



BTG plc: Interim Results for the Six Months Ended 30 September 2007

London, UK, 7 November 2007: BTG plc (LSE: BGC), the life sciences company, today announces its interim results for the six months ended 30 September 2007.

Financial highlights

- Revenues of £47.6m (H1 06/07: £20.8m) reflect significant non-recurring transactions and continued steady receipts from royalty income
 - Total net revenues £27.2m (H1 06/07: £12.5m)
 - Net recurring royalty revenues £12.1m (H1 06/07: £12.2m)
 - Net revenues from non-recurring items £15.1m (H1 06/07: £0.3m)
- Operating and administrative costs stable at £8.9m (H1 06/07: £9.1m)
- Research and development expenditure increased to £4.8m (H1 06/07: £4.5m)
 - H2 investment expected to be significantly greater
- Profit before tax of £15.2m (H1 06/07: £1.7m) and profit after tax £13.4m (H1 06/07: £1.6m)
 - £1.8m tax charge relates primarily to unrecoverable withholding tax on one-off licensing deal
- Cash reserves at £46.6m (31/03/07: £43.0m)

Operating highlights

- Good progress with internal development programmes
 - Varisolve[®] Phase II study proceeding as planned, on track to end in H1 08
 - BGC20-0166 (sleep apnoea) clinical study completed, results due Q1 08
 - BGC20-0582 (head lice) Phase II study enrolment completed, results due Q1 08
 - BGC20-1259 (Alzheimer's disease) completed Phase I and preparing to enter Phase IIa study in 2008
 - CTAs filed for BGC20-1531 (migraine) and BGC20-0134 (multiple sclerosis) to commence first clinical studies
- Strong progress in partnered programmes
 - Campath[®] approved as 1st-line treatment for chronic lymphocytic leukaemia and two Phase III trials in multiple sclerosis initiated
 - TRX4 to be developed by TolereX in collaboration with GlaxoSmithKline for type 1 diabetes and other autoimmune diseases

Louise Makin, BTG's Chief Executive Officer, commented: "These excellent financial results are supported by strong progress in our internal and licensed development programmes. We look forward to an exciting second half-year in which we anticipate achieving a number of significant development milestones while continuing to seek to strengthen our pipeline by in-licensing or acquiring new programmes."

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About BTG

BTG in-licenses, develops and commercialises pharmaceuticals principally in the areas of neuroscience and oncology. The company has a substantial and growing revenue stream of royalties from out-licensed products and a broad, expanding internal pipeline of development programmes. BTG operates from offices in London, Philadelphia and Osaka. For further information, visit: www.btgplc.com.

OVERVIEW

The results for the first half of the year demonstrate the increased financial strength of the Group. Strong recurring royalty revenues together with significant revenues from licensing deals and other non-recurring transactions helped contribute to a post-tax profit of £13.4m for the period compared to £1.6m in the first half of the prior year. The Group generated £3.6m of cash in the period and will benefit further from the receipt of the deferred consideration from certain of the licensing deals. With more than £46m in cash and having generated a surplus of £18.3m before external R&D costs in this half year, BTG is well placed to continue to progress key clinical programmes and to build value in its pipeline and its business.

Good progress has been made in BTG's internal development programmes, particularly Varisolve[®], and also by licensees, the highlights of which are described below. In addition to progressing current programmes, BTG has and will continue to explore options to further strengthen its development pipeline through partnering, licensing or acquisition.

RESEARCH & DEVELOPMENT ACTIVITIES

During the first half, BTG continued to develop and strengthen its pipeline and clinical development capabilities.

The most intense activity has been in advancing Varisolve[®] and managing the complex US Phase II safety study. Within the neuroscience programmes, BGC20-0166 for sleep apnoea and BGC20-1259 for Alzheimer's disease are in human clinical trials, BGC20-1531 for migraine and BGC20-0134 for multiple sclerosis are advancing towards Phase 1 studies and preclinical work on BTG6001, our pain programme, is proceeding well. In addition, a Phase 2 study on BGC20-0582, the head lice programme, is well advanced. Looking at these programmes in a little more detail:

The US Phase II safety study of **Varisolve[®]**, the microfoam sclerosant for varicose veins and venous stasis ulcers, is progressing as planned. Five clinical centres are now actively treating or screening for patients with varicose veins who have a patent foramen ovale (PFO) or other cardiac shunt that would allow bubbles from the microfoam to move from the venous system into the arterial system. The study ends when 50 patients in whom bubbles are detected in the middle cerebral artery during treatment with Varisolve[®] have had MRI scans 28 days after treatment. The study is on track to finish during the first half of 2008. Results to date in this open-label study validate the findings from preclinical studies that treatment using the Varisolve[®] formulation results in very few bubbles being detected in the arterial system.

