

BTG plc: Preliminary Results for the Year Ended 31 March 2007

London, UK, 24 May 2007: BTG plc (LSE: BGC), the life sciences company, today announces its preliminary results for the year ended 31 March 2007.

Financial highlights

- Second consecutive year of profit: profit before tax of £2.6m vs £1.5m in 05/06 and loss of £34.8m in 04/05
- Continuing growth in net recurring revenues: 5% increase to £24.2m (05/06: £23.0m) despite adverse impact from exchange rate movements
- Profit from the sale of IP and investments of £2.7m (05/06: £11.6m, which included £9.0m from the sale of the Teleshuttle patents)
- Further significant reduction in costs: operating & administrative costs 22% lower at £18.9m (05/06: £24.3m)
- Research and development investment increased to £9.7m (05/06: £9.1m)
- Cash and equivalents of £43.0m (05/06: £51.0m of which £44.0m was “free” cash)
- Post year-end transactions generating 07/08 net income of ~ £11m

Operating highlights

- Good progress with BTG’s pharmaceutical pipeline:
 - Varisolve[®] (varicose veins) US phase II safety study treatments initiated in March 2007 as planned
 - Phase I study of BGC20-1259 (dementia) completed; preparations well advanced for phase IIa study in 2007
 - *Ex vivo* study of BGC20-0582 (head lice) completed and phase II planned for 2007
 - Positive phase I/II data on plevitrexed (gastric cancer) published
 - BGC20-0166 (sleep apnoea) continued proof of mechanism study with enrolment to finish mid-2007
 - Preclinical development nearing completion for BGC20-0134 (multiple sclerosis), BGC20-1531 (migraine) and BGC 945 (solid tumours); all planned to commence clinical studies this financial year
- Continuing progress with programmes licensed to third parties:
 - Campath[®] sBLA submitted for first-line treatment of chronic lymphocytic leukaemia; clinical hold in multiple sclerosis lifted and two phase III studies expected to commence in 2007
 - Phase II dose optimisation study under way for TRX4 (type 1 diabetes) prior to phase III trial anticipated late 2007

Louise Makin, BTG’s chief executive officer, commented: “BTG has made excellent progress this year with significant momentum in our in-house and licensed pharmaceutical pipelines, which now comprise 14 clinical phase and 10 preclinical development programmes. Our increasing surplus of revenues over operating costs and significant cash position will allow us to further advance our pipeline and build value for shareholders.”

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About BTG

BTG in-licenses, develops and commercialises pharmaceuticals and other medical technologies. With a substantial and growing revenue stream of royalties and milestone payments from out-licensed products, BTG continues to strengthen its pipeline of preclinical and clinical development programmes. Active in the fields of oncology, diseases of ageing, neuroscience, drug repositioning and medical devices, BTG works from its offices in London, Philadelphia and Osaka with a global partner network of healthcare companies and research organisations. For further information, visit: www.btgplc.com.

Chairman's statement

The Group's financial performance during the past year exceeded our internal targets. Steady growth in recurring royalty revenues and ongoing realisations from the physical sciences portfolio with a further significant reduction in operating and administrative expenses created a meaningful operating surplus to invest in our pharmaceutical pipeline.

Our internal development programmes moved forwards as planned and there was also good progress with several out-licensed drug programmes, including positive outcomes from a number of key clinical studies. We strengthened the pipeline and acquired two new drug programmes, expanding our portfolio in the pain and oncology areas as planned.

A key objective we set at the beginning of the year was to build value in the pipeline through acquisition and development activities. This remains our most important goal and the principal means by which we seek to create future value for shareholders.

During the year, we determined that the value of the Varisolve[®] programme would be considerably enhanced if we undertook the US phase II safety study agreed with the FDA. The first treatments in the study were conducted in March 2007 as planned and as the study proceeds and more patients are treated, we will review and progress commercial options for Varisolve[®] during the current financial year.

Outlook

BTG has made excellent progress in the past year. We have delivered a second consecutive year of profit, with increasing net recurring revenues and further reductions in costs. We made good progress with our development programmes and now have a broad pipeline of pharmaceuticals under development.

We have made a strong start to the new financial year with the announced licence agreements for patents relating to storage capacity in semiconductor chips. These will generate at least \$44m before revenue sharing and costs, and income net of direct costs of approximately £10m this year. We anticipate further revenues from the remaining non-core portfolio, though the timing of future realisations is difficult to predict.

