BTG

BTG plc Interim report and accounts
Six months ended 30 September 2004

Financial summary

- Total revenues up 6% to £20.3 million (2003: £19.1 million)
- Net revenues up 9% to £12.0 million (2003: £11.0 million)
  - Royalties on launched products up 25% at Constant Exchange Rate and 15% on reported basis to £15.7 million (2003: £13.7 million)
  - Income from new agreements 12% lower at £2.8 million (2003: £3.2 million)
- Pre-tax loss reduced by 2% to £13.1 million (2003: £13.4 million)
  - Operating loss excluding Provensis development flat at £7.0 million despite doubling of investment in technology development
- Net cash at period end of £47.2 million (2003: £42.2 million)

Operational summary

- 10 new licence agreements signed (2003: 6)
- Portfolio significantly strengthened
  - 11 technologies acquired
  - 5 development projects authorised
- Varisolve®
  - Provensis repeating a study intended to enable resumption of US clinical development; interim findings from new trial anticipated in January 2005
  - Provensis costs minimised

Management changes and strategic review

- Louise Makin joined as CEO on 19 October 2004
- Strategic review commenced

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CHAIRMAN'S STATEMENT

BTG has continued to show progress in building and realising value from its portfolio. During the first half of the year we acquired eleven new technologies, initiated five new development projects and signed ten new licence agreements. Key milestones were reached for several existing development programmes. However, we were disappointed that data from one of the studies intended to enable the resumption of US clinical development of Varisolve® do not currently support submission of a complete response to the clinical hold.

First half total revenues, which include proceeds from the sale of investments, were £20.3 million (2003: £19.1 million). Net revenues, after sharing £8.3 million (2003: £8.1 million) with our technology and intellectual property (IP) sources, were £12.0 million (2003: £11.0 million).

Investment in technology development, including Varisolve® and Provensis operations, was £11.0 million (2003: £9.6 million). Other operating and administrative expenses were £14.3 million (2003: £15.6 million). The loss before tax was £13.1 million (2003: £13.4 million).

We announced in May that we were searching for a successor to Ian Harvey and are delighted that Louise Makin joined BTG as Chief Executive Officer on 19 October 2004. The Board looks forward to working with Louise on the next phase of BTG's evolution. My colleagues and I thank Ian for his significant contributions to the Company over almost two decades as Chief Executive Officer. We were also pleased to welcome Alison Wood, Group Strategic Development Director of BAE Systems, as a Non-executive Director.

Rusi Kathoke, Chief Financial Officer, plans to retire during 2005 to take up permanent residence with his family in South Africa. He will continue to manage BTG's investment in Provensis and will work closely with Louise to ensure a smooth handover to his successor, for whom the search process has begun.

Outlook

At the start of the financial year, we set a target of achieving revenue growth of 20% over the full year, excluding the £12.0 million received from the settlement with Acambis. With revenue growth in the first half of 6%, and significant risks attached to achieving certain elements of expected business in the second half, we currently anticipate that full year underlying revenues are likely to be comparable to last year.

Louise Makin has commenced a strategic review of the business. We anticipate she will report full conclusions of the review with our end of year results, at which time we will have greater visibility as to whether we remain on track to reach profitability, excluding Provensis, by March 2006.

Sir Brian Fender
Chairman

CHIEF EXECUTIVE OFFICER'S STATEMENT

In my first few weeks at BTG I have been meeting colleagues from all areas of our operations and learning more about the dynamics of the business. My initial views support the results of the due diligence I conducted before joining BTG: that it has high calibre people, a strengthening technology portfolio and it operates in growth markets. I believe the business has great potential, but recognise that there is much work to be done to achieve operating success and demonstrate value creation to our shareholders and the wider investment community.

I have therefore commenced a strategic review of the business aimed at positioning BTG for profitability and sustainable growth thereafter. Short-term objectives are to maximise revenues from the current deal pipeline, to ensure that all investments are carefully targeted and to minimise all other expenditure, while balancing short-term and long-term requirements. Updates will be provided as we make progress over the coming months, and the full conclusions of the strategic review will accompany our end of year results.