The first two scheduled meetings of the study's Data & Safety Monitoring Board (DSMB) have been held. Upon review of the data the DSMB has recommended continuing the study as planned, with only minor changes to the protocol including relaxing the study entry criteria and reducing the number of post-treatment MRI scans from three to two, which has been agreed by the FDA.

BGC20-0166, a combination of two approved serotonin modulators shown in preclinical models to improve **sleep apnoea**, has been assessed in a four-arm clinical proof of mechanism study in 39 subjects randomised to receive placebo, one of the agents alone or the combination of agents at high and low doses. Subjects in the study represented the range of apnoea severity observed in the general population. Severity is measured by the apnoea-hypopnea index (AHI). The study primary endpoint is a reduction in AHI score and the secondary endpoints include improvements in sleep and blood oximetry. Results are anticipated in Q1 2008 and will shape subsequent development options. BTG is also developing a proprietary formulation to provide an optimised pharmacokinetic profile of the active components.

Phase I studies of **BGC20-1259** were successfully completed in young healthy male volunteers and elderly male and female volunteers. BGC20-1259, for **Alzheimer's disease**, had an excellent pharmacokinetic profile and was well tolerated in both populations after single and repeat doses.

Significant positive effects on cognitive function were found in both populations following repeat dosing. BTG is completing toxicology studies and planning a human positron emission tomography study to determine the efficacious dose range to take into a Phase IIa study, which is anticipated to start in H2 2008. The Phase IIa study objective will be to show efficacy and tolerability in patients with Alzheimer's disease, with improvement in cognitive function as the primary endpoint. Secondary endpoints will include behavioural assessments, particularly on mood and depressive symptoms. An adaptive design will be used to power the study based on early results.

BGC20-1531 is an EP4 receptor antagonist targeted at treating **migraine headaches**. Its novel mechanism of action offers the potential of efficacy in migraine sufferers who cannot take or do not respond to current treatments, primarily triptans and NSAIDs. Preclinical development has been completed and an application to commence a Phase I clinical study was submitted in October 2007. Assuming regulatory approval, BGC20-1531 is anticipated to commence a Phase I study before the end of 2007.

A novel structured lipid, **BGC20-0134** is designed to treat **multiple sclerosis (MS)** by raising levels of the anti-inflammatory and neuroprotective cytokine TGF β and reducing pro-inflammatory cytokines that are implicated in the autoimmune attack on myelin proteins during MS episodes. An application to commence a Phase I clinical study has now been submitted, with study initiation anticipated in Q1 2008.

The **novel opiate analgesic BTG6001** continued to progress through preclinical efficacy studies and manufacture for preclinical safety assessment. The target profile for this programme will be a product offering excellent pain relief against moderate to severe pain with a significantly improved safety profile.

A Phase II study was initiated on **BGC20-0582** for **head lice** in the US in August, with enrolment of 225 subjects completed by the end of October 2007. The study objective is to achieve a cure rate (absence of lice after up to two applications) of at least 80%. Study results are anticipated early in 2008. Subjects were randomised to receive placebo or one of three concentrations of BGC20-0582, a compound derived from a natural source that has been designated as generally regarded as safe (GRAS) by the FDA. It is anticipated that the product will initially be approved as prescription-only but with potential for rapid development and switch from prescription-only to an over-the-counter treatment. Further studies will include comparison with market-leading products and efficacy against insecticide-resistant strains.

In addition, BTG has interests in a series of **oncology programmes**, both internal and licensed, which cover both biologicals and small molecule drugs, and established cytotoxic methodologies as well as newer mechanisms of action.

Of the established cytotoxic drugs, BTG has two thymidylate synthase (TS) inhibitor programmes, **plevitrexed**, a broad cytotoxic targeting gastric, pancreatic and ovarian cancer and **BGC 945**, a selective TS inhibitor which is designed to be taken up preferentially by tumour cells and thereby spares healthy tissue. A partner is being sought for plevitrexed in order to complete development and market the product, which has been granted orphan drug status in the US for gastric and ovarian cancer. BGC 945 is in late preclinical studies and BTG is currently reviewing the medical and commercial positioning of this programme.

An earlier stage programme works through a newer mechanism of action. **BTG6228** is a HIF 1 α regulator, which has continued to make good progress through preclinical safety studies and is soon to commence testing in preclinical efficacy models.