We also anticipate steady growth in underlying recurring royalty revenues resulting from increased market penetration and approvals in new indications from the marketed products. These revenues and cash flows give us the confidence to continue moving our growing pipeline forward on a sustainable basis.

We remain focused on building a valuable pharmaceutical pipeline. While continuing development of our current programmes, we are looking at a broad range of new opportunities to expand the pipeline and build our business. We believe that BTG has the capabilities, resources and opportunity to become a leading life sciences company.

Sir Brian Fender

OPERATING REVIEW

Progress in the development pipeline

BTG's internal pipeline currently comprises four clinical stage programmes and six in preclinical development, including the two newly acquired drug programmes. Progress across the pipeline was good, with the majority of development milestones planned at the start of the year having been met.

Varisolve[®] - varicose veins and venous stasis ulcers

The phase II safety study of Varisolve[®] was initiated in the US and the first patients were treated in March 2007 as planned. Six or seven sites are expected to participate in the study, the goal of which is to treat 50 patients with moderate to severe varicose veins who also have a "shunt" in their hearts connecting the venous and arterial systems (estimated to be present in some 25% of the population) and in whom circulating arterial bubbles are detected during treatment with Varisolve[®]. Pre- and post-treatment MRI scans will be used to monitor whether there are any treatment effects.

As the study progresses this year and more patients are treated, BTG will review and progress options for maintaining development momentum and for commercialisation of Varisolve[®].

Plevitrexed – gastric, pancreatic and ovarian cancer

In January 2007, the results of a phase I/II trial to investigate the efficacy, safety and tolerability of plevitrexed in patients with advanced and/or metastatic gastric cancer were presented at an ASCO gastrointestinal cancers symposium.

The overall efficacy of plevitrexed was in line with other single agent therapy and with that of the two-drug combination cisplatin plus 5-FU as reported in a recent study. The progression-free survival and median overall survival were similar for plevitrexed and for those reported in the cisplatin plus 5-FU combination study, but plevitrexed showed less toxicity and in particular less neutropenia.

BTG is seeking a development and commercialisation partner for plevitrexed.

BGC20-1259 – dementia/age-related disorders

This multi-functional compound is designed to be an improved therapy for the cognitive impairment aspects of dementia as well as the behavioural symptoms such as depression and anxiety.

A multiple-dose phase I study of BGC20-1259 was completed in elderly and young volunteers, showing that the compound is well tolerated and has a pharmacodynamic profile consistent with the desired inhibition of key molecular targets to improve cognition and alleviate depression. A positron emission tomography study is being conducted to help select doses for further clinical study and planning for the initial phase II study is well advanced. BGC20-1259 has demonstrated neuroprotective effects in preclinical studies and further work to investigate this is ongoing, including a model of adult stem cell neurogenesis.

BGC20-0166 – sleep apnoea

Enrolment of up to 36 subjects to the clinical proof of mechanism study of BGC20-0166 is scheduled to finish this summer. This combination of two approved medicines is under investigation as potentially the first pharmacological treatment for sleep apnoea, the cessation of breathing disorder estimated to affect 15-20 million adults in the US alone. Currently, the mainstay of treatment is a positive airways pressure mask that, whilst effective, suffers from poor compliance.

The pharmaceuticals in BGC20-0166 modulate serotonin to improve upper airway muscle tone and respiratory drive. BTG is planning the future regulatory and commercial strategies for this programme pending the outcome of the study.

BGC20-0582 – head lice

Current insecticide treatments for head lice are not generally seen as completely effective or suitable for everyone, for example those based on alcohol are not recommended for people with severe eczema or asthma. Most kill the lice but some do not kill all their eggs, so repeat treatments are often necessary.

BGC20-0582 is based on a natural compound and is potentially suitable for a wider population than existing treatments, and *ex vivo* studies in the US have shown it to be highly effective at eliminating both the lice and their eggs. A phase II proof of concept study in the US is anticipated to start later this year, which would yield results before the end of the financial year.

BGC20-0134 – multiple sclerosis

Multiple sclerosis is a disease in which the nerves of the brain and spinal cord are damaged by the body's own immune system. BGC20-0134 is an immunomodulating structured lipid designed to rebalance cytokines released by the body's immune system and implicated in the inflammation and destruction of nerve sheaths.

Clinical proof of mechanism was obtained with a prototype lipid compound. BGC20-0134, the optimised structured lipid, is completing preclinical development in preparation for a phase I clinical study planned to commence during the second half of the current financial year.

