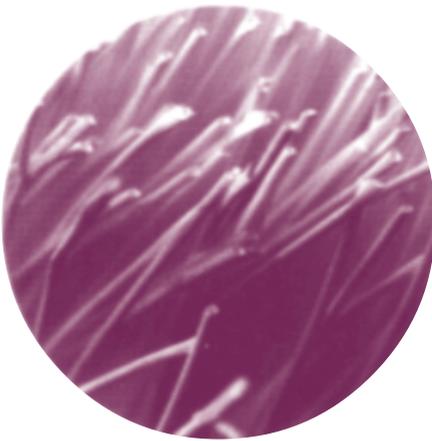


Interim Report 2002



BioProjects International PLC interim results for the six months ended 30 September 2002

Highlights

● **Further investments made in core portfolio**

1. Additional investment of \$1,950,000 in ViaLogy and option exercised for additional \$500,000 worth of shares. Total holding now 27.78%.
2. Additional investment of £1m in Acolyte Biomedica new funding round (other investors include Dstl and Partnerships UK). Total holding now 29.5%.
3. Additional investment of £250,000 in Acrobot interim funding round (other investors include Imperial College London and Nikko Bank). Total holding now 25.3%.
4. Investment in Pivotal Machines curtailed. Holding now 11.7%.

● **Non-core investments and write-downs**

In line with the company's policy of running profits and cutting losses, non-core investments are being sold off as and when opportunities arise and market conditions are appropriate. Meanwhile, they have been written down by £594,572 to market value or estimated realisable value. In addition, two core portfolio holdings have been written down by £780,441.

● **Strong residual cash position and much-reduced burn rate**

1. After all planned investments are made BioProjects' cash balance will be at least £1.75m.
2. The company's burn rate has been considerably reduced and by 30 June 2003 it is estimated that it will be £300,000 per annum.

● **Future prospects**

"Three of our four major investments are well-managed and well-financed. They are also making satisfactory progress with their technology. We have a strong cash position and a much-reduced burn rate. We therefore face the future with confidence."

Jim Slater, Chairman

Chairman's Statement

Your Board has made good progress with its core investments since it became a public company six months ago. However, during that period the Bloomberg UK Biotech Index has fallen by more than 30% and world financial markets have been turbulent and uncertain. As a result, investors have been concentrating on companies which have strong balance sheets, good cash flow and well-backed dividend yields. Biotech shares have therefore been out of favour but, with healthcare being such a dominant worldwide issue, there is little doubt that their time will come again.

In our prospectus we made it clear that BioProjects intends to invest in companies which fulfil all, or a majority of these criteria:

- evidence to support the validity of the technology, albeit at an early stage;
- technology with a powerful provenance, i.e. it has been founded in well-respected academic institutions or government-funded bodies;
- technology that addresses a significant market need;
- a management team with appropriate experience;
- ownership of, or access to defensible intellectual property;
- a clearly defined and realistic commercial strategy;
- significant prospects for an eventual trade sale or stock exchange flotation;
- a seat on the investee company's board for BioProjects.

The four core investments that complied with these criteria when BioProjects became a public company were ViaLogy, Acolyte Biomedica, Pivotal Machines and Acrobot.

Core Portfolio

ViaLogy Corp Inc. (ViaLogy)

ViaLogy is developing performance-enhancing software products which increase the sensitivity of standard detection systems by up to 10,000 times. The technology captures and characterises ultra-weak signals embedded in complex background 'noise'. Such signals are currently beyond the detection capabilities of other signal-identification technologies in use today. ViaLogy's patented technology uses advanced mathematical and signal-processing methods developed following work in quantum physics by the founders.

In the pharmaceuticals industry, ViaLogy expects its platform to have genomic, proteomic, high-throughput drug screening, molecular diagnostic and biosensor applications. The opportunity also exists to develop products that may be applied to a number of other industries. Conceptually, the ViaLogy technology may be used in remote sensing, defence applications and seismology. Development in these areas is being pursued.

ViaLogy has recently made presentations to leading companies in the micro-array industry in the USA and in Europe. It is hoped that these presentations will in due course result in substantial commercial contracts. In particular, the company has proved that in the area of micro-arrays its technology is ultra-sensitive and is uniquely able to solve the problem of quantitation of gene samples.