Licensed Programmes

Amongst BTG's licensed programmes are some very promising drugs of which two monoclonal antibodies, Campath[®] (Genzyme Corporation) and TRX4 (Tolerx, Inc.), are showing good development and commercial progress in a range of therapeutic indications. Three oncology

programmes, CB7630 (Cougar Biotechnology, Inc.), AQ4N (Novacea, Inc.) and Symadex™ (Xanthus Pharmaceuticals, Inc) also show good promise.

In September 2007, the FDA extended the label in the US for the anti-CD52 monoclonal antibody, **Campath®**, to include first-line treatment of patients with B-cell chronic lymphocytic leukaemia, and in October the European Committee for Medicinal Products for Human Use issued a positive opinion to extend treatment to include first-line treatment in patients for whom fludarabine is not suitable. These extensions are anticipated to expand significantly the patient population available for treatment with Campath®. Three-year data were presented on the Phase II trial of Campath® versus Rebif® in MS which showed at least a 73% reduction in risk of relapse and at least a 70% reduction in the risk for progression of disability compared with Rebif®. There were no additional cases of idiopathic thrombocytopenic purpura (ITP), the platelet disorder, for which a patient safety management programme has been established. Thyroid disorders were present in 20% of subjects. Full efficacy and safety data from the study are due to be presented in spring 2008. Genzyme and Schering commenced two Phase III trials of Campath® in MS, the first a head-to-head trial against Rebif®, which will include previously untreated patients. The second study will include patients who have relapsed while being treated with other agents.

Tolerx continued with a Phase II dose-ranging study of **TRX4**, the monoclonal antibody that binds to the CD3 receptor on T cells, in preparation for a Phase III trial in patients with new-onset type 1 diabetes. In October 2007, Tolerx signed a worldwide collaboration with GlaxoSmithKline to develop TRX4 for type 1 diabetes and a range of other autoimmune diseases including psoriasis. This collaboration will potentially generate significant milestones and royalties for both Tolerx and BTG should the products move through development and onto market.

Cougar is progressing the development of **CB7630 (abiraterone acetate)** as a treatment for prostate cancer and positive data were presented at a number of scientific meetings. In a Phase I/II study of patients with hormone refractory, chemotherapy naïve prostate cancer, 27 patients (61%) experienced reductions in prostate specific antigen (PSA) levels of more than 50%, with 11 patients (25%) showing PSA reductions of over 90%. In a Phase II study in patients who have failed androgen therapy and do not respond to docetaxel, 14 patients (50%) had falls in PSA of over 50% and 5 patients (18%) had PSA reductions of more than 90%.

Novacea continued with development of **AQ4N** as a cancer agent targeting a range of solid tumours. A Phase II trial was initiated in patients with relapsed or refractory acute lymphoblastic leukaemia. Novacea aims to enrol 56 patients and will assess their response rate, duration of response and overall survival following treatment with AQ4N.

Xanthus announced preclinical data showing that **Symadex™** may have a role in the treatment of MS and other autoimmune disorders through its inhibition of FLT3 in addition to its potential role in breast and colon cancers.

FINANCIAL REVIEW

Revenues

Total revenues for the first half of the year were £47.6m (H1 06/07: £20.8m), reflecting steady performance in recurring royalty revenues and significant one-off licences and other non-recurring transactions. After accounting for revenue sharing, net revenues, including £15.1m from non-recurring deals, were £27.2m, an increase of £14.7m over H1 06/07. Revenue sharing in the period represented 43% of revenues compared to 40% in the first half of the previous year, influenced by the terms of the one-off transactions.

Underlying growth in the sales of licensed products remained strong but many of those sales were US dollar based and the weakness of the dollar resulted in the recurring royalties shown in BTG's results being £12.1m (H1 06/07: £12.2m).

	2007/08 £m	2006/07 £m	Underlying growth
BeneFIX [®] recombinant Factor IX (Wyeth)	8.1	8.0	9%
Two-part hip cup (various partners)	3.6	3.7	3%
Campath [®] (Genzyme)	2.4	2.3	14%
Antibody humanisation IP (MRC)	2.5	2.0	undisclosed
Three-part knee (various partners)	1.2	1.0	33%
Others	2.9	3.3	
Recurring royalty revenue	20.7	20.3	
Revenue sharing	(8.6)	(8.1)	
Net recurring royalties	12.1	12.2	

The percentage due on revenue sharing was 41.5% compared to 39.9% in the prior year, varying with the mix of sales by product, licence and territory.

BTG's royalty income due from the MRC (Medical Research Council) on patents relating to the humanisation of monoclonal antibodies grew by 15%. Underlying growth in sales of the covered products is not disclosed.