BGC20-1531 – migraine

Treatment of migraine headache, the most common neurological disorder, is usually by non-steroidal anti-inflammatory drugs (NSAIDs) or serotonin receptor-selective drugs known as triptans. Gastro-intestinal and cardiovascular side effects are associated with both classes of compound, and around 40% of migraine headaches do not respond to either drug class. Migraine prophylaxis remains an unmet need.

BGC20-1531 selectively blocks the effects of PGE₂ which is elevated in migraine attacks and responsible for activating EP₄ receptors, causing blood vessel dilatation and inflammation of the surrounding tissue, and activation of the trigeminal nerve. BGC20-1531's discrete EP₄ receptor antagonism offers the potential for improved tolerability and safety. Preclinical development is progressing, with a phase I study planned for late 2007.

BGC 945 – solid tumours

Thymidylate synthase (TS) inhibitors are used as single agents or in combination to treat cancer by disrupting DNA synthesis in tumour cells. They are transported into tumour cells via the reduced-folate carrier, which is expressed on both normal cells and tumour cells. BGC 945 is a first-in-class, targeted TS inhibitor that is taken up into the tumour cell by the alpha folate receptor, which is over-expressed in certain tumours such as ovarian but has very low expression on most normal cells.

BGC 945 is completing preclinical development and is anticipated to commence phase I studies towards the end of the current financial year.

Acquisitions

BTG acquired two new programmes during the year, both of which are currently in preclinical development and are expected to commence first human clinical trials in the 08/09 financial year.

BTG6001 is a novel opioid agonist for post-operative pain control that was acquired from CLL Pharma. It has a long duration of action, is orally active and has unique structural features and a unique receptor profile that are expected to confer significant advantages over current opiate analgesics, including a superior side effect profile.

The second programme, BTG6228, which was acquired from Bionaut Pharmaceuticals, is a novel HIF1 α regulator, an oncology drug that targets tumours in which hypoxia is a component and includes most solid tumour types.

Licensed programmes

BTG's licensed programmes include ten clinical stage programmes and four preclinical stage programmes under development by partners.

Campath[®] - chronic lymphocytic leukaemia, multiple sclerosis

Campath[®] is a monoclonal antibody that targets to the CD52 antigen present on the surface of B and T lymphocytes and other cells. It is currently approved as a treatment for B-cell chronic lymphocytic leukaemia (CLL) for patients who have been treated with alkylating agents and who have failed fludarabine therapy.

Genzyme Corporation is undertaking a series of trials with Campath[®] to extend its use. The company has applied to extend its use to first-line treatment of B-cell CLL, which would significantly increase the number of patients able to receive Campath[®].

Campath[®] is also being developed as a treatment for multiple sclerosis – a major market opportunity. Detailed interim two-year results from a comparative phase II study of Campath[®] with Rebif[®] (interferon beta-1a) were presented at an American Academy of Neurology meeting in May 2007. The data showed that Campath[®] significantly reduced the risk for relapse and the risk for progression of clinically significant disability compared with Rebif[®]. Genzyme anticipates initiating phase III studies in 2007 following clearance by the US Food and Drug Administration (FDA).

TRX4 – type 1 diabetes, psoriasis

Licensed to Tolerx, Inc., TRX4 is a monoclonal antibody that binds to the CD3 receptor on T cells thereby inhibiting the function of autoreactive T cells and preventing them from propagating autoimmune diseases.

In a phase II study, TRX4 was shown to preserve the function of insulin-producing pancreatic B cells and reduce the amount of administered insulin required to control blood sugar levels for a period of 18 months. A follow-on phase II study in 80 patients has been initiated to optimise the dosing regime for a phase III trial, which Tolerx expects to commence in 2007.

Juvidex[™] - scar improvement

Juvidex[™] is a therapeutic formulation of the sugar mannose-6-phosphate, designed for intradermal injection into newly formed wounds to promote healing with reduced scarring.

A phase II trial investigating the safety, tolerability, systemic exposure and scar improvement efficacy of various doses of Juvidex[™] was completed in late 2006. The primary efficacy endpoint was not achieved but a trend for efficacy at the highest

dose was observed. Juvindex™ also improved healing from the earliest time points. Renovo plans to initiate another phase II trial in the skin to study efficacy in the acceleration of healing. Other clinical trials, expected to commence in late 2007 or early 2008, will investigate Juvindex™ as eye drops to prevent and reduce scarring in the cornea, e.g. following injury or surgery to correct vision.

