



# INTERIM REPORT AND ACCOUNTS

Six Months Ended 30 September 2006

developing **the difference**

## Financial highlights

- Revenue net of revenue sharing of £12.5m (H1 05/06: £14.1m) includes a 30% increase in underlying net recurring royalties
  - 21% increase in gross royalties
  - Royalties net of revenue sharing up 30% to £12.2m (H1 05/06: £9.4m)
  - Reduction in the average revenue share paid to 40% of gross revenues as a result of income mix (H1 05/06: 44%, FY 05/06: 41%)
  - One-off income of £0.3m net (H1 05/06: £4.7m including Zimmer settlement of £4.1m)
- Additional returns generated from £2.3m profits on sale of assets (H1 05/06: £1.6m)
- Operating & administrative expenses continue to reduce to £9.1m (H1 05/06: £10.7m)
- Research & development expenses of £4.5m (H1 05/06: £5.5m), reflecting lower Varisolve® expenses of £1.7m (H1 05/06: £2.7m). R&D investment expected to rise in second half
- Profit before tax of £1.7m (H1 05/06: loss of £1.9m)
- Cash reserves of £43m compared to “free” cash at 1 April 2006 of £44m

## Operating highlights

- Significant progress in value generation from building pipeline
  - Growth in existing revenues, proceeds from physical science deals, simplified structure, cost containment
  - BTG’s extensive pipeline now has 4 clinical stage and 4 preclinical stage development programmes, plus 3 programmes at lead identification stage
  - Of 11 licensed programmes, 1 is in Phase III, 8 in Phase II, 1 in Phase I and 1 at lead identification
- Varisolve® US Phase II safety study on track to treat 1st patient in Q1 07
- Phase I/II gastric cancer trial of Plevitrexed successfully completed
- Good results from single dose Phase I study of BGC20-1259, targeting Alzheimer’s disease
- Genzyme report positive 2nd interim results from Phase II trial of Campath® in multiple sclerosis
- TolerRx plan to start Phase III trial of TRX4 in type 1 diabetes by end of 2006

## OVERVIEW

Over the past 18 months, BTG has transformed itself into a focused life sciences company that is building a valuable pipeline of drugs and other medical technologies capable of generating future revenues. BTG in-licenses promising programmes, manages their development through preclinical and clinical studies, finally licensing them to other biotechnology and pharmaceutical companies to complete development and gain product marketing approvals. The Company has over the same period restructured itself so that it now operates as a sustainable business from a solid financial platform.

Underlying revenues from royalties on licensed products on the market are growing and the base costs of the business have reduced significantly. During the first half of the year, gross recurring royalty revenues grew by 21% and operating and administrative costs were 15% lower in comparison to those in the same period last year.

Additional returns have been generated from commercialising several physical science technologies that BTG retained after restructuring. A small number of these remain and are expected to provide one-off returns over the short to medium term from a small cost base.

Good progress has been made in BTG's and its licensees' and associates' pipelines, with overall pipeline development on track.

Whilst competition to acquire new high quality programmes is strong, BTG is well positioned against the competition with its financial, technical and project management resources and capabilities. Detailed due diligence is under way on a number of promising opportunities.

In addition to in-licensing individual programmes and developing existing programmes, the Company is also seeking to acquire portfolios and platforms to further build and balance its pipeline. Moving forward, BTG will aim to retain a greater proportion of the value of selected programmes in its pipeline. This may mean, for example, taking certain programmes beyond proof of concept stage and through later stage pivotal efficacy studies.

## RESEARCH & DEVELOPMENT ACTIVITIES

### BTG's development pipeline

BTG's development pipeline comprises four clinical stage programmes, four preclinical stage programmes and three programmes in lead identification.

#### *Varisolve*<sup>®</sup>

Following BTG's decision to proceed with the US Phase II safety study of *Varisolve*<sup>®</sup>, good progress has been made in signing up investigators. Six centres are expected to participate in the study, with the first patient treatment planned for March 2007. The study will use magnetic resonance imaging techniques to assess any effects in the brain of treatment on 50 patients with known circulating arterial microbubbles.

