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New Venturetec

Biotechnology | Communications | Technology | Internet

Annual Report 2004

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At a Glance

– Portfolio companies made progress with challenges still ahead
– Investment strategy and focus remain the same

Key Figures

Year ended September 30		2004	2003	2002
Net profit / (loss)	CHF	– 2,914,234	– 6,321,770	– 29,050,145
Net profit / (loss) as a percentage of average shareholders' equity	%	– 2.66	– 5.38	– 18.25
Comprehensive income / (loss)	CHF	– 2,337,222	– 13,867,894	– 69,383,240
Comprehensive income / (loss) as a percentage of average shareholders' equity (return on equity)	%	– 2.13	– 11.79	– 43.58
Net asset value per share	CHF	21.66	22.13	24.91
Earnings / (loss) per share	CHF	– 0.58	– 1.26	– 5.81
Comprehensive income / (loss) per share	CHF	– 0.47	– 2.77	– 13.88

Venture Capital is money used to finance the implementation of innovative technologies and bring new products to consumers. This process is challenging and, therefore, bears risks to the investment.

New Venturetec offers the opportunity to participate in the formation and growth of the next generation companies in leading industries.

People are the main factor for success. Integrity and competent knowledge coupled with entrepreneurial understanding is of utmost importance.

The goal of venture investing is to generate returns on the investment in line with the risks taken through the participation of building and growing new companies.

Contents

Letter to Shareholders

Dear Shareholder

It is my pleasure to provide you with the report on the seventh year of operations of New Venturetec. Despite the still difficult environment for venture companies with capital markets not being better, we can look at some improvements. The economy and therefore the product market have shown momentum especially in the US, where New Venturetec holds the majority of its participations. As a result, the operational progress of the portfolio companies is real.

The companies are moving closer towards break-even or in the biotech sector bringing products through the clinical trials and eventually to the market. New Venturetec's holdings were not affected by significant dilution. We made strong efforts to keep up with the cash required through limited borrowing. We are convinced that this is in the interest of the shareholders. I am satisfied with the progress most of the companies have made. We certainly continue to focus strongly on raising also the performance bar for the other companies.

The enclosed consolidated financial statements are presented according to IFRS (International Financial Reporting Standards). The Net Asset Value (NAV) per share as of September 30, 2004 is CHF 21.66 compared to CHF 22.13 a year ago, a decrease of 2.12 %; in USD 17.37 respectively USD 16.80 or a increase of 3.39 %. The Company's total return since January 1, 1997 in CHF is –25.14 %, or an IRR net to investors of –7.23 % p.a.; in USD –13.14 % respectively –4.17 % p.a.

The Group's net loss for the year is CHF 2,914,234 compared to a loss of CHF 6,321,770 a year ago. The comprehensive loss for the period is CHF 2,337,222 compared to a loss of CHF 13,867,894 in 2003; or a loss of CHF 0.47 per share compared to CHF 2.77 in 2003. The comprehensive loss is the sum of unrealized valuation increases / decreases, the Group's net profit / loss for the year and currency adjustments. The average exchange rate CHF / USD for 2003 / 04 was 1.2737 compared to 1.3860 in 2002 / 03. The reasons for the loss are accrued costs and interests and currency adjustments. The value of the investments decreased by CHF 1,757,058 or 1.17 %, and increased by USD 5,036,639 or 4.42 %. Three of the eleven holdings slightly improved their value, five companies are the same and three decreased in valuation.

New Venturetec's stock price was CHF 14.00 on September 30, 2004, representing a decline of 12.50 % for the reporting period. The net asset value has decreased 2.12 % during the same period. This represents a discount of 35.36 % to the NAV as of September 30, 2004. There has been an average premium of 13.31 % since the IPO in 1997 through September 30, 2004. Neither New Venturetec nor the Investment Manager make a market in New Venturetec shares nor do we intend to do so. We are responsible for the development of the NAV and leave the market to the market participants. In the meantime, there may be over- or under-reactions in the stock price due to reasons known to the market participants. It is the investors' choice and decision to invest or disinvest after considering all the factors involved.

In the current environment, the portfolio companies have advanced on their path to becoming sustainable, successful companies. The portfolio today consists of 11 companies: five biotechnology, two communications, two technology and two Internet, predominantly domiciled in the United States. We would like to point out that New Venturetec was able to avoid any significant dilution in its portfolio companies during the reporting period. The liquidity needed in the portfolio companies could be secured by New Venturetec and other investors. New Venturetec participated in several capital increases with a total value of approximately USD 6,500,000 of which the most significant was E-Centives with USD 3,000,000. No disinvestment took place. Cash remains deliberately tight. The yearly operating costs are minimal and are sufficient for the coming years. There are no plans for any transactions on the capital market for New Venturetec. The reported valuations are reasonable and reflect the current environment. We believe that the NAV has stabilized. However, the timing of any significant increase is difficult to foresee. The goal and strategy remain the same: build and grow the existing core holdings with real potential and disinvest the others.

Osiris Therapeutics, which represents 20.10 % of the total investments, has experienced a challenging year. The management team had to be replaced due to non-performance. In May 2004, Dr. Randy Mills was appointed President and CEO of the company. He has done a quality job and focused the company on commercializing the products. We are confident about the business opportunity that exists.

Basilea Pharmaceutica, which represents 17.30 % of New Venturetec's investments, went public in March 2004. It was able to raise approximately CHF 200 million to develop its two leading products in the field of antibiotics and dermatology. Although the share price trades below the IPO price, it does in my view not reflect the progress of the company. Basilea is a long-term investment.

Prolexys Pharmaceuticals, had to be revaluated due to its early stage of development. The company will need to raise funds next year and may not achieve current valuation. The revaluation is not technology related but driven by the capital market. Prolexys is progressing on finding valuable compounds for new therapeutic drugs, especially in the cancer area. Prolexys represents 4.20 % of the total investments.

IPeria, which provides unified messaging software for voice over IP systems, gained 16 customers with a growing and recurring revenue base. The product has real traction in the market and is well positioned for growth. New technologies in the telecom market drive IPeria as well. IPeria represents 11.45 % of New Venturetec's investments.

E-centives went through some challenges during the past twelve months. An internal investigation did not reveal any material issues. However, the Chairman and President voluntarily changed his role to a consultant status. The former COO took over as President and CEO. The customers give positive feedback on the product and services. Nevertheless, we want revenue to be greater and faster. On the cost side, management did save as much as appropriate. E-Centives represents 10.91 % of the investments.

WStore, which represents 15.26 % of the investments, is within plan with approximately USD 70 million in revenue and profitable in 2004. WStore is a fully web based IT reseller. The company has a stable management team.

With the decline of the equity markets since 2000 it is clear that we have lost considerable time and money. The companies not only are delayed on their growth path, but also need more cash. Those two factors, time and money, will have an impact on the performance of New Venturetec. Nevertheless, the holdings are healthy and in many companies we have stongly skilled, talented and very motivated people. We are of the firm conviction that the majority will do well and that our efforts will bear fruit. It is a great and satisfactory job to develop leading-edge products and introduce them successfully to the market. Yes, there are challenges which confront us every day. We assure you that we are committed to take up those challenges and act upon the best of our capabilities and beliefs to help the companies grow and be successful. We are proud of and committed to what we are doing and of having you as a shareholder to go this venture path together. We thank you for your patience and trust – I know it's been a challenge for you as well; I do understand and respect your position. Together we can achieve what we have dreamed of and that is being part of young companies which bring products to the market to increase our quality of life in health and technology.

Zurich, October 22, 2004

For the Board of Directors

P. Friedli

Peter Friedli

Company

New Venturetec is an investment company incorporated in Zurich on August 8, 1997. The Company holds participations in venture companies in the areas of biotechnology, communications, technology and internet predominantly domiciled in the United States.

Its business objective is to obtain capital appreciation from well-selected companies that are at the forefront of the technology and products in their field.

Investment Approach

The investment targets are carefully selected after in-depth analysis of people, technology and markets of potentially high quality companies in fields being viewed as of special interest. Major attention is given to the management, its capability and commitment. Influence on key management decisions as well as on strategic planning is executed. Milestones are being set and management is being reviewed. Monitoring and control procedures as well as providing up-to-date reports on company progress and financial situation are an integral part of the investment management.

Venture Capital

Venture capital investing is the process of building a business from scratch. The venture capital investments are made through different forms of securities ranging from common stock to preferred shares and convertible debt.

Venture capital can be private or public depending on the stage of the company. The company naturally evolves from its inception through generating profits if successful. Several rounds of financing at different prices are conducted in most cases.

The proceeds of such financings are used as working capital to build the business since such companies still generate losses. A company is out of the venture stage if for six to eight consecutive quarters a substantial revenue and profit increase is achieved and the outlook for the coming years ahead is for sustainable growth. At this stage the company can be private or public.

The characteristics of a venture investment are typically high risk, lack of a market for the securities and long-term investment horizon. Venture capital offers the possibility to participate in the formation and growth of the next generation companies.

Information Summary

Company	New Venturetec AG
Domicile	Zurich
Type of Securities	Bearer Shares
Outstanding Shares	5,000,000 Shares
Initial Public Offering	October 16, 1997
Offering Price	CHF 33
Dividend	The Company does not intend to pay out any dividends, but rather reinvests any realized cash from disinvestments
Management Fee	1.5 % p. a. payable on the quarterly Net Asset Value, plus up to 0.5 % for costs
Performance Fee	12 % of the percentage points exceeding 15 % of the compounded annual return to investors calculated on the basis of the Net Asset Value, multiplied by the net amount of "realized profit and loss"; or 12 % of the net amount of "realized profit and loss", if the compounded annual return to investors is 20 % or higher
Board of Directors	Peter Friedli, President Beat Wittmann, Vice President Andreas von Sprecher, Member and Secretary
Investment Manager	Friedli Corporate Finance, Inc.
Auditors	KPMG Fides Peat, Zurich
Listing	SWX Swiss Exchange (Segment Investment Companies)
Security Number	703 683
Price Information (Ticker)	Telekurs (NEV), Reuters (NEV.S), Bloomberg (NWV SW Equity)
Reporting	Annual report, semi-annual report, permanent information available on www.newventuretec.com

Investment Approach

Investment Objectives

The objective of New Venturetec is to achieve long-term capital appreciation through equity and debt investments in start-up, emerging and growth companies which the Investment Manager believes offer significant growth opportunities. We identify successful and promising companies and then actively work with management over a five to ten year time horizon.

The investment decisions will be based upon (i) the Investment Manager's ability to identify companies which can successfully utilize capital at an early stage in their life cycle, (ii) carefully selected or assessed management teams, (iii) strategic advice for positioning such companies in high growth markets promising to generate public interest at a future date and (iv) an active influence on the portfolio companies.

Investments

Investments will typically be structured in negotiated transactions directly with the portfolio company. The securities acquired will primarily consist of common and preferred stock or convertibles, a combination of equity and debt securities and warrants, secured and unsecured debentures, options and other rights to acquire such securities. Since most of the investments are in private firms or restricted securities of publicly traded enterprises, the resale or disposition of such investments will generally be restricted for a period of time. Following its initial investments, the Company anticipates that it may provide additional or "follow-on" funds to portfolio companies. Follow-on investments may be made pursuant to the rights to acquire additional securities, or in order to increase the Company's positions in a successful or promising entity. The Company may also be called upon to provide follow-on investments for reasons such as the provision of additional capital to enable a portfolio company to fully implement its business plan, to develop a new line of business or to recover from unexpected business problems.

The Company may invest as a sole investor or as a co-investor with others, including professional investment groups as well as the Investment Manager and its affiliates.

Investment Process

Any investment decision will be made unilaterally by the Investment Manager after careful evaluation of the situation. Using his investment expertise, the Investment Manager will manage and diversify the Company's investments in several ways that may but need not include diversification among different industries of interests.

The investments will be acquired in transactions usually negotiated directly by the Investment Manager with the portfolio company or an affiliate thereof. The Investment Manager will seek to structure the terms of the investment in order to provide for the capital needs and success of the portfolio company, while at the same time maximizing the Company's opportunity of long-term capital appreciation and minimizing adverse risks. An important factor in successful investing is the proper structuring of the transaction in terms of the type of security, restrictions on the use of funds, commitments or rights to provide additional financing, control and involvement in such a company's business and disinvestment strategy. A further aspect is the proper valuation of the potential portfolio companies, and thus, the pricing of the transaction.

New Venturetec's goal is to create value through in-depth analysis of companies and active management. We screen many companies and select those with the best combination of all business factors. This process can take up to several months. During that period we also learn about the management which is the major focus for any investment decision. Investments are understood to be foremost an investment in people. Understanding the industry and the markets coupled with personal commitment, integrity and hard work is a must.

We invest into comprehensive technology and markets. In most cases, the products are at the leading edge as well as unique and provide a clear advantage to the customer. The markets are thoroughly analyzed and need to be considered real and growing but by no means too futuristic. There must be a defined need and obvious payback for the targeted customers. Competition is viewed as healthy and inspiring. The portfolio companies seek patent applications and protection of intellectual property to secure a leading position.

New Venturetec supports its portfolio companies in the process of developing a business strategy and actively participates in the management of the company on a board level where appropriate. Shareholder interests are actively represented. By providing investment banking services we help our companies in various aspects of financing. Portfolio companies are continuously monitored. Particularly important is the control of costs and the achievement of milestones. Additionally, the management is reviewed regularly to ensure that the right people are in place to bring the company to the next level. New Venturetec is actively engaged in the formulation of disinvestment strategies by positioning the portfolio company for an IPO or a trade sale.

Most importantly for the success of a portfolio company is the quality of the management and their entrepreneurial spirit. Therefore, our main focus in considering an investment is management. We weight management with 80 % of the investment factors. We invest in people and the future of such a business. To evaluate people is a time-consuming and demanding process. The qualities of a CEO depend on the specific situation but in essence consists of key factors that are applicable at all times.

Active Involvement

We believe an Investment Manager must add value. As a result of our experience and focus we are qualified to add value to companies. We believe no substitute exists for spending time with our portfolio companies in order to understand the key issues facing management. We do not take a portfolio approach to investing where it is expected that there are only a few winners. Rather, we work very hard to make each and every one of our investments successful through our active and long-term commitment. Our mission is to add valuable assistance so that each company succeeds. We work to assist management in implementing its agenda and view ourselves as a resource that is available to the entire senior management team.

New Venturetec is committed to actively assist management in creating long-term value. We believe the quality of our relationships with management is the foundation for success in helping to build leading companies. We carefully structure our investments so our economic incentives parallel management's. We build strong relationships over time based on trust and mutual respect. We recognize that building high quality companies is a very challenging process and we work with management as true partners in meeting those challenges.

New Venturetec closely monitors and reacts to deviations from the original plan if necessary. The support offered to the portfolio companies ranges from traditional investment banking services to recruitment of management; from strategic alliances to corporate governance and compensation issues. The reporting policy is based on a notion of "we do not manage, but rather we want to know everything". Frequent visits and face-to-face meetings with management and employees are part of our continued support to safeguard our investment. To have a decision structure in place in order to react if necessary and implement decisions fast are priorities in the structuring of the investments.

We believe that companies often grow faster than people. Cost control is an important factor to assure that the invested capital is treated wisely in the process of creating value. We believe in efficiency and the proper use and allocation of all resources, be it financial, human or time. New Venturetec takes up the challenges on a detailed basis and creates a culture of commitment while striving for success. The process and dynamics of building value must be understood and acted upon accordingly. Not every company will make it. There is a natural fall-out in the growth process due to false market assumptions, technology changes and miscalculations. Such fall-out may occur due to human mistakes and mismanagement. An idea alone does not make a viable business, and a technology is not a market. The process of investment due-diligence and close monitoring is key. We are committed to consequently apply these guidelines. Our approach is entirely entrepreneurial.

Below key points of entrepreneurship and successful investing:

– True entrepreneurship is built from within
– Intuition is important
– Aspiration of money alone is not lasting
– Investments are made in people and expectations
– Most common obstacles are incompetence, ignorance, arrogance and false assessment of people
– 80 % of new products and services are targeted towards an overcrowded market
– Continuous cost control is essential
– Management and Board interests aligned with shareholders interest is a must
– Critical questioning must be practiced by the Board to management at all times
– Milestones and results must be reviewed periodically
– Management changes must be done if necessary without delay

Long-term Investment Perspective

An important distinguishing element is our long-term investment perspective. New Venturetec only makes investments where we believe that we can help the entrepreneur build a market leader over a five to ten year investment horizon. We invest with a view towards maintaining our equity positions for a significant period of time following an initial public offering. In addition, we remain active board members for many years after a company is public.

We are not structured to focus on short-term liquidity. New Venturetec's structure as an investment company permits us to pursue long-term investment strategies in building value and realizing returns. Our investments and economic incentives are structured with a long-term view and our assistance to management is always provided with long-term corporate objectives in mind. This long-term commitment provides the foundation for success and plays a key role in our ability to build lasting relationship with management and shareholders.

Applied Rules

Geographic Area
Predominantly United States, in exceptional cases Western Europe.

Industry Sector
Biotechnology, Communications, Technology and Internet.

Life-cycle of Companies
May range from start-up progressing through all stages of development.

Securities
May range from all kinds of equity such as common and preferred stock to equity-linked, secured and unsecured debentures, warrants, options or units consisting of one or more type of securities.

Investment Percentage
The maximum of any one investment will not exceed one third (33.3 %) on a cost basis of the total shareholders' equity.

Hedging
The Company will not engage in hedging any currency fluctuations.

Change in Investment Policy
A change in the investment policy requires the unanimous consent of the Board of Directors. Shareholder approval will not be necessary.

