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**Interim Report**  
**For the six months ended 30 June 2004**

<b>Directors:</b>	Victor Beamish (Chairman) Angus Forrest Juliet Hoskins
<b>Registered office:</b>	32 Clerkenwell Green, London, EC1R 0DU
<b>Secretary:</b>	Pinsents Company Services Limited 1 Gresham Street, London, EC2V 7BU
<b>Company number</b>	298654
<b>Bankers</b>	Bank of Scotland
<b>Solicitors</b>	Pinsents 1 Gresham Street, London, EC2V 7BU
<b>Auditors</b>	Grant Thornton UK LLP 28 Kenwood Park Road, Sheffield, S7 1NG
<b>Nominated Advisor and Nominated Broker</b>	KBC Peel Hunt Limited 111 Old Broad Street, London, EC2N 1PH
<b>Joint Broker</b>	Seymour Pierce Ellis Limited Talisman House, Jubilee Walk Three Bridges, Crawley West Sussex, RH10 1LQ
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The half-year has seen continued progress for each of the investee companies' businesses and, of particular importance for Billam Plc, the flotation of EiRx Therapeutics plc. This is further validation of your Company's strategy and business model.

The value of our shareholding in Cybit Holdings plc has had a major impact on our results: whilst operationally Cybit has performed well with sales up 60% and showing an operating profit (an improvement of £1 million compared to 2002/3), this has not been reflected in its share price. We believe Cybit's share price has been affected by the well publicised troubles of other telematic service providers, rather than Cybit's performance in the past year. As a fast growing market leader we believe Cybit will be re-rated in due course.

Sirus Pharmaceuticals Limited was sold to Arakis Limited, a larger and better funded business. Arakis identifies, researches and commercialises product opportunities based on new clinical uses for known drugs or known drug templates. We believe that becoming part of a larger, better resourced group will result in reduced risks and increased chances for commercial success. Since the acquisition, Arakis has made positive announcements about two of its drugs in Phase II(a) trials.

### **Company**

The key issue for Billam Plc shareholders is the change in the nature of the portfolio, as the investee companies develop and an increasing proportion of the portfolio is represented by quoted shares. At the end of this period 50% of the value of the Company's total assets is represented by quoted shares (including EiRx Therapeutics plc), whereas at the year end it was 33.5%.

There has been coverage of Billam Plc in the investment press and in two broker notes, and in all cases there has been comment on the discount between net assets per share and the share price. Your Board has been aware of this discount for some time. The strategy to reduce the discount is a combination of increasing the number and value of quoted companies in the portfolio, and better communications with newsflow in the press and via the website.

In line with the statements made in the Annual Report and Accounts and following the steps taken last year there has been a significant reduction in overheads of the business without a detrimental effect on its operational efficiency.

### **Shareholders**

Since the share consolidation in December 2003, the spread between bid and offer prices has been much reduced.

More than 400 holders took up the free dealing service offered to small shareholders in March.

It is the Board's intention to have a further consolidation of the shares and reduce the number of shareholders for the reasons given previously. It will seek the necessary approvals at an Extraordinary General Meeting, details of which will be sent to shareholders.

### **Outlook**

Portfolio: The plan for the portfolio, subject to stock market conditions and company performance, includes one more flotation in 2004. The other portfolio companies continue to expand and strengthen their trading performances with the prospect of further flotations in 2005.

In view of the increasing maturity of the existing portfolio Billam Plc has again been screening potential investment opportunities and several interesting businesses have been identified as new investment candidates.

Corporately: Following the changes I referred to in my statement in the year end accounts, further changes to the Company's structure are being considered to assist with the development of the business. Details of these will be sent to shareholders later in the year.

**Victor Beamish**  
**Chairman**

## Consolidated statement of total return (unaudited)

	<b>Six months to 30 June 2004</b>			<b>Six months to 30 June 2003</b>			<b>Year to 31 December 2003</b>		
	<b>Capital £000</b>	<b>Revenue £000</b>	<b>Total £000</b>	<b>Capital £000</b>	<b>Revenue £000</b>	<b>Total £000</b>	<b>Capital £000</b>	<b>Revenue £000</b>	<b>Total £000</b>
Realised (losses)/gains on investments	(326)	-	(326)	(29)	-	(29)	132	-	132
Net change in unrealised investments	(1,681)	-	(1,681)	(497)	-	(497)	2,061	-	2,061
Income	-	21	21	-	21	21	-	239	239
<b>Gross Return</b>	<b>(2,007)</b>	<b>21</b>	<b>(1,986)</b>	<b>(526)</b>	<b>21</b>	<b>(505)</b>	<b>2,193</b>	<b>239</b>	<b>2,432</b>
Administrative expenses	-	(304)	(304)	-	(491)	(491)	-	(871)	(871)
Loss on sale of subsidiary	-	-	-	-	-	-	(116)	-	(116)
Interest payable	-	(2)	(2)	-	-	-	-	(6)	(6)
<b>Return before taxation</b>	<b>(2,007)</b>	<b>(285)</b>	<b>(2,292)</b>	<b>(526)</b>	<b>(470)</b>	<b>(996)</b>	<b>2,077</b>	<b>(638)</b>	<b>1,439</b>
Provision for taxation	336	-	336	-	-	-	(339)	121	(218)
<b>Return after taxation</b>	<b>(1,671)</b>	<b>(285)</b>	<b>(1,956)</b>	<b>(526)</b>	<b>(470)</b>	<b>(996)</b>	<b>1,738</b>	<b>(517)</b>	<b>1,221</b>
Transfer to reserves	(1,671)	(285)	(1,956)	(526)	(470)	(996)	1,738	(517)	1,221
<b>Return per ordinary share (p) (4)</b>	<b>(10.3)</b>	<b>(1.8)</b>	<b>(12.1)</b>	<b>(4.0)</b>	<b>(4.0)</b>	<b>(8.0)</b>	<b>12.7</b>	<b>(3.8)</b>	<b>8.9</b>

