



BTG plc: Preliminary Results

Strong underlying results and robust cash position

Integration of Protherics on track

London, UK, 14 May 2009: BTG plc, the specialty pharmaceuticals company, today announces its preliminary results for the year ended 31 March 2009.

The key event of the year was the acquisition of Protherics PLC, completed on 4 December 2008, which provides the platform to create a sustainably profitable specialty pharmaceuticals business. The acquisition was valued at £171.3m and funded by the issue of 104 million new Ordinary Shares.

Financial highlights

The financial statements include the results of Protherics for the period from 4 December 2008 to 31 March 2009, as well as the results of the fair valuation of the assets and liabilities acquired and reorganisation costs.

- Revenue increased by 13.1% to £84.8m (07/08: £75.0m)
 - Recurring royalties increased by 30.4% to £55.3m (07/08: £42.4m)
 - Non-recurring revenues were £16.1m (07/08: £32.6m)
 - Revenue of £13.4m from Protherics business
- Operating profit of £7.0m (07/08: £16.6m) before acquisition adjustments and reorganisation costs of £16.2m arising on the acquisition of Protherics. Loss from operations after acquisition adjustments and reorganisation costs of £9.2m (07/08: profit £8.5m)
- Loss after tax of £13.1m (07/08: profit after tax of £8.8m) resulting in a loss per share of 7.1p (07/08: earnings per share of 5.9p)
- Cash and cash equivalents of £78.2m at year end (31 March 2008: £57.0m)

Operating highlights

- Reorganisation progressing as planned – decisions made on sites and personnel, business integration well advanced
- Portfolio review completed – internal pipeline has eight clinical development programmes
 - Varisolve[®] successfully completed US phase II safety study and is progressing towards pivotal Phase III trials
 - BGC20-1531 (migraine) and BGC20-0134 (multiple sclerosis) completed Phase I studies and to start Phase II studies in H2 09
 - Angiotensin Therapeutic Vaccine data encouraging, new Phase II study to commence
- Strong progress in partnered programmes – eight in clinical development
 - Enrolment of patients completed in one Phase III trial of Campath[®] in multiple sclerosis and nearing completion in second Phase III trial
 - Second Phase III trial of CB7630 (abiraterone acetate) initiated in prostate cancer patients
 - Phase III trial of TRX4 initiated in patients with type 1 diabetes
 - CytoFab[™] progressing through Phase II study in severe sepsis – completion anticipated around mid-2009

Louise Makin, BTG's chief executive officer, commented: "This has been a transformational year for BTG. We have recorded another strong underlying financial performance and demonstrated solid progress with key development programmes in our internal and partnered pipelines. We have reorganised efficiently following the acquisition of Protherics and are on track to achieve the planned cost savings. We are also progressing well with plans to establish our US commercial operations, and are actively looking to further strengthen our pipeline. We look forward to another year of progress towards becoming a sustainably profitable specialty pharmaceuticals business."

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About BTG

BTG is an international specialty pharmaceuticals company that is developing and commercialising products targeting critical care, cancer, neurological and other disorders. The company is also seeking to acquire new products to develop and market to hospital specialists, and is building a sustainable business financed by revenues from sales of its critical care products and from royalties and milestone payments on partnered products. For further information, visit: www.btgplc.com.

Chairman's statement

I am delighted that the acquisition of Protherics PLC, which was completed in December 2008, received such overwhelming support from both sets of shareholders. I believe that the enlarged Group has the resources, capabilities, scale and strategy to become a sustainably profitable specialty pharmaceuticals company.

Progress with integrating the businesses has been rapid. By March, we had made key decisions about the pipeline, personnel and sites and so we were ready to start the new financial year with clarity on goals, roles and responsibilities.

Results for the year

The reported financial results for the year show strong underlying financial performance with organic growth from our recurring revenues and cash of £78.2m at the year end.

Revenues of £84.8m (07/08: £75.0m) included £13.4m from new lines of business acquired following the acquisition of Protherics. Gross profit after revenue sharing and cost of sales increased by 11.2% to £47.7m (07/08: £42.9m). Total operating expenses increased during the year as we included the costs of the expanded BTG operations in the UK, Australia and United States. Operating profit before acquisition adjustments and reorganisation adjustments was £7.0m (07/08: £16.6m). After providing for the costs of reorganisation and making acquisition adjustments, the operating loss for the year was £9.2m (07/08: £8.5m profit). We ended the year with a loss after tax of £13.1m (07/08: £8.8m profit) delivering a loss per share of 7.1p (07/08: earnings per share of 5.9p).

The acquisition of Protherics has provided BTG the opportunity to build a profitable specialty pharmaceuticals business. We are working quickly to leverage the underpinning strength of our revenue streams and to drive the cost savings from integration. Our strong financial position provides an excellent platform for us to grow as well as stability in the current uncertain economic climate.

Board changes

Christine Soden, who joined BTG in July 2005 as Chief Financial Officer and became Chief Operating Officer following the acquisition of Protherics, retired from the Board on 31 March 2009 and leaves BTG in June 2009. On behalf of the Board, I would like to thank Christine for her many contributions to the company's strategic, financial and operational development. We wish her well for the future.

Rolf Soderstrom, former Protherics Financial Director, joined BTG as Chief Financial Officer following the acquisition of Protherics on 4 December 2008. He is a strong addition to the Board and has already played a major role in integrating the business and getting it on track to achieve the planned cost savings.

We are pleased that Jim O'Shea joined us as a non-executive director on 2 April 2009. He brings significant industry experience from his previous roles at Sepracor and Zeneca Pharmaceuticals that will be valuable, in particular as we build our US commercial operations.