In addition to the recurring royalty income from the MRC, BTG has recorded £2.7m gross (£2.3m net) in respect of royalties due on a fully paid up licence secured by the MRC with one of its licensees. Other items on non-recurring revenues included the signature fee received of £1.4m gross (£1.1m net) when Novacea gained worldwide rights to AQ4N and the revenues from two fully paid up licences to the patents relating to storage capacity in semiconductor chips generating £22.4m gross and £11.7m net. Certain withholding tax charges were incurred on these licences resulting in a tax charge of £1.7m in the period.

In addition the Group generated £0.2m of net gains from sales of assets.

Looking forward, the approval of Campath[®] as a first line treatment for CLL would lead us to expect continued growth in this product. Sales of the patented hip and knee products show solid growth as do the various products attracting royalties under the MRC patents.

Sales of BeneFIX[®] remain strong, although the earlier distribution deal whereby Baxter marketed the product in Europe has now ceased and Wyeth will pick up sales activities in the territory. This might lead to a temporary reduction in sales in the second half of the year although underlying product demand is not anticipated to decline.

The second half of the year will also benefit from the milestone payment due to BTG from Tolerx following its licensing deal with GlaxoSmithKline which should generate net one off income of £2.4m to BTG and significant future revenues through BTG's right to 50% of any potential development and sales milestones received by Tolerx.

Expenses

Operating and administrative expenses of £8.9m (H1 06/07: £9.1m) are expected to remain around this level and include the costs of BTG's internal R&D staff.

Research and development investment, which increased slightly to £4.8m (H1 06/07: £4.5m), included Varisolve[®] costs of £1.8m (H1 06/07: £1.7m), other internal development of £2.7m (H1 06/07: £2.4m) and BTG's share of the results of its associate companies of £0.3m (H1 06/07: £0.4m). The R&D expenses are expected to increase in the second half of the year as more treatment centres are initiated in the Varisolve[®] US Phase II safety study and as BGC20-1531 (migraine) and BGC20-0134 (MS) enter their first clinical studies.

Operating Surplus, Pre-R&D Profit and Profit After Tax

The Group generated an operating surplus, being net recurring revenues less operating and admin costs, of £3.2m for the period (H1 06/07: £3.1m). The pre-tax profit was £15.2m compared to £1.7m in the first half of the prior year. Adding back the external R&D costs gives a pre-R&D profit before tax of £20.0m (H1 06/07: £6.2m). Maximising this figure is a key performance measure for the Group in order to allow increasing investment in building the development pipeline.

Financial income for the period was £1.5m (H1 06/07: £0.7m), being interest and similar income plus certain unrealised exchange gains on forward contracts.

The tax charge for the first half of the year was £1.8m of which £1.7m relates to transaction-related withholding taxes.

Overall, the profit after tax for the period was £13.4m (H1 06/07: £1.6m) and the earnings per share were 9.0p (H1 06/07: 1.1p). At the period end there were approximately 151m ordinary shares in issue.

Cash

At the period end cash and cash equivalents were £46.6m, compared with £43.0m at the start of the period. Of the profit after tax of £13.4m, some £1.9m of charges related to non-cash items and these were broadly offset by additions to intangible assets and other investments of £0.9m, a reduction in provisions of £0.6m and accelerated contributions to the defined benefit pension scheme of £1.1m. The principal reason that the cash generated of £3.6m is not nearer the £13.4m profit is the large movement in working capital. In particular, of the net proceeds from the one-off transactions some £7m net has yet to be received.

Balance Sheet

Fixed assets are unchanged over the period at a net book value of £8.7m with additions of £0.5m offset by depreciation charges. The major item within fixed assets is the Varisolve[®] secondary manufacturing plant in North Wales valued at £7.5m and which, as an asset in the course of construction, is yet to be depreciated. Additions to intangible assets of £1.4m have been offset by amortisation charges and disposals increasing the carrying value of intangible assets from £7.6m to £8.0m over the six months to 30 September 2007. Of the £1.4m additions to intangible assets, £0.8m is goodwill recognition relating to a change in the status of BTG's investment in Senexis Ltd from associate to subsidiary, as BTG's investment increased to more than 50% during the period. Investments in associates and other investments reduced from £6.2m at the start of the period to £5.6m with expenditure on investments of £0.7m offset by operating losses within the businesses and venture funds and the change in status of the investment in Senexis described above.

Trade and other receivables increased from £10.5m at the start of the period to £25.9m, with the impact of certain one-off transactions near the period end and deferred payment terms on the major semi-conductor patent sales increasing the receivables. The £13.3m unpaid on these patent sales is due to be received in stages by December 2009.