AQ4N – solid tumours

AQ4N (banoxantrone) is an inert pro-drug of AQ4, a potent cytotoxic with potential use in treating multiple tumour types, either alone or in combination with other chemotherapeutic agents. Novacea, Inc, which has held North American rights to AQ4N since late 2003, acquired global rights to AQ4N in April 2007 from our previous licensee, KuDOS. Novacea anticipates completing enrolment to its ongoing phase Ib clinical trial in glioblastoma multiforme, a type of brain tumour, around the middle of 2007.

CB7630 (abiraterone acetate) – prostate cancer

Positive phase I and II data were presented on CB7630, licensed to Cougar Biotechnology, Inc, at the American Association for Cancer Research meeting in April 2007. These showed a high response rate in castration refractory prostate cancer (CRPC) and activity in post-docetaxel CRPC patients. Cougar also raised a further \$50m to apply to the continued development of CB7630 and other drug candidates.

Symadex™ – cancer and autoimmune diseases

Xanthus Pharmaceuticals, Inc. is continuing the development of Symadex™ as a treatment for cancer in ongoing phase II studies. The company also reported preclinical data showing activity in a model of multiple sclerosis and announced plans to initiate a clinical study in autoimmune disease.

Financial results for the year ended 31 March 2007

The financial results for the year showed continued progress in BTG's business.

Following a loss after tax of £35.0m in 04/05 and a profit after tax in 05/06 of £1.4m, the profit after tax achieved in 06/07 was £2.4m. During that two-year period, underlying net recurring revenues have increased by 36% from £17.8m to £24.2m, while operating and administrative costs have reduced by more than 40% from £31.6m in 04/05 to £18.9m in 06/07.

The improved financial performance of the Company has enabled investment in expanding and developing its internal pipeline of pharmaceutical products.

Revenues and gains

Revenues comprise royalties from products marketed by licensees and the proceeds of one-off deals, settlements or milestone payments.

Gross recurring royalty revenues in 06/07 were £41.3m (05/06: £39.5m). Revenue sharing with inventors on royalties received was £17.1m (05/06: £16.5m), averaging 41% of gross royalties, in line with the previous year. This resulted in net royalties of £24.2m, a 5% increase over last year (05/06: £23.0m). This compared with a 29% increase last year over the prior year, when a major new revenue stream emerged following the settlement with Zimmer Corporation regarding the hip cup patents.

BeneFIX[®], the recombinant Factor IX treatment for haemophilia B, was the biggest royalty earner and contributed gross revenues of £15.8m, the same as in the previous year, with an underlying sales growth of 7% at constant exchange rates. Sales of Campath[®], the monoclonal antibody licensed to treat B-cell chronic lymphocytic leukaemia for patients who have failed fludarabine therapy and have been treated with alkylating agents, increased by 4% but were adversely impacted by exchange movements resulting in royalties of £4.5m (05/06: £4.6m). Growth is anticipated this year if Genzyme Corporation's application to extend the label to first line treatment of CLL is approved.

The growth in recurring revenues during the year came mainly from hip cup royalties, where our licensees, including Zimmer, achieved sales growth, and from royalties earned from patents licensed to the Medical Research Council.

With the majority of BTG's royalties being earned in US dollars, exchange rate movements adversely affected gross royalties compared to the prior year by approximately £2.2m during the period. To mitigate the impact of exchange movements, BTG places forward contracts to fix rates when dollar cash inflows are sufficiently certain, seeking to manage exposures within a rolling 12-month forecast period. However, the forecast rates for 07/08 show a continuation of the weak dollar which will impact comparative sales.

One-off transactions during the year included a paid-up licence to Fresenius for gross proceeds of €4.5m or £3.0m. This was supplemented by a number of other paid-up licence fees, settlements and option fees. Together these generated £4.4m gross (05/06: £10.7m, including £7.5m from the settlement with Zimmer) and £2.6m after revenue-sharing (05/06: £6.5m). Patent and share sales included the reported sales of the WebNav online navigation tracking patents, the Radio Frequency ID patents and other small transactions that generated total proceeds of £5.6m (05/06: £25.3m, including £20.0m from the sale of the Teleshuttle patents to TwinTech) and a profit on disposal of £2.7m (05/06: £11.6m).

Post year-end, and contributing to profits in the 07/08 and potentially in future financial years, BTG completed a number of transactions to monetise its non-core, primarily physical science assets. Semiconductor chip patents were licensed to two companies, generating at least \$44m gross revenues plus an additional \$22m if certain conditions are met and an option is exercised. BTG is seeking additional licensees for these patents. Revenues were also secured from AQ4N being licensed by KuDOS to Novacea. The revenues from these transactions will result in net income of some £11m in 07/08.

