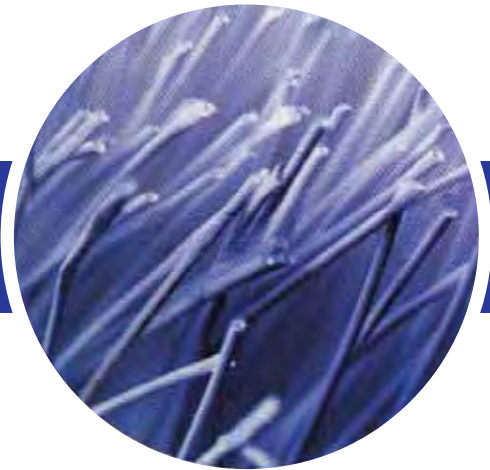


# Interim Report 2004



# **BIOPROJECTS INTERNATIONAL PLC**

## **Interim results for the six months ended 30 September 2004**

### **Highlights**

- BioProjects raises £1 million, placing 22,222,223 new ordinary shares at 4.5p per share.
- BioProjects makes additional loan of \$525,000 to ViaLogy Corp.
- BioProjects administrative expenses almost halved from same period last year.

## Chairman's Statement

During the six months covered by this interim statement, BioProjects has continued to closely monitor its investments and apply realistic rather than optimistic assessments to their values. We have also maintained our policy of prudent management by reducing our administrative costs to a minimum.

Each of BioProjects' three investments, **ViaLogy Corp**, **Acolyte Biomedica** and **The Acrobot Company**, has technology which is confirming the faith that has been placed in it. However, the transition from research and development to commercialisation is always challenging. The delays often encountered by such early-stage companies mean that the requirement for substantial additional finance is vital, and BioProjects has stood by its core investment philosophy of supporting such requirements where necessary.

As I stated in my recent letter to shareholders, ViaLogy has experienced delays in its anticipated cashflow, although its technology has been validated and accepted by a number of leading pharmaceutical companies. BioProjects offered to make additional bridging loans to the company and it was mainly for this reason that we raised £1 million through a share placing in July. I am pleased to say that our co-investors in ViaLogy, the German-based Aeris Holdings, have since offered to loan an additional \$1 million to ViaLogy which should secure the company's future for 2005. Nevertheless we feel that it is prudent to reflect the delay in commercialisation by a reduction in our valuation of this investment. Although both Acolyte and Acrobot have made progress during the period, we believe it is also sensible to continue to take a conservative view so the valuations of these two companies remain unchanged.

**Jim Slater**  
**Chairman**

29 December 2004

## **Current Portfolio**

### **ViaLogy Corp (ViaLogy)**

ViaLogy develops and markets active signal processing software solutions that are applicable to a wide variety of high technology industries. It employs a revolutionary process, Quantum Resonance Interferometry (QRI), which detects and discriminates, with very high sensitivity and specificity, data obscured by background noise. This enables researchers to reliably identify and understand signal events that have hitherto been impossible to reveal using commercially available signal processing.

During the period ViaLogy offered its first product, an analysis service for DNA microchip array data. Validation trials were carried out for a number of leading pharmaceutical companies and overall the test results were judged to be very satisfactory. Negotiations are now in hand to convert these high levels of approval into firm commercial contracts. In addition, after successful trials, a leading global instrument manufacturer is planning to integrate ViaLogy's software into its products.

ViaLogy is in the process of expanding its technical staff to develop the ViaLogy technology for use in other industries such as medical imaging, mass spectrometry, silicon wafers and seismology. ViaLogy's website is [www.vialogy.com](http://www.vialogy.com)

During the period under review BioProjects made an additional convertible loan of \$525,000 to ViaLogy. By the end of the period BioProjects had invested a total of £3,335,056 for 47.6 per cent of the company and in addition had made convertible loans to ViaLogy totalling \$775,000. Taking a conservative view of the present situation we have decided to write down the valuation of our holding in ViaLogy to £1,530,429.

### **Acolyte Biomedica Limited**

Acolyte is developing a range of products for rapid detection of sepsis, blood infections and antibiotic resistance. The company is planning the launch of its first product in May 2005. BacLite® MRSA is a screening test for the superbug MRSA, the worldwide infection that in Britain alone is responsible for 5,000 deaths each year of patients and hospital staff. By providing results in only 5 hours it will allow carriers of the bacterium to be isolated quickly, preventing the spread of infection.

Acolyte has received venture funding from BioProjects, the international venture capitalist Porton Capital, the part-government funded Partnerships UK and another AIM-quoted investment company, ANGLE PLC. The company employs 15 staff at its laboratories at Porton Down, Wiltshire, UK. Its website is [www.acolytebiomedica.com](http://www.acolytebiomedica.com)

As at 30 September 2004 BioProjects' 27 per cent holding in Acolyte was valued at £1,749,628 in the financial statements.