Risk Control
Successful business development requires active monitoring and significant participation as well as influence on major business decisions of portfolio companies. Board representation, together with a close working relationship with operating management should enable the Investment Manager to advise and provide management assistance with respect to capital structure, budgets, profit goals, business strategy, financing requirements, management changes and development of a public market for the securities of privately-held portfolio companies. The close tracking of internal financial statements, progress reports, and an active working relationship with management are essential for effective risk control and monitoring.

Disclaimer

Under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, companies listed below caution investors that any forward-looking statements or projections made by the Company, including those that may be made in this report, are based on management's expectations at the time they are made, and are subject to risks and uncertainties that may cause actual results to differ materially from those projected. Specifically, discussions of possible future growth and development in revenue and customers are forward looking in nature, and actual results could differ materially from current expectations. Each of the below listed companies' future results may be impacted by factors such as technological changes, market acceptance of the company's services, ability to grow its customer base, and competitive market pressures, among other things. Each of the below listed companies' future results are also subject to other risk factors, including those detailed from time to time in the Company's reports. Despite making these forward-looking statements, companies undertake no obligation or intention to update these statements after the date of this report.

Osiris Therapeutics

www.osiristx.com

New Venturetec cost	USD 15.8 million
% of total investments	20.1 %
Valuation as of Sept. 30, 2004	USD 23.9 million
New Venturetec holding of Osiris Therapeutics	15.0 %

Company Profile

Osiris Therapeutics is a clinical stage biotechnology company founded to commercialize stem cell products from a readily available and non-controversial source – adult bone marrow. These stem cells have the ability to repair different types of tissue and offer a very real opportunity to develop revolutionary new treatments for certain disease processes including immune disorders, heart attacks, and arthritis. Due to Osiris' early commitment to adult stem cell therapeutics, the Company has developed an extensive patent portfolio to protect this technology worldwide. Osiris has 40 US and 69 foreign patents that cover all of the important aspects of the business. The Company has three products entering clinical trials. The lead product, a treatment for GVHD, has successfully completed phase I and is entering phase II.

Market

The primary value driver for the Company is time to market. If Osiris can be the first to successfully commercialize a stem cell product it will realize a significant "first mover" advantage and will establish itself as the definitive leader in cellular therapeutics. The market for the initial indication of Prochymal™ (GVHD), is relatively small at USD 300 million. It was selected because it offers a fast route to market and rapid adoption due to the lack of effective alternatives. Prochymal™ is expected to launch in late 2007. Once on the market, the Company intends to use GVHD as a gateway indication to other, more prevalent immune disease that share a similar root cause such as Crohn's disease and rheumatoid arthritis. Osiris has two other products in development. Provacel™ is for the treatment of acute myocardial infarction and represents a USD 3–4 billion market opportunity. Chondrogen™ is for the regeneration of tissue in the knee disease and treatment of arthritis, a billion dollar market.

Development

Osiris has made progress on several fronts over the past 12 months. The Company entered into a strategic alliance with JCR Pharmaceutical Corporation for the commercialization of Prochymal™ in Japan. Osiris received an upfront license fee and will receive additional fees as milestones are met. Osiris will also receive royalties from the sale of the product. This partnership provides a unique inroad to the third largest pharmaceutical market in the world. On the regulatory front, Osiris completed its Phase I study for Prochymal™, successfully meeting all safety endpoints and was given permission by FDA to advance into Phase II. FDA also granted permission for Osiris to enter a Phase I trial with Provacel™. The Company has a new management team with C. Randal Mills acting as President and CEO.

Outlook

Osiris has a highly focused plan to be the first company to successfully commercialize a stem cell product. The key over the next 12 months is execution. Prochymal™ will be entering Phase II in the first quarter of 2005 and is expected to be complete by year end. Keeping this product on schedule is essential to the success of Osiris. Osiris will also be entering the clinic with Provacel™ in 2005. Osiris is currently in discussions with two major orthopedic companies for the development and commercialization of Chondrogen™. Selecting the right strategic partner for this product is necessary for further development.

Inflabloc Pharmaceuticals

(formerly Pharmadigm)

www.inflabloc.com

New Venturetec cost	USD 8.3 million
% of total investments	7.8 %
Valuation as of Sept. 30, 2004	USD 9.3 million
New Venturetec holding of Inflabloc	18.0 %

Company Profile

Inflabloc Pharmaceuticals is engaged in the research and development of pharmaceutical treatments for inflammatory disorders. Inflabloc's current product development is based on its discoveries of strong anti-inflammatory properties of dehydroepiandrosterone (DHEA), a steroid that is produced in the adrenal gland. The Company's lead product line is a proprietary DHEA combination treatment. The Company has 4 products in development. IP-1001 is slated to enter Phase 2 clinical trials in Crohn's disease later this year. IP-1002 has completed Phase 1. IP-1003 recently established proof-of-concept in an inflammatory bowel disease (IBD) animal model, while IP-1004 has just entered proof-of-concept testing in a C-reactive protein (CRP) mouse model.

Inflabloc successfully completed a USD 3 million series B venture financing in August 2004. The funding round was co-led by Friedli Corporate Finance and vSpring Capital.

Market

Crohn's disease, an inflammatory disease of the gastrointestinal tract, afflicts between 700,000 and 1 million Americans and is characterized by chronic, recurring and painful symptoms. The accepted treatment for Crohn's is the administration of corticosteroids, immunosuppressants and biologics, all of which produce serious unwanted side-effects. Inflabloc is developing a product to meet the clear unmet medical need for safe, well-tolerated and effective oral Crohn's disease therapies. The estimated worldwide market for Crohn's disease is over USD 2 billion and growing steadily.

Development

Pre-clinical 13-week toxicology studies in two species were completed as well as metabolism drug-drug interaction studies. Clinical Phase 1 studies were completed evaluating the bioavailability, dose proportionality, and multiple dose pharmacokinetics of IP-1001. Single dose pharmacokinetics of IP-1001 in Crohn's disease patients were also established. A Phase 2 dose-response study of IP-1001 for the treatment of Crohn's disease was designed and is scheduled to begin patient enrollment later this year. To support this study a new batch of IP-1001 (30mg DHEA) was manufactured and quality control testing was completed.

Two proof-of-concept TNBS inflammatory bowel disease animal model studies were conducted with IP-1003, both of which confirmed the effect of IP-1003 to reduce TNF-alpha production and to reduce colonic lesions.

Outlook

Inflabloc will submit to FDA reports for completed pre-clinical and clinical studies and updated manufacturing information prior to treating patients in Phase 2. Inflabloc will conduct a Phase 2 dose-response trial in approximately 60 Crohn's disease patients, with preliminary results available in the second half of 2005. Clinical development planning and preparation for Phase 3 trials in Crohn's disease will be initiated. An end of Phase 2 meeting with FDA will be scheduled. CRP mouse model studies with IP-1004 will be conducted.

Basilea Pharmaceutica

www.basilea.com

New Venturetec cost	USD 15.9 million
% of total investments	17.3 %
Valuation as of Sept. 30, 2004	USD 20.6 million
New Venturetec holding of Basilea	5.6 %

Company Profile

Basilea Pharmaceutica is a fully integrated research and development Company with focus on the discovery and development of novel drugs for treatment of infectious and dermatological diseases, areas which address both significant unmet medical needs and growth potential. Discovery at the Company concentrates on new therapeutics for the infectious disease market designed to overcome the problem of microbial drug resistance.

Basilea was founded in October 2000 as a spin-off from F. Hoffmann-La Roche Ltd ("Roche"). The Company currently has three compounds in clinical development: BAL5788, the first of a new class of anti-MRSA cephalosporins, BAL8557, a water-soluble azole antifungal with potential for improved safety, and BAL4079, which has the potential to become the first approved treatment for refractory chronic hand dermatitis. The Company currently has four late-stage research programs and a number of earlier-stage projects.

Market

Basilea is concentrating on the anti-bacterial, anti-fungal and dermatological markets, which all have strong unmet medical needs and growth potential. Increasing resistance of major bacterial pathogens to current antibiotic therapies has led to significant medical problems and new and growing health-care needs. Many of the established therapeutics are ineffective against resistant pathogens and there are few new drugs on the horizon to exploit this opportunity in the near term.

BAL8557 will compete in the systemic antifungal market. Fungal infections are a major threat to immuno-compromised and critically ill patients. Mortality rates with neutropenic patients can be as high as 95 % for invasive aspergillosis and up to 30 % for systemic candidiasis. The estimated current market for systemic anti-fungals accounts for USD 4 billion in sales and is predicted to grow.

Dermatoses are extremely frequent conditions. The current global dermatological prescription market is estimated at USD 13 billion in sales. While most dermatoses are not life threatening, they are chronic and visible: thus, they create a considerable burden of illness and decreased quality-of-life for the patients. Currently, there is limited effective treatment available for a large number of dermatological conditions including chronic hand dermatitis.

Development

The Company on the 25th March 2004 announced the start of trading of its registered shares on the SWX Swiss Exchange in connection with its offering of 2.1 million registered shares which raised CHF 206 million in gross proceeds.

- **BAL5788:** Results were positive with all 35 clinically evaluable patients being clinically cured and with no clinical failures. Side effect profile was as expected from preclinical studies, previous volunteer trials and the compound class. The Company plans to enter phase III trials in the second half of 2004.
- **BAL4079:** The oral retinoid completed a randomized phase II dose finding trial that showed clear activity of BAL4079 compared to placebo. The Company plans to enter phase III trials in the second half of 2004.
- **BAL8557:** The water-soluble broad-spectrum anti-fungal agent has completed single and multiple dose, IV and oral phase I trials with the pharmacokinetic (PK) profile as expected allowing once daily or potentially even once weekly dosing. No serious side effects were seen. The Company plans to enter phase II trials in the second half of 2004.

Outlook

Basilea plans to commence phase III program of its anti-biotic and anti-fungal program and commence phase II program for its dermatosis product. The Company targets to declare a new clinical candidate in the coming 12 months.

Prolexys Pharmaceuticals

www.prolexys.com

New Venturetec cost	USD 10.0 million
% of total investments	4.2 %
Valuation as of Sept. 30, 2004	USD 5.0 million
New Venturetec holding of Prolexys	4.0 %

Company Profile

Prolexys Pharmaceuticals is a biotechnology company focused on discovering novel pharmaceuticals for human use. The Company uses a technology called *proteomics*, in which an understanding of protein interactions enhances the drug discovery process. Prolexys employs a novel and proprietary set of proteomic technologies that give the Company a particular advantage in target identification, an early step in the drug discovery process. The Company has utilized these technologies to discover several series of novel chemicals with promise for treating certain types of cancer and cardiovascular disease. In addition, the Company has created a large proteomic database that is being marketed to larger pharmaceutical research organizations.

Market

The Company's areas of primary focus are cancer (with particular emphasis on colon cancer) and asthma. Successful drugs in these areas, because of the large numbers of sufferers and the large unmet medical need. The Company has exploited novel and high potential targets to yield patentable chemicals ready for testing in animal disease models. These leads are about 24 months away from the first dose in humans. While there are many companies interested in these areas, Prolexys' targets are unique and give the Company a competitive advantage. The partnering value of these projects jumps significantly as clinical trials start, and especially as positive data is obtained in Phase 2 trials. The Company plans to license-out some of these programs at the appropriate stage of development while keeping some projects in-house to develop to higher value.

Development

The Company's technical and business outlook is encouraging. In the past 12 months, the Company has initiated development of four major product lines and advanced several revenue generation opportunities. The product lines include: PRLX2113, a patentable chemical identified from a screen based on a novel target relevant to colon cancer; Erastin, a compound shown to differentially kill cancer cells via a novel and promising mechanism; Beta catenin inhibition-related series of compounds for colon cancer; and 4)HSP20 inhibition-related compounds for asthma. All of these projects are ready for animal model testing. The revenue generation opportunities include: A partnership with a major pharmaceutical company, in which Prolexys is negotiating a second and third project within the partnership; Database sale discussions with numerous large research companies, with revenues expected in 4Q2004.

Outlook

To build on the accomplishments of the past year, the key goals are: advance three series of compounds through animal testing and into pre-clinical development; develop three new early-stage opportunities; realize revenues from sale of the Company's proprietary proteomics database; and establish a revenue-generating partnership. The key to success is to be able to rapidly develop the Company's programs to the point that substantial value can be achieved through partnership and / or out-licensing. This will allow financing of those programs that the Company will keep in-house, and facilitate continued growth.

CambridgeMed

New Venturetec Cost	USD 1.0 million
% of total Investments	1.3 %
Valuation as of Sept. 30, 2004	USD 1.6 million
New Venturetec holding of CambridgeMed	7.0 %

Company Profile

CambridgeMed is a health-care technology firm focused on the wound-care market. Founded in 2002, the Company has an exclusive (US & Europe) license to certain proprietary technology from Medigenes (a private Korean biotechnology and diagnostics company) that had shown preliminary, but very encouraging clinical data when used to treat approximately 100 patients presenting with a broad spectrum of wounds, that included pressure and diabetic ulcers and open, chemical, radiation and burn wounds. CambridgeMed's lead candidate has been under development for 15 months and is expected to receive a 510k (medical device) approval by the FDA in the first quarter of 2005.

Market

The wound healing market consists of numerous products, segments and fragments. CambridgeMED's first product will be a wound dressing and, as such is classified as a medical device. By using its proprietary biological incorporated into a bandage, the Company gains a speedier, less expensive, and lower risk entry to the market. Alternatively, the cost of developing a new biological is between USD 25 and USD 100 million, takes 5–7 years of clinical trials, and is fraught with performance risk. The Company's product will address a market that is estimated to be several hundred million dollars and is under pricing pressure. Following FDA approval, the strategy is to conduct several inexpensive clinical studies to demonstrate superior efficacy to existing products; by doing so, additional product claim language may be added to the label, which will increase potential market share and pricing. Once these trials are underway, the Company will seek a strategic partner to maximize market penetration, product extensions, and investor return.

Development

The Company has to answer certain questions from the regulatory authorities before it will receive 510k approval. Unfortunately, the unexpected death of the Company's Founder, CEO and Chief Scientist, Dr. Duke Lee, this past summer resulted in several months of delays in responding to the letter.

Outlook

LSNE (Manchester, NH) is a certified Contract Manufacturing Organization who has been hired to provide cGMP manufacturing lots of the product to meet requirements of the FDA approval and, ultimately, to enable the Company to sell approved product. The Company has developed manufacturing protocols and QA documentation to permit LSNE to build a test (pilot) lot of the product. In addition, testing of these materials for viral clearance, purity and stability will also be performed with cGMP materials to come out of LSNE. The aggregate of this should permit the FDA to respond back to the Company early in the first quarter of 2005.

Priority Telecom

www.prioritytelecom.com

New Venturetec cost	USD 17.3 million
% of total investments	1.3 %
Valuation as of Sept. 30, 2004	USD 1.6 million
New Venturetec holding of Priority Telecom	1.2 %

Company Profile

Priority Telecom, based in Amsterdam, is a facilities-based business telecommunications provider focusing primarily on its core metropolitan markets in the Netherlands, Austria and Norway. Priority Telecom provides high-speed Internet access, private data networks, customized network services and voice to over 9,500 business customers. Targeted mainly towards medium and large business customers and metropolitan / national telecommunications providers, Priority Telecom capitalizes on its dense metropolitan fiber network and experienced direct local sales force. Priority Telecom is a publicly traded company on Euronext Amsterdam under the symbol "PRIOR". News and information are available on www.prioritytelecom.com.

Market

Per June 30, 2004 Priority Telecom creates 70 % of its revenues in the Netherlands, 17 % in Norway and 13 % in Austria. In all markets, Priority Telecom competes against a dominant player like KPN, who holds more then 90 % of the total market. Two third of Priority Telecom's business is direct sales to corporate and public customers. Sales to carriers have been reduced from 28 % to 23 %. For the first time, Priority Telecom generated return from the Voice over IP business.

Development

Several large IP-VPN and Ethernet contracts were signed in the Netherlands during the second quarter of 2004 within the Network Solutions group of services. Customer references included Reesink Retail, a large trading company in the Netherlands that signed a NetConnect VPN contract. The Ethernet network supporting these types of services was extended to include the metropolitan areas of Rotterdam, Helmond, Arnhem, Apeldoorn, Nijmegen, Utrecht, Zevenaar and Almere within the Netherlands. Recently launched services within the Corporate Office Solutions group, such as flexible ISDN products with 8, 20 and 30 channels and ISDNFlex (i.e. business voice over IP solution), sold well during the second quarter of 2004. An increasing number of Priority Telecom's services were made available over alternative types of access connections such as fibre, DSL, coax and wireless technologies, extending the availability and affordability of this class of business telecommunications services. Call volumes grew by 22 % between the first quarter and second quarter of 2004 within the Customer Contact Solutions group of services (i.e. 0800 / 0900 number services). Other voice related services grew strongly during the second quarter of 2004 including Priority Telecom's voice over IP wholesale solution, which enables ISPs, cable and DSL operators to launch voice services under their own brand names.

Outlook

Priority Telecom has started two new growth initiatives that leverage its network investments and the investments in the advanced product portfolio. The Company started to build out DSL infrastructure in Utrecht and The Hague with the newest equipment in order to expand the network and to be able to offer its product portfolio over DSL. In addition, the Company enhanced its VoIP offering to a complete solutions based product targeting cable companies and other operators that address the residential voice market. The Company's strategy of focussing on investments in next generation products and technologies has proven to be a successful strategy ensuring future top-line growth. Priority Telecom has become one of the leading voice over IP wholesale providers with over 12,000 customer connections in the Netherlands and signed several new VoIP engagements in our other properties. The Company is currently expanding this service to international voice operators that lack infrastructure. A DSL infrastructure rollout was also commenced in selected cities in the Netherlands to address the business-to-business and wholesale market.

mPortal

www.mportal.com

New Venturetec cost	USD 6.9 million
% of total investments	9.72 %
Valuation as of Sept. 30, 2004	USD 11.6 million
New Venturetec holding of mPortal	30.0 %

Company Profile

mPortal is a provider of mobile data solutions to Communication Service Providers. mPortal's data services platform (Springboard) enables Service Providers, such as Mobile Network Operators (MNOs), Mobile Virtual Network Operators (MVNOs), Content Providers and Enterprises to introduce personalized, revenue-generating data services both rapidly and effortlessly. mPortal has extensive experience in integrating its platform with a service provider's network, billing, and customer care systems. mPortal's solution has a variety of deployment models, including a product-licensed model and a managed services model.