Outlook

We anticipate continued good performance in our underlying business. Our revenues derive from a broad range of products, many of which serve critical medical needs. Having taken the key decisions on restructuring, we are on track to reduce operating expenses by £10m by the end of the 2010/2011 financial year. In addition, having completed our portfolio review, we anticipate that research and development expenses will reduce as planned by £10m by 2010/2011. I believe that we have the team, resources and strategy to continue our transformation into a specialty pharmaceuticals business.

Dr John Brown
Chairman

Operating review

Following the acquisition of Protherics, we completed a detailed review of the enlarged portfolio, assessing programmes in relation to the development pathway and associated investment, technical risks, time to market, competitive landscape, potential returns and strategic fit. Our pipeline currently comprises eight clinical development programmes.

Voraxaze™ is an investigational new drug that is not approved in any indication but is currently available in the US under a Treatment Protocol and cost recovery programme for patients receiving high dose methotrexate ($\geq 1\text{g/m}^2$) who are experiencing, or at risk of, methotrexate toxicity. Voraxaze™ is progressing through a rolling Biologics Licence Application in the US, and we plan to market Voraxaze™ in the US ourselves if the product is approved.

Varisolve®, the investigational endovenous microfoam therapy for varicose veins, successfully completed a Phase II safety study and is progressing towards pivotal Phase III trials in the US. In parallel, discussions are progressing with potential commercial partners. These discussions, and the requirements and costs of the Phase III trials, product registration and launch, will inform BTG's decisions on the future technical and commercial development of the programme.

Oncogel™, a sustained release formulation of the chemotherapy agent paclitaxel, is progressing through a Phase IIb study in patients with oesophageal cancer. Preliminary data are anticipated in H2 2010 and survival data by H1 2011.

Prolarix™, the prodrug tretazicar co-administered with the co-substrate caricotamide, is being studied in 20 patients with inoperable liver cancer in a Phase IIa study, which is anticipated to report in 2010.

Acadra™ (acadesine) is progressing through a Phase I/II study of in patients with B-cell chronic lymphocytic leukaemia, with results anticipated in H1 2011.

BGC20-1531, an EP₄ receptor antagonist targeting the treatment of migraine headaches, showed promising analgesic-like activity in an experimental pain study and is expected to commence a Phase IIa study early in H2 2009 with data anticipated in H2 2010.

BGC20-0134, a novel structured lipid, is anticipated to start a Phase IIa study in H2 2009 as an oral treatment for patients with relapsing-remitting multiple sclerosis. The study is expected to finish in 2011.

ATV, the angiotensin therapeutic vaccine, was progressing through a Phase IIa study but dosing was suspended in April 2009 as a precaution following several injection site reactions and 'flu-like' symptoms in patients. Data were reviewed from all patients dosed, and preliminary safety conclusions are that there were no differences between the treatment and control groups. The adverse events were therefore most likely related to the adjuvant rather than the vaccine.

Although the sample size was low and statistical significance was not achieved in some measurements, the preliminary data were encouraging in relation to differences observed between ATV and control groups in respect of antibody response and other measures. BTG plans to initiate a new Phase IIa study which will explore different doses of adjuvant and vaccine.

As a result of the portfolio review, we decided not to conduct further in-house development of a number of programmes including **Digoxin Immune Fab** for severe pre-eclampsia, **BGC20-1259** for Alzheimer's disease, **BGC20-0582** for head lice infestation and **BGC20-0166** for obstructive sleep apnoea. Where possible we will seek partners to continue development of these and other programmes not under active development. If partners cannot be found, or where we believe the technical or commercial barriers are too high to make programmes attractive to potential partners, we will seek to return the assets to the originators.

Partnered programmes

There has been very good progress in programmes partnered with other pharmaceutical and biotechnology companies.

Enrolment of patients with active relapsing-remitting multiple sclerosis has completed in a Phase III trial of **Campath**[®] (alemtuzumab), which is under development by Genzyme Corporation. Enrolment into a second Phase III trial is expected to finish by the end of 2009. Data from the trials are expected in 2011, with approval potentially in 2012.

Cougar Biotechnology, Inc. commenced a second Phase III trial of **CB7630 (abiraterone acetate)** in patients with chemotherapy-naïve castration-resistant prostate cancer (CRPC). The co-primary endpoints of the trial are progression-free survival and overall survival. Cougar plans to use the progression-free survival data as the basis for submission of a New Drug Application and a Marketing Authorisation Application for Accelerated and Conditional Approval from regulatory agencies.

Tolerx, Inc. initiated a Phase III trial of **TRX4** in patients with autoimmune new-onset type 1 diabetes. Recruitment of European patients commenced in March 2009, and the study is now actively recruiting patients in the US, Canada, Sweden, Finland, Italy, Germany and the UK. Tolerx has a worldwide collaboration with GlaxoSmithKline to develop and commercialise TRX4 in a range of autoimmune disorders.

A Phase II study of **CytoFab**[™], a polyclonal antibody that neutralises TNF- α and is under development by AstraZeneca for severe sepsis, has made good progress and is expected to finish around mid-2009.

A Phase I safety study commenced in April 2009 of **Nexvax 2**, a novel vaccine under development by Nexpep Pty Ltd for coeliac disease.

Financial Review

On 4 December 2008, BTG completed the acquisition of Protherics PLC for £171.3m funded through the issue of 104m BTG shares. The acquisition of Protherics added revenues from the sales of its marketed products, CroFab[™] and DigiFab[™], supplemented by named patient sales and cost recovery from Voraxaze[™]. The R&D pipeline has been broadened by the addition of Protherics development programmes and our partnered programmes have expanded to include CytoFab[™], which is partnered with AstraZeneca.