In addition to working closely with me on the business review, Rusi Kathoke is managing BTG's investment in Provensis to realise value from Varisolve®, as the work to enable resumption of US clinical studies and partnering discussions continue.

I have joined BTG at a key stage in its development. I look forward to working with my colleagues on the challenges and opportunities that lie ahead, as we strive to create a profitable, sustainable and growing business.

Louise Makin
Chief Executive Officer

OPERATING AND FINANCIAL REVIEW

Operating review

BTG's technology portfolio currently comprises 225 technologies protected by over 3,500 patents and patent applications, with 200 licence agreements in place. BTG also has investments in 28 companies with a current net book value of £14.8 million.

During the first half, ten new licence agreements were signed, five new development projects were initiated and eleven new technologies were added to the portfolio. In addition, further funding was made available to seven existing venture investments.

Varisolve®

The programme of preclinical studies intended to enable the resumption of US clinical development was completed, together with a human clinical study, as planned. Based on its own and independent evaluations of the study results, Provensis does not believe the data from one of the preclinical studies currently support submission of a complete response to the clinical hold, which had previously been anticipated by the end of November 2004.

Provensis is therefore repeating this study, which is exploring any subclinical effects resulting from administration of the Varisolve® microfoam. Interim findings are anticipated by the end of January 2005. If positive, the study will continue and Provensis will assess at its conclusion whether the total package of available data supports submission of a complete response to the clinical hold.

As planned, the secondary manufacturing facility was completed in readiness for commissioning, and further product and process development took place. Provensis' staff and operations were maintained while the clinical and regulatory development and manufacturing and product development continued.

Following completion of the studies, Provensis was restructured to retain the core expertise needed to complete the repeat study and other essential manufacturing and development activities, and to progress partnering discussions. The restructuring has reduced costs and enables BTG to support Provensis beyond March 2005 if appropriate.

In total, £14.3 million of the Rights Issue proceeds have been invested between January and September 2004 in clinical and regulatory development, manufacturing development and Provensis' operations. With the additional £1.3 million of redundancy costs, the balance of the Rights Issue proceeds is £11.0 million. Provensis' costs are now approximately £100,000 per month, plus the development costs, which are estimated to be no more than £1.5 million in total.

Discussions are continuing with potential partners, with the objective of securing a commercial agreement this financial year.

Ageing & Neuroscience

BGC20-1259, an inhibitor of acetylcholinesterase and serotonin transport acquired from Sankyo Co., Ltd of Japan, commenced an early development programme as planned. In addition to targeting cognitive improvements in Alzheimer's disease, together with the anxiety and depression that often accompany the disease, other potential indications are being explored.

Development programmes are also under way for CORE-2 GlcNAc-Transferase, targeting diabetes and neurodegenration, and for a series of novel iron chelating compounds targeting iron-induced neurotoxicity in Alzheimer's and Parkinson's diseases. These technologies were assigned to BTG by King's College London earlier this year.

BioPharmaceuticals
A non-exclusive licence agreement was signed with a major European pharmaceutical company granting rights to certain METTOX™ technologies relating to preclinical metabolic profiling of drugs and production of drug metabolites. An additional licence was signed for Factor IX, providing rights to an existing licensee to make recombinant Factor IX protein via transgenic animals or plants.

Rights were acquired from the University of Illinois at Chicago to a potential pharmacological treatment for sleep apnoea, a respiratory disorder that involves the cessation of breathing during sleep, based on combining two known compounds. BTG has signed a collaboration agreement with Collegium Pharmaceutical, Inc. to develop novel formulations of the combination therapy for use in a development programme.

Oncology
BGC 9331, a potential treatment for gastric and other solid tumours, commenced a Phase I/II study. With ten patients treated, the initial success criteria were met and now ten clinical trial centres have been enlisted in preparation for enrolment of a further 20 patients. If results are positive at this decision point, an additional 20 to 30 patients will be enrolled for treatment at the recommended dose level.

