



bioFusion
Interim Results

for six
months to

JAN
06

Chairman's statement

I am delighted to announce our interim results for the period ending 31 January 2006, during which your Company made significant advances.

Biofusion was listed in 2005 to generate value from the world class intellectual property that is created by the UK's universities. Our first agreement, with the University of Sheffield, has highlighted the strength of our model, whereby we identify intellectual property with the most commercial potential arising from the University's research base and then incorporate it into companies to which we provide funding and professional management. The ultimate aim is to grow and eventually exit from these companies with the value considerably enhanced.

Biofusion's current value exists both in our shareholdings in our existing portfolio of ten companies, and the potential value of our exclusive access to all medical life science intellectual property owned by the University of Sheffield, under our 10 year agreement.

During the period under review we have further invested in the existing company portfolio and started one new start-up company, which is already making sales. Immediately following the period end we started a second new start-up company, which we have also detailed below.

Our successes were;

- The formation of our first new portfolio company, Lifestyle Choices, which focuses on the female fertility and menopause markets. Biofusion provided seed financing of £65k in the form of a repayable loan to launch Plan Ahead™ – the world's first triple hormone ovarian reserve test. Initial sales of the test, which commenced in January, have been encouraging and, with companies from over fifteen countries around the world indicating an interest in distributing the product internationally, we believe there is potential for sales growth both in the UK and overseas. Biofusion owns 50 per cent of Lifestyle Choices;
- Diurnal, which is co-developing with Phoqus Group PLC ("Phoqus", a leading UK drug delivery company) means for the controlled and sustained release of steroids to mimic the circadian rhythm, entered and, subsequent to the period end, completed a successful Phase I clinical study on Chronocort for the treatment of adrenal insufficiency. Diurnal, working in partnership with Phoqus, continues to meet its milestones for the development of this product and to progress this product to market as quickly as possible. Biofusion owns 60 per cent of Diurnal;
- Asterion, which develops novel proteins to treat a range of cytokine disorders including cancer, rheumatoid arthritis and diabetes, continues to work successfully with its pharmaceutical partner in order to develop biological drugs with a variety of disease implications. Biofusion owns 32 per cent of Asterion;
- Simcyp, which simulates drug variability in humans, signed new licensing deals worth over £1.2m for its predictive pharmacokinetic software during the period under review. This follows new licensing deals of £1.5m during the six months to August 2005. Biofusion owns 25 per cent of Simcyp;
- Biofusion has committed to investing £420k (£280k to date) in Axordia, one of the UK's leading stem cell companies, taking our shareholding to 36 per cent. In addition to which Axordia made a number of important announcements including:
 - signing an agreement with Chemicon Inc to co-develop new antibody markers from Axordia's proprietary human embryonic stem cell lines;
 - access to a new facility allowing Axordia to derive GMP human embryonic stem cell lines;
 - the UK Stem Cell Initiative report listing the University of Sheffield as the number one university in the UK for stem cell IP;
- Biofusion participated in a £2.7m funding round for Celltran, a company selling biological bandages for the treatment and healing of chronic wounds. Biofusion owns 24 per cent of Celltran;

- In addition, since the period end, Biofusion announced the formation of Genophrenix, a company that has discovered specific proteins involved with a key biochemical pathway implicated in a range of neuropsychiatric diseases, including schizophrenia. Genophrenix became the tenth company in our portfolio. Biofusion owns 60 per cent of Genophrenix

On 23 March 2006 we announced that we had entered into a Side Fund Agreement with NPI Ventures Limited ("NPI Ventures") which will involve the establishment of a £10 million Side Fund dedicated to investment in Biofusion's current and future portfolio companies. NPI Ventures is the technology investment business wholly owned by Nikko Principal Investments Limited. This is the European principal finance arm of Nikko Cordial Corporation, the \$17 billion Japanese based securities firm. As part of this agreement NPI Ventures will subscribe for 1,496,445 New Ordinary Shares at 133.65p per New Ordinary Share and with a total subscription price of £2.0 million (£1.87 million, net of expenses). In addition, Warrants will be granted to NPI Ventures, exercisable between £1.50 and £2.20, with a total potential value of £6.25 million.

