand at eleven amongst which one has already successfully achieved second round funding.

Move to the Official List

On 26 June 2003 the Group completed the move from AIM and its Ordinary Shares were admitted to the Official List. This has resulted in an increased marketability for the Group's shares and I am confident we will see significant benefits from this in the future.

Investment Provisions and Non-recurring costs

As previously reported the Group has continued to exit from its non-core activities. The Group's last remaining investment of this type was Inter-Alliance and, as at 30 June 2003, the Group has further provided for this investment. This provision followed the fall in the Inter-Alliance share price and the refinancing that was completed subsequent to the period end which left the Group with a negligible stake in the company. The impact of this provision is a write off of £6.2 million.

The move to the Official List resulted in one off costs in the first half. Furthermore, in common with many organisations in the investment banking sector, the Group reduced its cost base with a number of redundancies. Overall, there were one off non-recurring costs amounting to £0.3 million.

Outlook

The Board is extremely encouraged by the continued improvement across the Group's operating businesses as the third quarter progresses.

- Investment banking revenues and the corporate finance pipeline look strong.
- Equity trading profits and commissions from the secondary market continue to perform well ahead of expectations.
- Christows' revenue figures are stronger week-by-week and the organic wins in funds under management look set to be supplemented as we attract new discretionary managers with existing client portfolios.
- Your Board, in conjunction with the board of IP2IPO, is examining a number of strategic options for the company which may include a flotation on the London market.

All of these businesses are people businesses, where our most important assets are our people. Your Board considers that it is imperative to the success of Evolution that all employees of the group are properly incentivised and that the interests of employees are aligned with those of shareholders. It is therefore proposed that the Group adopts an all employee share incentive scheme and a circular will be sent to shareholders shortly about the proposed scheme. I should like to reiterate my thanks to everyone for all of their efforts as we move towards the achievement of our strategic goals – revenue maximisation, strict cost management and asset realisation achieved in a timely and proactive fashion.

Richard Griffiths

Chairman

3 September 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Unaudited six months to 30 June 2003 £'000	Unaudited six months to 30 June 2002 £'000	Audited twelve months to 31 December 2002 £'000
Turnover	**13,701**	5,117	15,357
Commissions payable	**(754)**	(885)	(1,631)
Gross profit	**12,947**	4,232	13,726
Administrative expenses	**(10,352)**	(6,249)	(29,226)
Other operating income	**-**	5	92
Profit on sale of fixed asset investments	**1,301**	-	19
Provision against fixed asset investments	**(6,163)**	(1,987)	(9,712)
Operating loss	**(2,267)**	(3,999)	(25,101)
Interest receivable and similar income	**716**	644	1,346
Interest payable and similar charges	**(2)**	(11)	(15)
Loss on ordinary activities before taxation	**(1,553)**	(3,366)	(23,770)
Tax on loss on ordinary activities	**(2)**	(26)	(117)
Loss on ordinary activities after taxation	**(1,555)**	(3,392)	(23,887)
Minority interest	**41**	-	51
Loss for the period attributable to the members of The Evolution Group Plc	**(1,514)**	(3,392)	(23,836)
Basic loss per ordinary share (pence)	**(0.63)**	(2.91)	(13.65)

CONSOLIDATED BALANCE SHEET

	Unaudited 30 June 2003 £'000	Unaudited 30 June 2002 £'000	Audited 31 December 2002 £'000
Fixed assets			
Intangible	**11,140**	-	11,432
Tangible assets	**719**	901	973
Investments	**22,594**	14,568	27,640
Own shares	**492**	-	484
	34,945	15,469	40,529
Current assets			
Debtors	**44,119**	4,256	18,721
Equity shares	**7,575**	-	2,664
Investments	**77**	-	176
Cash at bank and in hand	**31,259**	22,887	31,988
	83,030	27,143	53,549
Creditors: Amounts falling due within one year	**(38,723)**	(2,966)	(17,706)
Net current assets	**44,307**	24,177	35,843
Total assets less current liabilities	**79,252**	39,646	76,372
Provisions for liabilities and charges	**(196)**	-	(396)
Net assets	**79,056**	39,646	75,976
Capital and Reserves			
Called up share capital	**2,454**	8,157	2,404
Shares to be issued	**254**	-	508
Share premium account	**24,831**	66,150	23,892
Merger reserve	**57,261**	6,031	57,261
Profit and loss account	**(13,465)**	(40,692)	(12,053)
Total shareholders' funds	**71,335**	39,646	72,012
Shareholders' funds – Equity	**71,335**	32,675	72,012
Shareholders' funds – Non-equity	**-**	6,971	-
Minority interests	**7,721**	-	3,964
Minority interests & shareholders' funds	**79,056**	39,646	75,976

Graeme Dell — Finance Director

Alex Snow — Chief Executive Officer

CONSOLIDATED CASH FLOW STATEMENT

	£'000	Unaudited six months to 30 June 2003 £'000	£'000	Unaudited six months to 30 June 2002 £'000
Net cash outflow from operating activities		**(5,658)**		(1,722)
Returns on investments and servicing of finance				
Interest received	**712**		587	
Interest paid	**(2)**		(11)	
Income from fixed asset investments	**-**		5	
Net cash inflow from returns on investments and servicing of finance		**710**		581
Taxation				
Corporation tax		**276**		(269)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	**(126)**		(139)	
Purchase of fixed asset investments	**(1,457)**		(11,791)	
Sale current asset investments	**199**		-	
Purchase of current asset investments	**(26)**		223	
Net cash outflow from capital expenditure and financial investments		**(1,410)**		(11,707)
Acquisitions and disposals				
Disposal of subsidiaries		**-**		36
Cash outflow before management of liquid resources and financing		**(6,082)**		(13,081)
Financing				
Issues of ordinary share capital	**5,578**		-	
Expenses of share issue	**(225)**		-	
Net cash inflow from financing		**5,353**		-
Decrease in cash in the period		**(729)**		(13,081)

Notes to the Financial Statements

1. There has been no change in accounting policies since the last annual report, as at 31 December 2002.

2. The interim report was approved by the directors on 3 September 2003.

3. Prior year comparatives relate to the Group figures prior to the acquisition of Beeson Gregory Group Plc on 11 July 2002 and hence do not include any contribution from that company and its subsidiaries.

4. The interim report for the six months to 30 June 2003, including the independent review report by the auditors, will be mailed to the shareholders of the Group. Copies of this interim report will be available for a period of one month from today's date at the registered office address: 9th Floor, 100 Wood Street, London, EC2V 7AN.

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