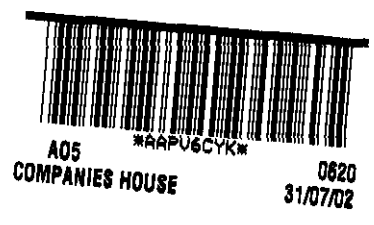


COMPANIES HOUSE



BILLAM PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2001

Company Number: 00298654

BILLAM PLC

FINANCIAL STATEMENTS

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BILLAM PLC

CHAIRMAN'S STATEMENT

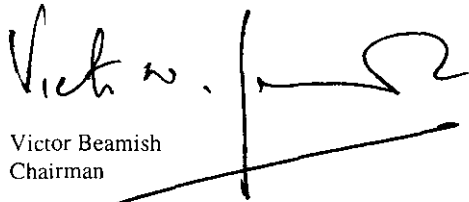
"A watershed in the history of Billam plc" your Company. In my last annual report I highlighted the opportunities that existed for your Company. Today I am pleased to report to you that we are currently fulfilling all our aspirations as an investor in digital technologies, the life sciences and most importantly their convergence.

Your Board has pledged to deliver growth in net assets in order to create shareholder value. In an unpopular sector that has seen much consolidation, in difficult and depressed capital markets I am pleased to say that we continue to make strong progress and remain one of the best performing small investment companies over the period.

During the year your directors and executive have worked very closely with many of the investee companies in the portfolio, as they strive to accelerate organic growth and to acquire complementary technologies. We have continued to develop our extensive network within academia, as research collaborators and as advisers, perceiving this as pivotal to future success.

Your Company has adopted an investment policy that embraces a synergistic approach to portfolio management and development as being a key driver of growth and increased net asset value. Over the course of the next few months your Board intends to demonstrate the very significant merits of having identified and adopted this strategy.

I would like to take this opportunity to thank my executive Angus Forrest and Peter Hoskins and fellow directors for all their hard work on behalf of your Company, and further all those loyal shareholders whose confidence and support we enjoy and appreciate.



Victor Beamish
Chairman

19 June 2002

BILLAM PLC

BOARD OF DIRECTORS AND ADVISERS

Board of directors: Victor Beamish (aged 48)
Non-executive Chairman. Appointed to the Board on 14 July 2000
Chairman of the Audit and Remuneration Committees

Angus Forrest (aged 49)
Chief Executive. Appointed to the Board on 30 May 2000

Juliet Hoskins (aged 47)
Non-executive director. Appointed to the Board on 30 May 2000

Mark Lorimer (aged 48)
Non-executive director. Appointed to the Board on 5 December 2000

Francis John Philip Madden
Non-executive director. Appointed to the Board on 18 December 2001,
resigned 14 June 2002

Investment Analyst and Researcher: Peter Hoskins (aged 51)
Chief Executive Billam AG

Company registration number: 00298654

Registered office: 24-26 Baltic Street West, London, EC1Y 0UR

Secretary: Diplema Corporate Services Limited
1 Gresham Street, London, EC2V 7BU

Bankers: National Westminster Bank Plc, Norwich

Solicitors: Pinsent Curtis Biddle
1 Gresham Street, London, EC2V 7BU

Auditors: Grant Thornton
Registered Auditors
Chartered Accountants
28 Kenwood Park Road, Sheffield, S7 1NG

Nominated Adviser and Nominated Broker: KBC Peel Hunt Limited
62 Threadneedle Street, London, EC2R 8HP

Registrars: Northern Registrars Limited
Penistone Road, Ferry Bridge
Huddersfield, HD8 0LA
Tel: 01484 600900

Investor relations: Peter Hoskins
Billam AG
24-26 Baltic Street West, London, EC1Y 0UR
Tel: 020 7702 5544

Website: www.billamplc.co.uk

BILLAM PLC

CHIEF EXECUTIVE'S REPORT

Executive report

I am pleased to report that for the second year Billam plc has made substantial progress with further advances in the current year.

Citing CybIT Holdings plc as an example which floated on the Alternative Investment Market of the London Stock Exchange in March 2001, and has subsequently acquired Fleetstar from Trafficmaster plc, enabling CybIT to become a leading player in the European telematics market.

Investment policy

Our focus continues to be on companies with strong management which offer products with identifiable and quantifiable benefits to business users operating in growth markets. The addition of a life science portfolio serves only to increase our corporate opportunities.

Investment activity

During the year Billam plc made further investments in telematics, financial modelling and database management. Our acquisition of World Life Sciences Limited presents a portfolio of interesting life science investments at varying stages of development.

Performance in the year 1 January 2001 to 31 December 2001

Our previously identified target to increase net asset value faster than the benchmark indices is shown below.

Net assets per share increased by 26.4%* in the year.

FTSE Techmark All share index	- 37%
FTSE All share index	- 15%
FTSE AIM index	- 38%

*Please see note 26 page 32.

Outlook for the portfolio

We are confidently expecting further significant growth in net asset value in the short, medium and longer terms.

Communications

The website is constantly updated to provide all shareholders with up to date information about the Company and its investments. We would encourage shareholders to register on the website in order to receive the information by e-mail.

Conclusion

The contribution by my colleagues, particularly my fellow executive Peter Hoskins, has been substantial enabling not only Billam plc to develop its business but also many of the companies in the investment portfolio.

Angus Forrest
Chief Executive

19 June 2002

BILLAM PLC

PORTFOLIO REVIEW

The portfolio of investments is described in detail below with a description of each of the companies. The investment strategy has been to invest in technical companies operating in the most dynamic and exciting markets. This year with the acquisition of World Life Sciences Limited your Company has acquired a portfolio of life science businesses.

Autonomics Limited

Autonomics is developing its first product, TransAccs, a financial modelling tool, under the guidance of chief executive John Taylor. TransAccs targets the multi-million dollar worldwide market for financial planning software.

Billam AG

Billam AG, a wholly owned subsidiary, is based in Bern, Switzerland. Formed to help handle investments on mainland Europe.

CybIT Limited

CybIT is the UK's first dedicated telematics Application Service Provider and Internet Service Provider. It has access to leading technology, a comprehensive range of products, and offers a first class service. Growth prospects are exponential. In March 2001 it floated on AIM raising £2.6 million. Since then management has been strengthened with key appointments. Through the latter part of 2001 CybIT began to identify possible acquisitions. After reviewing several opportunities it acquired Fleetstar, the telematic division of Trafficmaster enabling it to become a leading player in the European zone.

Danum Group Limited

Danum is the holding company for IntegriSys Limited which supplies medical data to doctors and medical practitioners over the internet and health organisation intranets. In December 2001 IntegriSys Limited merged with Primary Care Group Systems Limited, a supplier of software and IT systems to the medical profession, to expand the capabilities of the companies and accelerate the pace of market exploitation. Billam plc is currently working with the management and major shareholders to effect a buy-out of the core technology which it intends to reposition with key strategic partners.

EiRx Therapeutics Limited

EiRx, the emerging Irish biopharmaceutical company, is using novel technology to identify new gene targets involved in the control of the natural process of programmed cell death or apoptosis. When this natural process becomes uncontrolled it can give rise to a number of different diseases including cancers. Once the controlling genes are identified and validated as potential targets, the company looks for collaborative partners to commercialise the target.