The financial statements include the results of the Protherics business for the period from 4 December 2008 to 31 March 2009 as well as the results of the fair valuation of the assets and liabilities acquired and reorganisation costs.

BTG's overall financial performance was strong, with organic growth in recurring royalties and sales revenues. The reported results have benefited from the retranslation of US\$ revenue at more favourable rates. The average exchange rate for the US\$/£ was \$1.69 (07/08: \$1.98). The Group ended the financial year with a healthy cash position of £78.2m.

Revenue

Revenue increased by 13.1% to £84.8m (07/08: £75.0m). Recurring royalties grew by 30.4% to £55.3m (07/08: £42.4m). BTG continues to benefit from out-licensing its technology and received £16.1m (07/08: £32.6m) in non-recurring revenues. In addition, we have benefited from revenues of £13.4m following the acquisition of Protherics.

We have seen good organic growth in recurring royalties underpinned by a strong performance from BeneFIX[™], the treatment for haemophilia B, marketed by Wyeth, at £24.7m (07/08: £16.9m). The two-part hip cup continues to show steady growth with royalties of £10.3m (07/08: £8.5m). At constant currency, US\$ denominated recurring royalties were 13% higher than in the prior year.

Non-recurring revenues included milestones totalling £5.9m gross (£3.0m net) from Cougar Biotechnology and Tolerx, following initiation of Phase III clinical studies of CB7630 and TRX4, and £8.0m

gross (£7.3m net) from licensing BGC945 to Onyx Pharmaceuticals. The prior year's non-recurring revenues of £32.6m included two significant contributions: £22.4m (\$44m) gross from licensing the semiconductor chip memory capacity patents and a £4.9m (\$10m) gross milestone from Tolerx.

Between 4 December 2008 and 31 March 2009, CroFab™ sales revenues were £9.2m, DigiFab™ sales revenues were £2.2m and Voraxaze™ generated £1.0m from named patient sales and cost recovery.

For comparative purposes only, in the full year to 31 March 2009, total revenues from the Protherics business were £32.3m (07/08: £26.1m). Revenues from CroFab™ were £20.6m (07/08: £15.7m). DigiFab™ revenues were £5.5m (07/08: £4.8m) and Voraxaze™ delivered £2.9m (07/08: £2.8m) from named patient sales and cost recovery. As the majority of the Protherics revenues are denominated in US\$, the results have benefitted from favourable US\$ exchange translation. Organic sales growth for these products in US\$ was approximately 8%. Other revenues from Protherics, including revenue recognition of milestones received in prior periods under the CytoFab™ contract, totalled £3.3m (07/08: £2.8m).

Gross profit

Gross profit increased by 11.1% to £47.7m (07/08: £42.9m), delivering a gross margin of 56.3% (07/08: 57.2%). Revenue sharing was £23.2m (07/08: £17.5m) on recurring royalties resulting in net recurring royalties of £32.1m (07/08: £24.9m). Revenue sharing on non-recurring royalties was £5.1m (07/08: £14.6m) resulting in net non-recurring revenues of £11.0m (07/08: £18.0m). The cost of sales relating to the £13.4m post-acquisition revenues was £8.8m, including a non-cash fair value adjustment of £2.3m relating to profit in stock on acquisition.

Operating expenses

Total operating expenses including research and development but before acquisition adjustments and reorganisation costs increased to £43.0m (07/08: £26.3m) reflecting the increased employee numbers and activities of the Group following the acquisition of Protherics in December 2008. BTG's activities now include manufacturing facilities in Australia and Wales together with enhanced R&D capabilities both in the UK and USA supporting a broader development pipeline.

As part of the integration of Protherics, BTG stated it would seek to reduce annualised G&A costs by £10m and R&D expenditure by £10m by the 2010/11 year end. Progress on integration is well advanced. Site rationalisation has commenced with the closure of two London offices and relocation of staff in a smaller London office. The decisions to close the former Protherics Runcorn office and manufacturing facility in Salt Lake City have been announced and closure of the sites is expected at the end of June 2009 and August 2009 respectively.

In addition a company wide rationalisation plan has been implemented which will result in a reduction in headcount of approximately 20% with employee levels falling from a combined total of 365 when the deal was announced to 290. Research and development expenses increased to £21.6m (07/08: £12.9m) as a result of the increased number of programmes under development. An R&D portfolio review has been completed identifying programmes that BTG will take forward to market itself; those that it will develop further with a view to out-license and those where we will seek a partner but not develop further ourselves.

During the year BTG realised profits on sale of investments and IP of £2.6m and recorded impairment provisions of £3.4m against other investments.

Acquisition adjustments and reorganisation costs

As a result of the acquisition of Protherics, acquisition adjustments and reorganisation costs of £16.2m have arisen. Reorganisation costs were £10.9m, including redundancy payments, site closure costs and impairment charges, of which cash costs are expected to be in the region of £8.0m. Payments of £0.6m had been made by 31 March 2009.

BTG valued the inventory acquired from Protherics at acquisition to reflect profit accrued up to the stage of production at the time of the transaction. As a result of the subsequent sale of this inventory, a non-

cash fair value adjustment of £2.3m has been charged to cost of sales. Included in operating expenses is a £3.0m charge for amortisation of intangible assets arising on acquisition.

Operating profit/loss

BTG made an operating profit of £7.0m (07/08: £16.6m) before acquisition adjustments and reorganisation costs. The loss from operations after acquisition adjustments and reorganisation costs was £9.2m (07/08: profit £8.5m).