Market

The wireless service provider market is evolving from pure voice providers to content-focused data service providers. Traditional service providers (MNOs), such as Orange, Swiss Telecom, NTT DoCoMo, and Verizon Wireless, are competing or partnering with new, content-focused service providers (MVNOs), such as Virgin Mobile, Disney Mobile, Club Nokia, and ESPN. In both cases, service providers are moving away from a simple voice charge based on minutes of usage to more complex revenue sharing and charging mechanisms for data services. This change has created opportunities for new players to attack the wireless marketplace with new business models. MNOs need a strong content partner to offer differentiated data services to their wireless customers. MVNOs need a strong wireless partner to bring their content to their customers. These data services are differentiators and increase service providers' ARPU, maximize their ROI, and increase their customer loyalty. mPortal is part of a small number of Mobile Virtual Network Enablers (MVNEs), including Visage Mobile, Inphonic, End To End, and QPass, uniquely positioned to take advantage of these emerging opportunities. mPortal's managed services environment enables traditional and content-focused service providers to launch differentiated services right away.

Development

In the past twelve months, mPortal has shifted its business focus from a purely licensed model for its data service platform to a managed service model. This managed services model is a turnkey solution: Service Providers can take advantage of differentiated data services without the time-to-market constraints and the capital expenditures of a fully licensed data services platform.

mPortal has focused on building the business relationships with network providers, such as Reliance Infocomm, Nextel, and ALLTEL. mPortal has also established partnerships with billing providers, such as CSG Systems, to provide customized billing capabilities for each individual service provider. In recent months, mPortal has launched managed services solutions for Nextel, ALLTEL, and ESPN, and is in the process of engaging several high-profile, global content providers who are in the process of launching MVNOs.

Outlook

The sales pipeline for mPortal now includes several content and media players who are looking to become mobile Service Providers using mPortal's data services offerings. In the next twelve months, mPortal will work to close these deals, establishing itself as one of the premier providers of data services in the US. Also, mPortal will aggressively pursue new service providers which are looking to launch data services in the next few months. mPortal will continue to expand upon its managed services business for launching data services, as it solidifies partnerships with existing network, billing, and CRM providers. mPortal faces several challenges in growing its data services business. While the emerging MVNO market shows a lot of promise, slow adoption of wireless data amongst businesses and consumers could continue through next year.

VantageMed

www.vantagemed.com

New Venturetec Cost	USD 4.9 million
% of total Investments	0.5 %
Valuation as of Sept. 30, 2004	USD 0.7 million
New Venturetec holding of VantageMed	8.0 %

Company Profile

VantageMed is a provider of healthcare software systems and services. VantageMed serves over 50,000 providers across the United States in more than 12,000 customer sites with its practice management and clinical solutions. Its suite of software products and services automates administrative, financial, clinical and management functions for physicians, dentists, and other healthcare providers and provider organizations.

Market

The market for healthcare information systems is crowded with many competitors. The focus is to target specific niches including small to medium sized general practice offices as well as specialty care providers including behavioral health providers and anesthesiologists. The Company has nearly 1,500 customers using its other legacy systems and there is substantial opportunity to migrate these customers to the Company's new Windows-based products. The Company is also focusing on new opportunities to provide electronic data interface (EDI) solutions for its customers through its SecureConnect clearinghouse as they adopt new HIPAA regulations. EDI solutions currently include electronic claims, payment remittance and eligibility services.

Development

VantageMed built a strong pipeline with increasing order activity and grew its backlog for the Company's core product, Ridgemark, as the product continues to receive favorable response from customers. In September 2003, the Company released its Therapist Helper 6.2 product. This is an enhanced version of the Company's market leading behavioral health offering that includes expanded EDI capabilities using the Company's SecureConnect product. VantageMed has seen revenue growth during 2004 for its RidgeMark product line. As a result, the Company has achieved breakeven earnings and cash flow during its Q2 2004.

Outlook

The Company continues to push ahead on the sales front. The Company is actively recruiting new salespeople with proven success in the healthcare information systems market with a focus on accelerated sales efforts of our existing products and the introduction of new EDI services.

IPeria

www.iperia.com

New Venturetec cost	USD 14.1 million
% of total investments	11.5 %
Valuation as of Sept. 30, 2004	USD 13.6 million
New Venturetec holding of IPeria	35.0 %

Company Profile

IPeria develops and markets ActivEdge software that enables telecommunication carriers to attract new subscribers and retain existing ones by providing subscriber services such as voicemail, auto-attendant, unified messaging, conferencing, and notification services over the next generation VoIP telephone network and the legacy switched telephone network. ActivEdge is highly scalable, open-standards applications software that leverages the flexibility of the new VoIP public telephone network to deliver compelling, high value communications services. IPeria's target customers include innovative global carriers, next-generation telcos, competitive local exchange carriers, wireless service providers, cable operators and international telcos. IPeria's ActivEdge system has been successfully deployed by numerous emerging U.S. carriers and has been delivered to several prospective customers who are currently using it in laboratory testing and internal trials.

Market

The North American and worldwide markets for IP based equipment and services continue to grow. Tier 1 carriers such as Verizon, BellSouth, AT&T, SBC, Qwest, Telus, and cable providers such as Comcast, Cox, and Cablevision are beginning their process of rolling out residential broadband and hosted PBX business applications based on voice over IP (VoIP). Emerging Tier 2 and Tier 3 carriers are attempting to beat the Tier 1 carriers to market with these services to generate revenue and position themselves as acquisition targets for the Tier 1 carriers. In many cases these larger Tier 1 carriers are using some of the Tier 2 and 3 carriers for their VoIP service rollout for a fast time to market. SBC is using Level 3 communications and Verizon is using deltathree. A recent market study that was published in June of 2004 by IDC states that the business and residential voice over IP telephone lines, offered by next generation telephone companies, will grow from 1 million in 2004 to 32 millions in 2008.

Development

Two of the most significant achievements of the last six months has been an OEM agreement with Sylantro Systems and the delivery of IPeria's ActivStart Package. IPeria's ActivStart is a complete low cost "turn-key" hardware and software solution which shortens the sales cycle by many months and gives service providers the ability to get service up and running in a matter of weeks with revenue generating applications. Several ActivStart Packages have been sold and deployed in service providers since its introduction in March of 2004. IPeria has also completed its contractual commitment on time and within budget with Comverse and has won the Auto Attendant business at SBC Communications. IPeria has added 15 new service providers to its customer list in 2004.

Outlook

The Outlook for IPeria is promising. The market for IP enhanced services is beginning and will grow rapidly next year. This is based on the fact that more carriers are feeling pressure to put in IP based communications to compete effectively in the market. IPeria's IP based application server architecture fits in well with landline, cable, and wireless service providers. IPeria is positioned well to take its existing product and architecture and add key components such as audio conferencing and video capabilities for residential broadband and 3G wireless subscribers. IPeria will continue to add Tier 2 and 3 service provider accounts. Tier one carriers and wireless opportunities will be targeted through our resale agreements with Sonus and Sylantro and our partnerships.

E-centives

www.ecentives.com

New Venturetec cost	USD 35.4 million
% of total investments	10.9 %
Valuation as of Sept. 30, 2004	USD 12.9 million
New Venturetec holding of E-centives	20.0 %

Company Profile

E-centives is a leading provider of digital marketing technologies and services that enable more efficient and effective marketing. The Company's interactive database marketing (or "IDBM") business provides marketing and CRM technologies as a hosted ASP model, optionally combined with expert services, enabling clients to manage interactive relationships with their customers. The Company's ConsumerReview division consists of a network of media sites that provide user generated forums for product reviews and buying advice covering a variety of categories, including outdoor sporting goods and consumer electronics. E-centives, Inc. is traded on the Swiss Exchange (SWX) under the symbol "ECEN".

Market

As more and more consumers are using the Internet, marketers are shifting more of their marketing budgets online. In its IDBM business line, E-centives has established relationships with global companies such as GlaxoSmithKline, FujiFilm, Novartis, Reckitt Benckiser, Georgia-Pacific and Gerber Products Company. The value drivers in this business line include growth in the number of clients, increases in their database sizes, and the level and types of technologies and services provided to them, among others. The Company's ConsumerReview division provides interactive media services with solutions including online advertising and e-commerce links to a variety of clients. The value drivers in this business line include the growth in site traffic, number of advertiser clients, growth in e-commerce, among others.

Development

E-centives has continued to focus on expanding its list of clients, reducing operating expenses, and further building its products. The following are some highlights of activities over the last year:

- Renewed, for a 3rd consecutive year, its contract with Reckitt Benckiser, and expanded its relationship with Georgia-Pacific; added new clients including GlaxoSmithKline, FujiFilm, and Novartis.
- ConsumerReview was recommended in the Wall Street Journal as one of the sites where shoppers rate items; MTBR.com, one of ConsumerReview's sites, was featured in Mountain Biking magazine.
- Acquired substantially all of the assets of Collabrys, Inc., a provider of e-marketing technologies and services with clients in consumer products, healthcare and financial services industries.
- Conducted an internal independent investigation ordered by the Board of Directors; the investigation concluded that all matters reviewed had no material impact to the reported financial statements or disclosures.
- The Company's founder, Chairman & CEO, Kamran Amjadi resigned (has been retained as a consultant to the Company). The Board of Directors appointed co-founder, President and COO, Dadi Akhavan to position of CEO, appointed Sean Deson as Chairman.

Outlook

With more consumers using the Internet and as more businesses place more marketing expenditures online, E-centives has the opportunity to grow as well. In its IDBM business line, the Company plans to continue to grow its existing clients' business and acquire new clients. The ConsumerReview division also plans to attract loyal consumers and increase number of advertiser clients. Corporate acquisition opportunities will continue to be pursued. Two of the primary challenges are long sales cycles in the IDBM business line and organic web site traffic growth in the ConsumerReview business. As with any other business, the Company also faces challenges including execution, competition, resources and timing, among others.

Disclaimer: This report contains forward looking statements by the management of E-centives. Please also check page 10 and 38.

WStore

www.wstore.com

New Venturetec cost	USD 9.2 million
% of total investments	15.3 %
Valuation as of Sept. 30, 2004	USD 18.2 million
New Venturetec holding of WStore	24.0 %

Company Profile

WStore operates on the IT market in Europe. Its business is to accompany vendors in their distribution strategy to small and medium size businesses. It conducts two activities:

– A distribution activity, under the brand Wstore, wich sells personal computers, peripherals, software and consumable products to small and medium businesses through the Internet and Call centers. It has operation in France and UK.

– A software edition activity, under the name I-Com Software, wich sells vertical web based applications (sell side, buy side, PRM..) and related services to IT vendors and the IT channel.

The Company employs 135 people in total. It has been formed in 1998, with headquarters in Paris, France. It had revenue of EUR 75 million in 2003.

Market

In Europe, the total IT market – depending on countries – has slightly increased in volume but decreased in turnover. Large vendors are re-engineering their go-to-market strategies in order to get better return on marketing spending and reduce distribution costs. Small vendors are seeking for better access to the market.

Distributors are reducing costs and adapting their business model to vendor's go-to-market strategies rethinking the way they charge logistic services, marketing services and credit to channel. SMB reseller are reducing costs and refocusing on their core business.

WStore believes that its technology, know how and understanding of SMB business position the Company well for year 2004 and beyond. Vendors are investing into IT infrastructure to optimize information flow within their channels and seeking for new low cost channels. Small and medium sized businesses are seeking for price, reactivity and packaged offerings.

Development

Over the last 12 months, the Company has grown 20 % and has become profitable.

Wstore France has reached break-even and restored growth. Wstore UK has grown 30 % and further improved its profitability. I-Com software successfully implemented the Xerox portal which is now deployed in over 5 countries. On the corporate side, Wstore has completed a capital increase of EUR 4 million Euros in April 2004

Outlook

The outlook of the Company is promising. WStore targets an overall steady growth for the next 12 month. Several growth initiatives have been and will be further implemented to reach this goal.

Valuation of Investments

Risk of Venture Capital Investments

The Company makes investments in a variety of areas offering the opportunity of significant capital gains, but which involve a high degree of business and financial risk that can result in substantial losses. Among these are the risks associated with investments in companies at an early stage of development or with little or no operating history, companies operating at a loss or with substantial variations in operating results from period to period, and companies with the need for additional capital to support expansion or to achieve or maintain a competitive position. For a more detailed discussion of the risks in connection with venture capital investments please refer to page 38.

Determination of the Net Asset Value

The Net Asset Value (NAV) per share is a figure which is calculated on a regular, consistent basis to approximately reflect the intrinsic value of one share of the Company. The NAV is expected to serve as an indicator for the price of the shares of the Company. The NAV is calculated by the Investment Manager by dividing the value of the net assets of the Company (the value of its assets less its liabilities) by the total number of shares outstanding.

The auditors will review the consistency of the calculation methods used by the Investment Manager to determine the NAV as of the Company's annual and semi-annual balance sheet dates. All other NAV computations are not reviewed by the auditors.

The Investment Manager calculates the NAV of every single investment on a regular basis (at least bi-weekly). The calculation takes into consideration all assets and liabilities on a pro rata basis, accrued estimated expenses and accrued estimated income (e.g. interest on cash, if any) incurred by the Company.

The NAV of New Venturetec's investments is calculated on the basis of the following principles and guidelines:

a) Valuation of Public Companies

For the purpose of the NAV calculation of public companies, the closing bid price on the reporting day as reported by the exchange where the stock is quoted and traded is used. This applies after the look-up period.

b) Valuation of Private Companies

For the purpose of the NAV calculation of private companies the following principles apply (see also page 23):

Most important valuation factors

- Performance-based terms & structures
- Price negotiation and action
- Experience and performance of management
- Existing tangible and intangible assets
- Technology validation
- Last paid price
- Financial forecasts
- Market potential, position within market
- Comparison to competitors

The original cost or the subsequent capital increase price is considered an approximation of the fair value at the time of the transaction.

Start-up capital: Technology assessment, negotiations with management, industry comparables and competitors' bids are the main factors that affect the valuation. NAV calculation at cost, less any write-off deemed necessary if subsequent performance is below business plan.

Capital increase: Re-evaluation of technology assessment, negotiations with management, industry comparables and competitors' bids, achievement of milestones and business plan guidelines. NAV calculation in principle based on the capital increase price, less 10 % to 20 % discount, if deemed necessary based on the valuation factors listed below.

Write up: A write up is recognized when a significant event occurs such as the issuing of a patent, corporate partnering, increased profitability and achievement of milestones.

Write down: A write down is recognized when a significant event occurs such as a permanent impairment of assets, performance significantly below the business plan and a change in the valuation of comparable companies.

The decision of the Investment Manager to apply a write up or a write down is limited insofar as the auditors review the consistency of the methods used by the Investment Manager on an annual and semi-annual basis. Furthermore, it has to be taken into consideration that private companies are not subject to any external (third-party) valuation procedures, and the intrinsic value may therefore be difficult to assess.

The valuation of the private investments as shown in the report is made by the Investment Manager according to above guidelines. The valuation may change from day to day depending on the Company's development and market circumstances.

Description of Valuations

Public Companies

Public companies are valued at the closing bid price each day. The reported valuation is based on the closing price as of September 30, 2004. These investments are subject to general stock market conditions.

Basilea Pharmaceutica is listed on SWX Swiss Exchange, symbol BSLN.

Priority Telecom is traded on Euronext Amsterdam, symbol PRIOR.

VantageMed is listed on OTC Bulletin Board, symbol VMDC.

E-centives is listed on SWX Swiss Exchange, symbol ECEN.

Private Companies

Valuations are based on the company's status at a given date.

- Increases in valuations are due to achievements of milestones, capital increases or other significant positive business developments.
- Companies valued at cost have generally achieved the expected milestones.
- Decreases in valuations are generally due to financial market conditions, unfavorable capital increases and the company generally being behind plan.

Osiris Therapeutics' valuation is a combination of prices reported of different security classes. No valuation change in respect to New Venturetec's investment during the reported period.

Inflabloc Pharmaceuticals' company valuation is based on a recent capital increase. The performance of the company supports the valuation.

Prolexys Pharmaceuticals' valuation has been cut by half. The early stage of the company and the difficult capital markets have let to the reevaluation, which is not technology-related.

CambridgeMed is valued based on milestones achieved and compared with peer group companies at the same stage of product development.

mPortal's valuation is based on the latest capital increase and achievement of milestones. Unchanged for the reporting period.

IPeria company valuation is based on capital increase and company performance. Unchanged for the reporting period.

WStore has no change in valuation. The valuation is in line with the operational performance as well as comparables.