During the period we have continued to pursue the possibility of expanding the Biofusion model to other universities and we believe our agreement with NPI Ventures will further support us achieving this goal. We look forward to the next financial period with optimism.

Doug Liversidge CBE
Chairman

Summary financial information

	Six months ended 31 January 2006 (unaudited) £000	Six months ended 31 January 2005 (unaudited) £000	Year ended 31 July 2005 (audited) £000
Turnover	144	-	229
Gross profit	137	-	126
Operating expenses	(577)	(254)	(616)
Operating loss	(440)	(254)	(490)
Net loss	(309)	(254)	(397)

Turnover for the period represented amounts charged to associated companies for management services provided. Costs were closely in line with the Company's internal budgets. Most of these costs related to the administrative and running costs of Biofusion Trading Limited, but they also included approximately £100k for the running costs of the company's three subsidiaries, the results of which have been consolidated. Given the early stage of development of some of the group's companies the losses generated were in line with expectations, however as companies in the portfolio grow and are exited the Directors believe there is significant potential for future value to be generated by the group.

Consolidated profit and loss account for the six months ended 31st January 2006

	Six months ended 31-Jan 2006 (unaudited) £	Six months ended 31-Jan 2005 (unaudited) £	Year ended 31-Jul 2005 (audited) £
Turnover			
- Continuing operations	133,067	-	229,857
- Acquisitions	10,990	-	-
	144,057	-	229,857
Cost of Sales	(7,285)	-	(103,621)
Gross profit			
- Continuing operations	130,306	-	126,236
- Acquisitions	6,466	-	-
	136,772	-	126,236
Operating expenses	(576,739)	(253,536)	(616,466)
Operation loss			
- Continuing operations	(370,272)	-	(490,230)
- Acquisitions	(69,695)	-	-
	(439,967)	(253,536)	(490,230)
Interest received	169,818	-	141,748
Interest payable	(86,300)	-	(68,819)
Loss on ordinary activities before taxation	(356,449)	(253,536)	(417,301)
Tax on loss on ordinary activities	-	-	-
Minority Interests	46,945	-	20,533
Loss for the financial period	(309,504)	(253,536)	(396,768)
Basic and fully diluted loss per share	(1.64p)	(1.90p)	(2.47p)

Consolidated balance sheet as at 31st January 2006

	As at 31-Jan 2006 (unaudited) £	As at 31-Jan 2005 (unaudited) £	As at 31-Jul 2005 (audited) £
Fixed assets			
Intangible assets	457,510	-	491,979
Tangible assets	20,609	1,908	17,446
Investments	2,648,640	-	1,809,183
	3,126,759	1,908	2,318,608
Current assets			
Stock	4,385	-	-
Debtors	532,200	985,406	600,083
Cash	5,237,887	6,788	6,225,435
	5,774,472	992,194	6,825,518
Creditors: amounts falling due within one year	(267,951)	(1,560,199)	(237,055)
Net current assets/ (liabilities)	5,506,521	(568,005)	6,588,463
Total assets less current liabilities	8,633,280	(566,097)	8,907,071
Creditors: amounts falling due after one year	(2,572,355)	-	(2,482,670)
Net assets/ (liabilities)	6,060,925	(566,097)	6,424,401
Capital and reserves			
Called up share capital	188,200	50,921	188,200
Capital reserve	2,079	2,079	2,079
Share premium	6,993,200	-	6,993,200
Capital redemption reserve	888	-	888
Profit and loss account	(1,071,834)	(619,097)	(762,330)
Shareholders funds/ (deficit)	6,112,533	(566,097)	6,422,037
Minority interest	(51,608)	-	2,364
	6,060,925	(566,097)	6,424,401