Administrative and operating expenses

Following the major restructuring of BTG's business and operations over the past two years, administrative and operating expenses at £18.9m (05/06: £24.3m) have stabilised significantly below the £21m target level set for the year. Operating expenses made up £2.4m (05/06: £7.5m) of this total and comprised amortisation and impairment costs of £1.9m (05/06: £3.9m), patent renewal fees of £0.4m (05/06: £0.7m) and litigation costs of £0.1m (05/06: £2.9m).

Staff costs were £10.1m (05/06: £11.5m) reflecting the reduction in headcount. A £0.3m exchange loss compared with an exchange gain last year of £1.5m.

There were no restructuring costs in the year (05/06: £4.6m) and the group was able to release £1.0m from provisions for onerous leases (05/06: £0.9m) having signed an agreement to sublet unused leased space in its London and Philadelphia offices. This, together with rental and other associated payments made in the year, has had the effect of reducing provisions in respect of future lease payments from £4.6m to £1.7m. The impact of these sublettings will improve cash flows over the remaining lease terms but will have a neutral impact on profits.

Research and development

Group research and development costs were £9.7m compared with £9.1m in the previous year. The investment in Varisolve[®] was £3.5m, £1.0m lower than in the previous year when a one-off payment was made for profit mark-ups foregone on a secondary manufacturing contract. This year's costs included expenses associated with the US phase II safety study and maintaining the manufacturing supply chain.

£5.5m was invested in other programmes under internal development (05/06: £3.6m). BGC20-1259, the multifunctional compound targeting dementia, was the largest investment after Varisolve[®]. BGC20-1259 completed phase I clinical studies and another study was initiated to determine the optimum dose for phase IIa. Costs relating to BGC 945 reflected progression through late preclinical towards an application to commence phase I studies.

Plevitrexed completed a phase I/II study in patients with advanced gastric cancer and BTG is currently seeking a development and commercialisation partner. Investment in the migraine treatment BGC20-1531 increased as preclinical studies progressed in preparation for a planned phase I study this year. Other costs related to the proof of mechanism study of BGC20-0166 in sleep apnoea, the *ex vivo* study of BGC20-0582, a novel head lice treatment, and several early stage programmes.

The balance of the R&D expenses of £0.7m (05/06: £1.0m) related to BTG's share of the losses of certain associate companies in which BTG has an investment.

Investments

An impairment charge of £1.0m was taken following an assessment of the likely realisable value of certain investments.

Financial income and tax

BTG's cash balances are invested in short-term and call deposits. Interest earned on deposits averaged 4.8% during the year.

The tax charge relates to certain withholding taxes on royalty income that are not relievable under double-taxation treaties.

Profit for the year and earnings per share

BTG made a profit after tax for the year of £2.4m (05/06: £1.4m) compared with a loss of £35.0m two years ago.

Earnings per share grew to 1.6p from 1.0p last year based on an average 149.5m shares in issue (05/06: 146.6m).

Position at year end

Total assets less total liabilities at 31 March 2007 were £47.3m, an increase of £5.1m in the year.

Non-current assets

Non-current assets reduced by £2.1m to £22.5m. Intangible assets were £7.6m with additions of £3.0m being offset by disposals of £0.6m and amortisation charges of £1.9m. The intangible assets held, mostly patents, are written off over the remaining life of the patent or their useful economic life if shorter and are subject to regular impairment reviews.

The net book value of the Group's property, plant and equipment reduced by £0.9m to £8.7m through depreciation and currency movements. The major asset held is the Wrexham secondary-manufacturing plant for Varisolve[®] which is still in the course of construction and as such is not yet depreciated.

The investment in associates reduced from £2.7m to £1.2m, reflecting losses incurred in those companies plus additions and impairment charges. The associates are private companies engaged in research and development. Mesophotonics Ltd is developing technologies in photonic crystal nano devices and Senexis Ltd is developing small molecule drugs in the CNS space. Other investments represent holdings in companies where BTG owns under 20% of the share capital and investments in a number of venture capital funds. The largest individual investment is in Xention Discovery Limited, a drug discovery company focused on ion channels. In total BTG invested £0.8m in these companies and funds during the year (05/06: £1.9m). Commitments to follow-on funding of the investment portfolio stood at £2.3m as at 31 March 2007.

Current assets, current and non-current liabilities

The trade and other receivables were £10.5m at 31 March 2007, compared to £10.1m at the prior year end.