The company has created a proprietary discovery micro-array. In addition the company's technology platform has already given rise to a number of leads from which the first validated targets will be identified for further in-house development or licensing out to pharmaceutical development companies.

Fulcrum Pharma plc

Fulcrum Pharma plc is the first independent company to offer global virtual drug development and strategic outsourcing services to the pharmaceutical industry. Having established highly successful operations in the UK and Japan, Fulcrum has its sights firmly set on the US.

BILLAM PLC

PORTFOLIO REVIEW

Inaplex Limited

Inaplex is a developer of data management software. Inaport, the first product, has been launched. It interfaces with Goldmine, the leading mid-market CRM package from FrontRange Solutions Inc. Initial sales of the product have been well received and it is now being promoted by FrontRange. A second product Metaview is being developed and is being beta tested for a launch in late 2002.

IVU Traffic Technologies AG

Berlin, Germany

IVU develops intelligent software which offers innovative and efficient solutions to the varied demands of a mobile society. It is one of the world's leading suppliers of IT Systems for optimising logistic processes, and has extensive expertise and a quarter of a century of experience. It is undertaking research into key technologies like traffic telematics, mobile communications and the internet, and has created an extreme information platform logistically addressing solutions for a world on the move. Elogistics takes what appears to us to be obvious - our actual location - and incorporates this into an innovative solution to create a new dimension of fast and comprehensible information.

Physiomics plc

Physiomics is the integrated, system-level approach to the study of human physiology. It looks at the next hierarchical level of phenotype and considers how the proteome within and among cells cooperates to produce the biochemistry and physiology of individual cells and organisms. This will ultimately lead to the elucidation of the physiological dynamics of entire organisms.

Syngenix Limited

Syngenix 'ProVector' technology provides a means of targeting drugs to the nervous system allowing a larger quantity of the drug to get to the intended site of action, improving the efficacy while reducing side effects. Syngenix's targeting technologies represent a major step in the development of new drugs to treat diseases of the nervous system. The technologies can be applied to, not only existing drugs, but to many of the new drugs under development.

TigerEx Group Limited

TigerEx was founded in March 2000 by Paul Barnes and Michael Waller-Bridge, formerly senior officers of the Tradepoint Stock Exchange. TigerEx aims to become the principal service company to a series of associated joint venture companies planned around the world. They will bring together stock exchanges, institutional banking houses and broker-dealers in an internet-based order routing system. Initially the proposed service will operate in the Pacific/Oceania Region. It is designed to allow on-line investors to trade, clear and settle in any major market, including their home market, through a single consolidated account with their local broker.

TigerEx can enable partners to create new financial products. It also offers institutional partners a reliable, low cost, liquid cross-border trading platform in association with participating Stock Exchanges. By extending the reach of participating markets and aggregating transactions, TigerEx aims to add liquidity and reduce total trading costs.

Following the successful launch of TigerEx, the company raised additional funds in a round lead by Prudential Corporation in June 2002.

BILLAM PLC

PORTFOLIO REVIEW

Trimex Group Limited

TRI-MEX is a global telematic solutions provider which uniquely monitors vulnerable, valuable, perishable or hazardous cargoes in real time. It focuses on tracking and monitoring the actual cargoes, rather than just the transport vehicles, in complex global supply chains. TRI-MEX systems reduce the risks and costs of movements arising from theft, poor environmental control or inefficient supply chain management. It addresses a global market in which \$30 billion of cargo is stolen each year.

URCO plc

URCO, a subsidiary, makes investments in early stage scientific research, particularly digital technology and life science situations, being developed in UK Universities and scientific institutes.

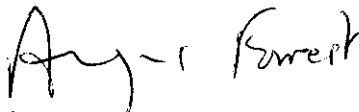
Subsidiary undertakings

Billam AG - The Company has a 100% interest in Billam AG, a company registered in Switzerland. Billam AG's business is to make and manage investments in quoted companies.

URCO plc - The Company has a 90.91% interest in URCC. URCO's business is to make and manage investments in start-up and early stage companies.

World Life Sciences Limited - The Company had a 100% interest in World Life Sciences at 31 December 2001.

ON BEHALF OF THE BOARD



A G P Forrester
Director

19 June 2002

BILLAM PLC

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report, together with the consolidated financial statements of the Group for the year ended 31 December 2001.

Principal activity and business review

The Company is registered as a Public Limited Company in terms of the Companies Act 1985. The Company's shares of 0.1p each are listed on the Alternative Investment Market (AIM) of London Stock Exchange.

The Company does not qualify as an investment company within the meaning of the Companies Act 1985. Normally the absence of Section 266 status would require the Company to adopt a different presentation of the accounts other than that recommended by the Association of Investment Trust companies. However, the directors believe it would be misleading for the format of accounts to be changed as this would obscure and distort both the revenue and capital performance of the Company. Accordingly the Company's accounts have been prepared in accordance with the Statement of Recommended Practice for Investment Trusts.

The principal activity of the Group is as an investment company investing in listed and unlisted companies which are focused on exploiting digital technologies to give business users quantifiable advantages; and companies developing and exploiting life sciences.

A review of the activity and progress of the business including the portfolio of investments is contained in the Chairman's statement and the Chief Executive's report.

Subsidiary undertakings

The subsidiaries of the Company are investment companies.

Corporate governance and compliance

The Company is committed to applying the principles of corporate governance. It has complied throughout the financial year with the principles of the Combined Code ("the Code") as described below. The Board is accountable to the Company's shareholders for good corporate governance. This report and the Remuneration Report describe how it applies the provisions of the Combined Code.

Directors

The Company supports the concept of an effective Board leading and controlling the Company. It meets regularly and special meetings are convened as and when matters require urgent consideration. The Board is responsible for approving Company policy and strategy and there is a schedule of matters specifically reserved to it for decision. Management supply the Board with appropriate and timely information and the directors are free to seek any further information they consider necessary. All directors have access to advice from the Company Secretary and independent professionals at the Company's expense.

The Board consists of one executive director and four non-executive directors. All the non-executive directors are independent of management and any business or other relationship which could interfere with the exercise of their independent judgement. This provides a balance whereby the Board's decision making cannot be dominated by an individual or small group. The Chairman of the Board is Victor Beamish and the Company's business is run by Angus Forrest, the Chief Executive.

BILLAM PLC

REPORT OF THE DIRECTORS

The Board members are described on page 2.

All directors are subject to re-election every three years and, on appointment, at the first AGM after appointment.

Relations with shareholders

Investor communication is recognised as being a priority. The Company values the views of its shareholders and recognises their interest in the Company's strategy and performance, Board membership and quality of management. It, therefore, encourages shareholders to offer their views.

The AGM provides an opportunity for shareholders, particularly private investors, to question the Board on issues arising. During the year enquiries are received and answered on a wide spectrum of topics relevant to the business.

All shareholders can gain access to the Company's presentations, as well as to the annual report and other information about the Company through the Company's website www.billampc.co.uk.

The notice convening the AGM is the notice of the meeting sent to shareholders with this report. A separate motion will be put to the meeting on each substantial issue.

In line with the Combined Code, for the 2002 AGM, the notice is dispatched more than 20 working days in advance and the level of proxy votes lodged for and against each resolution will be disclosed at the meeting together with details of any abstentions.

