

BTG plc: Preliminary Results for the Year Ended 31 March 2006

London, UK, 25 May 2006: BTG plc (LSE: BGC), the medical innovations company, today announced its preliminary results for the year ended 31 March 2006.

Financial highlights

- Revenue 31% higher at £50.2m (04/05: £38.3m), reflecting strong growth in recurring royalties and litigation settlements
- Revenue net of revenue sharing 31% higher at £29.5m (04/05: £22.6m)
- Additional gains from sale of patents and investments, less provisions, of £7.4m (04/05: £1.2m)
- Operating & administrative costs reduced by 23% to £24.3m (04/05: £31.6m)
 - Expected to be below £21m in the current financial year
- Research & development expenses at £9.1m (04/05: £16.8m), reflecting lower Varisolve[®] expenses and more focused investment in BTG's pipeline
- Profit before tax of £1.5m (04/05: loss of £34.8m)
- "Free" cash of £44m (04/05 £34.5m) with over £9m generated in the year
- Group operating from a sustainable platform with the capacity to invest in the pipeline

Operating highlights

- Six programmes added to pipeline
- Clinical studies initiated on BGC20-1259 (Alzheimer's disease) and BGC20-0166 (sleep apnoea); BGC 9331 - plevitrexed (gastric cancer) phase II study arm fully enrolled
- Progress in licensees' programmes: encouraging phase II results for Campath[®] in multiple sclerosis and TRX4 in type 1 diabetes
- Successful commercialisation of physical science assets: Teleshuttle, RFID, WebNav, NQR
- Preparations made for Varisolve[®] phase II safety study and partnering discussions continuing

Louise Makin, BTG's Chief Executive Officer, commented: "We are delighted to report these strong financial results and excellent progress in delivering on the strategy announced last May. With increasing revenues, reduced costs and a healthy cash balance, we can move forward with confidence and continue to build value by investing in our life sciences pipeline."

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Notes

A presentation will take place today for analysts at 9.30am at BTG plc, 10 Fleet Place, Limeburner Lane, London EC4M 7SB. The presentation will be webcast live on www.btgplc.com. High resolution images are available for the media to view and download free of charge from www.vismedia.co.uk.

Chairman's statement

BTG's results for the year to 31 March 2006 show a major improvement over the prior year with the net result being a profit before tax for the year of £1.5m (04/05: loss of £34.8m). Cash at the year end was £51.0m (04/05: £34.5m net of overdraft) of which we consider some £44m is "free" cash after allowing for known commitments on the sale of the Teleshuttle patents, an increase of over £9m in the year.

Revenues of £50.2m (04/05: £38.3m) generated net revenues after revenue sharing 31% higher at £29.5m (04/05: £22.6m). Underlying royalty revenues from marketed products including BeneFIX[®] and the two-part hip cup grew strongly and the Group generated non-recurring revenues, being one-off settlements and milestones, of £10.7m gross (04/05: £9.1m) including the settlement with Zimmer over the two-part hip cup patents. The sale of investments and patents, including the sale of the Teleshuttle patents at the end of the year, resulted in net profits of £11.6m (04/05: £2.2m).

Investment in the development of Varisolve[®] reduced as expected to £4.5m (04/05: £9.2m). Overall investment in BTG's drug development pipeline was lower at £3.6m (04/05: £6.6m) reflecting the clearer focus on key products.

The significant restructuring costs incurred last year set the scene for a 23% reduction in operating and administrative expenses to £24.3m (04/05: £31.6m). Further restructuring costs of £3.7m were incurred to align operations with the new strategy and maintain cost control.

Disappointing progress in two investee companies has resulted in write-offs of £4.2m with the major losses arising when SAMSys Technologies, Inc., the Canadian listed RFID company, went into liquidation reflecting the difficult environment in that technology space.

The Directors do not recommend payment of a dividend for the year.

Outlook

We have started the new financial year with a much lower cost base, a strong cash position and a clear focus. We expect that revenues from royalties on marketed products will cover operating and administrative costs. The anticipated revenues from future licensing deals, milestones and the ongoing commercialisation of non-core assets, together with strong cash reserves, mean the Company is well placed to continue to build value by further developing our current portfolio and by in-licensing new, high potential programmes to add to our development pipeline.