BTG also met with the Cardio-Renal Division of the US Food & Drug Administration (FDA), to which all venous sclerosant products have been reassigned, to agree the clinical plan leading to the New Drug Application (NDA) filing. To gain approval as a treatment for varicose veins and venous stasis ulcers, three pivotal studies will be required in which approximately 900 patients are treated. A safety database of some 1500 patients is anticipated, which will include the 550 patients who have already been treated – 435 of whom participated in the EU Phase III trials and have now been followed up for a year. The results of the EU Phase III trial are to be published in the journal *Phlebology* at the end of 2006.

### ***Plevitrexed***

Plevitrexed, a thymidylate synthase (TS) inhibitor targeting gastrointestinal (GI) and other tumours, completed a Phase I/II trial in gastric cancer. In total, 49 patients were enrolled and treated. A higher maximum tolerated dose was achieved than in a previous gastric cancer study, and objective responses and stable disease were observed. The study results have been submitted to an American Society of Cancer Organisation GI Cancer Symposium in January 2007.

### ***BGC20-1259***

Single ascending and multiple dose studies of BGC20-1259 were completed. This multifunctional compound, which targets Alzheimer's disease and other age-related dementias, was well tolerated and showed a dose-dependent inhibition of acetylcholinesterase – an enzyme implicated in Alzheimer's disease. A repeat dose tolerability study in elderly volunteers is due for completion by the end of 2006.

### ***BGC20-0166***

Recruitment to the proof of mechanism study of BGC20-0166 in people with sleep apnoea has continued. Although patient enrolment has been slower than anticipated, steps have been taken to increase the rate of recruitment and the study is now expected to end in mid 2007.

### ***BGC945***

A targeted TS inhibitor for broad cancer applications, BGC945 is progressing through preclinical development towards a Phase I study, which is expected to commence in the second half of 2007. This compound uses a proven mechanism to kill tumour cells, but evidence suggests it is selectively taken up into the tumour cell and spares normal tissues. Developing a process to scale-up the compound for clinical studies was challenging, but manufacture of the active pharmaceutical ingredient to GMP standards is now under way.

Several programmes continued preclinical development:

- Pharmacokinetic studies were completed for BGC20-1531, an EP4 receptor antagonist that aims to block the process of dilation of blood vessels in the brain that is involved in migraine attacks. These studies indicate that the compound is suitable for oral dosing. A Clinical Trials Application (CTA) is expected to be filed in the second half of 2007.
- A novel class of compounds that act on cannabinoid receptors in the thymus and the brain have been shown to have analgesic activity in a preclinical model of inflammatory pain and to reduce the neurological disability score in a standard model of multiple sclerosis. BTG expects to select candidates for development during 2007.
- Novel iron chelators for the treatment of neurodegenerative disorders such as Alzheimer's and Parkinson's diseases and other iron-overload disorders such as thalassaemia and rare anaemias have been shown in preclinical models to protect cortical neurones and synapses against iron-induced damage. The compounds are in late-stage development candidate selection.

### **BTG's licensed pipeline**

In addition to the programmes BTG is developing, the Company has a broad portfolio of 11 licensed programmes being developed and funded by BTG's licensees. These currently include one product in Phase III, eight in Phase II, one in Phase I and one at lead identification stage as shown in the following table.

<i>Programme</i>	<i>Indication</i>	<i>Clinical status</i>	<i>Licensee</i>
Campath®	CLL 1st line	Phase III	Genzyme
	MS	Phase II	
Misopess™ TRX4	Cervical ripening	Phase III	Cytokine Pharmasciences TolerRx, Inc.
	Type 1 diabetes	Phase II	
Juvidex™	Psoriasis	Phase I	Renovo
	Scar improvement	Phase II	
Symadex™	Breast & colorectal cancer	Phase II	Xanthus Pharmaceuticals
Banoxantrone	Solid tumours	Phase I/II	AstraZeneca/Novacea
ABIO-0801	Anxiety	Phase II	Abiogen Pharma
Modafinil	Drug-induced sleepiness	Phase II	Victory Pharma
Infecton®	Imaging bacterial infection	Phase II	Draximage
Abiraterone	Prostate cancer	Phase I	Cougar Biotechnology
Beta-amyloid inhibitors	Alzheimer's disease	Lead ID	Senexis

### **Campath®**

BTG's licensee Genzyme Corporation reported the results of the 2nd scheduled interim analysis of the Phase II trial of Campath® versus Rebif® in 334 patients with active relapsing-remitting multiple sclerosis. Patients taking Campath® experienced at least a 75% reduction in the risk of relapse after at least two years compared with patients treated with Rebif®. Campath® patients also experienced at least a 65% reduction in the risk of progression of clinically significant disability compared with patients treated with Rebif®. Genzyme has also implemented a risk management plan to help identify and manage immune thrombocytopenic purpura (ITP), a treatable condition in which patients experience a low platelet count. Following these results and implementation of the ITP risk management plan, Genzyme anticipates the current clinical hold being lifted and a Phase III trial commencing in the first half of 2007.