Accountability and audit

The Board presents a balanced and understandable assessment of the Company's position and prospects in all reports as well as in the information required to be presented by statutory requirements.

The Audit Committee comprises Victor Beamish, Mark Lorrimer and Juliet Hoskins, all of whom are independent non-executive directors. The terms of reference of the Committee include keeping under review the scope and results of the external audit and its cost effectiveness. The Committee reviews the independence and objectivity of the external auditors. This includes reviewing the nature and extent of non-audit services supplied by the external auditors to the Company, seeking to balance objectivity and value for money.

Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Internal control

The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets and for reviewing its effectiveness. Such a system is designed to manage, but not eliminate, the risk of failure to achieve business objectives. There are inherent limitations in any control system and accordingly even the most effective systems can provide only reasonable, and not absolute, assurance against material misstatement or loss.

BILLAM PLC

REPORT OF THE DIRECTORS

Assessment of business risk

A system of business risk identification and assessment, and evaluation is in place within the management process throughout the Group. The Board regularly reviews operating and strategic risks.

The Group's operating procedures include a comprehensive system for reporting financial and non-financial information to the Board including:

- Reports from management with review of the business at each Board meeting, focusing on any new decisions/risks arising
- Discussion with senior personnel
- Consideration of reports prepared by third parties
- Preparation of plans for business development
- Preparation and review of annual budgets

Control procedures

Detailed operational procedures have been developed for each of the Group's operating businesses that embody key controls. The implications of changes in law and regulations are taken into account within these procedures.

The Board confirms that it has conducted a review of the effectiveness of the Group's system of internal controls described above for the financial year and up to the date of this report in accordance with the guidance set out in Internal Control Guidance for Directors on the Combined Code.

The Board has considered the need for an internal audit function but has decided that this is not justified at present given the size of the Company. However, it will keep the decision under review on at least an annual basis.

Appointment of directors

The Board deals with all matters relating to the appointment of directors including determining the specification, identifying suitable candidates and selection of the appointee. No separate Nominations Committee has been formed.

Throughout the year the Articles of Association have required each director to seek re-election after no more than three years in office. Therefore the Board considers it inappropriate that directors be appointed for a fixed term as recommended by the Code.

Results and dividends

The net return of the Group for the year before taxation amounted to £2,140,000 (2000: £4,114,000). The directors do not recommend a dividend for the year ended 31 December 2001.

BILLAM PLC

REPORT OF THE DIRECTORS

Assets

The net assets of the Group at 31 December 2001 totalled £10,523,000 (2000: £6,277,000). The net assets per ordinary share as at 31 December 2001 were 0.91p* (2000: 0.72p).

*Please see note 26 page 32.

Policy for paying creditors

The Company's policy is to pay creditors in accordance with agreed payment terms. Trade creditors at the year end amount to 30 days of average supplies.

Significant shareholdings

According to the Company's register of substantial shareholdings at 17 June 2002, the following had notified the Company of their interest in 3% or more of the Company's issued ordinary share capital:

	Number of shares
A G P Forrest	32,100,000
P L Hoskins	30,579,158
Sharelink Nominees Limited	45,435,745
Waterhouse Nominees (Europe) Limited	45,184,542

Directors and secretaries

The directors of the Company who served during the year are shown below. All served throughout the year except where stated.

V N Beamish
A G P Forrest
J A Hoskins
M B A Lorimer
F J P Madden (appointed 18 December 2001 and resigned 14 June 2002)

A G P Forrest retires by rotation in accordance with the Articles of Association and, being eligible, offers himself for re-appointment.

Those directors who held office at the year end had the following interests in the shares of the Company, which include beneficial and family interests.

	As at 31 December 2001 Ordinary shares of 0.1p	As at 31 December 2000 Ordinary shares of 0.1p
V N Beamish	11,500,000	1,000,000
A G P Forrest	82,100,000	60,000,000
J A Hoskins	3,900,000	3,000,000
M B A Lorimer	1,500,000	1,500,000
F J P Madden	-	-

BILLAM PLC

REPORT OF THE DIRECTORS

Directors and secretaries (continued)

There have been no changes in these interests between 31 December 2001 and 14 June 2002. All the above interests are beneficial.

Details of directors share options are given on page 36.

The directors had no other interests in the shares of the Company.

The Company has no contracts with any of the directors, save for a service contract with Mr A G P Forrest, details of directors' remuneration are shown on page 34.

The other directors hold office in accordance with letters of appointment and the Company's Articles of Association.

Taxation status

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

Directors' responsibilities for the financial statements

Company law in the United Kingdom requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the total return of the Group for that year. In preparing those financial statements, the directors are required to:

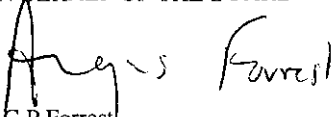
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing the re-appointment of Grant Thornton, as auditors, will be put to the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD


A G P Forrest
Director

19 June 2002

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BILLAM PLC

We have audited the financial statements of Billam Plc for the year ended 31 December 2001 which comprise the consolidated statement of total return, the balance sheets, the consolidated cash flow statement, the consolidated statement of recognised gains and losses, the principal accounting policies and notes 1 to 31. 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 annual report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 or the listing rules regarding directors' remuneration and transactions with the Group is not disclosed.

We read other information contained in the annual report (including the corporate governance statement), and consider whether it is consistent with the audited financial statements. This other information comprises the Chairman's statement, the Chief Executive's report, the portfolio review, the report of the directors and the report on remuneration. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures. Our responsibilities do not extend to any other information.


Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group'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 of the state of affairs of the Company and the Group at 31 December 2001 and of the return for the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

SHEFFIELD
19 June 2002

BILLAM PLC

CONSOLIDATED STATEMENT OF TOTAL RETURN (incorporating the revenue account)

For the year ended 31 December 2001

	Note	2001 £'000 Capital	2001 £'000 Revenue	2001 £'000 Total	2000 £'000 Capital	2000 £'000 Revenue	2000 £'000 Total
Gains on investments	11	2,841	-	2,841	1,820	-	1,820
Income	1	-	510	510	-	287	287
Gross revenue and capital return		2,841	510	3,351	1,820	287	2,107
Administrative expenses	2	-	(1,210)	(1,210)	-	(229)	(229)
Net return before exceptional items		2,841	(700)	2,141	1,820	58	1,878
Surplus arising on fundamental reorganisation of discontinued operations	3	-	-	-	-	2,237	2,237
Net return before finance costs and taxation		2,841	(700)	2,141	1,820	2,295	4,115
Interest payable and similar charges	4	-	(1)	(1)	-	(1)	(1)
Return on ordinary activities before taxation		2,841	(701)	2,140	1,820	2,294	4,114
Tax on ordinary activities	6	(406)	150	(256)	(500)	-	(500)
		2,435	(551)	1,884	1,320	2,294	3,614
Minority interests attributable to equity shareholders		-	10	10	-	-	-
Return attributable to equity shareholders	20	2,435	(541)	1,894	1,320	2,294	3,614
Return per ordinary share							
Continuing operations							
Basic	8	0.27p	(0.06p)	0.21p	0.30p	0.01p	0.31p
Discontinued operations							
Basic		-	-	-	-	0.52p	0.52p

The total revenue column of this statement is the profit and loss of the Group.

The impact of the acquisition on the above statement (note 26) is not considered by the directors to be material and is therefore not disclosed.