Discussions are progressing with potential partners for Varisolve[®], and the Board continues to believe this product is capable of achieving significant sales and generating future returns for BTG.

Sir Brian Fender
Chairman

Operating review

During the past year we continued our process of transforming BTG into a focused medical innovations company. During a period of considerable change, we have also delivered strong financial results.

At the start of the year we set out our goals:

- Position BTG for profitability and sustainable growth
- Reduce costs
- Realise value from the physical sciences portfolio
- Progress the development and partnering of Varisolve®
- Continue to build value by investing in the pipeline

We have achieved a pre-tax profit for the year of £1.5m and, thanks to growing recurring revenues and reduced costs, we can build the business in a sustainable manner. Operating and administrative costs reduced by 23% from £31.6m to £24.3m and going forward we anticipate these costs will be below £21m. We have realised value from several physical sciences technologies including WebNav, RFID, NQR and, at the end of the year, Teleshuttle. This last deal generated an immediate net profit of £9.0m and also provides the opportunity for additional significant returns and brings to an end the major litigation activities. We continued to invest in the pipeline, adding six new programmes and spending £9.1m on developing existing programmes, including Varisolve®.

Building value in the pipeline

Six programmes were in-licensed during the year, including a series of selective EP4 receptor antagonists designed to treat painful conditions such as migraine headache. The lead compound, BGC20-1531, is completing preclinical studies in preparation for its first clinical study. Three acquisitions were made for the Drug Repositioning portfolio, two dermatology opportunities targeting head lice and fungal infections, and a novel oral formulation for an asthma product. Two earlier stage programmes were in-licensed for the oncology portfolio.

Good progress was made in developing existing programmes. In BTG's pipeline, enrolment was completed for the phase II part of the phase I/II gastric cancer study of Plevitrexed (BGC 9331), in which 19 additional patients are expected to be dosed at the recommended level for follow-on studies.

BGC20-1259 completed preclinical development and commenced a phase I clinical study. To date, two cohorts of eight volunteers have been treated with single ascending doses. Dosing of the third cohort is expected to begin shortly, and planning for a multiple ascending dose study, which should begin around mid-year, is under way. BGC20-1259 is a unique multifunctional compound designed to act on the cognitive impairment, associated psychiatric symptoms such as depression and neurodegenerative aspects of Alzheimer's disease.

A clinical proof of mechanism study commenced with BGC20-0166, a combination of two compounds shown in preclinical studies to alleviate sleep apnoea, a common condition in which sleep is interrupted by cessation of breathing and for which there is currently no pharmacological treatment. Ten patients have been treated and all 36 planned patients should have finished treatment by the end of the year.

In the current financial year we anticipate the completion of the plevitrexed (BGC9331) phase I/II trial, phase I for BGC20-1259 and the sleep apnoea proof of mechanism study.

Several licensees made advances with their development programmes. Genzyme Corporation is continuing the development of Campath[®], its 3rd line treatment for chronic lymphocytic leukaemia (CLL), in a range of additional oncology indications and reported positive interim efficacy results of a phase II trial comparing Campath[®] with interferon beta-1a in multiple sclerosis. Genzyme anticipates commencing phase III studies in MS in the second half of 2006.

TolerRx, Inc. showed in a phase II trial in new-onset type-1 diabetes that the monoclonal antibody TRX4 significantly reduced the trial subjects' requirements for insulin over the 18 months of follow-up. TRX4 was granted orphan drug status for this indication, which confers benefits including data exclusivity if successfully approved. Cougar Biotechnology progressed its European phase I study of abiraterone acetate, an inhibitor of testosterone biosynthesis targeting prostate cancer, and was granted approval to commence clinical studies in the US. Abiogen Pharma completed phase I studies of ABIO 08-01 (BTG1640) and is currently planning a phase II proof of concept study in anxiety.