Process chemistry and preclinical work continued for BGC 945, a compound that selectively destroys cancer cells, in preparation for a planned Phase I/II clinical study.

BTG licensees have also made good progress. ILEX Oncology, Inc. completed enrolment of patients to two Campath® studies, a Phase III trial against chlorambucil as front-line therapy in previously untreated patients with progressive B-cell chronic lymphocytic leukaemia, and a Phase II trial in previously untreated relapsing/remitting multiple sclerosis patients. Marketing approval was received for a new, single-dose vial of Campath®, providing a more convenient way to prepare Campath® for administration to patients.

US biopharmaceutical company Novacea Inc. enrolled its first patient in a Phase I study of AQ4N, a novel anti-cancer agent activated by tumour cells with low oxygen levels, present in solid tumours. In December 2003, Novacea licensed the North American rights to develop AQ4N from BTG's licensee KuDOS Pharmaceuticals, which is also conducting Phase I studies with AQ4N in the UK.

Draximage has announced further progress with ^{99m}Tc–ciprofloxacin, a novel radiopharmaceutical molecular imaging agent for detecting and determining the location of difficult-to-diagnose bacterial infection. FDA has approved a US Phase II clinical study in patients suffering bacterial osteomyelitis, an infection of the bone. Two other Phase II trials are underway in Canada, one involving diabetic patients with infection in the foot, and the other in patients with suspect soft tissue infections.

Semiconductor Technologies, Optoelectronics and Nanotechnology
Acquisitions include a High Speed Logic portfolio of technologies from the University of California at Los Angeles that addresses markets including high performance processors, networking and WiFi infrastructure.

New licence agreements were completed for ER-CMOS, a technology that reduces power consumption in circuits for portable electronics, and for the Distributed Feedback and Electro-absorption Modulator technologies used in telecoms applications, which came from BT. A licence was also completed for patents related to a glass moulding process used to make aspherical lenses from Corning Incorporated.

BTG progressed commercialisation of its Teleshuttle portfolio. Suits were filed against both Microsoft and Apple for infringement of Teleshuttle's patent covering Microsoft's and Apple's web-enabled software update technologies, and against Microsoft for infringement of Teleshuttle's patents covering Microsoft's active desktop and offline browsing technologies.

Strategic Business Development
BTG acquired rights from RJF Holdings III to commercialise two patents for a refractive surgery procedure called Conductive Keratoplasty®, a corrective vision procedure that uses short controlled bursts of radiofrequency to shrink collagen around the cornea of the eye, resulting in a reshaping of the cornea. Within months of acquiring the rights, a licence agreement was completed.

A licence agreement was also completed for the safety needle, which has a simple but very effective design of a protective sleeve for use with hypodermic needles to prevent needle stick injury to medical staff. An additional licence was signed for MRI, relating to the Active Gradient Coil Screening patents developed by the Nobel Laureate, Professor Sir Peter Mansfield.

Following the successful defence and licensing of patents protecting the haemofiltration technology that enables accurate control of a dialysis session, BTG is currently seeking additional licensees for this technology.

A suit was filed against Amazon.com, BarnesandNoble.com, Netflix and Overstock.com for infringement of the WebNav patents. This technology enables the efficient tracking of the movement of Internet users between websites and is used in certain online marketing programmes.

Ventures
Further funding totalling £1.4 million was made into seven existing venture investments. Progress was made in KetoCytonyx, with the completion of a Phase I clinical study of KTX 0101, its lead therapeutic with a target indication of prevention of cognitive impairment in patients undergoing coronary artery bypass graft surgery.

Several portfolio companies made progress, with the achievement of technical milestones, the appointment of key employees and the progression of next round fundings. BTG anticipates further progress over the coming year.

Financial review
The notes accompanying the financial statements provide further information on financial performance for the period.

Revenues
Turnover was slightly ahead of the same period last year at £18.6 million (2003: £18.2 million) while total revenues including proceeds of £1.7 million from the sale of equity investments (2003: £0.9 million) were 6% higher at £20.3 million (2003: £19.1 million). Revenue sharing payments to IP and technology sources were £8.3 million (2003: £8.1 million), resulting in net revenues 9% higher at £12.0 million (2003: £11.0 million). The strengthening of Sterling against the US Dollar has had an adverse impact on reported revenues and marginal improvements in operating and administration expenses.