Valuation of Investments

Company Valuation

Company	Valuation change [1] in percentage during reporting period 1.10.03 – 30.9.04	Comments
Private Companies		
Osiris Therapeutics	0.00%	Progress of the company has been offset by the declining capital market environment. Through new investments Venturetec kept its holding at new valuations.
Inflabloc Pharmaceuticals	–1.61%	Although products are further along in the clinical trials and company is well funded through 3rd party investments, valuation remains with a small negative change.
Prolexys Pharmaceuticals	–50.00%	Reduced valuation by half with no impact on the NAV due to its funding through a loan. Reasons for reevaluation are early stage, difficult capital market and not technology related.
CambridgeMed	0.00%	Unchanged. Still in the product approval process.
mPortal	0.00%	Unchanged. According to plan.
IPeria	0.00%	Unchanged. Gained good momentum with customers.
WStore	0.00%	Unchanged. Good growth, in line with comparables.
Public Companies		
Basilea Pharmaceutica	22.56 %	Went public in March 04 and is well funded. Stock is traded on SWX Swiss Exchange, symbol BSLN.
Priority Telecom	0.73 %	Insignificant positive change, company according to plan. The company is listed on Euronext Amsterdam, symbol PRIOR.
VantageMed	179.31 %	Recovering from a very low level. Stock is traded on the OTC Bulletin Board, symbol VMDC.
E-centives	–31.25 %	Decline on a low level. Stock is traded on SWX Swiss Exchange, symbol ECEN.

Investments in private companies have often certain rights such as performance based structures. These rights extinguish at the time of an initial public offering.

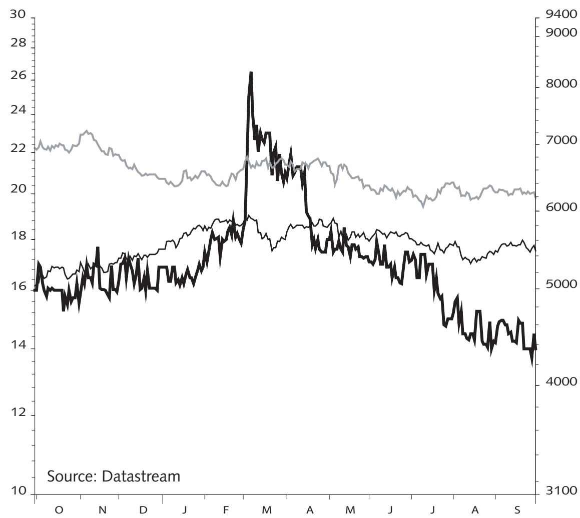
[1] Based on USD

IPO October 1997 – September 30, 2004 in CHF

Stock Price (CHF)
Net Asset Value (CHF)
Swiss Market Index (right hand scale)

Stock Price (CHF)
Net Asset Value (CHF)
Nasdaq Index (CHF) (right hand scale)

October 1, 2003 – September 30, 2004 in CHF

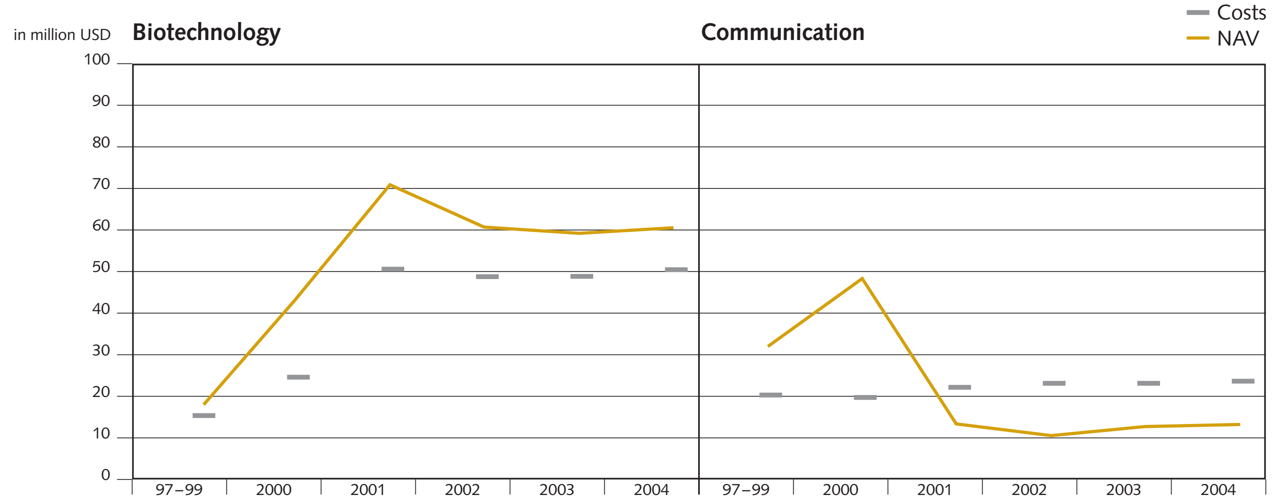


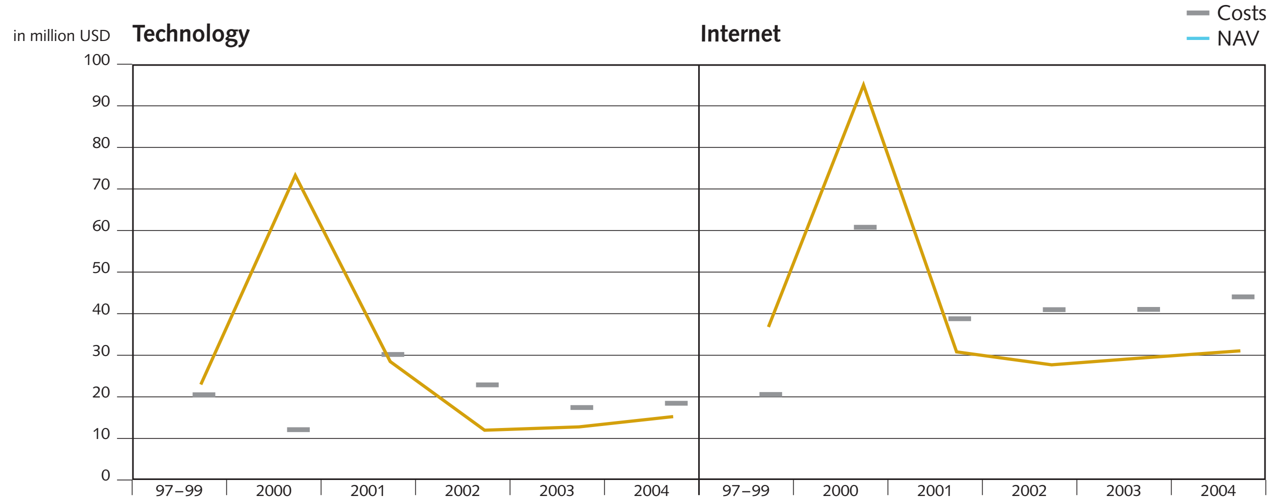
Stock Price (CHF)
Net Asset Value (CHF)
Swiss Market Index (right hand scale)

Stock Price (CHF)
Net Asset Value (CHF)
Nasdaq Index (CHF) (right hand scale)

Performance by Industry

Cost and Value (in million USD) from the date of investment through September 30, 2004



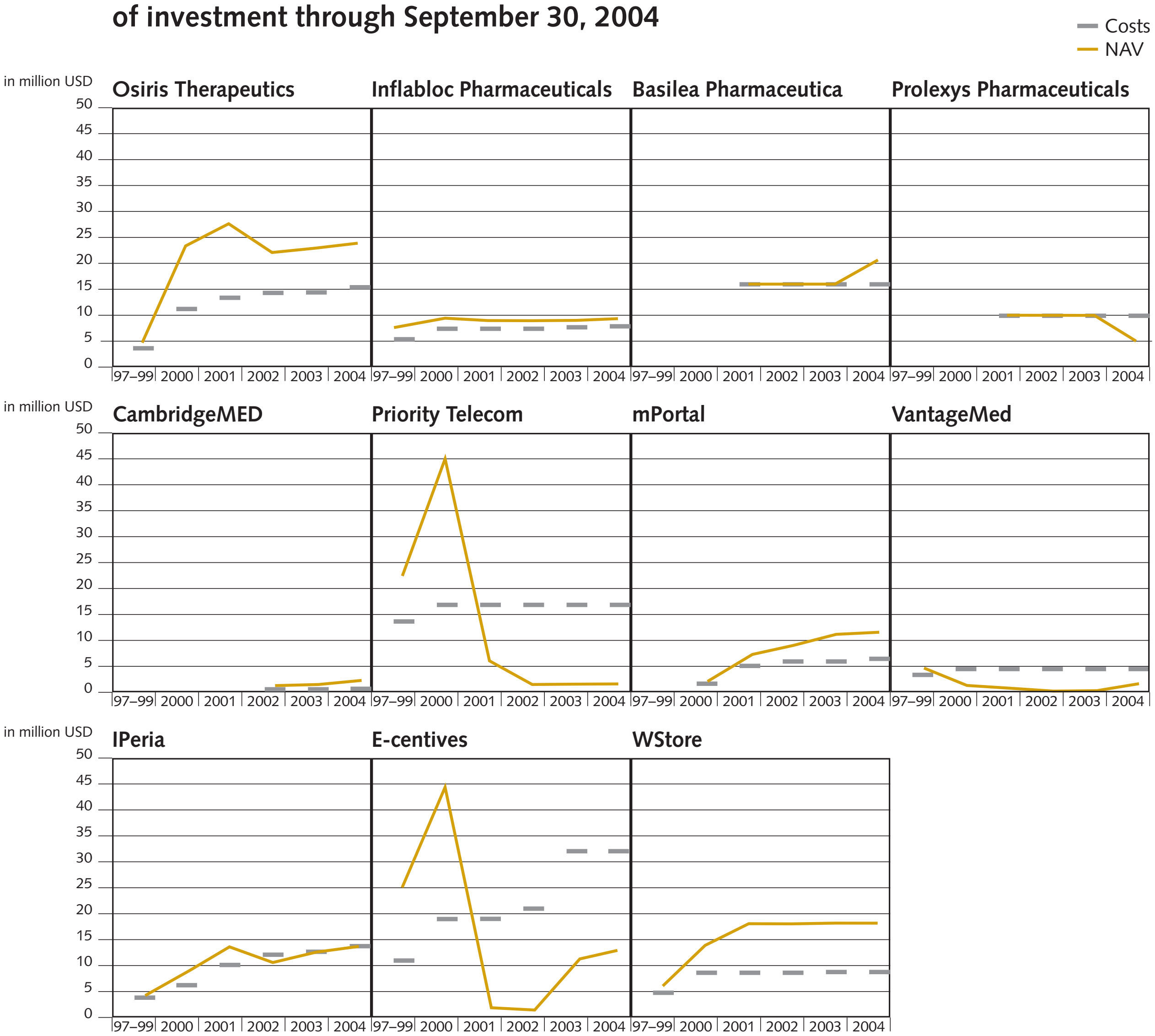


Performance by Industry in USD

Company	Invested capital	Unrealized gain / loss	Total est. value	% of total investments	Return p. a. %
Biotechnology	51,041,189	9,378,724	60,419,913	50.41	4.12
Communication	24,120,000	–10,968,913	13,151,087	10.97	–11.38
Technology	19,021,612	–3,817,198	15,204,414	12.69	–6.60
Internet	44,557,470	–13,486,889	31,070,581	25.93	–8.42

Performance by Company

Cost and Value (in million USD) from the date of investment through September 30, 2004

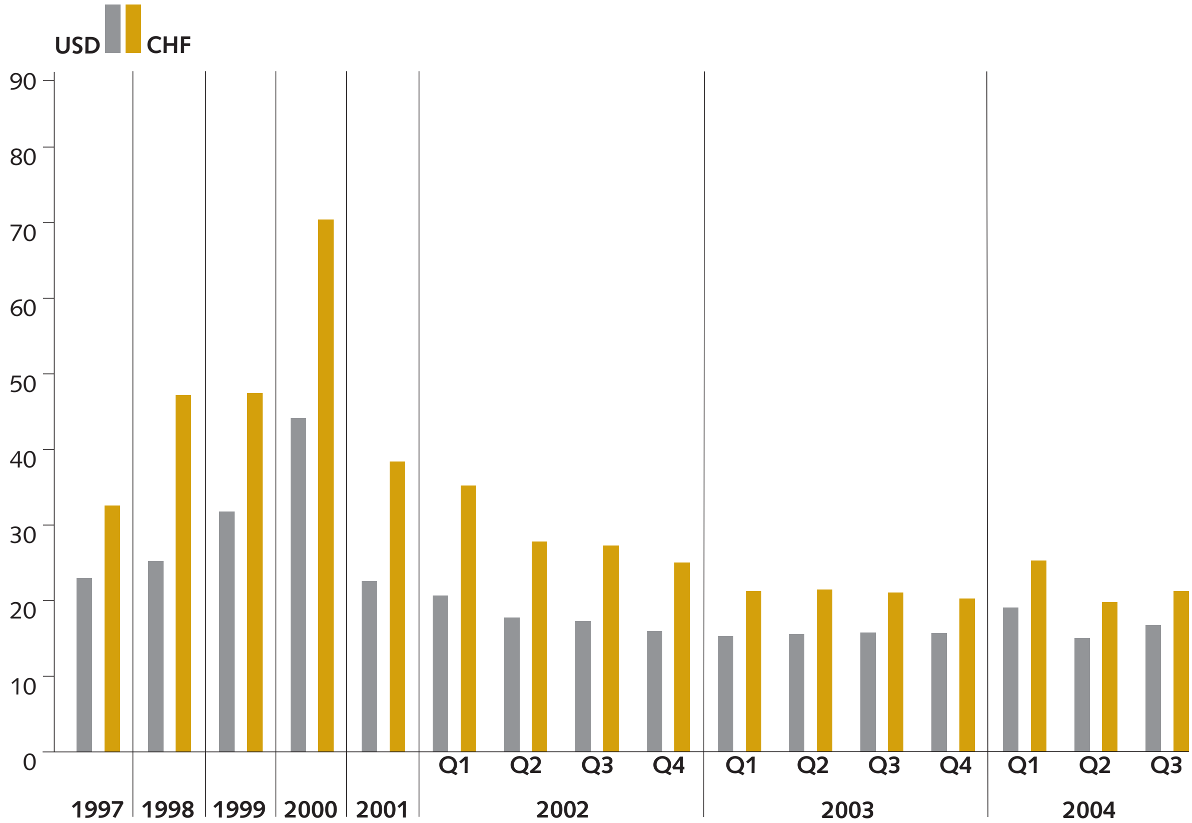


Performance by Company in USD

Company	Invested capital	Unrealized gain / loss	Total est. value	% of total investments	Return p. a. %
Osiris Therapeutics	15,794,223	8,125,217	23,919,440	20.11	9.37
Inflabloc Pharmaceuticals	8,339,107	1,000,000	9,339,107	7.85	2.33
Basilea Pharmaceutica	15,907,859	4,691,007	20,598,866	17.32	6.67
Prolexys Pharmaceuticals	10,000,000	–5,000,000	5,000,000	4.20	–18.36
CambridgeMed	1,000,000	562,500	1,562,500	1.31	25.40
Priority Telecom	17,250,000	–15,676,413	1,573,587	1.32	–33.92
mPortal	6,870,000	4,707,500	11,577,500	9.73	16.16
VantageMed	4,905,000	–4,228,091	676,908	0.57	–28.73
IPeria	14,116,612	–485,785	13,630,827	11.46	–0.95
E-centives	35,400,000	–22,491,889	12,908,111	10.58	–27.47
Wstore	9,157,470	9,005,000	18,162,470	15.27	12.80

Net Asset Value Performance

January 1, 1997 – September 30, 2004
in USD and CHF



Net asset value total return net

	CHF	Total return 30.09.2004	USD	Total return 30.09.2004
January 1997	28.94	–25.14 %	20.00	–13.14 %
Since IPO, Oct. 1997	33.00	–34.35 %	22.76	–23.67 %
Since capital increase February 1999	39.80	–45.57 %	27.54	–36.92 %
Year to Date	20.74	4.46 %	16.65	4.33 %
NAV as per September 30, 2004	21.66		17.37	

IRR Net, p.a.

	based on NAV CHF	based on NAV USD	based on market price CHF
Time Weighted Return net, p.a.			
January 1997	–3.67 %	–1.80 %	–8.95 %
Since IPO, Oct. 1997	–5.63 %	–3.58 %	–11.53 %
Since capital increase February 1999	–10.18 %	–7.82 %	–16.83 %
IRR net, p.a.	**CHF**	**USD**	**CHF**
January 1997	–7.23 %	–4.71 %	–13.39 %
Since IPO, Oct. 1997	–7.95 %	–5.32 %	–14.19 %
Since capital increase February 1999	–10.16 %	–7.18 %	–16.82 %

Investments
October 1, 2003 – September 30, 2004

Through capital increase

Company		Amount	Date
E-centives	USD	1,000,000	04.04
IPeria	USD	500,000	04.04
Inflabloc Pharmaceuticals	USD	502,632	04.04
mPortal	USD	500,000	05.04
E-centives	USD	1,000,000	06.04
CambridgeMed	USD	250,000	06.04
Osiris Therapeutics	USD	1,000,000	06.04
IPeria	USD	500,000	06.04
E-centives	USD	1,000,000	07.04

Disinvestments
October 1, 2003 – September 30, 2004

There were no disinvestments during the reporting period

Profits and Losses on Disinvestments
January 1, 1997 – September 30, 2004

Realized Profit	USD	14,014,943
Realized Loss	USD	11,002,871
Net Realized Profit	USD	3,012,072

Cost Table

The total amount of administrative expenses is CHF 271,063. Administrative expenses are defined as general and administrative expenses, taxes and bank charges.

The management fee is 1.5 % of the average Net Asset Value per quarter and up to 0.5 % for costs. The Board of Directors and the Investment Manager decided and agreed that no payment other then running costs shall be authorized to a third party and no claim shall be made without actually paying the accrued management fee. The total amount of expenses in relation to the average Net Asset Value for the reporting period equals 1.69 %. The actual running expenses p.a. are estimated to be approximately CHF 300,000.