Varisolve[®]

The IND for Varisolve[®], BTG's novel microfoam sclerosant treatment for varicose veins, was released from clinical hold and a phase II study protocol was approved in the US in July 2005. BTG initiated new partnering discussions from September with a number of pharmaceutical, specialist and medical device companies. Discussions are proceeding as expected.

In anticipation of securing a commercialisation agreement and following constructive dialogue with the FDA, preparations for the agreed phase II study have been progressed so that it can start without delay to the development timetable. Clinical trial materials have been sourced and eight varicose vein centres have been identified to take part in the study, which aims to show, using sensitive MRI techniques, that the presence of microbubbles in the middle cerebral artery that may result from treatment with Varisolve[®] does not cause subclinical damage. It is intended that a partner is signed up prior to commencing the study because there is a potential regulatory pathway that allows phase II and phase III to overlap.

BTG has also continued to add value to this programme through further IP development, and patent coverage for Varisolve[®] now extends to 2024.

Capturing value from non-core assets

We are delighted with the progress made over the year in monetising some of the physical science assets such as Teleshuttle, WebNav and RFID. This work is ongoing and we are seeking to sell or license a number of other physical science technologies, in fields such as telecommunications and flash memory, over the medium term.

We will also continue to simplify the portfolio and reduce costs by:

- renegotiating terms on marginal licences to reassign or return the IP
- terminating contracts for non-viable assets
- managing our ventures investments such that we can maintain an economic and management interest in key assets while allowing dilution of holdings in non-core assets.

Maintain cost control

Operating and administrative costs for the business reduced to £24.3m and we are targeting ongoing costs of less than £21m per annum. In achieving these savings we incurred restructuring charges of £3.7m this year. The restructuring of the business is now complete although focus remains on maintaining tight cost control throughout the business.

Positioning BTG

In support of the new strategy and to promote our capabilities to potential partners we have increased our presence at industry conferences and partnering events. We moved from the FTSE support services sub-sector to the biotechnology sub-sector, and to help promote the new strategy to a wider group of international investors we appointed Piper Jaffray as joint broker and adviser alongside Credit Suisse.

Priorities for the year ahead

Our priorities for the year ahead continue the work we have commenced this year. The focus continues to be to:

- Build value in the pipeline through in-licensing and development activities
- Secure a development and commercialisation partner for Varisolve®
- Capture full value from the ongoing monetisation of non-core assets
- Maintain cost control across all areas of the business
- Further establish BTG within the industry as a credible and preferred development and licensing partner

Financial review

The year ended 31 March 2006 saw a major shift in BTG's strategy and financial results. Revenues grew significantly, cash generation was strong and costs were reduced. As a result the difference in financial performance from last year to this was very pleasing, with the Company moving from a loss after tax of £35.0m in 04/05 to a profit of £1.4m in 05/06. Whilst achieving this result the Company continued to invest to build its pipeline of R&D programmes set to generate future earnings for the business.

Revenues and gains

BTG's revenues fall into two main categories, royalty revenues from marketed products and the proceeds of one-off deals, settlements or milestones.

Royalty revenues in 05/06 were £39.5m (04/05: £29.2m) an increase of 35%. Most of BTG's intellectual property is assigned to us on the basis that BTG pays a proportion of the royalty revenues it earns from the IP back to the licensor or source after deduction of certain costs. These payments, referred to as revenue-sharing, averaged 41% of royalty income in the year (04/05: 41%) although the terms vary by patent by patent and by territory and technology from 10% to around 70%. As BTG moves forward and invests more significantly in the R&D assets it acquires, these revenue-sharing percentages should reduce but the impact on the net revenue "margin" will not be apparent for some years.

Net royalty revenues after revenue sharing increased from £17.8m in 04/05 to £23.0m this year, an increase of 29%. This significant increase in the year reflected the fact that Zimmer is now paying royalties on its sales of the artificial hip-cup design over which BTG holds patents, generating new net royalty income of £1.7m. Without this income, the increase would have been 20% on a like-for-like basis. Revenues

were also boosted by a particularly strong performance from BeneFIX[®] (recombinant Factor IX sold by Wyeth and Baxter) where net royalties increased by 23% in the year.