Royalties from launched products grew by just under 15% on a reported basis to £15.7 million (2003: £13.7 million). With approximately 75% of revenues received in US Dollars, the weakness of the Dollar has masked the true growth in underlying royalties that at constant currency would have been 25%. Key contributors to royalties were Factor IX at £6.5 million (2003: £5.7 million),

the two-part hip cup at £3.1 million (2003: £1.2 million) and Campath® at £2.3 million (2003: £2.8 million). Campath® US Dollar receipts increased by 8%, but exchange rate movements adversely affected the reported Sterling revenues. ILEX Oncology, Inc. reported global net Campath® sales of $56.5 million in the first nine months of 2004, up 6% from the same period in 2003. MRI revenues were £0.6 million (2003: £1.8 million) and are expected to decline as patent expiry continues.

Income from the ten new licence agreements signed during the period was 12% lower at £2.8 million (2003: £3.2 million from six new agreements). This does not indicate a trend towards a lower average value per licence; it simply reflects the payments on individual technologies that are commercialised in any given reporting period. Milestone payments, which are contractual payments made by licensees on reaching pre-agreed development objectives, were £0.1 million (2003: £0.7 million). This is in line with expectations as no significant payments were anticipated in this period.

Technology development
Investment in Varisolve® and Provensis operations was £8.0 million (2003: £8.1 million), including £1.3 million redundancy costs and £0.4 million write-down of fixed assets following the reorganisation referred to above. Investment in other technology development doubled to £3.0 million (2003: £1.5 million) reflecting both progress in existing programmes and new projects being initiated.

Other operating and administrative expenses
Other operating expenses, relating to patent amortisation, patent renewal fees and litigation costs, were £2.9 million (2003: £2.5 million). Administrative expenses continued their downward trend at £11.4 million (2003: £13.1 million).

Operating loss and loss before tax
The more than doubling of investment in technology development, excluding Provensis, resulted in a BTG operating loss that was flat at £7.0 million (2003: £7.0 million). The Provensis operating loss was £8.0 million (2003: £8.1 million). The Group operating loss was comparable to last year at £15.0 million (2003: £15.1 million, and the loss before tax was £13.1 million (2003: £13.4 million).

Equity investments
During the first half we invested £1.4 million into seven existing venture investments.

Cash
Working capital decreased by £4.5 million during the period (six months to 30 September 2003: decrease of £3.1 million), primarily driven by a reduction in creditors. The net cash outflow from operations was £16.9 million (2003: £15.5 million), £8.0 million of which related to Varisolve® development and Provensis operations (2003: £8.5 million), £3.0 million was invested in new technology development (2003: £1.5 million) and £4.5 million related to the working capital movement referred to above. At 30 September 2004, net funds were £47.2 million (2003: £42.2 million).

Rusi Kathoke
Chief Financial Officer

CONSOLIDATED PROFIT & LOSS ACCOUNT
for the six months ended 30 September 2004

	Six months ended		£ million Year ended
	September 2004	September 2003	March 2004
Total revenue (note 3)	20.30	19.12	52.88
Turnover	18.61	18.22	48.76
Revenue sharing	(8.30)	(8.10)	(20.85)
Provensis development* (note 4)	(7.98)	(8.10)	(15.90)
Other new technology development	(3.03)	(1.47)	(4.79)
Total development	(11.01)	(9.57)	(20.69)
Other operating expenses (note 5)	(2.92)	(2.52)	(4.37)
Administrative expenses	(11.35)	(13.08)	(29.71)
Operating loss (note 7)	(14.97)	(15.05)	(26.86)
Profit on disposal of/(amounts written off) investments (note 8)	0.88	0.88	2.66
Loss on ordinary activities before interest and taxation	(14.09)	(14.17)	(24.20)
Interest receivable	1.04	0.80	1.46
Interest payable and similar charges	(0.04)	-	(0.09)
Loss on ordinary activities before taxation	(13.09)	(13.37)	(22.83)
Taxation on loss on ordinary activities (note 9)	(0.05)	(0.13)	(0.16)
Loss on ordinary activities after taxation	(13.14)	(13.50)	(22.99)
Loss applicable to minority equity interests	0.16	-	0.30
Loss for the financial period- retained for equity shareholders	(12.98)	(13.50)	(22.69)
Basic and diluted loss per share (note 10)	(8.93p)	(13.06p)	(19.40p)