### **The Acrobot Company**

Acrobot, a spinout company from Imperial College, London, is a developer of precision surgical systems. Initial applications are in the areas of knee and hip replacements. The company has successfully completed regulated clinical trials to establish proof of concept for its lead technology, the Active Constraint Surgical System (the Acrobot System). During the period Acrobot entered into an agreement with Corin PLC to develop a related technology, The Tubes System, for use with Corin's lead product, the Cormet hip-resurfacing prosthesis.

Royalty revenues are expected from the Tubes System in late 2005 and sales revenues from The Acrobot System in 2007. Acrobot's website is [www.acrobot.co.uk](http://www.acrobot.co.uk) As at 30 September 2004 the 25.3 per cent holding BioProjects has in Acrobot was carried at £200,000 in the Company's financial statements.

# **Independent Review Report to BioProjects International PLC**

## **Introduction**

We have been instructed by the company to review the financial information for the six months ended 30 September 2004 set out on pages 7 to 11. 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.

Our report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

## **Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market 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.

## **Review 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. 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 2004.

**BDO Stoy Hayward LLP**  
**Chartered Accountants**  
**London**

29 December 2004

# BIOPROJECTS INTERNATIONAL PLC

## UNAUDITED PROFIT & LOSS ACCOUNT

For the six months ended 30 September 2004

	<b>Unaudited 6 months to 30 Sep 2004</b>	Unaudited 6 months to 30 Sep 2003	Audited Year to 31 Mar 2004
	<i>Note</i>		
Turnover	<b>9,852</b>	38,240	46,947
Administration expenses	<b>(125,077)</b>	(232,221)	(370,414)
<b>Operating loss</b>	<b>(115,225)</b>	(193,981)	(323,467)
Provision for diminution in value of investments	<b>(1,804,628)</b>	–	(111,407)
<b>Loss on ordinary activities before interest and other income</b>	<b>(1,919,853)</b>	(193,981)	(434,874)
Other interest receivable and similar income	<b>28,623</b>	18,496	31,387
Interest payable and similar charges	<b>–</b>	–	(41)
<b>Loss on ordinary activities before taxation</b>	<b>(1,891,230)</b>	(175,485)	(403,528)
Taxation on loss on ordinary activities	<b>–</b>	–	–
<b>Retained loss on ordinary activities after taxation for the period/year</b>	<b>(1,891,230)</b>	(175,485)	(403,528)
<b>Loss per ordinary share</b>			
Basic	2	<b>(0.69p)</b>	(0.07p)
Diluted	2	<b>(0.69p)</b>	(0.07p)



# BIOPROJECTS INTERNATIONAL PLC

## UNAUDITED BALANCE SHEET

As at 30 September 2004

	Unaudited 30 Sep <i>Note</i> 2004 £	Unaudited 30 Sep 2004 £	Unaudited 30 Sep 2003 £	Unaudited 30 Sep 2003 £	Audited 31 Mar 2004 £	Audited 31 Mar 2004 £
<b>Fixed Assets</b>						
Intangible assets		–		187		–
Tangible assets		<b>3,916</b>		2,453		2,180
Fixed asset investments		<b>3,480,056</b>		5,185,315		5,284,684
		<b>3,483,972</b>		5,187,955		5,286,864
<b>Current assets</b>						
Debtors and prepayments	<b>497,155</b>		62,198		159,641	
Cash at bank and in hand	<b>1,003,686</b>		616,151		449,628	
	<b>1,500,841</b>		678,349		609,269	
<b>Creditors: amounts falling due within one year</b>		<b>43,119</b>		56,847		54,514
<b>Net current assets</b>		<b>1,457,722</b>		621,502		554,755
<b>Total assets less current liabilities</b>		<b>4,941,694</b>		5,809,457		5,841,619
<b>Capital and reserves</b>						
Called up share capital		<b>2,882,222</b>		2,530,000		2,650,000
Share premium account		<b>7,601,513</b>		6,684,725		6,824,930
Share scheme reserve		<b>87,500</b>		87,500		87,500
Warrants reserve		<b>66,240</b>		83,740		83,740
Profit and loss account		<b>(5,695,781)</b>		(3,576,508)		(3,804,551)
<b>Equity shareholders' funds</b> 4		<b>4,941,694</b>		5,809,457		5,841,619