Other key products include Genzyme's Campath[®], where sales of the product as a third-line treatment for CLL are growing steadily. Future sales may be significant should Genzyme's development activities allow for this product to be used in second and first-line CLL, other cancers or in multiple sclerosis. BTG also earns low-level royalties on certain antibody humanisation patents commercialised through the Medical Research Council. These patents apply to a selected range of monoclonal antibody products now reaching market. BTG's royalties from these patents are anticipated to increase gradually over the coming years. The Group also earns good royalties from sales of artificial knee products and a range of other drug and device products. The patents underlying BTG's royalties provide coverage over periods from 6 to 15 years.

Net royalties have increased by an average of around 10%-12% pa over the previous 5 years. Forecasts for 06/07 show some sales growth although shifts in revenue-sharing agreements on BeneFIX[®] would counteract likely sales increases on that product. As such the aggregate increase over the two years to 31 March 2008 is likely to return to the average annual range achieved in the recent past.

	05/06 Gross revenues £m	04/05 Gross revenues £m	<i>Increase/ decrease £m</i>	Patent coverage through
Technology				
BeneFIX [®]	15.8	13.0	2.8	2011
Hip-cup	6.2	2.6	3.6	2019
Campath [®]	4.6	4.0	0.6	2017
MRC humanisation IP	1.6	1.2	0.4	2015
Artificial knee	1.8	1.2	0.6	2011
Other	9.5	<u>7.2</u>	<u>2.3</u>	av. 2011
Royalty revenues	39.5	29.2	10.3	
Other revenues	10.7	<u>9.1</u>	<u>1.6</u>	
Total revenues	50.2	<u>38.3</u>	<u>11.9</u>	

In addition, BTG earned significant revenues and generated gains from the licensing, sale or settlement of certain assets and transactions. Within licensing deals and settlements, BTG generated revenues of £7.5m from the settlement in May 2005 with Zimmer with related revenue sharing costs of £3.4m. Milestone receipts and licences granted on other patents generated a further £3.2m gross and £2.4m net.

	Gross revenues or proceeds £m	Net revenues or profits £m
Zimmer settlement	7.5	4.1
Other settlements & milestones	<u>3.2</u>	<u>2.4</u>
Revenues from one-off transactions	<u>10.7</u>	<u>6.5</u>
RFID/Zebra	3.0	1.6
NQR/QRS	1.1	0.2
Teleshuttle/Twin Tech	20.0	9.0
Other	<u>0.1</u>	<u>0.1</u>
Sale of fixed assets	<u>24.2</u>	<u>10.9</u>
Kudos Limited & other	<u>1.1</u>	<u>0.7</u>
Sale of investments	<u>1.1</u>	<u>0.7</u>
Total	<u>36.0</u>	<u>18.1</u>

During the year BTG concluded the sale of three sets of assets within the physical sciences portfolio. Patents relating to radio-frequency ID tagging were sold to Zebra for gross proceeds of £3.0m and a net gain of £1.6m. QRS took and exercised an option to acquire rights to an explosives detection technology, NQR. The gross proceeds for this transaction could total \$15m but given the long time period over which these revenues would be generated (12-14 years) and consequent uncertainty over collecting such proceeds, only \$2m (£1.1m) has been recognised at this time. The largest transaction completed in the year was the sale of patents licensed from Teleshuttle to Twin Tech EU for gross proceeds of \$35m (£20.0m). Costs, being revenue sharing and amounts due to advisers plus writing off the net book value of the assets, resulted in a net gain of £9.0m.

The other main one-off transaction was the sale of shares held in a private company, Kudos, to AstraZeneca for a gain of £0.7m.

Overall, one-off transactions in the year generated net revenues and gains of £18.1m with cash generated of some £20m once all liabilities are settled.

These revenues and gains were pleasing in that they demonstrated the Company's ability to exit in an orderly and profitable way from the physical science assets. Further exits are anticipated in the next 12-24 months.