Financial income and costs

The net financial costs were £2.1m (07/08: net financial income of £2.2m). Financial income of £2.9m was only slightly higher than in the previous year (07/08: £2.7m) despite higher cash balances due to lower interest rates. Financial expenses of £5.0m (07/08: £0.5m) included fair value losses of £4.9m on marking to market BTG's forward contracts to sell US dollars.

Taxation

The taxation charge for the year is £1.8m, arising as a result of a corporate tax charge of £2.9m offset by movements on deferred tax liabilities of £1.1m.

Loss/profit after tax

BTG made a profit after tax before acquisition adjustments and reorganisation costs of £3.1m (07/08: £16.9m)

After acquisition adjustments and reorganisation costs BTG made a loss after tax of £13.1m (07/08: profit after tax of £8.8m) resulting in a loss per share of 7.1p (07/08: earnings per share of 5.9p)

Non-current assets

Non-current assets increased from £14.1m to £211.1m. The majority of this increase derives from the valuation of the assets acquired from Protherics which resulted in intangible assets of £164.1m and £30.0m of goodwill. The principle components of the intangible assets include Protherics developed technology £120.3m, contractual relationships £36.1m and various development programmes £7.7m. The developed technology will be amortised over periods of between 20 and 25 years. Contractual relationships are amortised over the contract period. Development programmes will be amortised once they generate revenue streams and then will be amortised over useful lives. The net book value of the Group's property, plant and equipment increased to £11.1m (07/08: £0.8m) primarily due to the inclusion of Protherics manufacturing assets.

Current assets, current and non-current liabilities

Inventory of £10.5m represents raw material, work in progress and finished goods of CroFab™ and DigiFab™ manufactured at the Group's facilities in Australia and Wales. Trade and other receivables have increased from £15.2m to £29.6m reflecting the inclusion of Protherics year-end receivables and accrued royalty revenues.

Current liabilities have increased from £24.2m to £69.7m. Within this total, £13.5m relates to deferred revenue, which will not give rise to a cash outflow.

Non-current liabilities have increased from £6.9m to £47.1m. The major movements include a £35.2m provision for deferred taxation that arises on the valuation of the intangible assets acquired from Protherics.

Cash

Cash and cash equivalents increased by £21.2m to £78.2m at 31 March 2009 (31 March 2008: £57.0m). The increase in cash was generated primarily by £23.2m of cash acquired from Protherics offset by marginal cash outflow from operating activities.

Consolidated income statement
For the year ended 31 March 2009

	Note	Year ended 31 March 2009			Year ended 31 March 2008			Total (restated, note 3) £m
		Pre- acquisition adjustments and reorganisation costs £m	Acquisition adjustments and reorganisation costs (notes 5, 14) £m	Total £m	Pre- acquisition adjustments and reorganisation costs £m	Acquisition adjustments and reorganisation costs (note 5) £m		
Revenue								
Existing operations		71.4	-	71.4	75.0	-	75.0	
Acquisitions		13.4	-	13.4	-	-	-	
		84.8	-	84.8	75.0	-	75.0	
Cost of sales		(34.8)	(2.3)	(37.1)	(32.1)	-	(32.1)	
Gross profit/(loss)		50.0	(2.3)	47.7	42.9	-	42.9	
Operating expenses:								
amortisation and impairment of acquired intangibles		-	(3.0)	(3.0)	-	-	-	
Operating expenses: other		(20.6)	-	(20.6)	(13.8)	-	(13.8)	
Operating expenses: total		(20.6)	(3.0)	(23.6)	(13.8)	-	(13.8)	
Research and development	3	(21.6)	-	(21.6)	(12.9)	-	(12.9)	
Profit on disposal of assets and investments	4	2.6	-	2.6	0.4	-	0.4	
Reorganisation costs	5	-	(10.9)	(10.9)	-	(8.1)	(8.1)	
Amounts written off investments	6	(3.4)	-	(3.4)	-	-	-	
Operating profit/(loss)								
Existing operations	7	9.1	-	9.1	16.6	(8.1)	8.5	
Acquisitions	7	(2.1)	(16.2)	(18.3)	-	-	-	
		7.0	(16.2)	(9.2)	16.6	(8.1)	8.5	
Financial income	8			2.9			2.7	
Financial expense	9			(5.0)			(0.5)	
Net financial (expense)/income				(2.1)			2.2	
(Loss)/profit before tax				(11.3)			10.7	
Tax	10			(1.8)			(1.9)	
(Loss)/profit after tax for the year				(13.1)			8.8	
Basic and diluted (Loss)/earnings per share				(7.1)p			5.9p	

All activity arose from continuing operations

**Balance sheet
as at 31 March 2009**

	Note	31 March 2009 £m	31 March 2008 £m
Non-current assets			
Goodwill	14	30.0	-
Intangible assets		165.8	6.8
Property, plant and equipment		11.1	0.8
Investments in associates		0.3	0.7
Other investments		3.2	5.8
Deferred tax asset		0.7	-
		211.1	14.1
Current assets			
Inventories		10.5	-
Trade and other receivables		29.6	15.2
Cash and cash equivalents		78.2	57.0
		118.3	72.2
Total assets		329.4	86.3
Equity			
Share capital	13	25.5	15.1
Share premium account	13	187.3	187.0
Merger reserve	13	156.5	-
Other reserves	13	(0.1)	(1.4)
Retained earnings	13	(156.6)	(145.5)
Total equity		212.6	55.2
Non-current liabilities			
Trade and other payables		8.4	1.8
Obligations under finance leases		1.3	-
Employee benefits		-	4.9
Deferred taxation		35.2	-
Provisions		2.2	0.2
		47.1	6.9
Current liabilities			
Trade and other payables		52.0	22.2
Borrowings		0.2	-
Obligations under finance leases		0.8	-
Derivative instruments		7.3	0.4
Taxation		3.3	0.5
Provisions		6.1	1.1
		69.7	24.2
Total liabilities		116.8	31.1
Total equity and liabilities		329.4	86.3