The accompanying accounting policies and notes form an integral part of these financial statements.

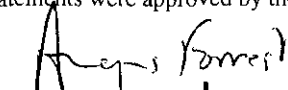
BILLAM PLC

BALANCE SHEETS AT 31 DECEMBER 2001

	Note	Group		Company	
		2001 £'000	2000 £'000	2001 £'000	2000 £'000
Fixed assets					
Negative goodwill	9)	(60)	-	-	-
Tangible assets	10)	2	1	1	1
Investments	11)	<u>11,272</u>	<u>5,902</u>	<u>11,240</u>	<u>3,954</u>
		<u>11,214</u>	<u>5,903</u>	<u>11,241</u>	<u>3,955</u>
Current assets					
Debtors	15)	62	307	20	257
Cash at bank and in hand		<u>863</u>	<u>751</u>	<u>3</u>	<u>731</u>
		<u>925</u>	<u>1,058</u>	<u>23</u>	<u>988</u>
Creditors: amounts falling due within one year	15)	<u>(862)</u>	<u>(184)</u>	<u>(722)</u>	<u>(174)</u>
Net current assets		<u>63</u>	<u>874</u>	<u>(699)</u>	<u>814</u>
Total assets less current liabilities		<u>11,277</u>	<u>6,777</u>	<u>10,542</u>	<u>4,769</u>
Provision for liabilities and charges	17)	<u>(756)</u>	<u>(500)</u>	<u>(756)</u>	<u>-</u>
Minority interests		<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>10,523</u>	<u>6,277</u>	<u>9,786</u>	<u>4,769</u>
Capital and reserves					
Called up share capital	19)	1,295	1,005	1,295	1,005
Share capital to be issued	19)	344	-	344	-
Share premium account	20)	4,640	4,595	4,640	4,595
Other reserves					
Capital reserve realised	20)	190	-	190	-
Capital reserve unrealised	20)	3,565	1,320	2,731	(180)
Merger reserve	20)	1,680	-	1,680	-
Revenue account	20)	<u>(1,191)</u>	<u>(643)</u>	<u>(1,094)</u>	<u>(651)</u>
Shareholders' funds	22)	<u>10,523</u>	<u>6,277</u>	<u>9,786</u>	<u>4,769</u>
Total shareholders' funds are attributable to:					
Equity shareholders		10,365	6,119		
Non-equity shareholders		<u>158</u>	<u>158</u>		
		<u>10,523</u>	<u>6,277</u>		
Net asset value per share					
Ordinary shares	21)	<u>0.91p</u>	0.72p		
Deferred shares	21)	<u>0.10p</u>	0.10p		

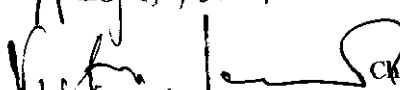
The financial statements were approved by the Board of Directors on 19 June 2002.

A G P Forrest



Director

V N Beamish



Chairman

The accompanying accounting policies and notes form an integral part of these financial statements.

BILLAM PLC**CONSOLIDATED CASH FLOW STATEMENT**

For the year ended 31 December 2001

	Note	2001 £'000	2001 £'000	2000 £'000	2000 £'000
Net cash inflow/(outflow) from operating activities	23		220		(475)
Returns on investments and servicing of finance					
Interest paid		<u>(1)</u>		<u>(1)</u>	
Net cash outflow from returns on investments and servicing of finance			(1)		(1)
Capital expenditure and financial investments					
Purchase of tangible fixed assets		-		(2)	
Net cash acquired with subsidiary undertaking		830		-	
Purchase of investments		(1,498)		(4,082)	
Sale of investments		<u>500</u>		<u>-</u>	
			(168)		(4,084)
Net cash outflow before financing			51		(4,560)
Financing					
Repayment of borrowing		-		(490)	
Issue of share capital		<u>50</u>		<u>5,277</u>	
Net cash inflow from financing			50		4,787
Increase in cash in the year	25		<u>101</u>		<u>227</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

BILLAM PLC**CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES**

For the year ended 31 December 2001

	2001	2001	2001	2000	2000	2000
	£'000	£'000	£'000	£'000	£'000	£'000
	Capital	Revenue	Total	Capital	Revenue	Total
Return for the financial year	2,435	(541)	1,894	1,320	2,294	3,614
Currency differences on foreign exchange net investments	-	(7)	(7)	-	-	-
	2,435	(548)	1,887	1,320	2,294	3,614

The accompanying accounting policies and notes form an integral part of these financial statements.

BILLAM PLC

PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies of the Group remain unchanged from the previous year and are set out below. The Group has adopted FRS 18 - Accounting Policies and the directors have reviewed the accounting policies to ensure they are the most appropriate to the Group's circumstances. No changes have been made from the previous year.

BASIS OF ACCOUNTING

The accounts have been prepared under the historical cost convention, as modified by the revaluation of investment assets. The accounts have been prepared in accordance with applicable accounting standards, except as explained below, and with the Statement of Recommended Practice (SORP) for the Financial Statements of Investment Trust Companies (see note 31).

BASIS OF CONSOLIDATION

The consolidated statement of total return and the consolidated balance sheet includes the financial statements of the Company for the year ended 31 December 2001 and the financial statements of the subsidiary for the year ended 31 December 2001.

The results of subsidiaries acquired are included in the consolidation statement of total return from the date control passes. Profits or losses on intra-group transactions are eliminated in full.

GOODWILL

Goodwill arising on consolidation representing the excess of fair value of the consolidation given over the fair value of net assets acquired, is capitalised and amortised on a straight line basis over its estimated useful economic life. Negative goodwill is written back to the statement of total return to match the recovery of the non-monetary assets acquired.

INVESTMENTS

Listed investments are valued at mid market prices. Unlisted investments are valued at the Board's estimate of net realisable value. Unlisted investments are valued with reference to available information including market prices of similar companies, latest dealings, accounting information and professional advice as appropriate in accordance with the guidelines issued by the British Venture Capital Association.

Realised surpluses or deficits on the disposal of investments and permanent impairments in the value of investments are taken to capital reserve - realised, and unrealised surpluses and deficits on the revaluation of investments are taken to capital reserve - unrealised, as explained in the capital reserve policy below.

INVESTMENT VALUATION

Listed investments

Investments which are listed on a stock market such as AIM, the Neuer Markt or similar markets are valued at their closing mid-price.

Where listed investments are subject to restrictions on sale or the marketability of the holding is limited then a discount to the listed market price may be applied.

BILLAM PLC

PRINCIPAL ACCOUNTING POLICIES

INVESTMENT VALUATION (CONTINUED)

Unlisted shares

Valuation methods used are those applied by the BVCA (British Venture Capital Association). This is as follows:

In the 12 months following investment the value shown is cost. This continues until the first set of audited accounts is published covering a period of at least six months since the date of investment.

All unlisted investments are individually reviewed in line with internal guidelines for factors which may affect value and their valuations may be adjusted. These factors include:

- Progress against financial, commercial and technological milestones set at the time of the Company's investment;
- Reliable financial information more recent than the audited accounts;
- Non-recurring profits and losses;
- Abnormal tax charges;
- Imminent sale or flotation;
- Further issues of shares;
- Adverse earnings forecasts;
- Large cash holdings; and
- Very high gearing.