Current liabilities at £21.9m reduced from £30.6m at the previous year end. Significant changes included the payment of £7.0m in respect of unpaid costs on the Teleshuttle deal concluded near the end of the previous year and a reduction in the provisions for onerous leases and other restructuring items.

Non-current liabilities at £6.8m reduced from £12.9m at the previous year end and include £5.7m in respect of the net deficit on the Company's defined benefit pension plan, down from £9.6m at the end of last year, reflecting actuarial gains and the cash contributions to the scheme made by the Company. A deficit repair schedule has been agreed with the trustees of the pension plan to pay down the deficit over the

next five years. The balance represents provisions largely against future liabilities on onerous leases and trade and other payables.

Cash

The net cash and cash equivalents were £43.0m at 31 March 2007, down from £51.0m at 31 March 2006. As anticipated in last year's report, some £7.0m of the £51.0m was paid out at the start of the year in respect of liabilities on the Teleshuttle deal signed at the end of the previous year. The reduction in "free cash" during the year was therefore £1.0m.

The major reconciling items between the Company's profit before tax for the year of £2.6m and its cash outflow of £8.0m are: settlement of prior year Teleshuttle liabilities of £7.0m, investments in non-current assets of £3.3m, additional contributions to the Group's pension scheme of £2.2m, payments of lease commitments already provided for of £1.8m and adverse working capital movements and other payments of £1.6m, offset by the impact of non-cash income statement charges of £4.5m and proceeds from the issue of shares of £0.8m.

Consolidated income statement
for the year ended 31 March 2007

	Note	Year ended 31 March 2007 £m	Year ended 31 March 2006 £m
Revenue	2	45.7	50.2
Revenue sharing		(18.9)	(20.7)
Revenue net of revenue sharing		26.8	29.5
Operating and administrative expenses	3	(18.9)	(24.3)
Restructuring	4	1.0	(3.7)
Operating expenses		(17.9)	(28.0)
Varisolve® development		(3.5)	(4.5)
Other research and development		(5.5)	(3.6)
Share of results of associates		(0.7)	(1.0)
Research and development expenses		(9.7)	(9.1)
Profit on disposal of assets and investments	5	2.7	11.6
Amounts written off associates and investments		(1.0)	(4.2)
		1.7	7.4
Operating profit/(loss)	6	0.9	(0.2)
Financial income		1.8	1.7
Financial expense		(0.1)	-
Net financial income		1.7	1.7
Profit before tax		2.6	1.5
Tax		(0.2)	(0.1)
Profit after tax for the year		2.4	1.4
Attributable to:			
Equity holders of the parent		2.4	1.5
Minority interest		-	(0.1)
Profit after tax for the year		2.4	1.4
Basic and diluted earnings per share	7	1.6p	1.0p

Consolidated balance sheet
as at 31 March 2007

	Note	31 March 2007 £m	31 March 2006 £m
Non-current assets			
Intangible assets		7.6	7.1
Property, plant & equipment		8.7	9.6
Investments in associates		1.2	2.7
Other investments		5.0	5.2
		22.5	24.6
Current assets			
Trade and other receivables		10.5	10.1
Cash and cash equivalents		43.0	51.0
		53.5	61.1
Total assets		76.0	85.7
Equity			
Share capital	8	15.1	15.0
Share premium account	8	187.0	186.3
Other reserves	8	(0.9)	1.5
Retained earnings	8	(153.9)	(160.6)
Equity attributable to equity holders of the parent		47.3	42.2
Minority interest	8	-	-
Total equity		47.3	42.2
Non-current liabilities			
Trade and other payables		0.7	0.9
Employee benefits		5.7	9.6
Provisions	9	0.4	2.4
		6.8	12.9
Current liabilities			
Trade and other payables		20.6	28.4
Provisions	9	1.3	2.2
		21.9	30.6
Total liabilities		28.7	43.5
Total equity and liabilities		76.0	85.7