Cost containment and restructuring

BTG's costs in 04/05 were high and included a significant expense relating to reorganising and restructuring decisions taken during that year. In particular the results included an expense of £6.6m in respect of uneconomic leases. Further reorganisation costs were incurred during 05/06 following the decision to stop investing in new technologies in the physical sciences segment and a decision to outsource a number of administrative and IT functions. Costs relating to the salaries of those declared redundant in the current year were around £4.6m, including certain incentive packages to ensure an orderly wind-down of the asset-realisation. Sub-letting of certain of the company's unoccupied property allowed some £0.9m of provisions made in 04/05 to be written back, giving an overall charge of £3.7m for the year.

These changes should lead to significantly lower running rates for administrative costs in future years.

Operating expenses, being patent and litigation expenses, were at a similar level to 04/05 with patent renewal fees slightly down, higher litigation costs relating to actions on the Zimmer, WebNav and Teleshuttle deals which have now settled and a high amortisation charge following a full assessment of the likely values achievable from the patents in line with the new strategy.

Looking forward, litigation expenses are not expected to be material in the coming year, although circumstances may cause this to change. Amortisation charges should reduce considerably following the sale or write-down of certain assets in the year and as such operating expenses for 06/07 are targeted to be significantly lower than the £7.5m in the current year.

Administrative expenses at £18.3m are £5.1m or 22% below the levels of the prior year and savings achieved through the reorganisation mean that 06/07 operating and administrative expenses should fall below £21m, some £3m below 05/06 levels.

An exchange gain of £1.5m was achieved in the year on the conversion of certain foreign-currency denominated receipts into sterling although average exchange rates used to translate operating activities in the year were similar to those applying in the previous year. In the previous year exchange losses of £0.2m were incurred. The level of such gains and losses is difficult to forecast and the effect may well be neutral in future years.

Research and development

R&D costs for the BTG group as a whole were £9.1m of which £4.5m related to Varisolve[®], £3.3m to BTG pipeline projects, £0.3m and £1.0m in the operations of BTG's subsidiary and associate companies respectively. This compares to £16.8m in the prior year (£9.2m Varisolve[®], £6.3m BTG directed and £1.3m in subsidiaries and associates). In the case of Varisolve[®] and the other subsidiary and associate companies these represent the entire costs of the operations which are dedicated to research and development. In the case of BTG directed projects, this represents the external R&D costs paid to clinical research organisations and similar.

The expenditure of £4.5m on Varisolve[®] in the year related to costs incurred in securing the manufacturing supply chain, including a one-off payment to the landlords of our Wrexham secondary-manufacturing site for profit mark-ups foregone on contract manufacturing. Activities were also centred on completing work required by the FDA and preparing for the upcoming phase II safety study. The costs of running Varisolve[®] activities in the 06/07 year excluding the phase II trial are likely to be around half of the 05/06 levels.

Progress in BTG's pipeline has been pleasing. The expenditure of £3.3m is in line with budget and the decrease over last year reflects a focusing down into a core portfolio rather than investing small amounts in large numbers of activities. BTG's strategy as announced in May 2005 was to move this R&D investment to some £10m pa over the coming 3 years as high-value opportunities are recognised and accessed and plans are in place to be in line with this objective.

Costs within BTG's subsidiaries and associates are monitored actively and carefully through the arrangements put in place through our investment agreements.

Carrying value of investments

Regrettably charges of £4.2m arose in the year upon the impairment in value of two investments. The majority of this arose upon the loan creditors of SAMSys Technologies Inc. calling in their debt. The assets of that company are being sold but the expectation is that after payment of liabilities there will be no return to shareholders. Accordingly the fair value of this investment of £3.7m was expensed in the year. The balance relates to an investment in a private company, Ignios Limited, in which BTG has decided not to invest further.

Financial income and tax

BTG's cash balances are invested in short-term and call deposits. Interest earned on deposits averaged 4.5% in the year.

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

Profit for the year and earnings per share

Overall BTG achieved a profit for the period of £1.4m, an improvement of £36.4m over the previous year's loss of £35.0m. Reductions in costs, increases in royalty income and gains from licences and sales of assets in the year have combined to generate this turnaround.

These profits represent earnings per share of 1.0p compared to a loss per share in 04/05 of 23.8p based on an average of 146.6m shares in issue (04/05:145.5m).