In the course of this review, increases above cost based valuations of unquoted investments are in normal circumstances only made if substantiated by significant third party transactions in the relevant shares.

INCOME

Dividends receivable on quoted equity shares are brought into account on the ex-dividend date.

Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established.

Fixed returns on non-equity shares are recognised on a time apportionment basis so as to reflect the effective yield on the shares. Other returns on non-equity shares are recognised when the right to the return is established.

The fixed return on a debt security is recognised on a time apportionment basis so as to reflect the effective yield on the debt security. Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital reserves.

BILLAM PLC

PRINCIPAL ACCOUNTING POLICIES

DEPRECIATION

Depreciation is calculated to write down the cost, less estimated residual value, of all tangible assets, by equal annual instalments over their expected useful economic lives. The rates generally applicable are:

Office equipment	33 1/3%
------------------	---------

EXPENSES

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except as follows:

- expenses which are incidental to the acquisition of an investment are included within the cost of the investment;
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment; and
- expenses are charged to capital reserve-realised where a connection with the maintenance or enhancement of the value of the investments can be demonstrated.

TAXATION

Provision is made for deferred taxation using the liability method, on all material timing differences to the extent that it is probable that the liability will crystallise.

The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue on the same basis as the particular item to which it relates using the Company's effective rate of tax for the accounting period.

FOREIGN CURRENCY

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as at the date of the transaction or, where appropriate, at the rate of exchange in a related forward exchange contract. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end or, where appropriate, at the rate of exchange in a related forward exchange contract. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in capital reserve or in the revenue account depending on whether the gain or loss is of a capital or revenue nature respectively.

RETIREMENT BENEFITS

Defined Contribution Pension Scheme

The pension costs charged against operating profits are the contributions payable to the scheme in respect of the accounting period.

BILLAM PLC

PRINCIPAL ACCOUNTING POLICIES

CAPITAL RESERVE

Capital reserve - realised

The following are accounted for in this reserve:

- gains and losses on the realisation of investments
- realised exchange differences of a capital nature;
- expenses and finance costs, together with the related taxation effect, charged to this reserve in accordance with the above policies; and
- realised gains and losses on transactions undertaken to hedge an exposure of a capital nature.

Capital reserve - unrealised

Increases and decreases in the valuation of investments held at the year end are accounted for in this reserve.

DEFERRED TAXATION

Deferred tax is provided for using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

ACQUISITION OF SUBSIDIARY PREVIOUSLY HELD AS AN INVESTMENT

The group previously held an investment in World Life Sciences plc and during the year has acquired the remaining share capital of the company and so the company has become a subsidiary undertaking. Paragraph 9 of schedule 4A and paragraph 50 of FRS 2 requires that goodwill shall be calculated as the difference between the fair values of the identifiable assets and liabilities and the acquisition cost. As the original investment was held at valuation prior to the acquisition of the remaining share capital the write down of the investment to cost would have resulted in a loss on investments of £934,000 being charged to the capital section of the statement of total return.

However, the directors consider that as there was no loss to the group it would fail to give a true and fair view to write down the investment and charge the loss to the statement of total return. Instead the goodwill arising on the acquisition has been calculated as the sum of goodwill arising from each purchase, calculated as the difference between the cost of the purchase and the proportion of the fair value of the identifiable assets and liabilities acquired at the date of that purchase. The effect of the treatment adopted is to reduce the negative goodwill arising by £934,000 and to increase the return on ordinary activities by the same amount.

BILLAM PLC**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2001

1 INCOME

	2001 £'000 Revenue	2000 £'000 Revenue
Total income comprises:		
Bank deposit interest	3	38
Other income	507	249
	<u>510</u>	<u>287</u>
Other income		
Management fees	327	249
Other	180	-
	<u>507</u>	<u>249</u>

2 ADMINISTRATIVE EXPENSES

Administrative expenses includes the following:

	2001 £'000 Revenue	2000 £'000 Revenue
Auditors' remuneration for		
- audit	16	11
- other services to the Company and its UK subsidiaries	13	10
Exchange gains and losses	-	1
	<u>-</u>	<u>1</u>

3 EXCEPTIONAL ITEMS

	2001 £'000 Revenue	2000 £'000 Discontinued operations Revenue
Surplus arising on fundamental reorganisation	-	2,237
	<u>-</u>	<u>2,237</u>

4 INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £'000 Revenue	2000 £'000 Revenue
On bank loans and overdrafts	1	1
	<u>1</u>	<u>1</u>

BILLAM PLC**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2001

5 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2001 £'000	2000 £'000
	Revenue	Revenue
Wages and salaries	856	155
Social security costs	15	8
Pension costs	15	-
	<u>886</u>	<u>163</u>

The average number of employees (including directors) of the Group were:

	2001 Number	2000 Number
	Revenue	Revenue
Management of investments	<u>5</u>	<u>4</u>

Remuneration in respect of directors was as follows (further details are shown on page 34):

	2001 £'000	2000 £'000
Fees	43	8
Emoluments	277	69
Pension contributions to money purchase schemes	15	-
	<u>335</u>	<u>77</u>

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2001 £'000	2000 £'000
Emoluments	277	69
Pension contributions	15	-
	<u>292</u>	<u>69</u>

6 TAX ON ORDINARY ACTIVITIES

The taxation for the year is made up as follows:

	2001 £'000	2001 £'000	2001 £'000	2000 £'000
	Capital	Revenue	Total	Capital
Deferred tax	<u>406</u>	<u>(150)</u>	<u>256</u>	<u>500</u>

BILLAM PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

7 RETURNS FOR THE FINANCIAL YEAR

The Parent Company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own Statement of Total Returns in these financial statements. The Group return attributable to ordinary shareholders includes £2,658,000 (2000: £2,106,000) which is dealt with in the financial statements of the Company.

8 RETURN PER ORDINARY SHARE

The return per ordinary share is based on the weighted average number of ordinary shares in issue during the year of 883,160,990 (2000: 435,654,217) and the following figure ::

	2001 £'000	2001 £'000	2001 £'000	2000 £'000	2000 £'000	2000 £'000
	Capital	Revenue	Total	Capital	Revenue	Total
Return after taxation	<u>2,435</u>	<u>(541)</u>	<u>1,894</u>	<u>1,320</u>	<u>2,294</u>	<u>3,614</u>
Return per ordinary shares	<u>0.27p</u>	<u>(0.06p)</u>	<u>0.21p</u>	<u>0.30p</u>	<u>0.53p</u>	<u>0.83p</u>

In the year to 31 December 2000 £2,237,000 of revenue related to discontinued operations.

9 INTANGIBLE FIXED ASSETS

	Negative goodwill on consolidation £'000
The Group	
Additions and at 31 December 2001	<u>60</u>
Written back in the year and at 31 December 2001	<u>-</u>
Net book amount at 31 December 2001	<u>60</u>

The negative goodwill arises on the acquisition of World Life Sciences plc and is calculated as shown in note 26. The credit will be released to the statement of total return, in future years. The release will be determined by the directors as the assets to which it relates are realised.