In June this year we invested a further \$1,950,000 to purchase an additional 3,446,488 shares in ViaLogy at the same price as the initial funding. On October 31 we exercised our \$500,000 option on a further 883,705 shares at the same price bringing our total holding to 27.78%. ViaLogy is now well-financed for the immediate future.

Acolyte Biomedica Limited (Acolyte)

Acolyte is developing a technology that aims to replace current approaches to the diagnosis and treatment of infectious diseases and enable the rapid detection of bacterial pathogens with great sensitivity. *The dangers of the so-called 'antibiotic-resistant Superbugs' and the proliferation of hospital acquired infections mean that the company's work is of particular significance in the world of healthcare.* Acolyte has already developed tests for two of the most serious bacterial infections, MRSA (methicillin resistant *Staphylococcus aureus*) and *E.coli*, which give results in 90 minutes compared to current analysis times of around 48 hours.

The core technology is based on ten years of research by The Defence Science Technology Laboratory (Dstl, formerly DERA) at Porton Down. Acolyte has access to 11 patent families for medical diagnostics applications.

The overall aims are to:

- reduce disease testing from days to hours;
- enable fast treatment with the correct antibiotic, reducing patient mortality, suffering and the time spent in hospital;
- reduce the number of hospital-acquired infections;
- avoid the indiscriminate use of antibiotics, reducing the development of antibiotic resistant bacteria;
- produce substantial savings for hospitals through lower antibiotic costs and fewer bed days.

We originally invested £1m in Acolyte in July 2001. Considerable technical progress has been made and we have recently led a successful second round of financing for a further £2.6m. The new funding will enable the company to complete the development and integration of further assays with its 'BacLite' instrument system to the stage at which it should be able to attract licensing partners. We are very pleased that Dstl, a government-backed research body, has participated in this financing for £500,000 and Partnerships UK, the public/private partnership development organisation, has invested £1m. BioProjects' additional £1m investment will bring our holding in Acolyte to 29.5%.

Pivotal Machines Inc. (Pivotal)

Pivotal is an early stage company that is developing a hand-held immunoassay device which utilises the company's micro-fluidics and cartridge designs to facilitate the timely and cost-effective detection of minute quantities of various biological substances and illness markers. The company is based in Southern California and holds an exclusive licence from the US National Institute of Standards and Technology (NIST) to use its flow-injection process with biochemical amplification technology for its chosen applications.

Pivotal's core micro-fluidic engineering technology has progressed reasonably well. However, it has experienced difficulties in characterisation of the reagents, antibodies and liposome amplifiers needed for the rapid-reaction rates. As a consequence, BioProject's original commitment of \$1.67m has been renegotiated. To date, BioProjects has invested \$780,000 for an 11.7% stake. Any further investment is now at the sole discretion of BioProjects.

Pivotal is working with an antibody expert, and over the coming months hopes to develop acceptable results in clinical samples for 3-4 relevant analytes. If successful, Pivotal should then be in a position to seek further funding or trade interest.

The Acrobot Company Limited (Acrobot)

Acrobot's technology was developed by Imperial College London. Using proprietary software, the Acrobot hands-on robot is designed for use in replacement operations for joints such as knees, hips and elbows and also spinal and facial applications. It enables surgeons to achieve faster and safer results. Acrobot's software defines constraint parameters for the robot, which is programmed for each operation and controlled by the surgeon throughout.

Five total-knee replacement operations using the Acrobot robot have been successfully completed on patients at The Middlesex Hospital in London. BioProjects, together with Imperial College Innovations, Nikko Bank and a private investment group, have participated in a £970,000 interim funding round. Acrobot aims to achieve significant milestones in the coming year including: installation of three Acrobots in major hospitals; CE Marking and Medical Devices Agency approval; sales of three commercial systems in the UK; collaboration with US surgeons and hospitals and the development of software for a minimally-invasive Acrobot for keyhole surgery.

In total BioProjects has now invested £600,000 for its 25.3% equity stake in Acrobot.