These results include a number of charges that arise under IFRS rather than UK GAAP although the charges in the 05/06 year are broadly comparable to those in the 04/05 accounts restated under IFRS.

Position at the year end

At 31 March 2006 BTG's net assets were £42.2m, an improvement of £3.2m in the year.

Non-current assets

The value of BTG's non-current assets fell by some £10m in the year to £24.6m. Intangible assets stood at £7.1m with additions of £2.3m being offset by disposals of £2.2m and amortisation charges of £3.9m. 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 fixed assets reduced by £1.1m from £10.7m to £9.6m 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.

Investments in associates reduced from £3.6m to £2.7m, 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 photonic crystal nano devices, Protez Pharmaceuticals is developing new antibiotics to overcome the problem of drug resistance 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 £1.8m in these companies and funds during the year (04/05: £2.7m). Commitments to follow-on funding of the investment portfolio stood at £2.9m as at 31 March 2006.

Current assets, current and non-current liabilities

The trade and other receivables were £10.1m at 31 March 2006 compared to £7.4m at the prior year end, with the increase broadly in line with increased revenues.

Current liabilities at £30.6m were in line with those at the previous year end of £28.9m although trade payables include some £7.0m in respect of unpaid costs on the Teleshuttle deal concluded near the year end.

Non-current liabilities at £12.9m include £9.6m in respect of the net deficit on the company's defined benefit pension plan, together with provisions largely against future lease liabilities on onerous leases. A deficit repair schedule has been agreed with the trustees of the pension plan that will see the company contributing £2.2m pa to the fund in addition to the current service charges over the next 6 years.

Cash

BTG's cash and cash equivalents as at 31 March 2006 were £51.0m compared to £34.5m at 31 March 2005. This cash balance was reduced shortly after the year end in settling the £7.0m of unpaid liabilities on the Teleshuttle deal mentioned above. Accordingly the "free cash" balance was around £44.0m, an improvement of over £9m in the year.

The Company's profit for the year of £1.4m included non-cash charges of £3.9m for amortisation and impairment, £0.9m for depreciation, £2.0m of non-cash charges in reaching the profit on sales of assets, £5.2m in reducing the value of associates and investments and around £0.8m in respect of charges for share options. The Group invested £2.3m in acquiring intangible assets and £1.8m in additional investments, spent £2m in reducing the pension scheme deficit and reduced provisions by £3m. £4.3m was also generated from the exercise of share options. These items, with adjustments for working capital changes, account for the £9m of cash generation.

Consolidated income statement
for the year ended 31 March 2006

	Note	Year ended 31 March	
		2006 £m	2005 £m
Revenue	2	50.2	38.3
Revenue sharing		(20.7)	(15.7)
Revenue net of revenue sharing		29.5	22.6
Operating and administrative expenses	3	(24.3)	(31.6)
Restructuring costs	4	(3.7)	(11.8)
Operating expenses		(28.0)	(43.4)
Varisolve® development		(4.5)	(9.2)
Other research and development		(3.6)	(6.6)
Share of results of associates		(1.0)	(1.0)
Research and development expenses		(9.1)	(16.8)
Profit on disposal of assets and investments	5	11.6	2.2
Amounts written off associates and investments		(4.2)	(1.0)
		7.4	1.2
Operating loss		(0.2)	(36.4)
Financial income		1.7	1.7
Financial expenses		-	(0.1)
Net financial income		1.7	1.6
Profit/(loss) before tax		1.5	(34.8)
Tax		(0.1)	(0.2)
Profit/(loss) for the year		1.4	(35.0)
Attributable to:			
Equity holders of the parent		1.5	(34.7)
Minority interest		(0.1)	(0.3)
Profit/(loss) for the year		1.4	(35.0)
Basic earnings/(loss) per share	7	1.0p	(23.8p)
Diluted earnings/(loss) per share	7	1.0p	(23.8p)