10 TANGIBLE FIXED ASSETS

	Office equipment £'000
Group	
Cost	
At 1 January 2001	2
Acquisition of subsidiary undertakings	<u>1</u>
At 31 December 2001	<u>3</u>
Depreciation	
At 1 January 2001 and at 31 December 2001	<u>1</u>
Net book amount at 31 December 2001	<u>2</u>
Net book amount at 31 December 2000	<u>1</u>

BILLAM PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

10 TANGIBLE FIXED ASSETS (CONTINUED)

Company	Office equipment £'000
Cost	
At 1 January 2001 and at 31 December 2001	2
Depreciation	
At 1 January 2001 and at 31 December 2001	1
Net book amount at 31 December 2001	1
Net book amount at 31 December 2000	1

11 INVESTMENTS

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Investments listed on a recognised investment exchange	5,642	2,994	4,564	194
Subsidiary undertakings (note 14)	-	-	3,176	852
Other unlisted investments*	4,573	2,628	2,875	2,628
Loans	1,057	280	625	280
	11,272	5,902	11,240	3,954

*Please see note 26 page 32

Group	Listed £'000	Listed overseas £'000	Subsidiary undertakings £'000	Other Unlisted investments £'000	Loans £'000	Total £'000
Cost						
At 1 January 2001	800	374	701	2,628	280	4,783
Acquired with subsidiary undertakings	1,078	-	-	1,798	432	3,308
Additions	563	33	-	557	345	1,498
Sales						
Proceeds	-	-	-	(500)	-	(500)
Realised gains on sales	-	-	-	190	-	190
Reclassify as subsidiary (see note 26)	(843)	-	-	-	-	(843)
At 31 December 2001	1,598	407	701	4,673	1,057	8,436
Unrealised appreciation/ (depreciation)						
At 1 January 2001	2,000	(180)	(701)	-	-	1,119
Increase/(decrease) in unrealised appreciation	2,939	(188)	-	(100)	-	2,651
Write down of investment to cost (see note 20)	(934)	-	-	-	-	(934)
At 31 December 2001	4,005	(368)	(701)	(100)	-	2,836
Cost or valuation at						
31 December 2001	5,603	39	-	4,573	1,057	11,272
31 December 2000	2,800	194	-	2,628	280	5,902

BILLAM PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

11 INVESTMENTS (CONTINUED)

	Listed £'000	Listed overseas £'000	Subsidiary undertakings £'000	Other Unlisted investments £'000	Loans £'000	Total £'000
Company						
Cost						
At 1 January 2001	-	374	1,553	2,628	280	4,835
Additions	520	33	2,324	557	345	3,779
Sales						
- proceeds	-	-	-	(500)	-	(500)
- realised gains on sales	-	-	-	190	-	190
At 31 December 2001	<u>520</u>	<u>407</u>	<u>3,877</u>	<u>2,875</u>	<u>625</u>	<u>8,304</u>
Unrealised appreciation / (depreciation)						
At 1 January 2001	-	(180)	(701)	-	-	(881)
Increase/(decrease) in unrealised appreciation	4,005	(188)	-	-	-	3,817
At 31 December 2001	<u>4,005</u>	<u>(368)</u>	<u>(701)</u>	<u>-</u>	<u>-</u>	<u>2,936</u>
Cost or valuation at						
31 December 2001	<u>4,525</u>	<u>39</u>	<u>3,176</u>	<u>2,875</u>	<u>625</u>	<u>11,240</u>
31 December 2000	<u>-</u>	<u>194</u>	<u>852</u>	<u>2,628</u>	<u>280</u>	<u>3,954</u>

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Realised gains on sales	190	-	190	-
Increase/(decrease) in unrealised appreciation	2,651	1,820	3,817	(180)
Gain/(loss) on investments	<u>2,841</u>	<u>1,820</u>	<u>4,007</u>	<u>(180)</u>

12 SIGNIFICANT INTERESTS

Details of investments, other than subsidiary undertakings, in which the Company or Group had an interest of 10% or more of the nominal value of the allotted shares of any class, or of the net assets at the end of the year, are as follows:

Name of undertaking	Percentage held by:		
	'B' ordinary shares only	Company Total share capital	Group Total share capital
Autonomics Limited	100.0%	10.0%	10.0%
CybIT Holdings plc	-	44.0%	44.0%
Danum Group Limited	-	32.1%	32.1%
EiRx Therapeutics Limited	-	-	23.3%
Fulcrum Pharma plc	-	-	10.0%
Physiomics plc	-	-	20.3%
Syngenix Limited	-	-	7.9%

All the above are incorporated and operate within the United Kingdom.

BILLAM PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

12 SIGNIFICANT INTERESTS (CONTINUED)

The directors consider that the conditions required to categorise an investment as an associated undertaking are not met as the investments are held as part of the Group's investment portfolio. The Group does not seek to influence the day to day management of the companies in which its investments are made.

In addition to the above the Group has a holding of 3% or more in the following investments:

Name of undertaking	Country of incorporation
TigerEx Group Limited	Bermuda
Inaplex Limited	United Kingdom
Knowledge Technology Solutions plc	United Kingdom

Restrictions on Investments

There is a restriction on the sale of Knowledge Technology Solutions plc's shares which restricts Billam plc's ability to sell its shares. This restriction expires in July 2002.

13 INVESTMENTS

The Group, either directly or through its subsidiary, has a holding of 3% or more that is material in the context of the financial statements in the following investments:

	Total cost £'000	Carrying value at 31 December 2001 £'000	Carrying value at 31 December 2000 £'000
Unlisted Investments			
TigerEx Group Limited	619	619	619
Danum Group Limited	1,232	1,232	503
Autonomics Limited	506	506	506
Inaplex Limited	67	67	-
EiRx Therapeutics Limited	1,000	1,000	-
Physiomics plc	100	100	-
Syngenix Limited	480	480	-
		Carrying value at 31 December 2001 £'000	Carrying value at 31 December 2000 £'000
Listed investments			
CybIT Holdings plc	1,000	4,744	-
Knowledge Technology Solutions plc	145	406	-
World Life Sciences plc	-	-	2,800
Fulcrum Pharma plc	701	1,078	-

Further details of these investments are given in the portfolio review on pages 4 to 6.

BILLAM PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

13 INVESTMENTS (CONTINUED)

During the year, material disposals of the following unquoted investments were made up as follows:

	Cost 2001 £'000	Carrying value 2000 £'000	Disposal proceeds £'000	Gain £'000
Danum Group Limited	310	310	500	190

14 SUBSIDIARY UNDERTAKINGS

At 31 December 2001 the subsidiary undertakings were as follows:

	Country of incorporation	Class of share capital held	Proportion held by Parent Company	Proportion held by the Group	Nature of business
Billam AG	Switzerland	Ordinary	100%	100%	Investment company
World Life Sciences Limited	United Kingdom	Ordinary	49.6%	100%	Investment company
Urco plc	United Kingdom	Ordinary	18.21%	90.91%	Investment company

15 DEBTORS

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Trade debtors	-	205	-	90
Amounts owed by other group undertakings	-	-	-	80
Other debtors	58	94	18	79
Prepayments and accrued income	4	8	2	8
	62	307	20	257

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Bank overdraft	11	-	11	-
Amounts owed to group undertakings	-	-	146	-
Trade creditors	292	47	212	47
Social security and other taxes	11	25	11	25
Other creditors and accruals	477	112	271	102
Director's loan account	56	-	56	-
Pension contributions	15	-	15	-
	862	184	722	174

BILLAM PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

17 PROVISIONS FOR LIABILITIES AND CHARGES

These are in respect of deferred taxation and comprise:

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Timing differences related to capital	1,148	500	1,148	-
Losses available				
- capital	(242)	-	(242)	-
- revenue	(150)	-	(150)	-
	<u>756</u>	<u>500</u>	<u>756</u>	<u>-</u>

18 DEFERRED TAXATION

	Group 2001 £'000	Company 2001 £'000
At 1 January 2001	500	-
Charged/(credited) during the year		
- revenue	(150)	(150)
- capital	406	906
At 31 December 2001	<u>756</u>	<u>756</u>

There is no material amount of unprovided deferred tax.