Consolidated cash flow statement
for the year ended 31 March 2007

	Year ended 31 March 2007 £m	Year ended 31 March 2006 £m
Profit before tax	2.6	1.5
Profit on disposal of intangible assets and investments	(2.7)	(11.7)
Loss on sale of property, plant & equipment	-	0.1
Amounts written off associates and investments	1.0	4.2
Investment income	(1.8)	(1.7)
Interest expense	0.1	-
Amortisation and impairment of intangible assets	1.9	3.9
Depreciation on property, plant & equipment	0.9	0.9
Share-based payments	0.8	0.8
Pension scheme funding	(1.9)	(2.1)
Increase in trade and other receivables	(0.4)	(1.8)
(Decrease)/increase in trade and other payables	(0.8)	2.0
Decrease in provisions	(2.9)	(3.0)
Share of associates' losses	0.7	1.0
Other	(0.3)	(1.0)
Cash used in operations	(2.8)	(6.9)
Interest expense	(0.1)	-
Taxation paid	(0.2)	(0.1)
Net cash outflow from operating activities	(3.1)	(7.0)
Investing activities		
Interest received	2.0	1.6
Purchases of intangible assets	(2.5)	(1.3)
Proceeds on disposal of intangible assets	5.0	19.6
Payments made in relation to disposal of intangible assets	(10.0)	-
Investment in associates	(0.2)	(0.7)
Expenditure on investments	(0.6)	(1.1)
Proceeds on disposal of investments	0.9	1.0
Net cash (outflow)/inflow from investing activities	(5.4)	19.1
Cash flows from financing activities		
Proceeds of share issues	0.8	4.3
Net cash from financing activities	0.8	4.3
(Decrease)/increase in cash and cash equivalents	(7.7)	16.4
Cash and cash equivalents at start of year	51.0	34.5
Effect of exchange rate fluctuations on cash held	(0.3)	0.1
Cash and cash equivalents at end of year	43.0	51.0

Consolidated statement of recognised income and expense
for the year ended 31 March 2007

	Year ended 31 March 2007 £m	Year ended 31 March 2006 £m
Foreign exchange translation differences	(0.7)	(0.1)
Actuarial gain/(loss) on pension liabilities	2.0	(1.6)
Change in fair value of equity securities available-for-sale	(0.3)	(2.0)
Deferred tax due on revaluation of equity securities available-for-sale	-	0.2
Net income/(expense) recognised directly in equity	1.0	(3.5)
Profit for the year	2.4	1.4
Total recognised income and expense for the year	3.4	(2.1)
Attributable to:		
Equity holders of the parent	3.4	(2.0)
Minority interest	-	(0.1)
	3.4	(2.1)

1 Financial Information

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 March 2007 or 2006 but is derived from those accounts. Statutory accounts for the year ended 31 March 2006 have been delivered to the registrar of companies, and those for the year ended 31 March 2007 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports, and (iii) did not contain statements under section 237(2) or (3) of the Companies Act 1985.

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.

<i>Revenue</i>	Year ended 31 March 2007 £m	Year ended 31 March 2006 £m
Life sciences	45.0	46.4
Technology commercialisation	0.7	3.8
	45.7	50.2

<i>Result</i>	Year ended 31 March 2007 £m	Year ended 31 March 2006 £m
Life sciences	5.0	5.7
Technology commercialisation	(1.4)	1.4
	3.6	7.1
Restructuring	1.0	(3.7)
Unallocated expenses	(3.7)	(3.6)
Operating profit/(loss)	0.9	(0.2)
Net financing income	1.7	1.7
Profit before tax	2.6	1.5
Income tax expense	(0.2)	(0.1)
Profit for the year	2.4	1.4

3 Operating and administrative expenses

	Year ended 31 March 2007 £m	Year ended 31 March 2006 £m
Amortisation and impairment of intangible assets	1.9	3.9
Patent renewal fees	0.4	0.7
Litigation costs	0.1	2.9
	2.4	7.5
Staff costs	10.1	11.5
Other administrative expenses	6.1	6.8
Exchange losses/(gains)	0.3	(1.5)
	18.9	24.3

4 Restructuring

	Year ended 31 March 2007 £m	Year ended 31 March 2006 £m
Provision for onerous leases (note 9)	(1.0)	(0.9)
Restructuring costs	-	4.6
	(1.0)	3.7

Upon the subletting of empty premises in each of the financial years, the requirement for provisions for onerous leases was reduced.

5 Profit on disposal of assets and investments

	Year ended 31 March 2007 £m	Year ended 31 March 2006 £m
Profit on disposal of patents*	2.1	11.0
Profit on disposal of investments	0.6	0.7
Loss on sale of property, plant & equipment	-	(0.1)
	2.7	11.6

* The profit for the year ended 31 March 2007 is net of £1.6m (05/06: £4.9m) shared with the inventive source.