Non-Core Portfolio

As we made clear in our prospectus, investments that do not conform with our investment criteria will be sold off as and when opportunities arise and market conditions are appropriate.

Lipid Sciences Inc. (Lipid)

Lipid is a medical technology company based in California. It is engaged in the research and development of a process to treat major medical conditions in which a lipid (fat) component of the blood plays a key role. The process also inactivates certain viruses, particularly HIV.

Lipid will initially target both the HIV and the cardiovascular patient groups. There is great potential for the latter where atherosclerosis, which results from the accumulation of lipids, particularly cholesterol, on the arterial walls is a major cause of disease.

Lipid commenced Phase I human clinical trials in May 2002. In August it reported a healthy cash position and progressed as planned on the conversion of its real estate assets to cash. However, in September the company announced that its trials had been delayed, pending review of the clinical protocols. This will extend the timetable for completion of the trials. On the plus side, Lipid has strengthened its board with the appointment of Richard Babbit as Chairman. He has proven experience in successfully commercialising medical products and was instrumental in the success of Inamed Corporation.

These events combined with the fact that an additional 5m restricted shares became tradeable on November 29 have undoubtedly contributed to the recent volatile performance of the share price. BioProjects' investment in Lipid has therefore been written down to market value on 18 October 2002 which we consider to be prudent.

TEI Biosciences Inc. (TEI)

TEI is developing devices intended to stimulate the human body's natural repair mechanisms to generate certain replacement parts such as bone, blood vessels, skin and other tissues.

TEI has made significant technical and commercial progress. It is in late-stage negotiations with multinational companies on licensing and distribution arrangements for its FDA-cleared bio-membrane product. Initial uses are in pelvic reconstruction and tendon repair following orthopaedic procedures. It has also made advances in its cell signalling and stem cell research, and has met all milestones under its development agreement with Medtronic. TEI is in the process of raising further interim funds. When market conditions are appropriate, it plans to apply for a NASDAQ listing.

IIT Ltd (IIT)

IIT has developed a semi-invasive sensor to continuously measure glucose levels in the body more accurately than existing technologies, enabling the control and monitoring of diabetes for clinical and consumer markets.

The board of IIT decided that the technical challenges and costs involved in developing the technology further would be better addressed within a larger organisation. IIT has made determined efforts to sell its technology and IP to the well-resourced players in the field of glucose monitoring.

As no firm offers have been received the company has only limited avenues left open to it. Failing a sale, IIT will be wound up, resulting in a capital loss for BioProjects to offset, for tax purposes, against future profits. We have therefore written off the value of the investment in our accounts.

Bionex Investments plc (Bionex)

Bionex is a biotechnology investment business. The original intention was for BioProjects to offer Bionex participation in future biotechnology projects that were beyond its immediate resources, and vice versa. However, Bionex has become more interested in later stage investments, typically pre-IPO, whereas BioProjects is concentrating its investment policy on early stage biotechnology projects.

Bionex expects to seek admission to the Alternative Investment Market in the near future and BioProjects will then be in a position to decide when to sell its shareholding.

Write-downs

We have written off the £250,000 residual book value of IIT. We have also written down our Acolyte investment by £250,000 to reflect the price based on the last round of financing. However, it could be argued that the latter investment is now worth more as the company is well-financed, has a powerful association with UK Partnerships, the management has been strengthened and the technology has been improved.

We have written down the investment in Pivotal to our estimate of realisable value and our investment in Lipid Sciences has been written down to market value.

You will, of course, be aware that accounting policy requires that write-downs are made when values deteriorate. In the case of ViaLogy, your Board believes that the value of the shares we own is significantly more than cost, but no credit is taken for this in the accounts.

As you can see from the foregoing our policy is to cut losses and add to and run profits. This policy is particularly appropriate in the biotech industry in which investments are usually high risk/high reward. Although losses are always painful they can be dwarfed by the profits that can be made from one real winner. To reflect this policy, our investment in Pivotal was curtailed and our non-core portfolio will be sold off when conditions are appropriate.