Consolidated balance sheet
as at 31 March 2006

	Note	31 March 2006 £m	2005 £m
Non-current assets			
Intangible assets		7.1	10.7
Property, plant & equipment		9.6	10.7
Investments in associates		2.7	3.6
Other investments		5.2	9.6
		24.6	34.6
Current assets			
Trade and other receivables		10.1	7.4
Cash and cash equivalents		51.0	39.2
		61.1	46.6
Total assets		85.7	81.2
Equity			
Share capital	8	15.0	14.8
Share premium account	8	186.3	182.2
Other reserves	8	1.4	2.6
Retained earnings	8	(160.5)	(160.7)
Equity attributable to equity holders of the parent			
Minority interest	8	-	0.1
Total equity		42.2	39.0
Non-current liabilities			
Trade and other payables		0.9	-
Employee benefits		9.6	10.1
Provisions	9	2.4	3.0
Deferred tax liabilities		-	0.2
		12.9	13.3
Current liabilities			
Bank overdraft		-	4.7
Trade and other payables		28.4	19.6
Provisions	9	2.2	4.6
		30.6	28.9
Total liabilities		43.5	42.2
Total equity and liabilities		85.7	81.2

Consolidated cash flow statement
for the year ended 31 March 2006

	Year ended 31 March	
	2006	2005
	£m	£m
Profit/(loss) before tax for the year	1.5	(34.8)
Profit on disposal of intangible assets and investments	(11.7)	(2.2)
Amounts written off associates and investments	4.2	1.0
Loss on sale of property, plant & equipment	0.1	-
Investment income	(1.7)	(1.7)
Interest expense	-	0.1
Amortisation and impairment of intangible assets	3.9	4.6
Depreciation on property, plant & equipment	0.9	2.0
Share-based payments	0.8	0.3
Pension contributions	(2.1)	-
Increase in debtors	(1.8)	(0.3)
Increase/(decrease) in creditors	2.0	(5.4)
(Decrease)/increase in provisions	(3.0)	5.6
Share of associates losses	1.0	1.0
Other	(1.0)	-
Cash used in operations	(6.9)	(29.8)
Interest expense	-	(0.1)
Taxation paid	(0.1)	(0.1)
Net cash from operating activities	(7.0)	(30.0)
Investing activities		
Interest received	1.6	1.7
Purchases of intangible assets	(1.3)	(2.2)
Proceeds on disposal of intangible assets	19.6	1.9
Purchases of property, plant & equipment	-	(3.1)
Investment in associates	(0.7)	(0.9)
Expenditure on investments	(1.1)	(1.8)
Proceeds on disposal of investments	1.0	2.4
Net cash from/(used in) investing activities	19.1	(2.0)
Cash flows from financing activities		
Proceeds of share issues	4.3	-
Net cash from financing activities	4.3	-
Increase/(decrease) in cash and cash equivalents	16.4	(32.0)
Cash and cash equivalents at start of period	34.5	66.5
Effect of exchange rate fluctuations on cash held	0.1	-
Cash and cash equivalents at end of period	51.0	34.5

**Consolidated statement of recognised income and expense
for the year ended 31 March 2006**

	Year ended 31 March	
	2006	2005
	£m	£m
Foreign exchange translation differences	(0.1)	(0.1)
Unrealised gain on intangible assets	-	0.2
Actuarial (loss)/gain on pension liabilities	(1.6)	0.3
Change in fair value of equity securities available for sale	(2.0)	(7.4)
Deferred tax due on revaluation of equity securities available for sale	0.2	2.2
Net expense recognised directly in equity	(3.5)	(4.8)
Profit/(loss) for the period	1.4	(35.0)
Total recognised income and expense for the period	(2.1)	(39.8)
Attributable to:		
Equity holders of the parent	(2.0)	(39.5)
Minority interest	(0.1)	(0.3)
	(2.1)	(39.8)

1. Financial Information

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 March 2006 or 2005. Statutory accounts for 2005 have been delivered to the registrar of companies, and those for 2006 will be delivered in due course. 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 (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.