### **TRX4**

TRX4 is a humanised monoclonal antibody that binds to the CD3 receptor involved in T-cell signalling. Its mode of action suggests it may provide long-term antigen-specific immunotolerance without the side effects associated with chronic immunosuppression. BTG's licensee TolerRx, Inc. has shown in a Phase II trial of patients with new-onset type 1 diabetes that a single course of TRX4 significantly reduces insulin requirements for at least 18 months. TolerRx raised \$35.6m in August 2006 to further develop TRX4, and the company plans to commence a pivotal Phase III trial in type 1 diabetes by the end of 2006.

BTG also benefits from developments in companies in which it holds investments. These include:

- Senexis Ltd, which is developing novel inhibitors of amyloid-related toxicity. BTG licensed two compounds to Senexis that are under development for Alzheimer's disease. Senexis is currently raising £5m to further develop its pipeline, with the objective of progressing one to a CTA filing and two candidates into preclinical development.
- Protez Pharmaceuticals, Inc., a company that is developing new antibiotics to overcome resistance and improve efficacy. Protez has recently started a Phase I study of its broad spectrum antibiotic PZ-601 and has raised \$21m in funding to progress development.
- Xention Ltd, which is developing drugs that modulate ion channel function. Xention has started a Phase I study of XEN-D0101 for the prevention of atrial fibrillation.

## FINANCIAL REVIEW

### Revenues

Total revenues were £20.8m of which £20.3m arose from recurring royalties and the remainder from some one-off settlements. Revenues in the equivalent period last year of £25.1m benefited from a one-off receipt of £7.5m arising from a settlement over the two-part hip cup with Zimmer Holdings, Inc.

Underlying recurring royalties grew by 21% to £20.3m (H1 05/06: £16.8m). After revenue sharing, net revenues were £12.5m (H1 05/06: £14.1m) with net recurring royalty revenues of £12.2m (H1 05/06: £9.4m). Revenue sharing decreased to 40% of the total revenues received, compared to 41% for the full year to March 06 and 44% for the first half of last year, reflecting a change in mix of sources of revenues.

The major contributors to recurring royalties were sales of BeneFIX<sup>®</sup>, the recombinant Factor IX product for haemophilia B, which generated gross royalties of £8.0m (H1 05/06: £7.5m), the two-part hip cup, which contributed £3.8m (H1 05/06: £2.1m), Campath<sup>®</sup> at £2.3m (H1 05/06: £2.0m) and the antibody humanisation patents licensed to the Medical Research Council (MRC), which generated £2.0m (H1 05/06: £0.9m). The increase in the hip-cup royalties reflects the fact that Zimmer now pay royalties on their product sales. The strong increase in the humanisation patent revenues reflects both increases in products covered by the patents and fluctuations in the timing of receipts from certain of MRC's licensees, with two payments falling into the current period.

BTG completed the sale of its radio frequency ID (RFID) patent portfolio to Zebra Technologies Corporation for a gross payment of \$3.8m and also sold its WebNav online navigation tracking patents to TwinTech E.U. II for a gross payment of \$5.0m. After the deduction of costs and revenue sharing, BTG recognised a profit on disposal of these assets of £2.3m. In the first half of 05/06 BTG recorded net gains of £1.6m from an earlier sale of RFID patents to Zebra.

An additional \$1.0m is receivable in relation to the sale of the RFID patents upon completion of certain conditions. BTG will also earn a share of future profits earned by TwinTech E.U. II from commercialisation of the WebNav patents under a similar structure to the sale of the Teleshuttle patents to TwinTech E.U. I in March 2006.

### Exchange rates

Significant amounts of BTG's earnings come from royalties on US\$ denominated sales. The weak dollar has had an adverse impact of some £0.2m on net royalty revenues compared to the same period last year.

In order to provide more forecasting certainty, the Company has sold forward predictable net revenues for the second half of the year at exchange rates of \$1.90:£1.