Trade and other payables (current and non-current) total £28.3m, an increase of £7m and largely reflect the revenue sharing payments due on the receivables discussed above.

Provisions against restructuring costs and other items reduced from £1.7m to £1.1m as £0.6m was utilised in the period. The provision for the Group's defined benefit pension plan deficit reduced from £5.7m at the beginning of the period to £3.1m at the period end with total cash payments of £1.4m and actuarial gains - largely from improved bond yields - of £1.7m being offset by the pension scheme ongoing income statement charge of £0.5m.

Overall, shareholders' equity increased by £14.9m from £47.3m at the start of the period to £62.2m, with the £13.4m profit after tax and the £1.7m actuarial gains offset mainly by foreign exchange differences on consolidation of foreign subsidiaries.

Risks and Uncertainties Facing the Business

The key business risks facing the BTG Group remain unchanged from those set out in the Annual Report & Accounts for the year ended 31 March 2007. As an R&D based company, development risks and regulatory risks are significant and failure of products in BTG's pipeline or in licensees' hands could result in a loss of future revenues to BTG. Competition and reimbursement risks exist with respect to marketed products on which BTG earns royalties and to the value of drugs in the development pipeline. Failure to maintain or renew key patents could result in significant loss of revenue and the costs of defending any patent infringement suits could be significant. The weakening of the US dollar in currency markets has and could continue to adversely impact results.

SUMMARY AND OUTLOOK

BTG has made a strong start to the current year both financially and in relation to the progress made in its internal and licensed development programmes. Further progress is anticipated in the second half year and through 2008, with exciting programmes for migraine and multiple sclerosis expected to start their first clinical studies, completion of the Varisolve[®] Phase II safety study, the results from the head lice Phase II trial and the sleep apnoea clinical proof of mechanism study, and the initiation of a Phase II study in Alzheimer's disease.

The licensing in October by Tolerx of its TRX4 programme to GlaxoSmithKline enhances BTG's financial position in the short term and offers significant upside in the future and progress with our key licensed programmes looks promising.

Overall, BTG is well positioned to continue to make further clinical and financial progress and to build its pipeline and create shareholder value.

CONSOLIDATED INCOME STATEMENT
for the six months ended 30 September 2007

	Note	Six months ended		Year ended
		30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
Revenue	2	47.6	20.8	45.7
Revenue sharing		(20.4)	(8.3)	(18.9)
Revenue net of revenue sharing		27.2	12.5	26.8
Operating expenses	3	(8.9)	(9.1)	(17.9)
Research and development expenses	4	(4.8)	(4.5)	(9.7)
Profit on disposal of assets and investments	5	0.2	2.3	2.7
Amounts written off research associates and investments	7	-	-	(1.0)
Operating profit	2	13.7	1.2	0.9
Financial income		1.5	0.7	1.8
Financial expenses		-	(0.2)	(0.1)
Profit before tax		15.2	1.7	2.6
Tax	8	(1.8)	(0.1)	(0.2)
Profit after tax for the period		13.4	1.6	2.4
Basic & diluted earnings per share	9	9.0p	1.1p	1.6p

The profit after tax in each period is all attributable to the equity holders of the parent.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
for the six months ended 30 September 2007

	Six months ended		Year ended
	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
Foreign exchange translation differences	(0.4)	(0.7)	(0.7)
Actuarial gain on pension liabilities	1.7	1.7	2.0
Change in fair value of equity securities available-for-sale	(0.1)	-	(0.3)
Net income recognised directly in equity	1.2	1.0	1.0
Profit after tax for the period	13.4	1.6	2.4
Total recognised income and expense for the period attributable to equity holders of the parent	14.6	2.6	3.4

CONSOLIDATED BALANCE SHEET
as at 30 September 2007

	Note	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
Non-current assets				
Intangible assets	10	8.0	6.8	7.6
Property, plant & equipment		8.7	9.2	8.7
Investments in research associates	10	0.4	2.4	1.2
Other investments		5.2	5.1	5.0
		22.3	23.5	22.5
Current assets				
Trade and other receivables	11	25.9	10.2	10.5
Cash and cash equivalents		46.6	43.0	43.0
		72.5	53.2	53.5
Total assets		94.8	76.7	76.0
Equity				
Share capital	12	15.1	15.1	15.1
Share premium account	12	187.0	186.9	187.0
Other reserves	12	(1.4)	(0.6)	(0.9)
Retained earnings	12	(138.5)	(155.6)	(153.9)
Total equity attributable to equity holders of the parent	12	62.2	45.8	47.3
Non-current liabilities				
Trade and other payables		3.3	0.5	0.7
Employee benefits		3.1	6.9	5.7
Provisions	13	0.2	1.9	0.4
		6.6	9.3	6.8
Current liabilities				
Trade and other payables		25.0	20.0	20.6
Taxation		0.1	-	-
Provisions	13	0.9	1.6	1.3
		26.0	21.6	21.9
Total liabilities		32.6	30.9	28.7
Total equity and liabilities		94.8	76.7	76.0

CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30 September 2007

	Six months ended 30 September 2007 £m	30 September 2006 £m	Year ended 31 March 2007 £m
Profit before tax for the period	15.2	1.7	2.6
Profit on disposal of intangible assets and investments	(0.2)	(2.3)	(2.7)
Amounts written off research associates and investments	-	-	1.0
Investment income	(1.5)	(0.7)	(1.8)
Interest expense	-	0.2	0.1
Amortisation and impairment of intangible assets	1.0	1.0	1.9
Depreciation on property, plant & equipment	0.5	0.4	0.9
Share-based payments	0.4	0.2	0.8
Pension contributions	(0.9)	(1.1)	(1.9)
Increase in debtors	(15.9)	(0.1)	(0.4)
Increase/(decrease) in creditors	6.6	(1.6)	(0.8)
Decrease in provisions	(0.6)	(1.1)	(2.9)
Share of research associates' losses	0.3	0.4	0.7
Other	(0.3)	(0.2)	(0.3)
Cash used in operations	4.6	(3.2)	(2.8)
Interest expense	-	(0.1)	(0.1)
Taxation paid	(1.0)	(0.1)	(0.2)
Net cash from operating activities	3.6	(3.4)	(3.1)
Investing activities			
Interest received	1.5	0.9	2.0
Purchases of intangible assets	(0.5)	(0.9)	(2.5)
Purchases of property, plant & equipment	(0.5)	-	-
Proceeds on disposal of intangible assets	0.5	4.7	5.0
Payments made in relation to disposal of intangible assets	(0.2)	(9.5)	(10.0)
Investment in research associates	(0.3)	(0.1)	(0.2)
Expenditure on investments	(0.4)	(0.1)	(0.6)
Proceeds on disposal of investments	0.2	0.1	0.9
Net cash from investing activities	0.3	(4.9)	(5.4)
Cash flows from financing activities			
Proceeds of share issues	-	0.7	0.8
Net cash from financing activities	-	0.7	0.8
Increase/(decrease) in cash and cash equivalents	3.9	(7.6)	(7.7)
Cash and cash equivalents at start of period	43.0	51.0	51.0
Effect of exchange rate fluctuations on cash held	(0.3)	(0.4)	(0.3)
Cash and cash equivalents at end of period	46.6	43.0	43.0

NOTES TO THE ACCOUNTS

1. Basis of preparation and accounting policies

The unaudited financial statements for the six months ended 30 September 2007 have been prepared in accordance with International Financial Reporting Standard IAS 34 – *Interim Financial Reporting* as adopted by the EU and were approved by the Board on 6 November 2007. Details of the accounting policies applied are set out in the Group's 2007 annual report and accounts. These interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2007.

These interim financial statements do not constitute statutory accounts of the Group within the meaning of section 435 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2007, prepared in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 of the Companies Act 2006.

2. Summary segmental analysis

Segmental information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

The Group comprises the following main business segments:

Life sciences:	The acquisition, development and commercialisation of pharmaceutical and other medical technologies.
Technology commercialisation:	The commercialisation of technology outside the life sciences area.

	Six months ended 30 September 2007 £m	30 September 2006 £m	Year ended 31 March 2007 £m
Revenue by business segment			
Life sciences	25.1	20.3	45.0
Technology commercialisation	22.5	0.5	0.6
Unallocated	-	-	0.1
Revenue	47.6	20.8	45.7
Operating profit/(loss) by business segment			
Life sciences	4.5	1.4	5.0
Technology commercialisation	11.1	1.1	(1.4)
Other operating costs	(1.9)	(1.3)	(2.7)
Operating profit	13.7	1.2	0.9

The business is split geographically. The life sciences and technology commercialisation segments are managed on a worldwide basis, but operate in four principal geographical areas, USA, UK, Europe (excluding UK) and Asia. In presenting information on the basis of geographical segments, revenue is based on the geographical location of customers.