The financial statements were approved by the Board on 13 May 2009 and were signed on its behalf by:

Dr Louise Makin	Chief Executive Officer
Rolf Soderstrom	Chief Financial Officer

**Consolidated cash flow statement
for the year ended 31 March 2009**

	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
(Loss)/profit after tax for the year	(13.1)	8.8
Tax	1.8	1.9
Financial income	(2.9)	(2.7)
Financial expense	5.0	0.5
Operating (loss)/profit	(9.2)	8.5
Adjustments for:		
Profit on disposal of intangible assets and investments	(2.2)	(0.4)
Amounts written off investments	3.4	-
Amortisation and impairment of intangible assets	6.2	1.7
Depreciation on property, plant and equipment	1.5	1.0
Reorganisation - impairment of fixed assets	1.3	7.5
Share-based payments	1.3	0.9
Pension scheme funding	(3.8)	(1.9)
Fair value of derivatives	(4.9)	(0.4)
Other	(0.9)	-
Share of associates' losses	0.4	0.7
Cash from operations before movements in working capital	(6.9)	17.6
Decrease in inventories	3.4	-
Increase in trade and other receivables	(8.3)	(5.1)
Increase in trade and other payables	3.2	2.7
Increase/(decrease) in provisions	7.0	(0.4)
Cash from operations	(1.6)	14.8
Interest expense	(0.1)	-
Tax paid	(0.1)	(1.4)
Net cash (outflow)/inflow from operating activities	(1.8)	13.4
Investing activities		
Interest received	2.0	2.7
Purchases of intangible assets	(0.8)	(1.1)
Proceeds from disposal of investments and intangible assets	3.2	1.5
Purchases of property, plant and equipment	(1.2)	(0.6)
Acquisition of subsidiary, net of cash acquired	19.2	-
Investments in associates	-	(0.7)
Expenditure on investments	(0.6)	(1.2)
Other	-	0.2
Net cash inflow from investing activities	21.8	0.8
Cash flows from financing activities		
Costs of issue of shares on acquisition of Protherics PLC	(0.4)	-
Proceeds of share issues	0.3	-
Net cash outflow from financing activities	(0.1)	-
Increase in cash and cash equivalents	19.9	14.2
Cash and cash equivalents at start of year	57.0	43.0
Effect of exchange rate fluctuations on cash held	1.3	(0.2)
Cash and cash equivalents at end of year	78.2	57.0

**Statement of consolidated recognised income and expense
for the year ended 31 March 2009**

	Note	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
Foreign exchange translation differences		0.8	(0.2)
Actuarial gain/(loss) on pension liabilities		0.8	(1.2)
Change in fair value of equity securities available-for-sale		0.5	(0.3)
Net income/(expense) recognised directly in equity		2.1	(1.7)
(Loss)/profit for the year		(13.1)	8.8
Total recognised income and expense for the year	13	(11.0)	7.1

All attributable to equity shareholders

1. Basis of preparation

In accordance with EU law (IAS Regulation EC 1606/2002), the preliminary results have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted for use in the EU as at 31 March 2009 ("adopted IFRS"), International Financial Reporting Interpretations Committee ("IFRIC") interpretations and those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The preliminary statements have been prepared in accordance with the Group's accounting policies approved by the Board.

Details of business principal risks and uncertainties can be found in note 15.

The financial information for the years ended 31 March 2009 and 2008 set out above does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985 ("the Act"). Statutory accounts for the year ended 31 March 2008 have been delivered to the Registrar of Companies, and the accounts for the year ended 31 March 2009 will be delivered to the Registrar of Companies following the Annual General meeting. The auditors have reported on those accounts; their report 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 section 237(3) of the Companies Act 1985.

The annual report and accounts for the year ended 31 March 2009 will be posted to shareholders on 15 June 2009. The results for 2009 were approved by the Board of directors on 13 May 2009 and are audited. The Annual General Meeting will take place on 15 July 2009.

Interim and preliminary announcements notified to the London Stock Exchange are available on the internet at www.btgplc.com.

No new accounting standards and interpretations have been adopted in the year.

Accounting standards issued but not adopted

- Amendments to IFRS1 and IAS27 – Cost of an investment in a Subsidiary, Jointly-Controlled Entity or Associate
- Amendments to IAS1 – Presentation of Financial Statements: A Revised Presentation
- IFRIC14; IAS19 – The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- Amendments to IFRS2 – Share Based Payment: Vesting Conditions and Cancellations
- IFRIC13 – Customer Loyalty Programmes
- Amendments to IAS23 – Borrowing Costs
- Amendments to IAS39 and IFRS7 – Reclassification of Financial Instruments

All of the above standards and interpretations have been endorsed by the EU and will be relevant for BTG's results for the financial year ended 31 March 2010.

IFRS 8 – 'Segmental Reporting' is due to replace IAS 14 for periods beginning on or after 1 January 2009. The amendments to disclosure requirements will have no effect on the reported results but may change the analysis of segmental information contained in note 2.

The Group does not consider that any of the other standards or interpretations will have a significant impact on the financial statements.