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the six months ended 30 September 2004

Loss for the financial period	(12.98)	(13.50)	(22.69)
Currency translation differences on foreign currency net investments	0.05	0.24	(0.68)
Total recognised gains and losses relating to the period	(12.93)	(13.26)	(23.37)
Unrealised gain on intangible assets	0.24	-	-
Prior year adjustment**	-	-	(1.60)
Total gains and losses recognised since last report	(12.69)	(13.26)	(24.97)

* Provensis development costs includes a charge of £1.67 million, for redundancy costs and a write down of tangible assets, relating to a restructure of Provensis Ltd in September 2004 (note 4).

** The prior year adjustment relates to the restatement of the results for the year ended 31 March 2003 following the adoption of UITF Abstract 38, Accounting for ESOP Trusts.

CONSOLIDATED BALANCE SHEET
as at 30 September 2004

			£ million
	September 2004	September 2003 restated*	March 2004
Fixed assets			
Intangible assets – patents and other IPR	11.97	9.55	11.62
Tangible assets	11.80	7.80	10.10
Investments	14.77	15.73	14.03
	38.54	33.08	35.75
Current assets			
Debtors: amounts falling within one year	6.87	7.37	7.04
Short-term deposits	32.16	35.62	48.24
Cash at bank and in hand	15.02	6.93	19.73
	54.05	49.92	75.01
Creditors: amounts falling due within one year	(19.93)	(16.24)	(25.98)
Net current assets	34.12	33.68	49.03
Total assets less current liabilities	72.66	66.76	84.78
Provisions for liabilities and charges	(3.19)	(1.29)	(2.47)
Net assets	69.47	65.47	82.31
Analysis of net assets			
BTG (excluding Provensis)	126.32	106.54	131.16
Provensis	(56.85)	(41.07)	(48.85)
Net assets	69.47	65.47	82.31
Capital and reserves			
Called up share capital	14.76	10.54	14.76
Share premium account	182.22	159.92	182.24
Shares held in Employee Share Trust	(1.48)	(1.60)	(1.51)
Capital reserve	7.31	7.31	7.31
Profit and loss account	(133.50)	(110.70)	(120.81)
Equity shareholders' funds	69.31	65.47	81.99
Minority shareholders' equity interest	0.16	-	0.32
	69.47	65.47	82.31

* The balance sheet for 2003 has been restated following the adoption of UITF Abstract 38, Accounting for ESOP Trusts.

CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30 September 2004

	Six months ended		£ million Year ended
	September 2004	September 2003	March 2004
Net cash outflow from operating activities (note 11)			
BTG (excluding Provensis)	(8.88)	(7.05)	(0.81)
Provensis	(8.04)	(8.45)	(15.17)
	(16.92)	(15.50)	(15.98)
Net cash inflow from returns on investments and servicing on finance	0.95	1.19	1.79
Tax paid	(0.04)	(0.01)	(0.16)
Capital expenditure and financial investments			
Cash received on sale of intangible assets	0.07	-	0.03
Purchase of tangible assets	(2.18)	(1.92)	(4.64)
Cash received on sale of investments	1.62	1.11	4.09
Cost of disposal of investments	-	-	(0.05)
Capital repayment	-	-	0.01
Expenditure on investments	(1.44)	(2.67)	(5.37)
Consolidation of KetoCytonyx Inc	-	-	2.61
Investment in patents	(1.14)	(1.15)	(3.77)
Net cash outflow from capital expenditure and financial investments	(3.07)	(4.63)	(7.09)
Net cash outflow before use of liquid resources and financing	(19.08)	(18.95)	(21.44)
Net cash inflow from management of liquid resources	16.08	19.03	6.41
Financing			
Issue of ordinary share capital	-	0.07	29.70
Expenses paid in connection with share issue	(0.02)	-	(3.09)
	(0.02)	0.07	26.61
(Decrease)/increase in cash in the period (note 13)	(3.02)	0.15	11.58