There is no performance fee due as of September 30, 2004. A performance fee is only due on realized profits with a hurdle rate of 15 % p.a.

		CHF
Total administrative expenses		271,063
Management fee accrued		1,563,459
Management fee paid		0
Board of Directors:	Paid	7,500
	Accrued	7,500
Total % of average Net Asset Value 2004		**1.69 %**
Total % of average Net Asset Value 2003		1.83 %

Corporate Information

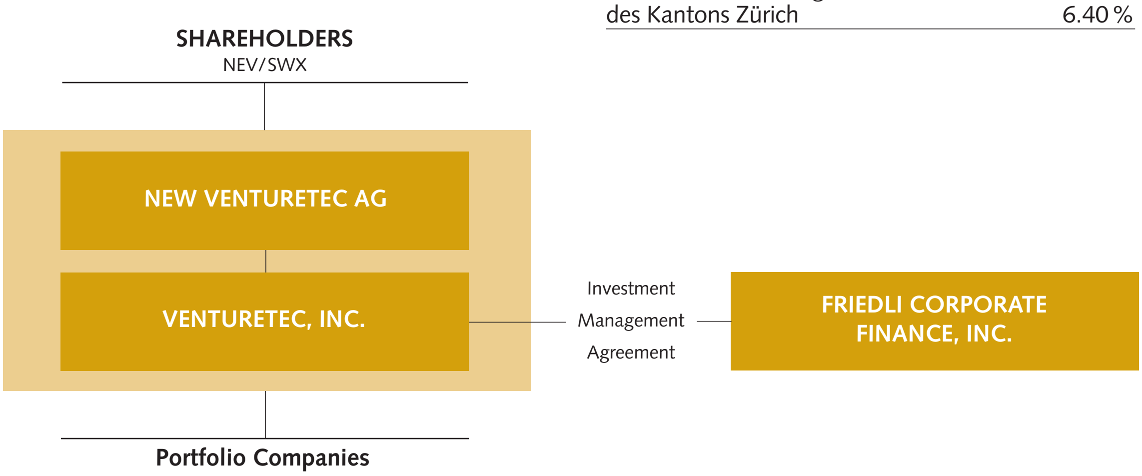
Corporate Governance

The following information completes this Annual Report with regard to Corporate Governance. New Venturetec is listed on the SWX Swiss Exchange, which requires certain disclosures on this subject. Additional information is mentioned in other parts of the report or on our webside www.newventuretec.com.

The Board of Directors of New Venturetec, which consists of three members including the Investment Manager, discusses periodically the investment holdings as well as general business issues relating to its shareholders and investment outlook. Concerning any business issue between the Investment Manager and New Venturetec, the Investment Manager abstains from voting. New Venturetec always has the opportunity to invest at the same terms the Investment Manager proposes and may conclude. The Investment Manager does not make any investment without presenting it to New Venturetec.

Group Structure and Shareholders

The group New Venturetec comprises of New Venturetec AG and its wholly owned subsidiary Venturetec, Inc.



New Venturetec
New Venturetec AG is a holding company established 1997 under Swiss law, domiciled in Zurich. The purpose of the Company is to make direct and indirect investments in Swiss and foreign companies, especially in high risk venture capital companies in the industries of Biotechnology, Communications, Technology and Internet. New Venturetec is listed on the SWX Swiss Exchange (NEV). As of September 30, 2004 the Company had a market capitalization of CHF 70,000,000.

Venturetec
Venturetec, Inc. is a fully owned subsidiary of New Venturetec, domiciled in Tortola, British Virgin Islands, incorporated on September 11, 1996 with a share capital of USD 20 million. Venturetec is performing the investment management activities of New Venturetec. Venturetec has delegated some advisory services to Friedli Corporate Finance, Inc., Belize.

Friedli Corporate Finance
Friedli Corporate Finance, Inc., Belize is providing management and advisory services to Venturetec, on a contractual basis.

Significant Shareholders
As of September 30, 2004 the following shareholders hold 5 % or more of the total outstanding shares as reported to New Venturetec:

Bâloise-Holding, Basel	7.00 %
Beamtenversicherungskasse des Kantons Zürich	6.40 %

Cross-shareholdings

The Board of Directors is not aware of any cross-shareholdings that exceed 5 % of the capital share-holdings or voting rights on both sides.

Capital Structure

The Paid-in Capital is CHF 62,500,000 consisting of 5,000,000 Bearer shares with a par value of CHF 12.50 each. The shares are fully paid in. There is no authorized or conditional capital outstanding. There was no change in the capital structure for the last three years.

No warrants, options, or convertible securities are outstanding. The outstanding loans are described in a separate paragraph.

Shares

Each share entitles the holder to one vote at the general assembly of the Company. There are no shares which carries preferential rights. Shareholders are entitled to the rights as set forth in the Swiss Code of Obligation.

Opting-up clause

According to Art. 6 of the Articles of Association of the Company, the threshold of the voting rights that triggers the obligation to make an offer for all listed equity securities of the Company listed on the stock exchange is 49 %.

Treasury Stocks

The Company does not own any of its shares.

Board of Directors

Peter Friedli, President, Swiss

Peter Friedli has been a principal of the investment banking firm Friedli Corporate Finance since 1986. Mr. Friedli has over 19 years of entrepreneurial experience as an independent investment manager in venture capital and has specialized in high-tech investments predominantly domiciled in the United States in the areas of biotechnology, communications, technology and internet. He has held interests in more than 165 venture companies ranging from start-up to pre-IPO. Peter Friedli possesses an active involvement in the management of a number of those companies and also serves on the board of them. Prior thereto, he worked in the filed of international management consulting for service and industrial companies in Europe and the United States.

Mr. Friedli is the sole shareholder and director of Friedli Corporate Finance.

Peter Friedli is a director of the following portfolio companies: Osiris Therapeutics, Inc., Inflabloc Pharmaceuticals, Inc., Basilea Pharmaceutica AG, Prolexys Pharmaceuticals, Inc., CambridgeMed, Inc., mPortal, Inc., VantageMed Corp, Iperia, Inc., E-centives, Inc., WStore Europe S.A.

Beat Wittmann, Vice President, Swiss

Beat Wittmann joined Clariden Bank in 1995 and is Member of the Executive Board of Management. He is responsible for the Investment Strategy and the Financial Products Business, which includes the development, management and distribution of a diversified range of fixed income, equity and alternative products.

Prior to joining Clariden Bank, Beat Wittmann was with UBS Asset Management for ten years. His initial tasks included investment research, fund management and product development. In the following business functions he set up UBS Asset Management in Luxembourg before being responsible for the institutional European equity business in Zurich. He graduated in economics from Basle University in 1985 (Lic. rer. pol.).

Mr. Wittmann is no, and has never been Member of the Management of New Venturetec.

Mr. Wittmann is Chairman of the Board of Aramus AG, a Swiss privately held investment company, investing in the global financial industry.

Andreas von Sprecher, Member and Secretary, Swiss
Andreas von Sprecher is a founding partner at the law firm Hüppi & von Sprecher. Prior to that Mr. von Sprecher worked as an attorney of law. He is involved in some entrepreneurial projects in the area of tourism and viniculture. Mr. von Sprecher graduated in Law at the University of Zurich and has been admitted to the bar of the Canton of Zurich in 1989.

Mr. von Sprecher is no, and has never been member of the management of New Venturetec

Mr. von Sprecher is Partner at Hüpp & von Sprecher. He is a member of the Board of Directors et al. of the Schweizerische Mobiliar Genossenschaft and SHV Interholding AG.

The members of the Board of Directors are elected for three years, the next election will be at the General Meeting of Shareholders in 2006.

Portfolio Company Influence
Peter Friedli represents as board member various investment companies and investors, including Venturetec, on the portfolio companies' board. Venturetec itself does not have management or strategic influence.

Management

Under a separate Investment Management Agreement, the Company appointed Friedli Corporate Finance, Inc., Belize, as Investment Manager with specific responsibilities with regards to the selection, purchase, sale, structure and disposal of the Group's investments. These tasks are carried out by Mr. Peter Friedli who at the same time is the President of the Board of Directors of New Venturetec and Venturetec and is also a member of the Board of Directors of certain investees. Mr. Friedli is the sole shareholder and Director of Friedli Corporate Finance.

Change of Investment Management
In case of a change of control or termination of the Investment Management Agreement with Friedli Corporate Finance by the shareholders, all loans and accrued management fees due to Friedli Corporate Finance are due to be settled in cash or shares within three business days from the date of termination.

Management Fees
According to the investment Management Agreement, management fees payable to the Investment Manager are calculated at 1.5 % per annum on the Group's net asset value as estimated by the Investment Manager. Another 0.5 % can be used for investor relation services and other external costs directly related to the investment management activities. Since March 31, 2001 no management fees have been paid to the Investment Manager, but rather accrued.

In addition, the management agreement provides for a performance fee equal to:
- 12 % of the percentage points exceeding 15 % of the compounded annual return to investors calculated on the basis of the net asset value, multiplied by the net amount of realized profit and loss; or
- 12 % of the net amount of realized profit and loss, if the compounded annual return to investors is 20 % or higher.

The performance fee is payable annually based on the audited financial statements, if the conditions are met, in the form of shares of the Company, cash, or a combination thereof at the discretion of the Investment Manager. 94 % of the performance fee is paid to the Investment Manager and 6 % to the members of the Board of Directors (excluding Mr. Friedli). No performance fee has been paid out since inception of the Company.

The management fee including any fee accrued since March 2001 will only be paid on realized values. If any of the investments is sold below the reported fair value, the management fee to be paid out will be adjusted based on the realized amounts.

Compensations, shareholdings and loans

The remuneration of the Board of Directors for the reporting period is as follows: CHF 7'500 in cash, CHF 7,500 accrued. Mr. Friedli is not remunerated for serving on the Board.

Related Party Transactions
Peter Friedli: holding per September 30, 2004: 102,981 shares. No trading during the reporting period.

Beat Wittmann: holding per September 30, 2004: 17,000 shares. No trading during the reporting period.

Andreas von Sprecher: holding per September 30, 2004: 2,000 shares. Bought 1,000 shares during the reporting period at CHF 18.00 per share.

Friedli Corporate Finance Inc. does not own and never has owned any shares of the Company.

No transactions occurred between the directors, former directors, the Investment Manager and New Venturetec other than those described in this report.

Loans and accrued management fee
New Venturetec has borrowed from other investment companies managed by the Investment Manager and Peter Friedli certain amounts for the purpose of making investments. The interest payable on the loans is accrued. The payment of the accrued interest and the redemption of the loans will be both through disinvestment proceeds. If no disinvestment proceeds are available to repay the loan, the maturity of the loan will be extended and interest is further accrued. As shown in the table, each loan is secured with the investments for which the loan proceeds were used. Therefore there is no risk, liability or costs for New Venturetec in connection with the loans. The loans were and still are offered at the same terms to New Venturetec shareholders.

Since the second quarter of 2001, the management fee has not been paid out to the Investment Manager but rather accrued. The management fee for the fiscal year 2003 / 04 is CHF 1,563,459 and the total management fees accrued as per September 30, 2004 are CHF 7,312,035. The accrued management fee has the nature of an interest free loan to New Venturetec as it carries no interest and is unsecured. The accrued management fee will be paid through disinvestment proceeds if and when they become available.

Date	Currency	Principal Amount	Interest Rate	Maturity Date	Secured with shares of
31.01.01	CHF	20,000,000	5.0 %	30.06.05	Basilea Pharmaceutica
17.04.01	USD	10,000,000	6.5 %	30.06.05	Prolexys Pharmaceuticals
27.02.02	USD	500,000	10 %	30.06.05	CambridgeMed
15.04.02	CHF	2,000,000	5.0 %	30.06.05	E-centives
Accrued management fees					
3.01 – 9.04	CHF	7,312,035	Interest free	open	unsecured

In October 2004, all loans payable to related parties were prolonged to June 30, 2007. The parties also agreed to the following additional terms:

– Prior to the distribution of any gains on disposal of the underlying investment, all principal amounts plus interest must be redeemed.
– The management fee of 1.5 % will be calculated on the principal amount since the initial borrowing date through the redemption before distributing any gains.
– Performance fee on any profit realized through the borrowed amount will be calculated as follows: 12 % of all profit that exceeds 100 % of the initial borrowed amount of CHF 22,000,000 and USD 10,500,000. Any performance fee shall be calculated as part of the overall performance fee, if any.

Bank loans

Bank loans are described in note 5 to the consolidated financial statements page 49.

Highest total compensation

The highest total compensation received by a member of the Board of Directors is CHF 15,000.

Auditors

KPMG Fides Peat AG, Zurich acts as independent statutory and group auditors of the Company and has been in this role since inception. Mr. Philipp Hallauer has been the leading auditor on their behalf since 2002. The auditors are elected for a period of one year by the general assembly. In the fiscal year 2003 / 2004 KPMG Fides Peat billed CHF 36,550 for auditing New Venturetec's consolidated and unconsolidated financial statements for the year ended September 30, 2004.

Risk Management

Most of the investees are in a development stage, disclosing accumulated deficits and little or no revenues. Their ability to continue as a going concern may depend on additional funding. These investments offer the opportunity of significant capital gains, but involve a high degree of business and financial risks that can result in substantial losses, including the risk of a total unrecoverability of an investment. New Venturetec's financial risk management objectives and policy are to minimize dilution by structuring the initial investment accordingly. Other protective measures such as liquidation preferences and involvement in the decision process are also part of the Company's policy. However, the operational risk remains. Furthermore, the Company does not hedge any foreign currencies or interest rate risk exposure.

Corporate Information

Market Making

New Venturetec does not make a market in its shares and does not own any of its shares and never has. The Company has no agreement with any market maker. There are no costs and no liability in connection with any market making activities. Several banks may act periodically as market makers on their own behalf.

Reporting and Information

Investor Meetings

New Venturetec issues audited annual and unaudited semi-annual consolidated financial statements prepared according to International Financial Reporting Standards (IFRS). The financial results are reported at the Ordinary Annual Shareholder Meeting in November / December each year and at the Semi-Annual Conference in May of each year. At both meetings, New Venturetec invites selected portfolio companies to present their company and business strategy.

Price Information

New Venturetec provides daily price information on its webpage. Additionally prices can be retrieved through electronic channels such as Telekurs (NEV), Reuters (NEV.S) and Bloomberg (NWV SW Equity).

Webpage

New Venturetec's webpage is www.newventuretec.com. The webpage contains comprehensive information about New Venturetec's investment approach and strategy, latest news and detailed information about the portfolio holdings, including the latest Net Asset Value Report (NAV). Additionally, investors may find information about the portfolio companies, including a description of the business activity and links to the webpages of the portfolio companies.

Email

New Venturetec sends information, reports and updates about its portfolio companies periodically to shareholders by email.

Prices and Volume

	2003/2004	2002/2003	2001/2002	2000/2001	1999/2000
High / Low Share price in CHF (SWX)	26.50 / 13.70	18.50 / 8.50	39.90 / 10.60	147.00 / 17.00	266.00 / 72.50
High / Low Net Asset Value in CHF	22.86 / 19.68	25.58 / 21.55	39.52 / 26.82	93.31 / 39.07	95.02 / 46.98
Closing share price (SWX) at the end of the period in CHF	14.00	16.00	11.30	30.00	141.00
Net Asset Value in CHF at the end of the period	21.66	22.13	24.91	39.53	91.82
Premium / Discount	–35.36 %	–28.06 %	–54.64 %	24.11 %	53.56 %
Average daily trading volume	4,384	3,454	2,217	4,679	13,847

Net Asset Value (NAV) and Market Price – Premium / Discount

The most common valuation guideline for investment companies is the NAV. The NAV is not an absolute value. It is an indicator based on guidelines.

How such guidelines are applied is a different story all together. It is the investment manager's duty and responsibility to use, apply and implement such generally accepted guidelines in a professional, ethical and consistent manner. Only then does the NAV represent a certain meaningful benchmark over time that gives investors the information they need. By no means does the NAV represent a "true" value.

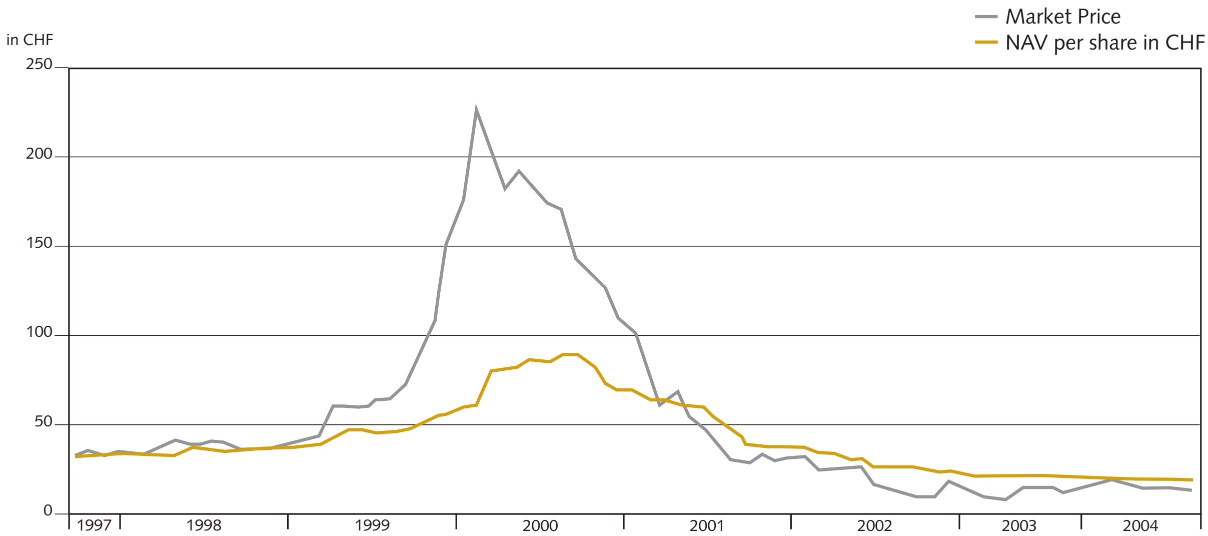
The market price is the price paid by the market participants. It is a market price determination by demand and supply. There are times when supply is higher than demand and vice versa. That simply doesn't correlate with the actual business performance of a company on a daily basis in any significant way. The reasons why somebody may decide to buy or sell is, in many cases, unrelated or only superficially related to the business performance.