Going concern basis

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

This conclusion has been reached having considered the effect of liquidity risk on the Group's ability to operate effectively. Currently, liquidity risk is not considered a significant business risk to the Group given its level of net cash and cashflow projections. The Group does not currently require significant levels of debt financing to operate its business. The key liquidity risks faced by the Group are considered to be the failure of banks where funds are deposited and the failure of key licensees or insurers.

In addition to the liquidity risks considered above, the Directors have also considered the following factors when reaching the conclusion to continue to adopt the going concern basis:

- The Group's principal licensees are global industry leaders in their respective fields and the Group's royalty-generating intellectual property is a broad portfolio of both licensees and industries; and
- The Group's sales products are life-saving in nature, providing some protection against the current uncertain economic outlook.

Acquisition adjustments and reorganisation costs

The Consolidated Income Statement includes a separate column to disclose significant acquisition adjustments and reorganisation costs arising on the acquisition of Protherics PLC. The costs relate to the following:

- The release of the fair value uplift of inventory acquired;
- Amortisation arising on intangible assets acquired; and
- Reorganisation costs comprising redundancy, property costs and asset impairments.

2. Business segments

Segment information is presented in respect of the Group's business segments based on the Group's management and internal reporting structure. Inter-segment pricing is determined on an arm's length basis.

Year ended 31 March 2009	Life Sciences	Technology	Total	Unallocated	Consolidated
	£m	Comm (*) £m			
Total revenue	82.1	2.7	84.8	-	84.8
Segment result	5.7	1.7	7.4	-	7.4
Share of loss on associates	(0.4)	-	(0.4)	-	(0.4)
Reorganisation costs	(10.9)	-	(10.9)	-	(10.9)
Unallocated expenses	-	-	-	(5.3)	(5.3)
Operating (loss)/profit	(5.6)	1.7	(3.9)	(5.3)	(9.2)
Net financial expense				(2.1)	(2.1)
Loss before tax					(11.3)
Tax					(1.8)
Loss for the year					(13.1)

Year ended 31 March 2008	Life Sciences	Technology	Total	Unallocated	Consolidated
	£m	Comm (*) £m			
Total revenue	52.2	22.8	75.0	-	75.0
Segment result	9.7	11.6	21.3	-	21.3
Share of loss on associates	(0.4)	(0.3)	(0.7)	-	(0.7)
Reorganisation costs	(8.1)	-	(8.1)	-	(8.1)
Unallocated expenses	-	-	-	(4.0)	(4.0)
Operating profit/(loss)	1.2	11.3	12.5	(4.0)	8.5
Net financial income				2.2	2.2
Profit before tax					10.7
Tax					(1.9)
Profit for the year					8.8

* Technology Comm = Technology Commercialisation

3. Research and development expenses

	Year ended 31 March 2009 £m	Year ended 31 March 2008 (restated) £m
Expenditure on internal development programmes	21.2	12.2
Share of results of research associates	0.4	0.7
	21.6	12.9

In the year ended 31 March 2008, employment costs associated with research and development activities amounting to £2.2m were previously classified as operating expenses. Following the acquisition of Protherics PLC (note 14) and the increasing focus of the business on research and development activities, the Group now consider that it is more appropriate to show such costs as research and development expenditures and accordingly have restated the expenditures for the prior year.

4. Profit on disposal of assets and investments

	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
Profit on disposal of patents*	1.1	0.7
Profit/(loss) on disposal of investments	1.5	(0.3)
	2.6	0.4

* The profit for the year ended 31 March 2009 is net of £1.1m (07/08: £0.1m) shared with the inventive source.

Loss relief has absorbed the tax due in respect of the profit on disposals.

5. Reorganisation costs

	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
BTG plc and Protherics reorganisation costs (1)	10.9	-
Costs of Wrexham facility (2)	-	8.1
	10.9	8.1

The Group considers reorganisation costs to be those resulting from decisions to rationalise both operating sites and business operations.

- (1) Following the acquisition of Protherics PLC on 4 December 2008, the Group undertook a restructuring to integrate and align the two businesses. The principal costs incurred relate to redundancy, property costs associated with onerous leases and impairment of assets made redundant as part of the restructuring. The majority of costs will have been paid within a year of completion of the acquisition; however commitments on onerous leases extend for four years. The £10.9m total charge to the Income Statement arises in the Life Sciences business segment.
- (2) In the prior year, the Group reassessed the economics of the existing facility for the manufacture of products for Varisolve[®] given the design improvements and outsourcing of the manufacturing process, which triggered an impairment review. The Group made full provision against the carrying value of this asset. This was done on the basis that the fair value less costs to sell of the asset was deemed to be £nil. In addition, a provision of £0.6m was made in relation to an onerous lease in respect of the Wrexham site. This provision was triggered by the decision to exit the Wrexham facility. The £8.1m total charge to the Income Statement in the prior year arose in the UK Life sciences business segment.

6. Amounts written off investments

	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
Amounts written off investments	3.4	-

Following a review of the carrying values of its investments, the Group has recognised a write-off of £3.4m in relation to two investments. The impairment has been triggered by the unprecedented recent market conditions, particularly for early stage biotechnology companies seeking to raise funds. The impairments relate £3.2m to the Life Sciences business segment and £0.2m to Technology Commercialisation.