### Expenses

Operating and administrative expenses reduced by 15% to £9.1m (H1 05/06: £10.7m) and are now at a stable level following the restructuring over the past two years, the costs of which in H1 05/06 were £2.2m but nil this period. The surplus of net recurring royalties over internal costs for the period was £3.1m.

Investment in research and development was £4.5m (H1 05/06: £5.5m), of which £1.7m related to Varisolve<sup>®</sup> development and £2.4m to the development of other programmes in BTG's pipeline. The balance of £0.4m was BTG's share of the results of its associate companies, i.e. those in which BTG owns between 20% and 50% of the shares. We anticipate increased R&D costs in the second half of the year with up to half of the total costs of the Varisolve<sup>®</sup> safety study falling in the next 6 months and an increase in pre-clinical and clinical costs in the BTG pipeline as programmes progress.

The operating profit for the period was £1.2m, compared with an operating loss of £2.7m in H1 05/06. After adjusting for financial income and expenses and tax, BTG made a profit of £1.6m for the period (H1 05/06: loss of £1.9m).

## Cash

At the period end BTG had £43.0m of cash and cash equivalents compared with £51.0m at the beginning of the period of which £7m was used to meet liabilities relating to the sale of Teleshuttle patents just before the year end, hence “free” cash at the start of the period was approximately £44m. Underlying net cash outflows relating to the half year’s activities were some £1.0m.

In reconciling this figure, the net profit for the period of £1.6m is supplemented by proceeds of option exercises of £0.7m and adding back non-cash charges of £2.2m. Offsetting these sources of funds were payments to reduce the pension fund liability (£1.1m), to decrease provisions (£1.1m), acquire enhanced patent rights (£0.9m) and exchange rate fluctuations (£0.4m) in addition to working capital and other changes of £2.0m.

## Balance sheet

The net assets of the Group at 30 September 2006 increased by £3.6m in the period, reflecting the profit for the period, share option exercises and actuarial gains on the pension fund offset by exchange losses of £0.7m arising on translation.

There were no significant fixed asset additions in the period. Intangible assets reduced from £7.1m to £6.8m with the additions of £0.9m being offset by amortisation and writing off the carrying value of the assets sold in the period. Investments in associates and other investments reduced from £7.9m to £7.5m principally reflecting the losses incurred in the underlying development companies.

Trade and other payables reduced from £29.3m to £20.5m in the half year, reflecting in the main the payment of liabilities relating to the sale of the Teleshuttle patents. Provisions reduced from £4.6m to £3.5m reflecting payments made under leases provided for in prior periods. The employee benefits provision reduced from £9.6m to £6.9m, reflecting additional cash payments made to the defined benefit pension plan of £1.1m and actuarial adjustments that are reflected through reserves.

The issued share capital increased to 150,936,472 shares following the issue of 584,510 shares upon the exercise of share options by former employees.

## SUMMARY AND OUTLOOK

BTG has made continued strong progress in its business during the first half of the financial year. The Company is operating on a firm financial footing, with increasing royalty revenues exceeding reduced operating costs. With this and cash reserves of £43m, BTG is able to invest in additional new programmes, portfolios and platforms to further strengthen its broad pipeline and capabilities.

The good momentum in BTG’s and its licensees’ development pipelines is expected to continue, with significant development milestones anticipated during the second half of the year and through 2007.

**CONSOLIDATED INCOME STATEMENT**  
for the six months ended 30 September 2006

	Note	Six months ended 30 September 2006 £m	Six months ended 30 September 2005 £m	Year ended 31 March 2006 £m
Revenue	3	20.8	25.1	50.2
Revenue sharing		(8.3)	(11.0)	(20.7)
Revenue net of revenue sharing		12.5	14.1	29.5
Operating and administrative expenses	4	(9.1)	(10.7)	(24.3)
Restructuring costs		–	(2.2)	(3.7)
Operating expenses		(9.1)	(12.9)	(28.0)
Varisolve® development		(1.7)	(2.7)	(4.5)
Other development		(2.4)	(2.2)	(3.6)
Share of results of associates		(0.4)	(0.6)	(1.0)
Research and development expenses		(4.5)	(5.5)	(9.1)
Profit on disposal of assets and investments	5	2.3	1.6	11.6
Amounts written off associates and investments	6	–	–	(4.2)
		2.3	1.6	7.4
<b>Operating profit/(loss)</b>	3	1.2	(2.7)	(0.2)
Financial income		0.7	0.8	1.7
Financial expenses		(0.2)	–	–
<b>Net financial income</b>		0.5	0.8	1.7
<b>Profit/(loss) before tax</b>		1.7	(1.9)	1.5
Tax	7	(0.1)	–	(0.1)
<b>Profit/(loss) after tax for the period</b>		1.6	(1.9)	1.4
<b>Attributable to:</b>				
Equity holders of the parent		1.6	(1.9)	1.5
Minority interest		–	–	(0.1)
<b>Profit/(loss) after tax for the period</b>		1.6	(1.9)	1.4
Basic earnings/(loss) per share	8	1.1p	(1.3p)	1.0p
Diluted earnings/(loss) per share	8	1.1p	(1.3p)	1.0p