Cashflow statement for the six months ended 31st January 2005

	Six months ended 31-Jan 2006 (unaudited) £	Six months ended 31-Jan 2005 (unaudited) £	Year ended 31-Jul 2005 (audited) £
Net cash (outflow)/ inflow from operating activities	(298,124)	35,840	(1,173,164)
Returns on investment and servicing of finance	156,684	-	141,748
Capital expenditure and financial investment	(6,651)	(1,680)	(21,679)
Cash (outflow)/ inflow before financing and acquisitions	(148,091)	34,160	(1,053,095)
Acquisitions	(839,457)		94,532
Financing	-	(30,000)	7,181,370
(Decrease)/ increase in cash in the period	(987,548)	4,160	6,222,807
Reconciliation of operating loss to operational cashflow			
Operating loss	(439,967)	(253,536)	(490,230)
Depreciation	3,947	473	4,933
Amortisation of goodwill	26,982	-	54,664
Increase in stock	(4,385)	-	-
Decrease/ (increase) in debtors	67,884	(931,550)	(566,650)
Increase/ (decrease) in creditors	47,415	1,220,453	(175,881)
Net cashflow (outflow)/inflow from operating activities	(298,124)	35,840	(1,173,164)
Reconciliation of net cashflow to movement in net debt			
(Decrease)/ increase in cash in the period	(987,548)	4,160	6,222,807
Non cash movement in loan notes	(73,165)	-	(2,482,670)
Cash (outflow)/ inflow from the decrease in debt and financing leasing	-	30,000	-
(Increase)/ decrease in net debt	(1,060,713)	34,160	3,740,137
Opening net funds (debt)	3,742,765	(27,372)	2,628
Closing net funds	2,682,052	6,788	3,742,765

Notes to the Interim Financial Information

1. Basis of Preparation.

The interim report is prepared on the basis of the accounting policies set out in the Company's Annual Report and Accounts for the year ended 31 July 2005. The comparative figures for the financial year ended 31 July 2005 are not the Company's statutory accounts for that financial period. Those accounts have been audited by the Company's Auditors and delivered to the Registrar of Companies. The report of the Auditors was unqualified and did not contain a statement under Section 23(2) or (3) of the Companies Act 1985.

2. Basis of Consolidation.

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings. These investments that are associated undertakings are carried at cost in accordance with FRS 9 – Associates and Joint Ventures and are not equity accounted as required by the Companies Act 1985.

3. Loss per Share.

The basic and fully diluted loss per share are calculated on the basis of the profits attributable to ordinary shareholders and the average number of shares in issue for the period being 18,819,984 for 31 January 2006 (16,076,652 for 31 July 2005 & 18,819,984 for 31 January 2005).

4. There were no recognised gains or losses other than the loss for the period.

5. There were no dividends for the period ended 31 January 2006.

6. The interim report was approved by the board of directors on 22 March 2006.

Copies of these interim results will be sent to shareholders.

Independent review report by KPMG Audit Plc to Biofusion plc

Introduction

We have been engaged by the Company to review the financial information set out on pages 3 to 6 and 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.

This report is made solely to the Company in accordance with the terms of our engagement. 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 AIM Rules which require that the interim report must be presented and prepared in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Review work performed

We conducted our review having regard to the guidance contained in Bulletin 1999/4: Review of interim financial information issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group 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 is substantially less in scope than an audit performed in accordance with 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 31 January 2006.

A microscopic view of water with numerous bubbles and a blue overlay. The background is a light blue color with many small, clear bubbles of varying sizes. A dark blue, semi-transparent rectangular box is overlaid on the left side of the image, containing the company name and contact information.

bioFusion

Biofusion plc

The Sheffield Bioincubator, 40 Leavygreave Road, Sheffield S3 7RD

T 0114 275 5555 F 0114 275 5556 www.biofusion.co.uk