This small short term correlation between the market price and the NAV results in a discount or a premium which are defined as the difference between the two prices. Since the IPO, New Venturetec had an average premium of 13.31 %, calculated on a monthly basis.

New Venturetec offers a participation in a portfolio of young companies, not a trading opportunity. New Venturetec is the wrong vehicle for traders. It is for investors who understand the true meaning of investing, the very old fashioned and traditional way.

The capital market is not efficient in the short term or on a daily basis. Long term the NAV and the market price will converse. The assets are what they are, so is the value. At times of redemption or dissolution there is only one value. Investing in venture capital is a long-term commitment.

Premium and Discount since the IPO



Highest premium: 267 % in February 2000
Highest discount: –60 % in March 2003
Average: 13.31 %

Risk of Venture Capital Investments

As briefly outlined earlier, New Venturetec offers the opportunity for significant capital gains. In order for the Company to be successful in investing in start-up and emerging companies, it must identify potentially profitable enterprises at an early stage in their development, a process which is very difficult even for people with considerable experience in the venture capital field. Furthermore, the Company is competing for investment opportunities with a number of other venture capital firms. The Company may also invest in businesses which are not start-up or emerging companies, but which are for various reasons seeking to raise additional capital without making a public offering of securities. These reasons can include adverse conditions in the public securities markets, or a record of earnings and/or growth, which is less than adequate for a successful public offering of securities.

Lack of Liquidity of Investments

Investments will usually consist of securities that are subject to restrictions on resale, as they are acquired from companies in private placement transactions. Neither the Company, nor any investors, to whom the Company distributes restricted securities, will be able to sell such restricted securities to the public unless the sale is registered under applicable Federal and State securities laws, or unless an exemption from such registration is available. In connection with any particular portfolio investment, the Company may negotiate for rights to require registration under the Act. No assurance can be given, however, that the Company will be successful in such negotiations or that registration will provide adequate means of liquidating such investment.

Management, Technological Risks

The quality of the management of venture companies included in the portfolio of the Company is crucial for the success of the investments of the company. Although the Investment Manager will use his expertise and experience in assessing the quality of the management, the Company has to fully rely on the management of the companies contained in the company's investment portfolio.

Furthermore, no assurance can be given that the management will be successful in handling the technological risks, which are inherent in projects of start-up companies. Research might not lead to satisfactory results and technological improvements or changes by competitors might endanger the successful launch of a product or service.

Currency Risks

The accounts of the Company's subsidiary are maintained in US Dollars and the Net Asset Value per share is also published in US Dollars. The Company's investments are usually made in US Dollars. Any investment in other currencies than the US Dollar might lead to positive or negative impacts on the Company's performance in its annual financial statements, including its income statement. The Company's consolidated financial statements are presented in Swiss francs. The fluctuation of foreign currencies, including the US Dollar, could substantially impact the Net Asset Value per share.

Since the Company's shares are listed in Swiss francs, fluctuation in exchange rates between the Swiss franc and the US Dollar could also materially impact the price of the Company's shares. Nevertheless, the Company does not hedge against these currency risks.

Political, Regulatory Risks

The value of the Company's assets may be affected by uncertainties such as international political developments, transfer risks, changes in government policies, taxation, restriction on foreign investment and other developments in the laws and regulations of the countries in which the Company's assets are invested. This is especially the case in the Biotechnology and Communications sectors, where successful launches of products are dependent on government approval (such as FDA for Biotechnology and FCC for Telecommunications firms).

Market Risks

The markets and individual investment vehicles in which the Company will primarily invest may prove to be highly volatile from time to time as a result of market specific risk. This may be, for example, due to a sudden change in underlying economic factors as well as changes in government policies on taxation or changes in legislation relating to the level of foreign ownership in companies.

The Company's Share Price

Considerable price fluctuations in the shares may arise due to the general position of the investment sector, the economy as a whole and the financial markets. Such price fluctuations could have a positive and negative effect on the share price regardless of the Company's financial condition and results of operations.

Patent Risks and Proprietary Rights

The success of the investments will depend largely on the ability to obtain patents on products, to protect trade secrets and to operate without infringing the proprietary rights of others.

Legal standards regarding the scope of claims and the validity of patents, e. g. in the biotechnology market, are uncertain and evolving. There can be no assurance that the underlying firms' patents will provide them with significant competitive advantages, or that challenges will not be instituted against the validity or enforceability of any patent owned by the firms. The cost of litigation to uphold the validity and prevent infringement of a patent is substantial.

Financial Reporting

The accounting, auditing, financial and disclosure requirements and reporting standards of the Company, on a consolidated basis, are those defined in the International Standards of the International Accounting Standards Board. The NAV is based on estimates of the Investment Manager. Investors should recognize that the bi-weekly calculation is based on indicative values and may therefore contain only limited information on the real value of the net assets of the Company. The difficulties involved in calculating the Net Asset Value are discussed further on page 22.

Reliance on the Investment Manager

The Company is relying on Friedli Corporate Finance (represented by Peter Friedli), being mandated as the Investment Manager, and its ability to evaluate investment opportunities and to further develop the Company's investments. All investment decisions for the Company as well as the Net Asset Value computation are taken unilaterally by the Investment Manager. The Board of Directors is responsible for ensuring that the Investment Manager follows the Investment Policy set by the Company. However, it should be realized that Peter Friedli is the key person for both the Investment Manager and the Board of Directors and that between him and the company conflicts of interest may arise.

KPMG

Report of the Group Auditors to the General Meeting of New Venturetec Ltd., Zurich

As group auditors, we have audited the consolidated financial statements (balance sheet, income statement, statement of changes in equity, cash flow statement and notes) of New Venturetec Ltd. and subsidiary ("the Group") for the year ended September 30, 2004.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Auditing (ISA), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law and the accounting principles of the Additional Rules for the Listing of Investment Companies issued by the Swiss Exchange.

We recommend that the consolidated financial statements submitted to you be approved.

Without qualifying our opinion we draw attention to Notes 4b and 6 to the consolidated financial statements, describing the Group's venture capital investments and notes receivable. Investments amounting to CHF 148,472,712 (94.5 % of consolidated assets) as of September 30, 2004, and amounting to CHF 150,229,770 (95.1 % of consolidated assets) as of September 30, 2003, have been valued at fair values as determined by the Investment Manager and approved by the Board of Directors. We have reviewed the procedures applied in valuing such investments and have inspected underlying documentation; while in the circumstances the procedures appear to be reasonable and the documentation appropriate, determination of fair values involves subjective judgment which is not susceptible to independent verification procedures.

KPMG Fides Peat

Hans Moser	Philipp Hallauer
Swiss Certified Accountant	*Swiss Certified Accountant*
	Auditor in charge

Zurich, October 25, 2004

Consolidated Balance Sheet

	Note	September 30, 2004 CHF	September 30, 2003 CHF
Assets			
Current assets			
Cash and cash equivalents	5	850,995	162,818
Deferred expenses and accrued income		0	58
		850,995	**162,876**
Non-current assets			
Venture capital investments	6	143,041,522	150,229,770
Venture capital notes receivable	6	5,431,190	0
Accounts receivable	11	7,722,937	7,581,924
		156,195,649	**157,811,694**
		157,046,644	**157,974,570**
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable		25,000	0
Accrued expenses	9	7,579,138	6,340,047
Bank loan payable	5	8,729,700	0
		16,333,838	**6,340,047**
Non-current liabilities			
Deferred tax liabilities	8/10	145,824	123,164
Loans payable to related parties	12.3	32,245,757	40,852,912
		32,391,581	**40,976,076**
Shareholders' equity			
Share capital	7	62,500,000	62,500,000
Additional paid-in capital	7	73,400,000	73,400,000
Revaluation reserve	8	29,019,136	24,509,654
Cumulative translation adjustment		(3,690,636)	241,834
Accumulated deficits		(52,907,275)	(49,993,041)
		108,321,225	**110,658,447**
		157,046,644	**157,974,570**
Number of shares outstanding		5,000,000	5,000,000
Net asset value per share	**7**	**21.66**	**22.13**
Adjusted net asset value per share	**7**	**19.99**	**22.13**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Income Statement

	Note	Year ended September 30, 2004 CHF	Year ended September 30, 2003 CHF
Income			
Interest income		697,769	1,556,910
Realized gains on investments	6.4	0	714,622
Unrealized gains on investments	6.4	568,050	6,386,705
Unrealized gains on loans payable to related parties	11	8,830,774	0
Other income		188,202	0
		10,284,795	**8,658,237**
Expenses			
Realized losses on investments	6.4	0	(2,747,019)
Impairment losses on investments	6.4	(8,332,102)	0
Valuation adjustment on accounts receivable	11	0	(554,400)
Management fees	9	(1,563,459)	(1,829,695)
Interest on loans payable to related parties	12.3	(1,951,051)	(2,104,364)
Interest on bank loan payable		(115,636)	0
General and administrative expenses		(252,371)	(309,881)
Bank charges		(18,692)	(582)
Net exchange losses		(965,718)	(6,236,074)
Other finance charges	11	0	(1,197,992)
		(13,199,029)	**(14,980,007)**
Loss before income taxes		**(2,914,234)**	**(6,321,770)**
Income taxes	10	0	0
Net loss		**(2,914,234)**	**(6,321,770)**
Weighted average number of shares outstanding during the year		5,000,000	5,000,000
Basic and diluted loss per share		**(0.58)**	**(1.26)**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity for the Years Ended September 30, 2003 and 2004

	Share capital CHF (note 7)	Additional paid-in capital CHF (note 7)	Revaluation reserve CHF (note 8)	Cumulative translation adjustment * CHF	Accumulated deficits CHF	Total shareholders' equity CHF
Balance as of 30.9.2002	**62,500,000**	**73,400,000**	**22,841,872**	**9,455,740**	**(43,671,271)**	**124,526,341**
Net loss	**0**	**0**	**0**	**0**	**(6,321,770)**	**(6,321,770)**
Revaluation of investments	0	0	4,340,097	0	0	4,340,097
Deferred taxes on revaluation	0	0	(21,700)	0	0	(21,700)
Translation adjustment	0	0	(2,650,615)	(9,213,906)		(11,864,521)
Other comprehensive loss	**0**	**0**	**1,667,782**	**(9,213,906)**	**0**	**(7,546,124)**
Total comprehensive loss	**0**	**0**	**1,667,782**	**(9,213,906)**	**(6,321,770)**	**(13,867,894)**
Balance as of 30.9.2003	**62,500,000**	**73,400,000**	**24,509,654**	**241,834**	**(49,993,041)**	**110,658,447**
Net loss	**0**	**0**	**0**	**0**	**(2,914,234)**	**(2,914,234)**
Revaluation of investments	0	0	5,974,937	0	0	5,974,937
Deferred taxes on revaluation	0	0	(29,875)	0	0	(29,875)
Translation adjustment	0	0	(1,435,580)	(3,932,470)	0	(5,368,050)
Other comprehensive income	**0**	**0**	**4,509,482**	**(3,932,470)**	**0**	**577,012**
Total comprehensive loss	**0**	**0**	**4,509,482**	**(3,932,470)**	**(2,914,234)**	**(2,337,222)**
Balance as of 30.9.2004	**62,500,000**	**73,400,000**	**29,019,136**	**(3,690,636)**	**(52,907,275)**	**108,321,225**

	2004 CHF	2003 CHF
Weighted average number of shares outstanding during the year	5,000,000	5,000,000
Basic and diluted comprehensive loss per share	**(0.47)**	**(2.77)**

* on net assets of Venturetec, Inc., before revaluation of investments

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

	Note	Year ended September 30, 2004 CHF	Year ended September 30, 2003 CHF
Net loss		(2,914,234)	(6,321,770)
Adjustments for income and expenses not involving the movement of funds:			
Realized losses on investments	6.4	0	2,747,019
Impairment losses on investments	6.4	8,332,102	0
Unrealized exchange losses		965,718	6,236,074
Valuation adjustment and other finance charges on accounts receivable	11	0	1,752,392
Interest on loans payable to related and third parties	12.3	1,956,075	2,104,364
Realized gains on investments	6.4	0	(714,622)
Unrealized gains on investments	6.4	(568,050)	(6,386,705)
Unrealized gains on loans payable to related parties	11	(8,830,774)	0
Interest accrued on accounts and notes receivable	11	(697,693)	(1,556,139)
Other non-cash income		(106,495)	0
Changes in accrued expenses and accounts payable		1,613,941	1,857,516
Cash used in operating activities		**(249,410)**	**(281,871)**
Purchase of investments and notes receivable	6.4	(7,963,997)	(956,676)
Proceeds from disposal of investments		0	900,900
Cash used in investing activities		**(7,963,997)**	**(55,776)**
Proceeds from bank loan	12.3	8,915,900	0
Cash provided by financing activities		**8,915,900**	**0**
Exchange effect on cash and cash equivalents		(14,316)	(37,978)
Net change in cash and cash equivalents	11	**688,177**	**(375,625)**
Cash and cash equivalents at beginning of year	5	162,818	538,443
Cash and cash equivalents at end of year	5	850,995	162,818

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements for the Year Ended September 30, 2004

Basis of the Consolidated Financial Statements

1 Principal activities

New Venturetec Ltd., Zurich ("the Company") was formed on July 16, 1997 and incorporated on August 8, 1997 for the purpose of direct and indirect investments in Swiss and foreign companies, especially in high risk venture capital companies in the industries of Biotechnology, Communications, Technology and Internet.

2 Basis of presentation

The Group represents the Company and its wholly-owned subsidiary Venturetec, Inc., Tortola, British Virgin Islands, incorporated on September 11, 1996 with a share capital of USD 20 million. As of September 30, 2004, the Company's venture capital investments are held via this subsidiary.

The Group's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law and the accounting principles of the Additional Rules for the Listing of Investment Companies issued by the Swiss Exchange.

The same accounting policies and methods have been applied as those relating to the annual audit report for the year ended September 30, 2003.

3 Performance reporting

Unrealized gains and losses arising from the revaluation of investments (other than options and similar rights) are recognized directly in equity (revaluation reserve), except for unrealized losses which do not reverse a previous revaluation and are recognized as impairment losses in the income statement. Comprehensive income as presented in the statement of changes in equity reflects the overall performance of the Group, including all revaluation gains and losses on investments, translation adjustments and net profit / (loss) for the period.

4 Summary of significant accounting policies

a) Principles of consolidation

The consolidated financial statements include the Company and its subsidiary as mentioned above. All intercompany transactions and balances have been eliminated.

b) Valuation of venture capital investments and notes receivable

The Group's investments primarily relate to U.S. venture capital companies.

Investments are stated at fair value on an item by item basis, as determined by the Investment Manager and approved by the Board of Directors. Fair value is defined as the estimated amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Options and similar rights attached to the investments are also considered in determining fair value. Since the structure of the investees' capital is subject to immediate changes and events that may dilute the percentage held by the Group, the investees are not considered to qualify as associated companies in accordance with IAS 28 even if the Group's share of capital temporarily exceeds 20 % at balance sheet date. Furthermore, the extent of the Investment Manager's influence on the investees and the Group's voting rights do not necessarily correlate to the percentage held by the Group. As a consequence, measuring such investments at fair value is considered more appropriate than applying the equity method of accounting.

Notes to the Consolidated Financial Statements for the Year Ended September 30, 2004

4 Summary of significant accounting policies (continued)

b) Valuation of venture capital investments and notes receivable (continued)
Notes receivable are carried at amortized cost less any valuation allowance deemed necessary.

Unrealized revaluation gains on investments (excluding options and similar rights) are dealt with in the consolidated statement of changes in equity. Unrealized losses due to a decline in the fair value of an investment are dealt with in the consolidated statement of changes in equity to the extent that they reverse previous revaluation gains in respect of the same investment. Any additional unrealized losses are recognized in the income statement as an impairment loss. As for options and similar rights, any changes in fair value are recognized in the income statement.

When an investment is sold at a price equal to or higher than its carrying amount, the related revaluation reserve is recognized in the income statement as a “realized gain on investment”. Since both the decrease in revaluation reserve and the recognition of a gain on disposal of investments are components of comprehensive income, this entry increases net profit but does not have any effect on comprehensive income. Any additional gain on sale arising from the difference between the sales price and the carrying amount of the investment is recognized in the same line item of the income statement and has the effect of increasing net profit and thereby, also increasing comprehensive income.

The basis for valuation is the following:

Valuation of investments in public companies:
The closing bid price on the reporting date as reported by the exchange where the shares are quoted and traded is used as fair value, notwithstanding the following:

- Such investments may be subject to lock-up agreements during a certain period.
- The reliability of the fair value depends on whether one or more buyers would be willing to acquire the entire share held in the investee at the publicly listed price.

Valuation of investments in private companies:
The original cost or the price of any subsequent capital increase is considered as an approximation of fair value at the time of transaction. The following factors determine the price paid for an investment:

- Start-up capital: Technology assessment, negotiations with management, industry comparables, or competitors’ bids.
- Capital increase: Re-evaluation of the original technology assessment, negotiations with management, industry comparables, competitors’ bids, or achievement of milestones and business plan guidelines. The investment valuation may include a reduction of 10–20 % from the price of the capital increase if considered necessary based on the valuation factors listed below.