	Six months ended 30 September 2007 £m	30 September 2006 £m	Year ended 31 March 2007 £m
Revenue by geographic segment			
USA	16.0	16.6	32.8
UK	8.1	3.3	6.8
Europe	0.8	0.4	4.8
Asia	22.4	0.2	0.2
Other	0.3	0.3	1.1
Revenue	47.6	20.8	45.7

3. Operating expenses

	Six months ended 30 September 2007 £m	30 September 2006 £m	Year ended 31 March 2007 £m
Patent amortisation, renewal fees and litigation expenses	1.3	1.2	2.4
Administrative expenses	7.7	7.9	16.2
Exchange loss	0.1	-	0.3
	9.1	9.1	18.9
Restructuring:			
Reduction in provision for onerous leases (note 12)	(0.2)	-	(1.0)
	8.9	9.1	17.9

4. Research and development expenses

	Six months ended 30 September 2007 £m	30 September 2006 £m	Year ended 31 March 2007 £m
Varisolve® development	1.8	1.7	3.5
Other development programmes	2.7	2.4	5.5
	4.5	4.1	9.0
Share of results of research associates	0.3	0.4	0.7
	4.8	4.5	9.7

5. Profit on disposal of assets and investments

	Six months ended 30 September 2007 £m	30 September 2006 £m	Year ended 31 March 2007 £m
Profit on disposal of intangible assets*	0.1	2.3	2.1
Profit on disposal of investments	0.1	-	0.6
	0.2	2.3	2.7

*The profit for the period ended 30 September 2007 is net of £0.1m shared with the inventive source (H1 06/07: £1.6m; 06/07: £1.6m).

Loss relief is expected to absorb the tax due in respect of the profit on disposal.

6. Share-based payments

In accordance with IFRS 2, a charge of £0.4m (H1 06/07: £0.2m; 06/07: £0.8m), relating to the fair value of share-based schemes granted since 7 November 2002, is included within administrative expenses.

7. Amounts written off associates and investments

	Six months ended 30 September 2007 £m	30 September 2006 £m	Year ended 31 March 2007 £m
Amounts written off associates	-	-	1.0
	-	-	1.0

The amount written off associates represents the reduction in value of associates, taken direct to the income statement, following an impairment review.

8. Tax

	Six months ended		Year ended
	30 September	30 September	31 March
	2007	2006	2007
	£m	£m	£m
UK corporation tax charge	0.1	0.1	0.1
Less: double tax on royalties	-	(0.1)	(0.1)
Foreign tax paid	-	-	0.1
Overseas tax on royalties	1.7	0.1	0.1
	1.8	0.1	0.2

Tax for each six-month period has been provided on the basis of the anticipated effective rate for the full year. Overseas tax on royalties relates to withholding tax deductible from foreign income that is not capable of being offset.

9. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of £13.4m (H1 06/07: £1.6m; 06/07: £2.4m) by the weighted average of ordinary shares outstanding during the period of 149.7m (H1 06/07: 149.3m; 06/07: 149.5m). Diluted earnings per share is calculated using a weighted average of ordinary shares outstanding during the period, adjusted for outstanding share options, of 149.8m (H1 06/07: 149.8m; 06/07: 149.9m).

The weighted average number of ordinary shares outstanding used in the calculations excludes the shares held by the BTG Employee Share Trust.

	Six months ended		Year ended
	30 September	30 September	31 March
	2007	2006	2007
Profit attributable to ordinary shareholders (£m)	13.4	1.6	2.4
Earnings per share (p)			
Basic & diluted	9.0	1.1	1.6
Number of shares (m)			
Weighted average number of shares – basic	149.7	149.3	149.5
Effect of share options in issue	0.1	0.5	0.4
Weighted average number of shares – diluted	149.8	149.8	149.9

10. Intangible assets

On 21 August 2007 the status of BTG's investment in Senexis Ltd changed from an associate to a subsidiary as BTG's shareholding increased from 38% to 61%. BTG has recognised £0.8m in goodwill in relation to this acquisition, which represents the cost that is not capable of being attributed in accounting terms to identifiable assets and liabilities acquired and is underpinned by the core scientific capabilities and knowledge base of the company.