7. Operating profit/(loss)

	Year ended 31 March 2009			Year ended 31 March 2008
	Existing operations £m	Acquisitions £m	Continuing operations £m	Continuing operations £m
Revenue	71.4	13.4	84.8	75.0
Cost of sales ⁽¹⁾	(28.3)	(8.8)	(37.1)	(32.1)
Gross profit	43.1	4.6	47.7	42.9
Operating expenses	(18.2)	(5.4)	(23.6)	(13.8)
Research and development	(15.0)	(6.6)	(21.6)	(12.9)
Profit on disposal of assets and investments	2.6	-	2.6	0.4
Reorganisation costs	-	(10.9)	(10.9)	(8.1)
Amounts written off associates and investments	(3.4)	-	(3.4)	-
Operating profit/(loss)	9.1	(18.3)	(9.2)	8.5

There were no acquisitions in the year ended 31 March 2008.

⁽¹⁾ In accordance with IFRS 3, Business Combinations, the inventory acquired upon the acquisition of Protherics PLC was adjusted to fair value to reflect the profit earned based on the stage of manufacture at 4 December 2008, being the date of acquisition (see note 14). The total fair value adjustment reflected in the acquired assets and liabilities amounted to £2.6m. Between 4 December 2008 and 31 March 2009, £2.3m of the fair value adjustment was incorporated within the cost of sales as the inventory was sold to customers. There were no fair value adjustments in the year ended 31 March 2008.

Operating profit/(loss) has been arrived at after charging/(crediting):

	Year ended 31 March 2009 £m	Year ended 31 March 2008 (restated – note 3) £m
Depreciation and other amounts written off property, plant and equipment	1.5	1.0
Amortisation and impairment of intangible assets	6.2	1.7
Impairment of investments	3.4	-
Net foreign exchange losses/(gains)	0.9	(0.3)
Research and development expenses (note 3)	21.6	12.9
Staff costs	17.8	8.3
Operating lease rentals payable on property	1.8	2.9
Operating lease rentals receivable on property	(2.0)	(1.5)
Provision for onerous leases	(0.1)	(0.2)
Reorganisation costs (note 5)	10.9	8.1
Loss from Employee share trust	-	(0.1)

8. Financial income

	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
Interest receivable on money-market and bank deposits	2.9	2.7

9. Financial expense

	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
Interest payable on finance lease and hire purchase borrowings	0.1	-
Fair value of foreign exchange forward contracts	4.9	0.5
Financial expense	5.0	0.5

10. Tax

	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
Current tax		
UK corporation tax charge	2.3	0.1
Overseas tax on royalties	0.2	1.8
Adjustments in respect of prior years: US income tax	0.4	-
Total current taxation	2.9	1.9
Deferred taxation		
Increase in estimate of recoverable deferred tax asset	(0.1)	-
Release of deferred tax liability recognised on acquisition of Protherics	(1.0)	-
	1.8	1.9

11. Dividends

The Directors do not propose to declare a dividend for the year (07/08: £nil).

12. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	Year ended 31 March 2009	Year ended 31 March 2008
(Loss)/profit for the financial year (£m)	(13.1)	8.8
(Loss)/earnings per share (p) Basic and diluted	(7.1)	5.9
Number of shares (m)		
Weighted average number of shares – basic	183.4	149.7
Effect of share options on issue	1.1	0.1
Weighted average number of shares – diluted	184.5	149.8

The basic and diluted earnings per share from adjusted earnings is based on the following data:

	Year ended 31 March 2009	Year ended 31 March 2008
(Loss)/profit for the financial year (£m)	(13.1)	8.8
Add back:		
Amortisation of acquired intangible fixed assets	3.0	-
Fair value adjustment on acquired inventory	2.3	
Reorganisation costs	10.9	8.1
Adjusted earnings	3.1	16.9
Earnings per share (p)		
Basic and diluted	1.7	11.3

13. Equity

	Share capital £m	Share premium £m	Merger Reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Group						
At 1 April 2007	15.1	187.0	-	(0.9)	(153.9)	47.3
Foreign exchange translation differences	-	-	-	(0.2)	-	(0.2)
Actuarial gain on pension liabilities	-	-	-	-	(1.2)	(1.2)
Change in the fair value of equity securities available-for-sale (net)	-	-	-	(0.3)	-	(0.3)
Profit for the year	-	-	-	-	8.8	8.8
Total recognised income and expense	-	-	-	(0.5)	7.6	7.1
Movement in shares held by Trust	-	-	-	-	(0.1)	(0.1)
Share based payments	-	-	-	-	0.9	0.9
Share capital issued	-	-	-	-	-	-
At 1 April 2008	15.1	187.0	-	(1.4)	(145.5)	55.2
Foreign exchange translation differences	-	-	-	0.8	-	0.8
Actuarial gain on pension liabilities	-	-	-	-	0.8	0.8
Change in the fair value of equity securities available-for-sale (net)	-	-	-	0.5	-	0.5
Loss for the year	-	-	-	-	(13.1)	(13.1)
Total recognised income and expense	-	-	-	1.3	(12.3)	(11.0)
Movement in shares held by Trust	-	-	-	-	(0.1)	(0.1)
Share based payments	-	-	-	-	1.3	1.3
Issued on acquisition of Protherics (note 14)	10.4	-	156.5	-	-	166.9
Other share capital issued	-	0.3	-	-	-	0.3
At 31 March 2009	25.5	187.3	156.5	(0.1)	(156.6)	212.6

The merger reserve is used where more than 90% of the shares in a subsidiary are acquired and the consideration includes the issue of new shares by the Company, thereby attracting merger relief under the Companies Act 1985. The balance on the merger reserve has arisen through the acquisition of Protherics PLC on 4 December 2008 (note 14) and includes directly attributable costs of issuing the shares of £0.4m.