4 Summary of significant accounting policies (continued)

b) Valuation of venture capital investments and notes receivable (continued)
Subsequent measurement is taking into account the following aspects:

- An unrealized gain is recognized in the revaluation reserve when a significant event occurs, such as the issuing of a patent, corporate partnering / private placement, achievement of a milestone (e.g., in research and development) or an increased profitability.
- If performance subsequent to the acquisition is significantly below the business plan, or if any other circumstances exist that indicate a decrease of the recoverable amount of an investment below its carrying amount, the recoverable amount is determined based on the revised outlook and write-offs are recognized accordingly.

Valuation factors are:
- nature of the business and history of the investee, and related risks
- economic and industry outlook, and related risks
- financial condition and earnings capacity of the investee, and related risks
- incremental value of goodwill and other intangible assets
- sale of shares and the volume of shares to be valued
- market price of shares of public enterprises engaged in the same or a similar business
- fair value of the investee as a whole, taking into account:
- cost based considerations: replacement values of the underlying net assets on both a going concern and a liquidation basis, etc.
- earnings-based considerations: discounted earnings, price earnings ratios, multiples, etc.
- market-based considerations: market values of shares, adjusted market value, etc.

The investments are subject to a revaluation by the Investment Manager whenever the Company's net asset value is published. No independent external valuations are conducted for investments in private companies. There are inherent difficulties in determining the fair value of such investments and, as a consequence, the net asset value of the Company.

c) Accounts receivable
Accounts receivable relate to the sale of investments. Where an investment is sold and the settlement is deferred beyond normal credit terms, the proceeds recognized on the disposal are the present value of the anticipated future cash flows. A market related discount rate is used to discount the anticipated future cash flows. In subsequent periods interest is recognized on the receivable at a market related rate using the effective interest rate method.

d) Loans payable
Interest-bearing borrowings are recognized initially at cost, less any attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings using the effective interest rate method.

Notes to the Consolidated Financial Statements for the Year Ended September 30, 2004

4 Summary of significant accounting policies (continued)

e) Cash and cash equivalents

Cash and cash equivalents include cash at banks and fixed term deposits with original maturity dates of three months or less. They are stated at their nominal amount.

f) Foreign currency translation

The Group's measurement currencies are the Swiss franc (parent company) and the United States dollar (subsidiary). The consolidated financial statements are presented in Swiss francs.

Transactions and balances:

Transactions in foreign currencies are recorded using exchange rates in effect at the time of the transaction. Gains or losses arising on settlement of these transactions are included in income of the respective reporting period. Monetary assets and liabilities denominated in foreign currencies are translated using exchange rates prevailing at the balance sheet date. Any gains and losses arising from this translation are recorded in income of the respective reporting period.

Financial statements of the foreign subsidiary:

All assets and liabilities of the Company's wholly-owned subsidiary denominated in USD are translated using the exchange rate prevailing at the balance sheet date. Income, expenses, cash flows and movements of the cost and revaluation of investments are translated using the average exchange rate of the reporting period. The exchange differences on translating balance sheets and income statements are debited or credited directly to equity as translation adjustments. Exchange differences on translating cash flows are separately disclosed in the cash flow statement as exchange effect on cash and cash equivalents.

The following exchange rates were applied:

	rate at balance sheet date		**average rate for the year ended**	
	30.09.04	**30.09.03**	**30.09.04**	**30.09.03**
1 USD to CHF	1.2471	1.3176	1.2737	1.3860

g) Income taxes

New Venturetec Ltd. has the status of a holding company and as such, benefits from the participation exemption at federal level and from the complete exemption at cantonal and communal level. The theoretical maximum applicable income tax rate is 8.5 %. Venturetec, Inc. is not subject to any income taxes.

Current income taxes are, to the extent unpaid, provided for at the enacted tax rate based on current and past earnings of New Venturetec Ltd.

Deferred income taxes are recognized at the expected applicable tax rates on any temporary differences, both taxable and deductible, between the carrying amount and the tax base of assets and liabilities, including the taxable temporary differences of the subsidiary since they might result in dividend income of New Venturetec Ltd. In measuring the deferred tax assets or liabilities, the manner in which the enterprise expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities is taken into account.

Notes to the Consolidated Balance Sheet

5 Cash and cash equivalents

	2004 CHF	2003 CHF
Cash at banks	850,995	162,818
Cash and cash equivalents	**850,995**	**162,818**
Cash and cash equivalents	**8,729,700**	**0**

On April 19, 2004 Venturetec, Inc. signed a bank loan agreement in the amount of USD 7,000,000 which will be due on April 19, 2005 and bears interest at one month libor + margin (2.65 % as of the date of the agreement). Cash in the amount of CHF 815,459 and investments in the amount of CHF 25.7 million are deposited to secure this loan. It is the Company's intention to rollover this loan on an annual basis.

6 Venture capital investments and notes receivable

6.1 Summary

	2004 CHF	2003 CHF
Venture capital investments at cost	168,307,876	169,144,479
Devaluation of venture capital investments	(30,248,518)	(29,725,617)
Warrants on venture capital investments at fair value	4,982,164	10,810,908
Total investments at fair value	**143,041,522**	**150,229,770**
Venture capital notes receivable at cost	5,431,190	0
Total investments and notes receivable	**148,472,712**	**150,229,770**

As of September 30, 2004, the Group's venture capital investments in early stage companies are primarily in the form of common or preferred shares except for warrants granted in connection with two venture capital investments in the amount of CHF 5.0 million (30.9.2003: warrants of CHF 10.8 million on three investments).

The Group's venture capital notes receivable form part of the investments in Osiris Therapeutics (one note in the amount of USD 1.0 million at 10 % interest, repayable within 10 days on demand of New Venturetec), CambridgeMed (one note in the amount of USD 0.25 million) and E-centives (three notes of USD 1 million each at 8 % interest, maturity April 28, 2007, June 2, 2007 and July 6, 2007 respectively).

Financial risk management:

Most of the investees are in a development stage, disclosing accumulated deficits and little or no revenues. Their ability to continue as a going concern may depend on additional funding. These investments offer the opportunity of significant capital gains, but involve a high degree of business and financial risks that can result in substantial losses, including the risk of a total unrecoverability of an investment. New Venturetec's financial risk management objectives and policy are to minimize dilution by structuring the initial investment accordingly. Other protective measures such as liquidation preferences and involvement in the decision process are also part of the Company's policy. However, the operational risk remains. Furthermore, the Company does not hedge any foreign currency or interest rate risk exposure.

Notes to the Consolidated Financial Statements for the Year Ended September 30, 2004

6 Venture capital investments and notes receivable (continued)

6.2 List of investments

	Approximate paid-in capital[1]		Approximate percentage held[1]	
	Sept. 30, 2004 USD million	Sept. 30, 2003 USD million	Sept. 30, 2004 %	Sept. 30, 2003 %
Biotechnology				
Osiris Therapeutics [2]	109.1	103.6	15	11
Inflabloc Pharmaceuticals [3]	39.3	37.3	18	17
Basilea Pharmaceutica [4/5]	340.8	172.1	6	8
Prolexys Pharmaceuticals [5]	166.8	166.8	4	5
CambridgeMed [5]	2.8	2.8	7	8
Communications				
Priority Telecom	1,211.0	1,211.0	1	1
mPortal	11.6	9.8	30	35
Technology				
VantageMed	72.6	72.6	8	8
IPeria	44.6	35.8	35	40
Internet				
E-centives [5]	126.1	123.8	20	20
Wstore	11.7	11.6	24	28

1 Paid-in capital includes common and preferred share capital and any additional paid-in capital, as of the date of the most recent financial statements. The numbers may represent the structure of a typical early stage company. There may be immediate changes, events which will change the structure and dilute the percentage and voting rights held in the companies. There is no relationship between changes of such numbers and the value of the investment. No assurance can be given that any development will be in favor of the investment value.

2 MSC Regenos, Zurich, the former parent company of Osiris Therapeutics, was liquidated based on an extraordinary shareholders' meeting on September 29, 2003. Its investment in Osiris Therapeutics was distributed to the shareholders.

3 Fomerly Pharmadigm

4 Basilea Pharmaceutica is a public company formed in October 2000 as a spin-off of F. Hoffmann-La Roche. Its purpose is to discover and develop innovative drugs in the areas of infectious diseases and dermatology. The company is domiciled in Basel, Switzerland.

5 The investment serves as security for loans payable to related parties. See also note 12.3.

6 Venture capital investments and notes receivable (continued)

6.3 Movements of cost and revaluation, prior year

	Cost 1.10.02 CHF	Additions CHF	Disposals CHF	Transl. adjust. CHF	Cost 30.09.03 CHF	Fair value 30.09.03 CHF
Biotechnology						
MSC Regenos	21,773,139	45,423	0	(2,325,694)	19,492,868	30,198,654 [1]
Pharmadigm	11,558,800	0	0	(1,233,461)	10,325,339	11,844,353 [1]
Basilea Pharmaceutica	23,464,093	0	0	(2,503,897)	20,960,196	20,960,196
Prolexys Pharmaceuticals	14,750,000	0	0	(1,574,000)	13,176,000	13,176,000
CambridgeMed	1,106,250		0	(118,050)	988,200	1,729,350
Communications						
Priority Telecom	25,443,750	0	0	(2,715,150)	22,728,600	2,058,305
mPortal	9,395,750		0	(1,002,638)	8,393,112	14,595,714
Technology						
VantageMed	7,234,875	0	0	(772,047)	6,462,828	319,321
Careside	10,388,235	0	(9,761,420) [2]	(626,815)	0	0
IPeria	18,412,425	762,300	0	(2,002,444)	17,172,281	16,532,210
Internet						
E-centives	31,565,000	9,659,221 [3]	0	(3,845,048)	37,379,173	14,884,797 [1]
Wstore	13,348,750	148,953	0	(1,431,821)	12,065,882	23,930,870
ConsumerREVIEW	16,225,000	971,740	(16,217,740) [3]	(979,000)	0	0
Total	**204,666,067**	**11,587,637**	**(25,979,160)**	**(21,130,065)**	**169,144,479**	**150,229,770**

[1] These investments include warrants in the total amount of CHF 10.8 million (cost = nil)
[2] Sold with a gain of CHF 0.7 million, resulting in an account receivable of CHF 1.3 million (less a valuation allowance of CHF 0.6 million) and cash of CHF 0.9 million.
[3] New Venturetec sold its investment in ConsumerREVIEW (including accumulated interest on the note receivable presented as an addition) to E-centives and in return received E-centives shares with a value of CHF 9.7 million. In addition to the devaluation of the investment in ConsumerREVIEW as of 30.9.2003, this sale resulted in a loss of CHF 2.7 million. No cash flow was generated out of this transaction.

Notes to the Consolidated Financial Statements for the Year Ended September 30, 2004

6 Venture capital investments and notes receivable (continued)

6.3 Movements of cost and revaluation, prior year (continued)

	Revaluation 1.10.02 CHF	Unrealized gains CHF	(Un-) realized losses CHF	Decreases due to disposals CHF	Transl. adjust. CHF	Revaluation 30.09.03 CHF
Biotechnology						
MSC Regenos	5,370,230	1,080,225 [1]	0	0	(626,377)	5,824,078
Pharmadigm	(4,937,025)	0	0	0	526,839	(4,410,186)
Basilea Pharmaceutica	0	0	0	0	0	0
Prolexys Pharmaceuticals	0	0	0	0	0	0
CambridgeMed	442,500	363,825 [2/4]	0	0	(65,175)	741,150
Communications						
Priority Telecom	(23,261,289)	114,383 [3]	0	0	2,476,611	(20,670,295)
mPortal	3,861,550	2,896,047 [4]	0	0	(554,995)	6,202,602
Technology						
VantageMed	(7,012,999)	127,409 [3]	0	0	742,083	(6,143,507)
Careside	(8,714,997)	0	0	8,189,141 [5]	525,856	0
IPeria	(2,865,925)	2,019,700 [2]	0	0	206,154	(640,071)
Internet						
E-centives	(29,571,653)	4,125,213 [3]	0	0	2,952,064	(22,494,376)
Wstore	13,282,375	0	0		(1,417,387)	11,864,988
ConsumerREVIEW	(4,056,250)	0	0	3,811,500 [6]	244,750	0
Revaluation of investments	**(57,463,483)**	**10,726,802** [7]	**0**	**12,000,641**	**5,010,423**	**(29,725,617)**
Revaluation of warrants	**12,102,375**	**0**	**0**	**0**	**(1,291,467)**	**10,810,908**
Total revaluation of investments and warrants	**(45,361,108)**	**10,726,802**	**0**	**12,000,641**	**3,718,956**	**(18,914,709)**

1 Based on note conversion and corporate partnering
2 Based on recent/offered round of financing
3 Based on quoted share price (NASDAQ, Euronext or SWX New Market)
4 Due to milestone achievements
5 Sold with a gain of CHF 0.7 million
6 Sold with a loss of CHF 2.7 million
7 Of which CHF 6.4 million are included in the income statement as unrealized gains on investments

6 Venture capital investments and notes receivable (continued)

6.4 Movements of cost and revaluation, current year

	Cost 1.10.03 CHF	Additions CHF	Disposals CHF	Transl. adjust. CHF	Cost 30.09.04 CHF	Fair value 30.09.04 CHF
Biotechnology						
Osiris Therapeutics	19,492,868	1,307,312	0	(1,070,294)	19,729,886	29,862,844 [1]
Inflabloc Pharmaceuticals	10,325,339	6,371,852 [2]	0	(685,541)	16,011,650	11,646,801
Basilea Pharmaceutica	20,960,196	0	0	(1,121,504)	19,838,692	25,688,847
Prolexys Pharmaceuticals	13,176,000	0	0	(705,000)	12,471,000	6,235,500
CambridgeMed	988,200	318,425	0	(59,525)	1,247,100	1,948,594
Communications						
Priority Telecom	22,728,600	0	0	(1,216,125)	21,512,475	1,962,421
mPortal	8,393,112	636,850	0	(462,385)	8,567,577	14,438,300
Technology						
VantageMed	6,462,828	0	0	(345,803)	6,117,025	844,173
IPeria	17,172,281	1,380,195 [3]	0	(947,651)	17,604,825	16,999,003
Internet						
E-centives	37,379,173	3,921,298	0	(2,081,916)	39,218,555	16,195,813 [1]
WStore	12,065,882	0	0	(645,601)	11,420,281	22,650,416
Total	**169,144,479**	**13,935,932**	**0**	**(9,341,345)**	**173,739,066**	**148,472,712**

[1] These investments include warrants in the total amount of CHF 5.0 million (cost = nil)

[2] In 2004, warrants relating to the investment in Inflabloc Pharmaceuticals (formerly Pharmadigm) were converted into preferred shares. This transaction was treated as an addition to cost in the amount of CHF 5.7 million and a decrease of revaluation of warrants due to conversion in the same amount. No cash was involved in this transaction.

[3] In 2004, Venturetec, Inc. invested in a convertible note in the amount of USD 1 million. This note was converted into shares during the period under review, whereby a gain of USD 0.1 million was realized, included in other income.

Notes to the Consolidated Financial Statements for the Year Ended September 30, 2004

6 Venture capital investments and notes receivable (continued)

6.4 Movements of cost and revaluation, current year (continued)

	Revaluation 1.10.03 CHF	Unrealized gains CHF	Un-realized losses CHF	Increases / (Decreases) due to disposals, conversions and transfers CHF	Transl. adjust. CHF	Revaluation 30.09.04 CHF
Biotechnology						
Osiris Therapeutics	5,824,078	0	0	0	(311,625)	5,512,453
Inflabloc Pharmaceuticals	(4,410,186)	0	(194,702) [1]	0	240,039	(4,364,849)
Basilea Pharmaceutica	0	5,974,937 [2]	0	0	(124,782)	5,850,155
Prolexys Pharmaceuticals	0	0	(6,368,500) [3]	0	133,000	(6,235,500)
CambridgeMed	741,150	0	0	0	(39,656)	701,494
Communications						
Priority Telecom	(20,670,295)	14,552 [2]	0	0	1,105,689	(19,550,054)
mPortal	6,202,602	0	0	0	(331,879)	5,870,723
Technology						
VantageMed	(6,143,507)	553,498 [2]	0	0	317,157	(5,272,852)
IPeria	(640,071)	0	0	0	34,249	(605,822)
Internet						
E-centives common shares	(21,861,098)	0	(1,768,900) [2]	(361,659)	1,206,650	(22,785,007)
E-centives series B pref. shares	(633,278)	0	0	0	33,884	(599,394)
Wstore	11,864,988	0	0	0	(634,853)	11,230,135
Revaluation of investments	**(29,725,617)**	**6,542,987** [4]	**(8,332,102)**	**(361,659)**	**1,627,873**	**(30,248,518)**
Revaluation of warrants	**10,810,908**	**0**	**0**	**(5,369,991)** [5]	**(458,753)**	**4,982,164**
Total revaluation of investments and warrants	**(18,914,709)**	**6,542,987**	**(8,332,102)**	**(5,731,650)**	**1,169,120**	**(25,266,354)**

[1] Based on recent round on financing
[2] Based on quoted share price (NASDAQ, Euronext or SWX New Market)
[3] The valuation of Prolexys Pharmaceuticals has been cut by half. The need of capital in a difficult private equity market has let the current valuation. Prolexys Pharmaceuticals is still an early stage company with good technology but no product in the clinics yet.
[4] Of which CHF 0.6 million are included in the income statement as unrealized gains on investments
[5] In 2004, warrants relating to the investment in Inflabloc Pharmaceuticals (formerly Pharmadigm) were converted into preferred shares. This transaction was treated as an addition to cost in the amount of CHF 5.7 million and a decrease of revaluation of warrants due to conversion in the same amount. No cash was involved in this transaction. In addition, CHF 361,659 were reclassified from investments to warrants.