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

6 Operating profit/(loss)

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

	Year ended 31 March 2007 £m	Year ended 31 March 2006 £m
Auditors' remuneration:		
- Group audit fee payable to KPMG Audit Plc	0.1	0.1
- Fees payable to KPMG Audit Plc for taxation and other services	0.1	0.1
Depreciation and other amounts written off property, plant & equipment	0.9	0.9
Amortisation and impairment of intangible assets	1.9	3.9
Net foreign exchange losses/(gains)	0.3	(1.5)
Research and development costs	9.7	9.1
Staff costs	10.1	11.5
Operating lease rentals payable:		
- property	3.0	3.2
- plant and equipment	-	0.1

7 Earnings per share

The calculation of basic earnings per share at 31 March 2007 was based on the profit attributable to ordinary shareholders of £2.4m (05/06: £1.5m) and a weighted average number of ordinary shares outstanding during the year of 149.5m (05/06: 146.6m), diluted earnings per share 149.9m (05/06: 147.9m), calculated as follows.

	Year ended 31 March 2007	Year ended 31 March 2006
Profit for the financial year after minority interests (£m)	2.4	1.5
Profit per share (p)		
Basic	1.6	1.0
Diluted	1.6	1.0
Number of shares (m)		
Weighted average number of shares – basic	149.5	146.6
Effect of share options on issue	0.4	1.3
Weighted average number of shares – diluted	149.9	147.9

8 Capital and reserves

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Minority interest £m	Total equity £m
At 1 April 2005	14.8	182.2	2.6	(160.7)	38.9	0.1	39.0
Foreign exchange translation differences	-	-	(0.1)	-	(0.1)	-	(0.1)
Actuarial loss on pension liabilities	-	-	-	(1.6)	(1.6)	-	(1.6)
Change in the fair value of equity securities available-for-sale (net)	-	-	(1.8)	-	(1.8)	-	(1.8)
Profit for the year	-	-	-	1.5	1.5	(0.1)	1.4
Total recognised income and expense	-	-	(1.9)	(0.1)	(2.0)	(0.1)	(2.1)
Movement in shares held by Trust	-	-	-	0.2	0.2	-	0.2
Share based payments	-	-	0.8	-	0.8	-	0.8
Share capital issued	0.2	4.1	-	-	4.3	-	4.3
At 31 March 2006	15.0	186.3	1.5	(160.6)	42.2	-	42.2
Foreign exchange translation differences	-	-	(0.7)	-	(0.7)	-	(0.7)
Actuarial gain on pension liabilities	-	-	-	2.0	2.0	-	2.0
Change in the fair value of equity securities available-for-sale (net)	-	-	(0.3)	-	(0.3)	-	(0.3)
Profit for the year	-	-	-	2.4	2.4	-	2.4
Total recognised income and expense	-	-	(1.0)	4.4	3.4	-	3.4
Movement in shares held by Trust	-	-	-	0.1	0.1	-	0.1
Transfer of reserves	-	-	(1.4)	1.4	-	-	-
Share based payments	-	-	-	0.8	0.8	-	0.8
Share capital issued	0.1	0.7	-	-	0.8	-	0.8
At 31 March 2007	15.1	187.0	(0.9)	(153.9)	47.3	-	47.3

9 Provisions

	2007 £m	2006 £m
At 1 April	4.6	7.6
Provisions made during year	-	0.1
Provisions utilised during year	(1.8)	(2.3)
Provisions released during year	(1.0)	(0.9)
Difference on exchange	(0.1)	0.1
At 31 March	1.7	4.6
Balance due within one year	1.3	2.2
Balance due after more than one year	0.4	2.4
	1.7	4.6

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.

10 Post balance sheet events

In April 2007 BTG granted licences to patents relating to storage capacity in semiconductor chips for gross payments of \$46m before deduction of revenue sharing and other direct costs. Of the payments due, \$17m is receivable before 31 March 2008 with a further \$29m (\$2m of which being subject to BTG satisfying certain performance conditions) payable in instalments by December 2009. One of the licences also includes an option to license additional patents which the licensee may exercise for an additional gross payment of \$20m.

In addition, BTG signed an agreement with Novacea, Inc. and KuDOS Pharmaceuticals Ltd, a wholly owned subsidiary of AstraZeneca UK Ltd, regarding the anti-cancer pro-drug AQ4N. Under the terms of the agreement BTG is due a signature fee and Novacea was granted additional rights to AQ4N. BTG is also entitled to future milestone and royalty payments.

BTG expects to include revenues net of revenue sharing and other direct costs of approximately £11m in relation to these transactions in its results for the year ended 31 March 2008.