Reconciliation of net cash outflow to movement in net funds

	Six months ended		£ million Year ended
	September 2004	September 2003	March 2004
(Decrease)/increase in cash in the period	(3.02)	0.15	11.58
Cash inflow from reduction in liquid resources	(16.08)	(19.03)	(6.41)
Movement in net funds in the period	(19.10)	(18.88)	5.17
Net funds brought forward	66.27	61.10	61.10
Net funds at 30 September 2004	47.17	42.22	66.27

NOTES TO THE ACCOUNTS

1. The interim statement, which is unaudited and has been prepared on the basis of the accounting policies set out in the Group's 2004 annual report and accounts, was approved by the Board of Directors on 10 November 2004.

2. The financial information for the year ended 31 March 2004 is an abridged version of the statutory accounts, which have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified.

3. Total revenue

£ million

	Six months ended		Year ended
	September 2004	September 2003	March 2004
Royalties from launched products	15.74	13.72	39.84
Milestone payments	0.08	0.68	1.58
Income from new agreements	2.79	3.18	6.45
Licence income	18.61	17.58	47.87
Audit revenues	-	0.64	0.89
Turnover	18.61	18.22	48.76
Income from sale of investments	1.69	0.90	4.12
Total revenue	20.30	19.12	52.88

Geographical analysis of turnover

£ million

	Six months ended		Year ended
	September 2004	September 2003	March 2004
USA	13.97	11.46	26.46
UK	1.83	2.25	16.72
European Union (excluding UK)	0.70	3.07	3.60
Japan	0.41	1.27	1.32
Other	1.70	0.17	0.66
Total turnover	18.61	18.22	48.76

4. Provensis development

The operating loss incurred in respect of the Provensis varicose vein technology is as follows

£ million

	Six months ended		Year ended
	September 2004	September 2003	March 2004
Clinical development	1.59	2.07	3.36
Manufacturing costs	1.61	2.87	5.97
Marketing & business development	0.05	0.13	0.27
	3.25	5.07	9.60
Staff costs	1.97	1.53	3.24
Other costs	1.09	1.50	3.06
	6.31	8.10	15.90
Redundancy costs	1.30	-	-
Write down of tangible assets	0.37	-	-
Operating loss	7.98	8.10	15.90

4. Provensis development (continued)

Due to the delay in submission of data to the Federal Drug Administration as a complete response to the clinical hold, originally anticipated by the end of November 2004, Provensis has been restructured to retain its core expertise whilst minimising costs. As a result, the number of employees has been reduced significantly and a write down has been taken against certain tangible assets held by Provensis.

5. Other operating expenses

	Six months ended		£ million Year ended
	September 2004	September 2003	March 2004
Patent amortisation	1.54	1.39	2.18
Patent renewal fees	0.44	0.58	0.77
Litigation costs (note 6)	0.94	0.55	1.42
	2.92	2.52	4.37

6. Litigation

BTG is often involved in contractual disputes relating to unpaid royalties or the ownership and use of Intellectual Property Rights. Usually these are resolved to BTG's satisfaction, whether or not litigation is involved. Total costs incurred in this period amounted to £0.94 million. This compares with £0.55 million in the same period last year. Any settlements resulting from litigation take the form of licence income and are included in turnover.