19 SHARE CAPITAL

	2001 £'000	2000 £'000
Authorised		
1,842,050,000 ordinary shares of 0.1p each	1,842	1,842
157,950,000 deferred shares of 0.1p each	158	158
	<u>2,000</u>	<u>2,000</u>
Allotted, called up and fully paid		
1,137,339,329 (2000: 847,546,633) ordinary shares of 0.1p each	1,137	847
157,950,000 deferred shares of 0.1p each	158	158
	<u>1,295</u>	<u>1,005</u>

Allotments during the year

4,999,977 ordinary shares of 0.1p per share were issued on 30 May 2001 at 1p per share. The difference between the total consideration of £50,000 and the total nominal value of £5,000 has been credited to the share premium account.

284,792,719 ordinary shares of 0.1p per share were issued in the period 8 November 2001 and 31 December 2001 to satisfy a share for share exchange of the acquisition of a subsidiary company, World Life Sciences plc (now World Life Sciences Limited). The difference between the issue price of £1,965,070 and the nominal value of £284,793 has been credited to merger reserve.

BILLAM PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

19 SHARE CAPITAL (CONTINUED)

The deferred shares, which were issued as part of the re-organisation at 30 May 2000, have:

- no right to any dividend;
- the right to receive notice of any general meeting and to attend such meeting, but no right to vote there at; and
- the right on a winding up or other return of capital (after payment of the debts and liabilities of the Company and an amount equal to the amounts paid up, or credited as paid up, including any premium on the ordinary shares of the Company, together with any unpaid arrears of dividend declared on such shares) to an amount equal to the amounts paid up or credited as paid up on such deferred shares.

Since the year end 49,891,818 shares of 0.01p each were issued at an issue price of 0.69p each for the acquisition of ordinary shares in World Life Sciences plc. This is shown as shares to be issued of £344,000.

20 SHARE PREMIUM ACCOUNT AND RESERVES

	Share premium account £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Merger reserve £'000	Revenue account £'000
Group					
At 1 January 2001	4,595	-	1,320	-	(643)
Premium on allotments during the year	45	-	-	1,680	-
Retained net revenue for the year	-	-	-	-	(541)
Exchange differences	-	-	-	-	(7)
Net gain on realisation of investments	-	190	-	-	-
Net change in unrealised appreciation	-	-	2,651	-	-
Tax effect of capital items	-	-	(406)	-	-
Write down investment to cost	-	-	(934)	-	-
Transfer to goodwill	-	-	934	-	-
At 31 December 2001	4,640	190	3,565	1,680	(1,191)
Company					
At 1 January 2001	4,595	-	(180)	-	(651)
Premium on allotment during the year	45	-	-	1,680	-
Retained net revenue for the year	-	-	-	-	(443)
Net gain on realisation of investments	-	190	-	-	-
Net change in unrealised appreciation	-	-	3,817	-	-
Tax effect of capital items	-	-	(906)	-	-
At 31 December 2001	4,640	190	2,731	1,680	(1,094)

BILLAM PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

21 NET ASSET VALUE PER SHARE

The net asset value per share and the net asset values attributable to each class of share at the year end calculated in accordance with the Articles of Association were as follows:

	Net asset value per share		Net assets attributable	
	2001	2000	2001	2000
	p	p	£'000	£'000
Ordinary shares	0.91	0.72	10,365	6,119
Deferred shares	0.10	0.10	158	158
			<u>10,523</u>	<u>6,277</u>

The net asset value per ordinary share is based on net assets at the year end and on 1,137,339,329 (2000: 847,546,633) ordinary shares being the number of ordinary shares in issue at the year end.

22 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001	2000
	£'000	£'000
Total recognised gains for the year	1,887	3,614
New share capital subscribed	2,015	5,277
Share capital to be issued	344	-
	<u>4,246</u>	<u>8,891</u>
Shareholders' funds at 1 January 2001	6,277	(2,614)
Shareholders' funds at 31 December 2001	<u>10,523</u>	<u>6,277</u>

23 RECONCILIATION OF OPERATING RETURNS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2001	2000
	£'000	£'000
Operating return	2,141	1,878
Write down investment in World Life Sciences plc to cost (see note 20)	(934)	-
Surplus on fundamental reorganisation	-	2,237
Depreciation and amortisation	-	1
Gain on sale of investments	(190)	-
Unrealised increase in investment appreciation	(1,717)	(1,820)
Decrease in debtors	379	118
Increase/(decrease) in creditors	541	(652)
Exceptional loss on disposal of fixed assets	-	123
Exceptional gain arising on CVA	-	(2,360)
	<u>220</u>	<u>(475)</u>

BILLAM PLC**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2001

24 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 January 2001 £'000	Cash flow £'000	At 31 December 2001 £'000
Cash at bank and in hand	751	112	863
Overdraft	-	(11)	(11)
	<u>751</u>	<u>101</u>	<u>852</u>

25 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2001 £'000	2000 £'000
Increase in cash in the year	101	227
Cash inflow from financing	-	490
Change in net funds resulting from cash flows	<u>101</u>	<u>717</u>
Other non-cash items	-	238
Net funds/(debt) at 1 January 2001	<u>751</u>	<u>(204)</u>
Net funds at 31 December 2001	<u>852</u>	<u>751</u>

26 ACQUISITION

On 8 November 2001 the Group acquired 49.9% of the share capital of World Life Sciences plc satisfied by the issue of 284,792,719 ordinary shares of 0.1p each in a share for share exchange. The remaining share capital has been acquired by the further issue of shares since 31 December 2001 and the shares issued together with the premium are included under share capital and reserves as shares to be issued.

Goodwill arising on the acquisition has been capitalised. The acquisition has been accounted for by the acquisition method of accounting.

The return after taxation and minority interest of World Life Sciences plc for the year ended 31 December 2001 was £412,000 deficit.

The assets and liabilities of World Life Sciences plc acquired were as follows:

	Book value and fair value £'000
Fixed assets	
Tangible assets	1
Investments*	<u>3,308</u>
	3,309
Current assets	
Debtors	133
Cash at bank and in hand	<u>830</u>
Total assets	<u>4,272</u>
Creditors	
Trade creditors	(59)
Other creditors	<u>(67)</u>
Total liabilities	<u>(126)</u>
Net assets	<u>4,146</u>

BILLAM PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

26 ACQUISITION (CONTINUED)

	£'000
41.8% of net assets in 2000	800
58.2% of above fair values	2,412
Increase in value of investment recognised since acquisition in 2000	934
	<u>4,146</u>
Share of net assets acquired in 2000	800
Share of net assets acquired in 2001	2,412
Negative goodwill	(60)
	<u>3,152</u>
Satisfied by:	
Issue of shares	1,965
Share capital to be issued	344
Cash previously spent (see note 11)	843
	<u>3,152</u>

The fair values used are provisional.