14. Acquisition of business operations

On 4 December 2008, the Company acquired 100% of the issued share capital of Protherics PLC (subsequently renamed Protherics Limited), a listed UK Group, in exchange for 104,044,710 new BTG plc ordinary share of 10 pence each, giving a fair value of consideration of £171.3m (based on the share price of £1.61 in existence at the time of acquisition and directly attributable costs of £4.0m). No cash consideration was paid. Protherics Limited is the parent company of the Protherics Group, a leading international biopharmaceutical company focused on critical care and cancer. The acquisition of the Protherics Group provides the platform to create a self-sustaining specialty pharmaceuticals business. This transaction has been accounted for by the purchase method of accounting.

Details of the net assets acquired are set out in the table below:

	Book value	Fair value adjustment	Fair value
	£m	£m	£m
Non-current assets:			
Intangible assets	16.7	147.4	164.1
Goodwill	11.2	(11.2)	-
Property, plant & equipment	11.7	-	11.7
Current assets:			
Inventories	11.3	2.6	13.9
Deferred tax asset	0.5	-	0.5
Trade and other receivables	5.5	(0.2)	5.3
Cash and cash equivalents	23.2	-	23.2
Current liabilities:			
Trade and other payables	(18.2)	-	(18.2)
Deferred income	(12.5)	-	(12.5)
Non-current liabilities:			
Trade and other payables	(1.7)	-	(1.7)
Deferred income	(8.8)	-	(8.8)
Deferred tax liabilities	-	(36.2)	(36.2)
Total assets acquired	38.9	102.4	141.3
Goodwill			<u>30.0</u>
Total consideration			171.3
Settled by equity (issued at market value on date of acquisition)			(167.3)
Directly attributable costs			<u>(4.0)</u>
Cash paid			<u>-</u>
Cash and cash equivalents included in undertaking acquired			23.2
Directly attributable costs			<u>(4.0)</u>
Net cash inflow arising on acquisition			19.2

The goodwill arising on acquisition resulted from assets which could not be recognised separately including early stage pipeline products and a highly skilled workforce. The fair value adjustments are provisional as the fair value review has not been wholly completed. Any adjustments to the above values will be incorporated into the Group's interim financial statements 2009/10.

The main elements of the significant provisional fair value adjustments are described below:

- Intangible assets in respect of the marketed products, in-process research and development and contractual relationships in accordance with IFRS 3 – Business Combinations
- Revaluation of inventory reflecting profit accrued up to the stage of production at the time of the transaction
- Deferred tax liabilities in relation to the acquired intangible assets over and above £18.2m of deferred tax assets in recognition of acquired accumulated tax losses

Protherics Group contributed revenue of £13.4m and a loss of £5.3m in the period from acquisition to 31 March 2009.

If the acquisition of Protherics PLC had been completed on the first day of the financial year, Group revenues for the year would have been £103.7m and Group loss attributable to equity holders of the parent would have been £23.8m.

15. Principal risks and uncertainties

Competition

We face competition when seeking to acquire new programmes and products, and if we are unsuccessful in accessing new programmes and products our ability to generate new revenue streams would be adversely affected. The products on which BTG currently earns revenues, or from which it anticipates earning revenues once on the market, face competition from other products that are already approved or in development; such competition could reduce revenues.

Pricing and reimbursement

The failure of a product to qualify for government or health-insurance reimbursement or changes to the environment for reimbursement could adversely impact revenues. The failure to achieve an appropriate sales price could adversely impact revenues.

Development

The development of drug and medical products is inherently uncertain and the timelines and costs to approval may vary significantly from budget or expectation. The drug may not demonstrate the expected efficacy or safety benefits and may not be approved by the regulatory bodies, such as the US Food and Drug Administration.

Manufacturing

BTG relies on third-party contractors for the supply of key materials and services, such as filling and freeze-drying of end products. These processes carry risks of failure and loss of product. Problems at contractors' facilities may lead to delays and disruptions in supplies. Some materials and services may be available from one source only and regulatory requirements make substitution costly and time-consuming. BTG's polyclonal antibody products rely on serum produced from our sheep flocks in Australia, which could be subject to disease outbreaks. BTG relies on its single site in Wales for supply of manufactured product, with the consequent possibilities for disruption to supplies.

Regulatory

The pharmaceutical industry is highly regulated. Compliance with such regulations, including demonstrating compliance with GMP and GCP standards, can be time-consuming and expensive and alterations to the regulations may result in delays or even non-approval of a product in development. Moreover, failure by BTG or a BTG partner company to comply with regulations may result in a product being withdrawn from market with a subsequent loss of revenues.

Intellectual property

Failure by BTG to maintain or renew key patents might lead to losses of earnings and liability to suit from both the licensee and licensor. BTG's patents may be subject to challenge for infringement which might result in litigation costs and/or loss of earnings. BTG might be obliged to sue third parties for their infringement of its patents. BTG may not be able to secure the necessary IP rights in relation to products in development, limiting the potential to generate value from these products. BTG's patent portfolio is subject to a number of challenges.

Currency and treasury

Many of BTG's revenues and receipts are denominated in US\$ and movements in foreign exchange rates could adversely impact results. BTG actively manages its exchange risks where feasible, using short-term hedging transactions guided by market expectations and economic forecasts to seek to match actual receipts and payments over a rolling 24 month period to those forecast. This policy can result in both exchange gains and losses but provides a level of certainty.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT

We confirm that to be best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- The Directors' Report includes a fair view of the development and performance of the business and the position of the issuer and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Louise Makin Chief Executive Officer
Rolf Soderstrom Chief Financial Officer