## CONSOLIDATED BALANCE SHEET

as at 30 September 2006

	Note	30 September 2006 £m	30 September 2005 £m	31 March 2006 £m
<b>Non-current assets</b>				
Intangible assets		6.8	8.7	7.1
Property, plant & equipment		9.2	10.1	9.6
Investments in associates		2.4	3.2	2.7
Other investments		5.1	8.0	5.2
		23.5	30.0	24.6
<b>Current assets</b>				
Trade and other receivables		10.2	6.6	10.1
Cash and cash equivalents		43.0	46.7	51.0
		53.2	53.3	61.1
<b>Total assets</b>		<b>76.7</b>	<b>83.3</b>	<b>85.7</b>
<b>Equity</b>				
Share capital	9	15.1	14.8	15.0
Share premium account	9	186.9	182.8	186.3
Other reserves	9	(0.6)	(0.8)	1.5
Retained earnings	9	(155.6)	(161.3)	(160.6)
<b>Equity attributable to equity holders of the parent</b>		<b>45.8</b>	<b>35.5</b>	<b>42.2</b>
Minority interest		–	0.1	–
<b>Total equity</b>	9	<b>45.8</b>	<b>35.6</b>	<b>42.2</b>
<b>Non-current liabilities</b>				
Trade and other payables		0.5	–	0.9
Employee benefits		6.9	9.9	9.6
Provisions		1.9	2.2	2.4
		9.3	12.1	12.9
<b>Current liabilities</b>				
Trade and other payables		20.0	31.7	28.4
Provisions		1.6	3.9	2.2
		21.6	35.6	30.6
<b>Total liabilities</b>		<b>30.9</b>	<b>47.7</b>	<b>43.5</b>
<b>Total equity and liabilities</b>		<b>76.7</b>	<b>83.3</b>	<b>85.7</b>

## CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 September 2006

	Six months ended		Year ended
	30 September	30 September	31 March
	2006	2005	2006
	£m	£m	£m
Profit/(loss) before tax for the period	1.7	(1.9)	1.5
Profit on disposal of intangible assets and investments	(2.3)	(1.6)	(11.7)
Amounts written off associates and investments	–	–	4.2
Loss on sale of property, plant & equipment	–	–	0.1
Investment income	(0.7)	(0.8)	(1.7)
Interest expense	0.2	–	–
Amortisation and impairment of intangible assets	1.0	1.8	3.9
Depreciation on property, plant & equipment	0.4	0.5	0.9
Share-based payments	0.2	0.5	0.8
Pension contributions	(1.1)	–	(2.1)
(Increase)/decrease in debtors	(0.1)	0.9	(1.8)
(Decrease)/increase in creditors	(1.6)	11.9	2.0
Decrease in provisions	(1.1)	(1.5)	(3.0)
Share of associates' losses	0.4	0.6	1.0
Other	(0.2)	(0.6)	(1.0)
<b>Cash used in operations</b>	<b>(3.2)</b>	<b>9.8</b>	<b>(6.9)</b>
Interest expense	(0.1)	–	–
Taxation paid	(0.1)	–	(0.1)
<b>Net cash from operating activities</b>	<b>(3.4)</b>	<b>9.8</b>	<b>(7.0)</b>
<b>Investing activities</b>			
Interest received	0.9	0.8	1.6
Purchases of intangible assets	(0.9)	(0.9)	(1.3)
Proceeds on disposal of intangible assets	4.7	2.9	23.3
Payments made in relation to disposal of intangible assets	(9.5)	–	(3.7)
Investment in associates	(0.1)	(0.3)	(0.7)
Expenditure on investments	(0.1)	(0.7)	(1.1)
Proceeds on disposal of investments	0.1	–	1.0
<b>Net cash from investing activities</b>	<b>(4.9)</b>	<b>1.8</b>	<b>19.1</b>
<b>Cash flows from financing activities</b>			
Proceeds of share issues	0.7	0.6	4.3
<b>Net cash from financing activities</b>	<b>0.7</b>	<b>0.6</b>	<b>4.3</b>
(Decrease)/increase in cash and cash equivalents	(7.6)	12.2	16.4
Cash and cash equivalents at start of period	51.0	34.5	34.5
Effect of exchange rate fluctuations on cash held	(0.4)	–	0.1
<b>Cash and cash equivalents at end of period</b>	<b>43.0</b>	<b>46.7</b>	<b>51.0</b>

## CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

for the six months ended 30 September 2006

	Six months ended 30 September 2006 £m	Six months ended 30 September 2005 £m	Year ended 31 March 2006 £m
Foreign exchange translation differences	(0.7)	(0.4)	(0.1)
Actuarial gain/(loss) on pension liabilities	1.7	0.2	(1.6)
Change in fair value of equity securities available for sale	–	(2.7)	(2.0)
Deferred tax due on revaluation of equity securities available for sale	–	(0.2)	0.2
<b>Net income/(expense) recognised directly in equity</b>	<b>1.0</b>	<b>(3.1)</b>	<b>(3.5)</b>
Profit/(loss) for the period	1.6	(1.9)	1.4
<b>Total recognised income and expense for the period</b>	<b>2.6</b>	<b>(5.0)</b>	<b>(2.1)</b>
<b>Attributable to:</b>			
Equity holders of the parent	2.6	(5.0)	(2.0)
Minority interest	–	–	(0.1)
	<b>2.6</b>	<b>(5.0)</b>	<b>(2.1)</b>

### NOTES TO THE ACCOUNTS

#### 1. Basis of preparation and accounting policies

This interim statement has been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”). The financial statements have been prepared in accordance with existing Group accounting policies, set out in the Group’s 2006 annual report and accounts.

This interim statement was approved by the Board on 8 November 2006.

#### 2. Comparative figures

The results for each half year are unaudited. The comparative figures for the financial year ended 31 March 2006 are not the company’s statutory accounts for that financial year. Those accounts have been reported on by the company’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 237(2) or (3) of the Companies Act 1985.

#### 3. 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:

Medical innovations:	The acquisition, development and commercialisation of pharmaceutical and other medical technologies.
Technology commercialisation:	The commercialisation of technology outside the medical area.

## Notes to the accounts (continued)

### 3. Summary segmental analysis (continued)

	30 September 2006 £m	Six months ended 30 September 2005 £m	Year ended 31 March 2006 £m
<b>Revenue by business segment</b>			
Medical innovations	20.3	24.2	46.4
Technology commercialisation	0.5	0.9	3.8
Revenue	20.8	25.1	50.2
<b>Operating profit/(loss) by business segment</b>			
Medical innovations	1.4	3.5	5.7
Technology commercialisation	1.1	(2.0)	1.4
Restructuring	–	(2.2)	(3.7)
Other operating costs	(1.3)	(2.0)	(3.6)
Operating profit/(loss)	1.2	(2.7)	(0.2)

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

	30 September 2006 £m	Six months ended 30 September 2005 £m	Year ended 31 March 2006 £m
<b>Revenue by geographic segment</b>			
USA	16.6	21.9	42.9
UK	3.3	2.0	5.1
Europe	0.4	0.5	0.8
Other	0.5	0.7	1.4
Revenue	20.8	25.1	50.2

### 4. Operating and administrative expenses

	30 September 2006 £m	Six months ended 30 September 2005 £m	Year ended 31 March 2006 £m
Amortisation and impairment of intangible assets	0.9	1.8	3.9
Patent renewal fees	0.2	0.5	0.7
Litigation costs	0.1	1.1	2.9
Administrative expenses	1.2	3.4	7.5
Exchange gains	7.9	8.7	18.3
	–	(1.4)	(1.5)
	9.1	10.7	24.3

## 5. Profit on disposal of assets and investments

	Six months ended		Year ended
	30 September 2006 £m	30 September 2005 £m	31 March 2006 £m
Profit on disposal of intangible assets	2.3	1.6	11.0
Profit on disposal of investments	–	–	0.7
Loss on sale of property, plant & equipment	–	–	(0.1)
	<b>2.3</b>	<b>1.6</b>	<b>11.6</b>

The profit for the period ended 30 September 2006 is net of £1.6m shared with the inventive source (30 September 2005: £0.3m; 31 March 2006: £4.9m).