Revenue	Year ended 31 March	
	2006	2005
	£m	£m
Medical innovations	46.4	35.7
Technology commercialisation	3.8	2.6
	50.2	38.3

Result	Year ended 31 March	
	2006	2005
	£m	£m
Medical innovations	5.7	(11.2)
Technology commercialisation	1.4	(11.0)
	7.1	(22.2)
Restructuring	(3.7)	(11.8)
Unallocated expenses	(3.6)	(2.4)
Operating profit/(loss)	(0.2)	(36.4)
Net financing income	1.7	1.6
Profit/(loss) before tax	1.5	(34.8)
Income tax expense	(0.1)	(0.2)
Profit/(loss) for the year	1.4	(35.0)

3 Operating and administrative expenses

	Year ended 31 March	
	2006	2005
	£m	£m
Amortisation and impairment of intangible assets	3.9	4.6
Patent renewal fees	0.7	0.8
Litigation costs	2.9	2.6
	7.5	8.0
Staff costs	11.5	16.4
Other administrative expenses	6.8	7.0
Exchange (gains)/losses	(1.5)	0.2
	24.3	31.6

4 Restructuring costs

	Year ended 31 March	
	2006	2005
	£m	£m
Provision for onerous leases	(0.9)	6.6
Restructuring costs	4.6	4.7
Additional depreciation	-	0.5
	3.7	11.8

5 Profit on disposal of assets and investments

	Year ended 31 March	
	2006	2005
	£m	£m
Loss on sale of property, plant & equipment	(0.1)	-
Profit on disposal of investments	0.7	1.3
Profit on disposal of patents	11.0	0.9
	11.6	2.2

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

6 Operating loss

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

	Year ended 31 March	
	2006	2005
	£m	£m
Auditors' remuneration:		
- Statutory audit	0.1	0.2
- Taxation and other advisory services	0.1	0.1
Depreciation and other amounts written off property, plant & equipment	0.9	2.0
Amortisation and impairment of intangible assets	3.9	4.9
Net foreign exchange (gains)/losses	(1.5)	0.2
Research and development costs	9.1	16.8
Staff costs	11.5	16.4
Operating lease rentals payable:		
- property	3.2	2.8
- plant and equipment	0.1	0.3

7 Earnings/(loss) per share

The calculation of basic earnings per share at 31 March 2006 was based on the profit attributable to ordinary shareholders of £1.5m (31 March 2005: £34.7m loss) and a weighted average number of ordinary shares outstanding during the year of 146.6m (31 March 2005: 145.5m), diluted earnings per share 147.9m (31 March 2005: 145.5m), calculated as follows.

7 Earnings/(loss) per share (continued)

	Year ended 31 March	
	2006	2005
Profit/(loss) after minority interests (£m)	1.5	(34.7)
Profit/(loss) per share (p)		
Basic	1.0	(23.8)
Diluted	1.0	(23.8)
Number of shares (m)		
Weighted average number of shares – basic	146.6	145.5
Effect of share options on issue	1.3	-
Weighted average number of shares – diluted	147.9	145.5

8 Capital and reserves

	Share capital £m	Share premium £m	Retained earnings £m	Other reserves £m	Total £m	Minority interest £m	Total equity £m
At 1 April 2004	14.8	182.2	(126.7)	7.3	77.6	0.4	78.0
Movement in shares held by Trust	-	-	0.2	-	0.2	-	0.2
Share based payments	-	-	-	0.6	0.6	-	0.6
Total recognised income and expense	-	-	(34.2)	(5.3)	(39.5)	(0.3)	(39.8)
At 31 March 2005	14.8	182.2	(160.7)	2.6	38.9	0.1	39.0
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
Total recognised income and expense	-	-	-	(2.0)	(2.0)	(0.1)	(2.1)
At 31 March 2006	15.0	186.3	(160.5)	1.4	42.2	-	42.2

9 Provisions

	2006 £m	2005 £m
At 1 April	7.6	2.0
Provisions made during year	0.1	6.6
Provisions utilised during year	(2.3)	(1.0)
Provisions released during year	(0.9)	-
Difference on exchange	0.1	-
At 31 March	4.6	7.6
Balance due within one year	2.2	4.6
Balance due after more than one year	2.4	3.0
	4.6	7.6

These provisions relate to onerous leases and represent the net present value of future obligations for both the UK and US offices of the Group, subject to finding tenants for the properties.