*The values attributed to investments are strictly in accordance with the Group's accounting policy and in accordance with the BVCA guidelines. The investments are held at cost or, where the investments are quoted, at their mid market value. In the opinion of the directors the open market value at the date of acquisition was £1 million in excess of the carrying value and this was taken into account when undertaking the acquisition of World Life Sciences plc. This has not been reflected in the net asset value calculations.

27 CONTINGENCIES, GUARANTEES AND FINANCIAL COMMITMENTS

There were no guarantees or commitments at 31 December 2001 or at 31 December 2000.

28 RETIREMENT BENEFITS

Defined Contribution Pension Scheme

The Group operates a defined contribution scheme for the benefit of the directors. The assets of the scheme are administered by trustees in a fund independent from those of the Group.

29 COMMITMENTS UNDER OPERATING LEASES

There were annual commitments under operating leases as follows:

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Land and buildings				
Operating leases which expire:				
Within one year	-	16	-	16
	<u>-</u>	<u>16</u>	<u>-</u>	<u>16</u>

BILLAM PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

30 TRANSACTIONS WITH RELATED PARTIES

Company	Relationship	Income	Expenditure	Loan	Balance owing to/(from) related party at year end
Cybit plc	Investment	126,500	-	-	-
World Life Sciences Limited	Investment*	40,000	510	9,300	93,510
Autonomics	Investment	3,000	-	-	-

* World Life Sciences Limited is a subsidiary at the end of the year.

31 INVESTMENT COMPANY STATUS

The Company is not an investment company within the meaning of Section 266, Companies Act 1985 as the Articles of the Company do not absolutely prohibit the distribution of capital profits. However, it manages its affairs in a manner which is similar to that of an Investment Trust. As such, the directors consider it appropriate to continue to present the financial statements in accordance with the Statement of Recommended Practice (SORP) applicable for investment trusts. Under the SORP, the financial performance of the Company is presented in a statement of total return in which the revenue column is the profit and loss account of the Company. The revenue column excludes the following capital items which, since the Company is not an investment company, the Companies Act and accounting standards would ordinarily require to be included in the profit and loss account: profits on disposal of investments, calculated by reference to their previous carrying amount, of £189,338 (2000: £nil) and management expenses and finance costs charged to capital, net of tax, of £nil (2000: £nil) and realised exchange losses of £9,999 (2000: £nil). In the opinion of the directors the inclusion of these items in the profit and loss account would obscure and distort both the revenue and capital performance of the Company, and would not show clearly the revenue profits emerging to be distributable by way of dividend. The directors therefore consider that these departures from the specific provisions of Schedule 4 of the Companies Act relating to the form and content of accounts for companies other than investment companies and these departures from accounting standards are necessary to give a true and fair view. The departures have no effect on total return or on the balance sheet.

BILLAM PLC

REPORT ON REMUNERATION

Directors' remuneration

The policy of the Board is to provide executive remuneration packages designed to attract, motivate and retain directors of the calibre necessary to maintain the Group's position as a market leader and to reward them for enhancing shareholder value and return. It aims to provide sufficient levels of remuneration to do this, but to avoid paying more than is necessary.

The Remuneration Committee has responsibility for making recommendations to the Board on the Company's general policy on remuneration and also specific packages for individual directors. It carries out the policy on behalf of the Board.

The membership of the committee is as follows: Victor Be amish (Chairman), Juliet Hoskins and Mark Lorimer.

All members are independent non-executive directors. None of them has any personal financial interest in the matters to be decided (other than as shareholders), potential conflicts of interest arising from cross-directorships nor any day-to-day involvement in running the business.

The Committee meets at least once a year. As well as considering conditions in the group as a whole, it takes into account the position of the Company relative to other companies and is aware of what these companies are paying, though comparisons are treated with caution to avoid an upward ratchet in remuneration. The Committee consults the Chief Executive, has access to professional advice within the company and obtains its own independent professional advice from outside the company.

Main Elements of Remuneration

The three main elements of the directors' remuneration package are basic annual salary, performance related bonus and share option incentives.

Basic annual salary

Each executive director's basic salary is reviewed annually by the Committee. In deciding upon appropriate levels of remuneration the Committee believes that the Company should offer average levels of base pay reflecting individual responsibilities compared to similar jobs in comparable companies. Exceptional performance is rewarded through performance related pay. Executive directors' basic salaries were last reviewed on 17 October 2001.

Performance related bonus

A bonus scheme has been established which recognises the success of the business for which the executive directors are responsible. For a bonus to be awarded, the business must meet a pre-determined target which is set by the Committee. This is based on the Company's increase in net asset value after taking into account new share issues. The annual bonus payments are not pensionable.

Options

Options have been granted to executives and directors. The granting of options ensures that the holders are incentivised to concentrate on growing shareholder value. The exercise of options is not dependent upon performance criteria.

BILLAM PLC

REPORT ON REMUNERATION

Summary of Directors' remuneration

	Salary 2001 £'000	Bonus 2001 £'000	Fees 2001 £'000	Aggregate emoluments		Company contributions to money purchase pension scheme	
				Total 2001 £'000	Total 2000 £'000	2001 £'000	2000 £'000
Executive							
A G P Forrest	127	150	-	277	68	15	-
Non-executive							
V N Beamish	15	-	15	15	4	-	-
J A Hoskins	10	-	10	10	3	-	-
M B A Lorimer	15	-	15	15	1	-	-
F J P Madden	2	-	3	2	-	-	-
	<u>169</u>	<u>150</u>	<u>43</u>	<u>319</u>	<u>76</u>	<u>15</u>	<u>-</u>

Executive directors' pension arrangements

The Company contributes an amount equivalent to 9% of the executive director's basic salary paid into a money purchase scheme of their choice. No other earnings of or payments to directors are pensionable. There have been no changes in the terms of directors' pension entitlements during the year. There are no unfunded pension promises or similar arrangements for directors.

The normal retirement age is 65.

Non-executive directors

The remuneration of the non-executive directors is determined by the Board within the limits set out in the Articles of Association. Non-executive directors do not have a contract of service and are not eligible to receive pension contributions.

Directors' interests

The interests of the directors and their families in the ordinary shares of the Company are shown below, together with the share options.

Ordinary shares	As at 31 December 2001	As at 1 January 2001 (or date of appointment)
V N Beamish	11,500,000	1,000,000
A G P Forrest	82,100,000	60,000,000
J A Hoskins	3,900,000	3,000,000
M B A Lorimer	1,500,000	1,500,000
F J P Madden	-	-

BILLAM PLC

REPORT ON REMUNERATION

Share options	Number	Exercise price
V N Beamish	4,000,000	1.0p
A G P Forrest	25,000,000	1.0p
J A Hoskins	4,000,000	1.0p
M B A Lorimer	4,000,000	1.0p
F J P Madden	-	-

The options, all of which were issued during the year, are exercisable at any time prior to 28 February 2008. No director's share options were exercised or lapsed during the year. The share price at 31 December 2001 was 0.5p.

Other than shown above, no director had any interest in the shares of the Company or any of its subsidiaries at 31 December 2001 and there have been no changes in directors' interests since that date and the date of this report.

ON BEHALF OF THE BOARD

Angus Forrest
Director

19 June 2002