11. Trade and other receivables

	30 September	30 September	31 March
	2007	2006	2007
	£m	£m	£m
Due within one year			
Revenues receivable, net of provisions	18.0	8.1	7.9
Other debtors	0.8	0.6	0.9
Prepayments and accrued income	1.3	0.9	1.3
	20.1	9.6	10.1
Due after more than one year			
Revenues receivable, net of provisions	5.8	0.6	0.4
	25.9	10.2	10.5

As at 30 September 2007 the provision for revenues receivable was £6.9m (H1 06/07: £7.0m; 06/07 £6.7m)

11. Trade and other receivables (continued)

The fair value of derivatives included in the accounts is £0.4m (H1 06/07: Nil; 06/07: £0.1m) and is included in 'Other debtors' above. At 30 September 2007 the Group held forward contracts to sell a total of US\$36.1m in the period to August 2008 (H1 06/07: US\$10.0m in the period to February 2007; 06/07: US\$20.0m in the period to February 2008). These forward contracts have not been accounted for as cash flow hedges. The Group had no other derivative financial instruments at the above balance sheet dates.

12. Equity

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 April 2007	15.1	187.0	(0.9)	(153.9)	47.3
Foreign exchange translation differences	-	-	(0.4)	-	(0.4)
Actuarial gain on pension liabilities	-	-	-	1.7	1.7
Change in the fair value of equity securities available-for-sale	-	-	(0.1)	-	(0.1)
Profit after tax for the period	-	-	-	13.4	13.4
Total recognised income and expense	-	-	(0.5)	15.1	14.6
Movement in shares held by the Trust	-	-	-	(0.1)	(0.1)
Share-based payments	-	-	-	0.4	0.4
At 30 September 2007	15.1	187.0	(1.4)	(138.5)	62.2

Other reserves are analysed as follows:

	Translation reserve £m	Fair value reserve £m	Total other reserves £m
At 1 April 2007	(0.9)	-	(0.9)
Total recognised income and expense	(0.4)	(0.1)	(0.5)
At 30 September 2007	(1.3)	(0.1)	(1.4)

13. Provisions

	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
At 1 April	1.7	4.6	4.6
Provisions made during year	-	0.1	-
Provisions utilised during year	(0.4)	(1.2)	(1.8)
Provisions released during year	(0.2)	-	(1.0)
Difference on exchange	-	-	(0.1)
At period end	1.1	3.5	1.7
Balance due within one year	0.9	1.6	1.3
Balance due after more than one year	0.2	1.9	0.4
	1.1	3.5	1.7

These provisions relate to onerous leases and represent the net present value of future obligations, not covered by income from tenants, both in the UK and US offices of the Group. The release of part of the provision in each period has followed a reassessment of the future income stream and costs relating to each office.

14. Posting of interim accounts

The announcement is being sent to all shareholders on the register on 16 November 2007 and further copies are available from the Company's registered office: 10 Fleet Place, Limeburner Lane, London EC4M 7SB.

Responsibility statement of the directors in respect of the interim financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;
- the interim management report includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

Dr Louise Makin	Chief Executive Officer
Christine Soden	Chief Financial Officer

6 November 2007

Independent Review Report to BTG plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2007 which comprises the Group income statement, balance sheet, cash flow statement and the statement of recognised income and expense and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2007 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

KPMG Audit Plc
Chartered Accountants
8 Salisbury Square
London EC4Y 8BB

6 November 2007

Shareholder information

Financial calendar

Announcement of interim results for the six months ended 30 September 2007

7 November 2007

Preliminary announcement of annual results for year ended 31 March 2008

May 2008

Capita share dealing services

A quick and easy share dealing service is available from Capita Registrars, to either buy or sell more shares. An online and telephone dealing facility is available providing shareholders with an easy-to-access and simple-to-use service. For further information on this service, or to buy and sell shares, please contact: www.capitadeal.com (online dealing) or 0870 458 4577 (telephone dealing).

Shareholder change of address

The Company offers the facility, in conjunction with Capita Registrars, our Registrars, to conduct a number of routine matters via the web including the ability to notify any change of address. If you are a shareholder and are either unable or would prefer not to use this facility, please do not send the notification to the Company's registered office. Please write direct to Capita Registrars, at their address shown below, where the register is held.

Relating to beneficial owners of shares with 'information rights'

Please note that beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's registrar, Capita Registrars, or to the Company directly.

Addresses for correspondence

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Registrars

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Tel +44 (0)870 162 3100

Registered number 2670500

Cautionary statement regarding forward-looking statements

This interim report may contain forward-looking statements based on current expectations of, and assumptions and forecasts made by, Group management. Various known and unknown risks, uncertainties or other factors could lead to substantial differences between the actual future results, financial situation development or performance of the Group and the estimates and historical results given herein. Undue reliance should not be placed on forward-looking statements which speak only as of the date of this document. The Group accepts no obligation to publicly revise or update these forward-looking statements or adjust them to future events or developments, whether as a result of new information, future events or otherwise, except to the extent legally required.