7. Operating loss

	Six months ended		£ million Year ended
	September 2004	September 2003	March 2004
BTG trading losses	(3.96)	(5.48)	(6.17)
Other development costs	(3.03)	(1.47)	(4.79)
BTG operating loss	(6.99)	(6.95)	(10.96)
Provensis operating loss	(7.98)	(8.10)	(15.90)
Group operating loss	(14.97)	(15.05)	(26.86)

8. Profit on disposal of/(amounts written off) investments

	Six months ended		£ million Year ended
	September 2004	September 2003	March 2004
Profit on disposal of investments	1.18	0.88	3.05
Profit on disposal of patents	0.01	-	0.03
Amounts written off investments	(0.31)	-	(0.42)
	0.88	0.88	2.66

9. Taxation

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

10. Loss per share

The loss per share, basic and diluted of 8.93p (September 2003: 13.06p; March 2004: 19.40p), is based on losses on £12.98 million (September 2003: £13.50 million; March 2004: £22.69 million) and the weighted average number of shares in issue during the half year of 145.37 million (September 2003: 103.34 million; March 2004: 116.99 million). The weighted average number of shares has increased following the Rights Issue in March 2004.

The weighted average number of ordinary shares in issue excludes the shares held by BTG Employee Share Trust. Losses and the weighted average number of shares are the same in the calculation of the basic and diluted loss per share.

11. Reconciliation of operating loss to net cash outflow from operating activities

	Six months ended		£ million Year ended
	September 2004	September 2003	March 2004
BTG (excluding Provensis)			
Operating loss (note 7)	(6.99)	(6.95)	(10.96)
Amortisation	1.53	1.32	2.49
Depreciation	0.44	0.62	1.49
Other	(0.02)	0.41	0.33
	(5.04)	(4.60)	(6.65)
Working capital movement (note 12)	(3.84)	(2.45)	5.84
	(8.88)	(7.05)	(0.81)
Provensis			
Operating loss (note 7)	(7.98)	(8.10)	(15.90)
Depreciation	0.63	0.26	0.55
	(7.35)	(7.84)	(15.35)
Working capital movement (note 12)	(0.69)	(0.61)	0.18
	(8.04)	(8.45)	(15.17)
Net cash outflow from operating activities	(16.92)	(15.50)	(15.98)

12. Working capital movement

	Six months ended			£ million
	September 2004	September 2003	Change	Year ended March 2004
Decrease/(increase) in debtors				
- BTG (excluding Provensis)	0.37	(1.39)	1.76	(1.00)
- Provensis	(0.68)	(0.03)	(0.65)	(0.12)
	(0.31)	(1.42)	1.11	(1.12)
(Decrease)/increase in creditors				
- BTG (excluding Provensis)	(4.93)	(1.06)	(3.87)	5.66
- Provensis	(0.01)	(0.58)	0.57	0.30
	(4.94)	(1.64)	(3.30)	5.96
Increase in provisions	0.72	-	0.72	1.18
Working capital movement	(4.53)	(3.06)	(1.47)	6.02
BTG (excluding Provensis)	(3.84)	(2.45)	(1.39)	5.84
Provensis	(0.69)	(0.61)	(0.08)	0.18
Working capital movement	(4.53)	(3.06)	(1.47)	6.02

13. Analysis of net funds

	Balance at 1 April 2004	Cash Flow	£ million Balance at 30 September 2004
Cash at bank and in hand	19.73	(4.71)	15.02
Overdraft	(1.70)	1.69	(0.01)
	18.03	(3.02)	15.01
Liquid resources	48.24	(16.08)	32.16
	66.27	(19.10)	47.17

Liquid resources comprise funds placed on the money markets for periods of up to three months. During the period the Group suffered £0.15 million exchange loss (September 2003: £0.30 million; March 2004 £0.71 million).

14. The announcement is being sent to all shareholders on the register on 22 November 2004 and further copies are available from the Company's registered office: 10 Fleet Place, Limeburner Lane, London EC4M 7SB.

INDEPENDENT REVIEW REPORT BY KPMG AUDIT PLC TO BTG PLC

Introduction

We have been engaged by the company to review the financial information set out on pages 8 to 14 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

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

Directors' responsibilities

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

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4: Review of interim financial information issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2004.

KPMG Audit Plc
Chartered Accountants
London

10 November 2004

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