# BIOPROJECTS INTERNATIONAL PLC

## UNAUDITED CASH FLOW STATEMENT

For the six months ended 30 September 2004

	Unaudited 30 Sep 2004 £	Unaudited 30 Sep 2004 £	Unaudited 30 Sep 2003 £	Unaudited 30 Sep 2003 £	Audited 31 Mar 2004 £	Audited 31 Mar 2004 £
<b>Net cash outflow from operating activities</b>	5	<b>(462,174)</b>		(217,863)		(447,985)
<b>Returns on investments and servicing of finance</b>						
Interest received	<b>28,623</b>		17,746		31,387	
Interest paid	<u>—</u>		<u>—</u>		<u>(41)</u>	
		<b>28,623</b>		17,746		31,346
<b>Taxation</b>						
Corporation tax refund	<u>—</u>		<u>—</u>		<u>673</u>	
		<b>—</b>		—		673
<b>Capital expenditure and financial investment</b>						
Payments to acquire tangible fixed assets	<b>(2,171)</b>		—		—	
Payments to acquire fixed asset investments	<u>—</u>		<u>(1,662,947)</u>		<u>(1,873,723)</u>	
Receipts from sale of fixed asset investments	<u>—</u>		<u>51,199</u>		<u>51,199</u>	
		<b>(2,171)</b>		(1,611,748)		(1,822,524)
<b>Management of liquid resources</b>						
Cash (outflow)/inflow from (increase)/decrease in liquid resources		<b>(3,829)</b>		—		271,463
Cash outflow before financing		<b>(439,551)</b>		(1,811,865)		(1,967,027)
<b>Financing</b>						
Cash inflow from issue of shares	<b>1,010,000</b>		—		264,000	
Issue costs	<u>(18,695)</u>		<u>—</u>		<u>(3,795)</u>	
		<b>991,305</b>		—		260,205
<b>Increase/(decrease) in cash</b>		<b>551,754</b>		<b>(1,811,865)</b>		<b>(1,706,822)</b>

# BIOPROJECTS INTERNATIONAL PLC

## NOTES TO THE INTERIM REPORT

### 1. Basis of preparation

These unaudited interim accounts, which were approved by the Board on 29 December 2004, do not constitute the Company's statutory accounts. The financial information presented for the year ended 31 March 2004 is extracted from the statutory accounts for that year then ended which have been filed with the Registrar of Companies. The auditors report on those statutory accounts was unqualified and did not contain a statement under S237(2) or 237(3) of the Companies Act 1985.

### 2. Loss per ordinary share

Loss per share is calculated as follows:

	<b>Six months to 30 Sep 2004</b>		Six months to 30 Sep 2003		Year ended 31 Mar 2004	
	<b>Basic</b>	<b>Diluted</b>	Basic	Diluted	Basic	Diluted
	<b>£</b>	<b>£</b>	£	£	£	£
Loss attributable to shareholders	<b>(1,891,230)</b>	<b>(1,891,230)</b>	(175,485)	(175,485)	(403,528)	(403,528)
	<b>Number</b>	<b>Number</b>	Number	Number	Number	Number
Weighted average of ordinary shares in issue	<b>274,478,446</b>	<b>274,478,446</b>	253,000,000	253,000,000	257,426,229	257,426,229
Loss per ordinary share	<b>(0.69p)</b>	<b>(0.69p)</b>	(0.07p)	(0.07p)	(0.2p)	(0.2p)

### 3. Fixed asset investment

	<b>Total Unlisted Investments £</b>
<i>Cost</i>	
At 1 April 2004	7,581,517
Additions	—
Disposals	—
<b>At 30 September 2004</b>	<b><u>7,581,517</u></b>
<i>Provisions</i>	
At 1 April 2004	2,296,833
Provision for the period/year	1,804,628
Disposals	—
<b>At 30 September 2004</b>	<b><u>4,101,461</u></b>
<i>Net book value</i>	
<b>At 30 September 2004</b>	<b><u>3,480,056</u></b>
At 31 March 2004	<u>5,284,684</u>

#### 4. Reconciliation of movement in shareholders' funds

	<b>Unaudited 30 Sep 2004 £</b>	Unaudited 30 Sep 2003 £	Audited 31 Mar 2004 £
Loss for the period/year	<b>(1,891,230)</b>	(175,485)	(403,528)
New share capital subscribed	<b>232,222</b>	–	120,000
Net proceeds of issue of shares and exercise of warrants	<b>759,083</b>	–	140,205
Net additions to shareholders' funds	<b>(899,925)</b>	(175,485)	(143,323)
Opening shareholders' funds	<b>5,841,619</b>	5,984,942	5,984,942
Closing shareholders' funds	<b>4,941,694</b>	5,809,457	5,841,619

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

	<b>Unaudited 30 Sep 2004 £</b>	Unaudited 30 Sep 2003 £	Audited 31 Mar 2004 £
Operating loss	<b>(115,225)</b>	(193,981)	(323,467)
Depreciation of tangible fixed assets	<b>435</b>	272	545
Amortisation of intangible fixed assets	–	–	187
Increase in debtors	<b>(326,591)</b>	(46,059)	(144,176)
(Decrease)/increase in creditors	<b>(11,395)</b>	13,384	10,302
Foreign exchange movements	<b>(9,398)</b>	8,521	8,624
Net cash outflow from operating activities	<b>(462,174)</b>	(217,863)	(447,985)

#### 6. Analysis of net funds

	<b>At 1 Apr 2004</b>	<b>Foreign Exchange Movements</b>	<b>Cash Flow</b>	<b>At 30 Sep 2004</b>
Cash at bank and in hand	449,502	–	551,754	<b>1,001,256</b>
Liquid resources	126	(1,525)	3,829	<b>2,430</b>
	<u>449,628</u>	<u>(1,525)</u>	<u>555,583</u>	<b><u>1,003,686</u></b>

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