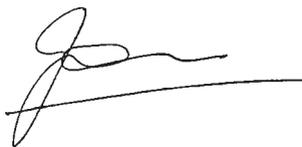
BioProjects' cash position and burn rate

The £1m to be invested in Acolyte's second-round funding is linked to specific milestones. Assuming that they are all met BioProjects will be left with approximately £1.75m in cash. In addition, the disposal of a number of non-core investments will produce further cash in due course.

Meanwhile, we have substantially reduced BioProjects' burn rate. By 30 June 2003 we estimate that the overall expenses will be running at approximately £300,000 per annum. Interest receivable, directors fees and other fees from portfolio companies can be offset against this. In these difficult stockmarket conditions, like many other biotech companies, we are conserving our cash to finance the progress of our existing portfolio. Although we have a weather eye open for new opportunities, in this financial climate they would have to be of a truly exceptional nature to tempt us to invest. Our three main core investments, ViaLogy, Acolyte and Acrobot, are a very hard act to follow. All of these companies are now well-funded and well-managed but in due course, we may need to lead other rounds of financing and invest in them further. Our cash will therefore be conserved to ensure that we are able to do this as and when necessary.

Future prospects

In summary, in spite of difficult stockmarket conditions, with 'down rounds' the order of the day in the biotech industry, on balance, we are pleased with the progress we have made to date. Three of our four major investments are well-managed, well-financed and are making satisfactory progress with their technology. We have a strong cash position and a much-reduced burn rate. We therefore face the future with confidence.

A handwritten signature in black ink, appearing to read 'Jim Slater', with a long horizontal line extending to the right.

Jim Slater, Chairman

December 2002

Independent Review

Report to BioProject International PLC

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 September 2002 set out on pages 8 to 12. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. Where a company is fully listed, the directors are responsible for preparing the interim report in accordance with Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed. The directors of BioProjects International PLC have voluntarily complied with this requirement in preparing this interim report.

Review of work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom by auditors of fully listed companies. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2002.

BDO Stoy Hayward
Chartered Accountants
London

3 December 2002

BIOPROJECTS INTERNATIONAL PLC

Unaudited Profit and Loss Account for the six months ended 30 September 2002

	<i>Note</i>	Unaudited 6 months to 30-Sep-02 £	Audited Year to 31-Mar-02 £
Turnover		7,958	47,249
Administration expenses		<u>265,034</u>	<u>222,082</u>
Operating loss		(257,076)	(174,833)
Provision for diminution in value of investments		(1,375,013)	(750,485)
Loss on disposal of fixed asset investment		<u>-</u>	<u>(38,815)</u>
Loss on ordinary activities before interest		(1,632,089)	(964,133)
Interest receivable		47,471	78,843
Interest payable and similar charges		<u>(4)</u>	<u>445</u>
Loss on ordinary activities before taxation		(1,584,622)	(884, 845)
Taxation on loss on ordinary activities		(127)	(800)
Retained loss on ordinary activities after taxation for the period/year		<u>(1,584,495)</u>	<u>(884,045)</u>
Loss per ordinary share			
Basic	2	(0.66p)	(0.50p)
Diluted	2	(0.66p)	(0.50p)

BIOPROJECTS INTERNATIONAL PLC**Unaudited Balance Sheet as at 30 September 2002**

	<i>Note</i>	Unaudited 30-Sep 2002 £	Unaudited 30-Sep 2002 £	Audited 31-Mar 2002 £	Audited 31-Mar 2002 £
Fixed assets					
Intangible assets			170		170
Tangible assets			2,950		1,719
Fixed asset investments	3		3,574,381		3,338,824
			3,577,501		3,340,713
Current assets					
Debtors and prepayments		53,000		10,826	
Cash at bank and in hand		3,184,338		953,345	
		3,237,338		964,171	
Creditors : amounts falling due within one year		28,470		39,444	
Net current assets			3,208,868		924,727
Total assets less current liabilities			6,786,369		4,265,440
Capital and reserves					
Called up share capital			2,520,000		1,770,000
Share premium account			6,667,224		3,311,800
Share scheme reserve			87,500		87,500
Warrants reserve			101,240		101,240
Profit and loss account			(2,589,595)		(1,005,100)
Equity shareholders' funds	4		6,786,369		4,265,440