## Consolidated balance sheet as at 30 June 2004 (unaudited)

	<b>30 June 2004 £'000</b>	30 June 2003 £'000	31 December 2003 £'000
<b>Fixed assets</b>			
Tangible assets	-	13	-
Investments	<b>9,694</b>	8,823	11,798
	<b>9,694</b>	8,836	11,798
<b>Current assets</b>			
Debtors	<b>196</b>	199	137
Cash at bank and in hand	<b>165</b>	207	158
	<b>361</b>	406	295
<b>Creditors: amounts falling due within one year</b>	<b>(513)</b>	(1,006)	(143)
Net current (liabilities)/assets	<b>(152)</b>	(600)	152
<b>Total assets less current liabilities</b>	<b>9,542</b>	8,236	11,950
Creditors: amounts falling due after more than one year	<b>(783)</b>	-	(899)
Provisions for liabilities and charges	-	(118)	(336)
	<b>8,759</b>	8,118	10,715
Minority interests	-	(110)	-
<b>Total net assets</b>	<b>8,759</b>	8,008	10,715
<b>Financed by:</b>			
Called up share capital	<b>1,775</b>	1,525	1,775
Share premium account	<b>5,056</b>	4,812	5,056
Capital reserve realised	<b>(1,198)</b>	(1,082)	(886)
Capital reserve unrealised	<b>3,491</b>	2,782	4,850
Merger reserve	<b>1,736</b>	1,736	1,736
Revenue account	<b>(2,101)</b>	(1,765)	(1,816)
<b>Shareholders' funds</b>	<b>8,759</b>	8,008	10,715
<b>Total shareholders' funds are attributable to:</b>			
Equity interests - ordinary shareholders' funds	<b>8,601</b>	7,850	10,557
Non equity interests	<b>158</b>	158	158
	<b>8,759</b>	8,008	10,715
<b>Net asset value pence per share (7)</b>			
Ordinary shares	<b>53.2</b>	66.1	65.3
Deferred shares	<b>0.1</b>	0.1	0.1

## Consolidated cash flow statement (unaudited)

	<b>Six months to 30 June 2004 £000</b>	<b>Six months to 30 June 2003 £000</b>	<b>Year ended 31 December 2003 £000</b>
Net cash outflow from operating activities	(88)	(164)	(817)
Net cash outflow from returns on servicing finance	(2)	-	(6)
Net cash outflow from investment	(356)	(566)	(1,044)
Net cash inflow from sale of investments	453	572	776
New cash inflow from financing	-	353	846
Receipt of borrowings	-	-	397
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Increase in cash for the period	<u>7</u>	<u>195</u>	<u>152</u>

## Notes:

## 1. Basis of preparation

The unaudited interim results have been prepared on the basis of the accounting policies set out in the statutory accounts of the Company for the year ended 31 December 2003.

## 2. Comparatives

Comparatives are shown for the six months to 30 June 2003 and year to 31 December 2003.

## 3. Results for the year ended 31 December 2003

The results for the year ended 31 December 2003 are a non-statutory version of the full report and accounts for that year, which have been filed with the Registrar of Companies on which the auditors reported under Section 235 of the Companies Act 1985. The report contained no qualifications, in respect of the year ended 31 December 2003, or any statement under Section 237(2) or (3) of the said Act.

## 4. Returns

Returns per Ordinary Share are based on the weighted average number of ordinary shares in issue during the period 16,172,312 Ordinary and 157,950,000 deferred shares in issue (year to 31 December 2003 13,624,235 Ordinary and 157,950,000 deferred shares/period to 30 June 2003 restated 11,736,700 Ordinary and 157,950,000 deferred shares).

## 5. Taxation

No tax provision was considered necessary on the unrealised gain.

## 6. Dividends

The Directors do not recommend the payment of an interim dividend.

## 7. Net asset value per share

Net asset value per Ordinary Share is based on the net assets attributable to Ordinary shareholders at the period end and 16,172,312 Ordinary and 157,950,000 deferred shares in issue at the period end (at 31 December 2003: 16,172,312 Ordinary and 157,950,000 deferred shares/at 30 June 2003: restated 11,872,311 Ordinary and 157,950,000 deferred shares).

Copies of this announcement will be available for collection, free of charge, from Billam's offices, 32 Clerkenwell Green, London EC1R 0DU for a period of one month from the date of this announcement