7 Share capital and net asset value

On October 10, 1997, the Company increased its share capital from CHF 25,000,000 to CHF 31,250,000 by issuing 500,000 bearer shares with a par value of CHF 12.50 each at a price of CHF 33.00 per share. On October 17, 1997, the Company's shares were listed on the Swiss Exchange. The additional paid-in capital amounted to CHF 10,250,000. The cost of the initial public offering (IPO) in the amount of CHF 1,090,000, including bank commissions, stamp duties and other costs directly related to the IPO, was deducted from additional paid-in capital.

On February 4, 1999, the Company increased its share capital from CHF 31,250,000 to CHF 62,500,000 by issuing 2,500,000 bearer shares with a par value of CHF 12.50 each at a price of CHF 39.75 per share. The additional paid-in capital amounted to CHF 68,125,000. The cost of the capital increase in the amount of CHF 3,885,000, including bank commissions, stamp duties and other costs directly related to the capital increase, was deducted from additional paid-in capital. The share capital as of September 30, 2004 and 2003 consisted of 5,000,000 bearer shares with a par value of CHF 12.50 each, fully paid in. As of that date, Bâloise-Holding, Basel, held 7 % (350,000 shares), and Beamtenversicherungskasse of the Canton of Zurich held 6.4 % (320,000 shares) in New Venturetec Ltd.

The following is a calculation of the net asset value:

	2004 CHF	**2003 CHF**
Cash and cash equivalents (note 5)	850,995	162,818
Deferred expenses and accrued income	0	58
Accounts receivable (note 11)	7,722,937	7,581,924
Management valuation of investments and notes receivable	148,472,712	150,229,770
	157,046,644	**157,974,570**
Less: liabilities	(48,725,419)	(47,316,123)
Management estimate of net asset value	**108,321,225**	**110,658,447**
Less:		
– Reversal of revaluation of investment in Basilea Pharmaceutica for NAV reporting purposes	(8,258,948)[1]	0
– Other adjustments made by the Investment Manager	(131,015)[2]	0
Adjusted management estimate of net asset value	**99,931,262**	**110,658,447**
Number of shares issued and outstanding	5,000,000	5,000,000
Net asset value per share	21.66	22.13
Adjusted net asset value per share, as reported by the Investment Manager	19.99	22.13

1 The adjusted net asset value per share reflects the difference between the listed share price of Basilea Pharmaceutica and a more conservative valuation performed by the Investment Manager. The investment is subject to a lock-up period until March 25, 2005. The management fee was calculated on the adjusted net asset value (see also note 9).

2 Other adjustments mainly include interest on notes receivable, which is not accrued for adjusted NAV reporting purposes.

Notes to the Consolidated Financial Statements for the Year Ended September 30, 2004

8 Revaluation reserve

The revaluation reserve relates to the management valuation of investments and can be analyzed as follows:

	2004 CHF	2003 CHF
Devaluation of venture capital investments (notes 6.4 and 6.3)	(25,266,354)	(18,914,709)
Reverse: Revaluation gains on options and warrants originally recognized in the income statement	(4,982,164)	(10,810,908)
Add: Cumulative impairment losses recognized in the income statement	59,413,478	54,358,435
Total cumulative revaluation gains	**29,164,960**	**24,632,818**
less: deferred tax (note 10)	(145,824)	(123,164)
Revaluation reserve as of balance sheet date	**29,019,136**	**24,509,654**

The revaluation reserve includes accumulated translation adjustments (unrealized exchange gains) in the amount of CHF 10,540,867 (2003: CHF 11,976,447).

Notes to the Consolidated Income Statement

9 Management fees

According to the Investment Management Agreement (see note 12), management fees payable to the Investment Manager are calculated at 1.5 % per annum on the Group's net asset value as estimated by the Investment Manager. Another 0.5 % can be used for investor relation services and other external costs directly related to the investment management activities; such costs are presented under general and administrative expenses.

During the year under review and as of September 30, 2004 and 2003, no management fees were paid and CHF 1,563,459 (September 30, 2003: CHF 1,829,695) were accrued for. No costs for external services relating to the investment management activities were incurred during the year ended September 30, 2004 (prior year: CHF 25,000). Total management fees accrued as of September 30, 2004 amounted to CHF 7,312,035 . The Investment Managers' intention is to request payment of such fees only upon a significant improvement of the Group's liquidity position. However, the accrued expenses become due within 3 business days from a forced replacement of the Investment Manager.

10 Income taxes

For the years ended September 30, 2004 and 2003, no current tax expenses or provisions were recognized due to the accumulated deficits disclosed by the parent company. The tax effect of the tax loss carryforward was not recognized as an asset since it is uncertain whether such potential tax benefit will be realized in the future.

Deferred taxes arise only on the revaluation of investments and on the undistributed earnings of the subsidiary. The related deferred tax liability and any changes thereto are debited or credited to the revaluation reserve and to deferred tax expense respectively. They are calculated at 0.5 %, which is the estimated tax rate on dividend income applicable to the parent company.

Notes to the Consolidated Cash Flow Statement

11 Additional information on the cash flow statement

	2004 CHF	2003 CHF
Interest received in cash	76	771
Interest paid	110,614	0
Dividends received	0	0
Income taxes paid	0	0

See note 5 regarding the composition of cash and cash equivalents.

Significant non-cash transactions:
During the period under review, interest income in the amount of CHF 563,883 (prior period: CHF 1,556,139) was recognized as part of accounts receivable and CHF 133,810 as part of notes receivable (prior period: nil).

As disclosed in note 6.4, during the period under review, warrants relating to the investment of Inflabloc Pharmaceuticals (formerly Pharmadigm) were converted into preferred shares. This transaction was treated as an addition to cost in the amount of CHF 5.7 million and a decrease of revaluation due to conversion in the same amount. No cash was involved in this transaction.

As disclosed in notes 9 and 12.3 respectively, management fees of CHF 1,563,459 (prior period: CHF 1,829,695) and interest on loans payable to related parties of CHF 1,951,051 (prior period: CHF 2,104,364) were accrued and did not result in any cash flow during the reporting period.

In 2004, the investments in Prolexys Pharmaceuticals and Basilea Pharmaceutica, which serve as security for loans payable to related parties (see note 12.3), were devalued in a total amount of CHF 8.8 million in respect of their original currency. Since, based on the loan agreements, the loans are in fact to be settled at the lower of the nominal amounts, including accrued interest, and the recoverable amounts of the underlying investments, the loans were reduced by the same amount as the investments, recognized as a gain in the income statement.

Expected cash flows relating to accounts receivable from disposal of investments:

	2004 CHF	2003 CHF
Total accounts receivable, gross	13,829,728	14,611,538
Valuation allowance	(5,230,156)	(5,520,098)
Discount	(876,635)	(1,509,516)
Total accounts receivable	**7,722,937**	**7,581,924**

The accounts receivable are denominated in USD, relate to the disposals of the investments in ETEX (CHF 12.5 million) in 2002 and Careside (CHF 1.3 million) in 2003, and do not bear any interest.

Notes to the Consolidated Financial Statements for the Year Ended September 30, 2004

11 Additional information on the cash flow statement (continued)

The repayment schedule of the original amount related to ETEX is as follows:

	USD
As of April 30, 2002	1,000,000
As of September 30, 2005	5,000,000
As of September 30, 2006	5,000,000

By September 30, 2002 USD 910,490 of the first installment had been received. The remaining balance was discounted with a market related interest rate. A revision of the original due dates to those stated above resulted in an additional discount in the amount of CHF 1.2 million that was recognized as other finance charges in prior year. As in prior year, a valuation allowance of USD 3.8 million (CHF 4.7 million) reflects the fact that the disposal proceeds recognized depend on the successful achievement of certain milestones. Currently, the Company is negotiating early settlement of the outstanding amount.

In addition, a valuation allowance of USD 400,000 (CHF 0.5 million), established in the prior year, reflects the uncertain recoverability of the receivable related to the disposal of Careside.

Other Notes

12 Related parties

12.1 Investment Manager

Under a separate Investment Management Agreement, the Company appointed Friedli Corporate Finance, Inc., Belize, as Investment Manager with specific responsibilities as regards the selection, purchase, sale, structure and disposal of the Group's investments. These tasks are carried out by Mr. Peter Friedli who at the same time is the President of the Board of Directors of New Venturetec Ltd. and is also a member of the Board of Directors of certain investees. Mr. Friedli is the sole shareholder and Director of Friedli Corporate Finance, Inc.

In addition to the management fees recognized in the consolidated financial statements and disclosed in note 9, the agreement provides for a performance fee equal to

- 12 % of the percentage points exceeding 15 % of the compounded annual return to investors calculated on the basis of the net asset value, multiplied by the net amount of "realized profit and loss"; or
- 12 % of the net amount of "realized profit and loss", if the compounded annual return to investors is 20 % or higher.

The performance fee is payable annually based on the audited financial statements, if the conditions are met, in the form of shares of the Company, cash, or a combination thereof at the discretion of the Investment Manager. 94 % of the performance fee is paid to the Investment Manager and 6 % to the members of the Board of Directors (excluding Mr. Friedli). For the years ended September 30, 2004 and 2003, no performance fee was paid out or due.

12 Related parties (continued)

12.2 Board of Directors

CHF 7,500 were paid and CHF 7,500 were accrued as fees payable to the Board of Directors for the year under review (CHF 10,000 were paid and CHF 5,000 accrued in prior period)

12.3 Loans payable

On January 31, 2001, an investment company managed by the same Investment Manager granted a loan to Venturetec, Inc. of CHF 20,000,000, repayable on June 30, 2005 and bearing interest at 5 % per annum. On April 17, 2001, another loan of USD 10,000,000 was granted to Venturetec, Inc. by the same investment company, repayable on June 30, 2005 and bearing interest at 6.5 % per annum. The loans were used to finance the investments in Basilea Pharmaceutica and Prolexys Pharmaceuticals, respectively (see note 6). The original due dates of both loans, being June 30, 2003, had already been prolonged in April 2003 to June 2004, and were further prolonged in June 2003 to June 30, 2005.

On February 27, 2002, a loan of USD 500,000 was granted to Venturetec, Inc., by another investment company managed by the same Investment Manager, repayable on June 30, 2005 and bearing interest at 10 % per annum, for the purpose of the investment in CambridgeMed (see note 6). The original due date of June 30, 2004 was prolonged in June 2003 to June 30, 2005.

On April 15, 2002, a loan of CHF 2,000,000 was granted to Venturetec, Inc. by another investment company, managed by the same Investment Manager, repayable on June 30, 2005 and bearing interest at 5 % per annum, for the purpose of financing part of the investment in E-centives (see note 6). The original due date of June 30, 2004 was prolonged in June 2003 to June 30, 2005.

All loans are secured by the respective investments mentioned above, and the amount to be settled is in each case the lower of the nominal amount, including accrued interest, and the amount realized, if any, upon the sale of the respective underlying investments. Principal and interest may be repaid on or before the due date either in cash or shares of the underlying investments, or, in one case, a specified combination thereof. Accordingly, interest is accrued for as part of the carrying amount of the loans, and settlement of the principals and accrued interest is intended to be made by use of proceeds upon the disposal of investments. In the reporting period under review, the loans payable were reduced by CHF 8.8 million to reflect a devaluation of two underlying investments (see note 11). Upon a forced change of the investment strategy or a resignation of the Investment Manager forced or caused by a change of ownership of the Company, all loans payable, including accrued interest, become due within 3 business days from such event. In such event, the amounts may be settled at the discretion of the Company either in cash or in the shares of the respective underlying investments.

Notes to the Consolidated Financial Statements for the Year Ended September 30, 2004

13 Subsequent events

The consolidated financial statements were authorized for issue to the public by the Board of Directors on October 25, 2004.

In October 2004, all loans payable to related parties were prolonged to June 30, 2007. The parties also agreed to the following additional terms:

- Prior to the distribution of any gains on disposal of the underlying investment, all principal amounts plus interest must be redeemed.
- The management fee of 1.5 % will be calculated on the principal amount since the initial borrowing date through the redemption before distributing any gains.
- Performance fee on any profit realized through the borrowed amount will be calculated as follows: 12 % of all profit that exceeds 100 % of the initial borrowed amounts of CHF 22,000,000 and USD 10,500,000. Any performance fee shall be calculated as part of the overall performance fee, if any.

In October 2004, the Investment Management Agreement was adjusted as follows:

The management fee including any fee accrued since March 2001, will only be paid on realized values. If any of the investments is sold below the reported fair value, the management fee to be paid out will be adjusted retrospectively based on the realized amounts.

The Board of Directors is not aware of any other events between September 30, 2004 and October 25, 2004 that would require adjustment to the carrying amounts of the Group's assets and liabilities as of September 30, 2004 or would require disclosure under this heading.

KPMG

Report of the Statutory Auditors to the General Meeting of New Venturetec Ltd., Zurich

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) of New Venturetec Ltd. for the year ended September 30, 2004.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss pro-fession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the Company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

Without qualifying our opinion we draw attention to Note 2 to the financial statements, describing the Company's investment in its wholly-owned subsidiary, Venturetec, Inc., with a carrying amount of CHF 100 million. The subsidiary's venture capital investments, measured at fair value, amounted to CHF 148,472,712 as of September 30, 2004, and to CHF 150,229,770 as of September 30, 2003, and accounted for 94.5 % and 95.1 % respectively of the Group's consolidated assets. Such fair values have been determined by the Investment Manager and approved by the Board of Directors, and form the predominant component of the Company's consolidated shareholders' equity (Net Asset Value) of approximately CHF 108 million as of September 30, 2004. We have reviewed the procedures applied in valuing such investments and have inspected underlying documentation; while in the circumstances the procedures appear to be reasonable and the documentation appropriate, determination of fair values involves subjective judgment which is not susceptible to independent verification procedures.

KPMG Fides Peat

Hans Moser	Philipp Hallauer
Swiss Certified Accountant	*Swiss Certified Accountant*
	Auditor in charge

Zurich, October 25, 2004

Balance Sheet

	Note	September 30, 2004 CHF	September 30, 2003 CHF
Assets			
Current assets			
Cash and cash equivalents		12,740	16,150
Deferred expenses and accrued income		0	55
Account receivable from Venturetec, Inc.		11,469,899	11,937,457
		11,482,639	**11,953,662**
Non-current assets			
Investment in Venturetec, Inc.	2	100,000,000	100,000,000
		111,482,639	**111,953,662**
Liabilities and shareholders' equity			
Liabilities			
Accrued expenses and deferred income	3	1,576,322	2,162,816
		1,576,322	**2,162,816**
Shareholders' equity			
Share capital	4	62,500,000	62,500,000
Additional paid-in capital	4	47,176,800	47,176,800
Retained earnings brought forward		114,046	0
Net profit for the year		115,471	114,046
		109,906,317	**109,790,846**
		111,482,639	**111,953,662**

Income Statement

	Year ended September 30, 2004	Year ended September 30, 2003
	CHF	**CHF**
Income		
Interest income on bank accounts	5	109
Interest income from Venturetec, Inc.	371,430	389,689
	371,435	**389,798**
Expenses		
General and administrative expenses	(166,718)	(198,258)
Capital taxes	(88,500)	(76,113)
Bank charges	(189)	(131)
Exchange losses	(557)	(1,250)
	(255,964)	**(275,752)**
Profit before income taxes	**115,471**	**114,046**
Income taxes	0	0
Net profit for the year	**115,471**	**114,046**

Notes to the Financial Statements for the Year Ended September 30, 2004

1 Principal activities

New Venturetec Ltd., Zurich ("the Company") was formed on July 16, 1997 and incorporated on August 8, 1997 for the purpose of direct and indirect investments in Swiss and foreign companies, especially in high risk venture capital companies in the industries of Biotechnology, Communications, Technology and Internet.

2 Investment in Venturetec, Inc.

Venturetec, Inc., Tortola, British Virgin Islands, is a wholly-owned subsidiary of New Venturetec Ltd., incorporated on September 11, 1996, with a share capital of USD 20 million. As of September 30, 2004, the Company's venture capital investments are held via this subsidiary. A list and further details of these investments are set out in note 6 to the consolidated financial statements of New Venturetec Ltd. as of September 30, 2004.

As of September 30, 2002 a valuation adjustment of CHF 25 million had been recognized to maintain a reasonable assessment of the investment's revised carrying amount (CHF 100 million) in comparison with the Group's net asset value (approximately CHF 108 million) as disclosed in note 7 to the consolidated financial statements.

3 Accrued expenses and deferred income

Accrued expenses and deferred income include unrealized foreign exchange gains in the amount of CHF 1,288,236 (2003: CHF 1,930,816).

4 Share capital and additional paid-in capital

The share capital as of September 30, 2004 consisted of 5,000,000 bearer shares with a par value of CHF 12.50 each, fully paid in. As of that date, Bâloise-Holding, Basel, held 7 % (350,000 shares), and Beamtenversicherungskasse of the Canton of Zurich held 6.4 % (320,000 shares) in New Venturetec Ltd.

Based on a decision of the shareholders during their general meeting dated November 28, 2002, accumulated deficits of CHF 26,223,200 were offset against the additional paid-in capital.

Proposal by the Board of Directors of New Venturetec Ltd. for the Appropriation of Retained Earnings as of September 30

	2004 CHF	2003 CHF
Retained earnings brought forward	114,046	0
Net profit for the year	115,471	114,046
Retained earnings	**229,517**	**114,046**
Proposal by the Board of Directors:		
To be carried forward	**229,517**	**114,046**