BIOPROJECTS INTERNATIONAL PLC

Unaudited Cash Flow Statement for the six months ended 30 September 2002

	<u>Note</u>	Unaudited 30-Sep 2002 £	Unaudited 30-Sep 2002 £	Audited 31-Mar 2002 £	Audited 31-Mar 2002 £
Net cash outflow from operating activities	5		(309,896)		(104,996)
Returns on investments and servicing of finance					
Interest received		47,471		79,841	
Interest paid		(4)		(305)	
		<u>127</u>		<u>(800)</u>	
Taxation			47,467		79,536
Corporation tax paid/refunded				(800)	
				<u>(800)</u>	
Capital expenditure and financial investment			127		(800)
Payments to acquire intangible fixed assets		-		(170)	
Payments to acquire tangible fixed assets		(1,559)		(1,986)	
Payments to acquire fixed asset investments		(1,610,570)		(3,449,739)	
Receipts from sale of fixed asset investments		-		449,055	
				<u>449,055</u>	
			(1,612,129)		<u>(3,002,840)</u>
Cash outflow before financing					<u>(3,029,100)</u>
			(1,874,431)		(3,029,100)
Financing					
Cash inflow from issue of shares (net of issue costs)			4,105,424		385,000
(Decrease)/Increase in cash			<u>2,230,993</u>		<u>(2,644,100)</u>

BIOPROJECTS INTERNATIONAL PLC

NOTES TO THE INTERIM REPORT

1. Basis of preparation

This report, which is unaudited, was approved by the directors on 27 November 2002. The report has been prepared following the accounting policies set out in the company's Annual Report and Financial Statements for the year ended 31 March 2002. The interim financial information is unaudited and does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The figures for the year ended 31 March 2002 have been extracted from the 2002 Annual Report and Financial Statements which received an unqualified auditor's report and which has been filed with the Registrar of Companies.

2. Loss per ordinary share

	Six months to 30 Sep 02		Year ended 31 Mar 02	
	Basic £	Diluted £	Basic £	Diluted £
Loss attributable to shareholders	(1,584,495)	(1,584,495)	(884,045)	(884,045)
	Number	Number	Number	Number
Weighted average of ordinary shares in issue	239,500,000	239,500,000	175,340,274	175,340,274
Loss per ordinary share	(0.66p)	(0.66p)	(0.50p)	(0.50p)

3. Fixed asset investments

	Listed investments £	Unlisted investments £	Total £
<i>Cost or valuation</i>			
At 1 April 2002	479,468	3,609,841	4,089,309
Additions	-	1,610,570	1,610,570
at 30 September 2002	479,468	5,220,411	5,699,879
<i>Provisions</i>			
At 1 April 2002	-	750,485	750,485
Provided for the period	344,572	1,030,441	1,375,013
At 30 September 2002	344,572	1,780,926	2,125,498
<i>Net book value</i>			
At 30 September 2002	134,896	3,439,485	3,574,381
At 31 March 2002	479,468	2,859,356	3,338,824

The market value of listed investments at the balance sheet date was £250,521 (31 March 2002: £585,184).

4. Reconciliation of movement in shareholders' funds

	Unaudited 30 Sep 02 £	Audited 31 Mar 02 £
Loss for the period/year	(1,584,495)	(884,045)
New share capital subscribed	750,000	77,000
Premium on shares issued during the period/year	3,750,000	308,000
Costs of share issue	(394,576)	-
Warrants issued	-	94,160
Net additions to shareholders' funds	<u>2,520,929</u>	<u>(404,885)</u>
Opening shareholders' funds	4,265,440	4,670,325
Closing shareholders' funds	<u>6,786,369</u>	<u>4,265,440</u>

5. Reconciliation of operating loss to net cash outflow from operating activities

	Unaudited 30 Sep 02 £	Audited 31 Mar 02 £
Operating loss	(257,076)	(174,833)
Loss on sale of intangible fixed assets	-	80
Depreciation of tangible fixed assets	328	430
Increase in debtors	(42,174)	(10,026)
(Decrease)/Increase in creditors	(10,974)	(14,807)
Warrants issued for non-cash consideration	-	94,160
Net cash outflow from operating activities	<u>(309,896)</u>	<u>(104,996)</u>

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