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

## 6. Amounts written off associates and investments

	Six months ended		Year ended
	30 September 2006 £m	30 September 2005 £m	31 March 2006 £m
Amounts written off associates	–	–	0.5
Amounts written off investments	–	–	3.7
	<b>–</b>	<b>–</b>	<b>4.2</b>

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

The amount written off investments represents the reduction in value of investments available-for-sale, taken direct to the income statement, following an impairment review.

## 7. Taxation

Taxation for each six-month period has been provided on the basis of the anticipated effective rate for the full year.

## 8. Earnings/(loss) per share

	Six months ended		Year ended
	30 September 2006 £m	30 September 2005 £m	31 March 2006 £m
Profit/(loss) attributable to ordinary shareholders (£m)	1.6	(1.9)	1.5
Earnings/(loss) per share (p)			
Basic	1.1	(1.3)	1.0
Diluted	1.1	(1.3)	1.0
Number of shares (m)			
Weighted average number of shares – basic	149.3	146.0	146.6
Effect of share options in issue	0.5	–	1.3
Weighted average number of shares – diluted	<b>149.8</b>	<b>146.0</b>	<b>147.9</b>

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

## Notes to the accounts (continued)

### 9. Reserves

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 April 2006	15.0	186.3	1.5	(160.6)	42.2
Transfer of share-based payments reserve	–	–	(1.4)	1.4	–
At 1 April 2006 restated	15.0	186.3	0.1	(159.2)	42.2
Foreign exchange translation differences	–	–	(0.7)	–	(0.7)
Actuarial gain on pension liabilities	–	–	–	1.7	1.7
Profit for the period	–	–	–	1.6	1.6
Total recognised income and expense	–	–	(0.7)	3.3	2.6
Movement in shares held by the Trust	–	–	–	0.1	0.1
Share-based payments	–	–	–	0.2	0.2
Share capital issued	0.1	0.6	–	–	0.7
<b>At 30 September 2006</b>	<b>15.1</b>	<b>186.9</b>	<b>(0.6)</b>	<b>(155.6)</b>	<b>45.8</b>

Other reserves are analysed as follows:

	Share-based payments reserve £m	Translation reserve £m	Fair value reserve £m	Total other reserves £m
At 1 April 2006	1.4	(0.2)	0.3	1.5
Transfer of share-based payments reserve	(1.4)	–	–	(1.4)
At 1 April 2006 restated	–	(0.2)	0.3	0.1
Total recognised income and expense	–	(0.7)	–	(0.7)
<b>At 30 September 2006</b>	<b>–</b>	<b>(0.9)</b>	<b>0.3</b>	<b>(0.6)</b>

The share-based payments reserve, disclosed in the published accounts under 'other reserves' for the year ended 31 March 2006, is now included within retained earnings.

### 10. Posting of interim accounts

The announcement is being sent to all shareholders on the register on 17 November 2006 and further copies are available from the Company's registered office: 10 Fleet Place, Limeburner Lane, London EC4M 7SB.

# **INDEPENDENT REVIEW REPORT TO BTG PLC**

## ***Introduction***

We have been instructed by the Company to review the financial information for the six months ended 30 September 2006 which comprises the Group income statement, balance sheet, cash flow statement and the statement of recognised income and expense and notes 1 to 10. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

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

## ***Directors' responsibilities***

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the Directors. The Directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual financial statements except where any changes, and the reasons for them, are disclosed.

## ***Review work performed***

We conducted our review in accordance with guidance contained in Bulletin 1999/4 *Review of interim financial information* issued by the Auditing Practices Board for use in the UK. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. A review is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

## ***Review conclusion***

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2006.

**KPMG Audit Plc**  
Chartered Accountants

8 Salisbury Square  
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8 November 2006



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*In the UK and USA, BTG operates through wholly owned subsidiaries,  
BTG International Ltd and BTG International Inc, respectively.*

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