BTG

Interim Report and Accounts

SIX MONTHS ENDED 30 SEPTEMBER 2005

developing **the difference**

Financial highlights

- Gross revenues increased 35% to £25.1m (H1 05: £18.6m; FY 05: £38.3m)
  - Net revenues, being revenues after revenue sharing, up 37% to £14.1m (H1 05: £10.3m; FY 05: £22.6m)

- Recurring gross royalties up 21% at £16.8m (H1 05: £13.9m; FY 05: £29.5m)
  - Net recurring royalties up 22% at £9.4m (H1 05: £7.7m; FY 05: £16.8m)

- Zimmer settlement contributed gross revenues of £9.2m
  - £7.5m recognised in new business and £1.1m in H1 recurring royalties
  - £0.6m to be recognised in H2 plus additional royalties from Jan 06

- Realisation of physical science portfolio progressing
  - £0.9m gross revenues plus RFID sale delivered £2.9m proceeds & £1.6m gain

- Operating and administrative costs reduced as planned
  - £10.7m before restructuring costs (H1 05: £14.1m; FY 05: £31.6m)
  - Restructuring costs of £2.2m incurred (H1 05: nil; FY 05: £11.8m)

- Research & development costs of £5.5m (H1 05: £11.9m; FY 05: £16.8m)
  - reflects reduction in expenditure on Varisolve® development

- Loss before tax substantially reduced to £1.9m (H1 05: £13.8m; FY 05: £34.8m)
  - includes £1.1m of charges relating to restatement of results under IFRS from UK GAAP (H1 05: £0.6m; FY 05: £0.5m); £2.7m of Varisolve® costs; and £2.2m restructuring costs

- Strong cash position: net funds at period end of £46.7m
  - £34.7m “free cash” and £12.0m held on account of Zimmer-related liabilities

Operating highlights

- Strategy review completed and implementation well advanced
  - Savings of ~ £1.5m being delivered as planned and further savings identified
  - Additional restructuring costs of £2.2m to further rationalise cost base
  - Clear path to realise optimum value from physical sciences assets

- Varisolve® allowed to resume US clinical development
  - Partnering discussions extended to wider group of companies

- Pipeline progress
  - Phase I/II trial of BGC 9331 targeting GI tumours progressing; rapid recruitment for Phase II study
  - BGC20-1259 targeting Alzheimer’s disease completed preclinical development; Phase I planned to commence in early 2006
  - 3 drug repositioning opportunities acquired; patient enrolment under way for sleep apnoea clinical proof of mechanism study

OVERVIEW

In May 2005, BTG announced that its strategy had been reset to focus on developing and commercialising medical innovations. The Company has since made good progress in implementing the new strategy and driving the business forward. The decision to focus on medical innovations has resulted in:

- further cost reduction through restructuring of the business;
- the development of a plan to realise revenues from those valuable physical science assets already in the portfolio; and
- a reassessment of all of the Company's processes to ensure they fully support the medical innovations business.

Christine Soden, who joined as Chief Financial Officer in July, undertook the review of processes and support functions, which has resulted in a number of further changes within the organisation. This has resulted in one-off costs of £2.2m this period but these changes are geared towards maintaining a reduced cost base while enabling the recruitment of additional key personnel with high quality project management and development capabilities, in line with the Company's plans to increase the number of preclinical and clinical development programmes it conducts.

To promote the new strategy to medical innovators, BTG has stepped up its marketing activities. These include re-branding, a new website and a programme of activities aimed at reaching key business audiences and establishing BTG firmly within the life sciences arena. In September, BTG transferred its listing from the FTSE Business Support Services sub-sector to the Biotechnology sub-sector, reflecting the Company's new focus and enabling comparison of BTG's business model, revenue streams and product pipeline with those of a range of other life science companies.

BTG has reduced the number of technologies under active development in order to focus resources on key assets. The Company has terminated agreements in respect of technologies that are not viable within the new strategy, returning the IP to the sources where no value would exist without additional investment or selling the technology to third parties.

Although the overall size of the portfolio has been reduced, BTG has continued to strengthen its pipeline, through the acquisition of carefully selected assets in its chosen focus areas - oncology, ageing & neuroscience and drug repositioning - and by progressing drug candidates through preclinical and clinical development. BTG's networks and reputation underpin the Company's ability to continue to source novel, high quality development opportunities. Increasing the value of each asset prior to commercialisation by investing more in development should provide BTG with greater value in the short to medium term. This increased level of investment makes BTG an attractive development partner for the inventive sources.

The Company has continued to build value in its pipeline through acquisition and development activities, and it is realising value from the physical science portfolio that will not be the focus going forward. Recurring revenues from royalties on marketed products continue to increase, costs have been reduced and healthy cash balances maintained, so the Company is clearly moving towards break-even and cash self-sufficiency.

FINANCIAL REVIEW

BTG currently generates revenues from the commercialisation of technologies in two principal sectors: medical innovations and physical science technologies.

Within the medical innovations arena, BTG earns revenues principally from licensing the technologies to other companies after taking them forward in preclinical or clinical development programmes. Typically BTG receives an immediate upfront payment, additional payments when the licensee achieves certain pre-agreed milestones and a royalty on eventual product sales. These royalty income streams, which are usually payable until patent expiry, provide the foundation upon which BTG's business is built.

In the physical science arena, BTG is focusing on the commercialisation of 10-15 core technologies believed to have the potential to generate significant revenues over the medium term. BTG is not, however, seeking to acquire any new physical science technologies. The revenues earned from licensing these technologies, or selling them outright, are usually fixed amounts payable either immediately or in instalments. They rarely generate recurring royalties.

BTG reports its results for the first time in this report in accordance with the new International Financial Reporting Standards (IFRS), which require segmental analysis of the Company's results by business activity. This is presented in note 2 to the accounts, where the results are shown for the core medical innovations business and for the physical science, or technology commercialisation, business.

The medical innovations segment is shown to be making an operating profit and the technology commercialisation segment operating at a loss. There are significant overheads relating to ongoing patent litigations and other parts of the business included in technology commercialisation, and it is expected that this business segment will, over the medium term, show an operating profit as the technologies are successfully commercialised.

Revenues

Total revenue was 35% higher than in H1 05 at £25.1m (H1 05: £18.6m). After revenue sharing, averaging 44% of total revenues, net revenues were £14.1m (H1 05: £10.3m), an increase of 37%. Underlying gross revenues from royalties on marketed products increased by 21% to £16.8m with net royalty revenues 22% higher at £9.4m (H1 05: £7.7m).

The £8.3m gross revenues earned from new revenue sources arose largely from the settlement with Zimmer Holdings, Inc. in May 2005 relating to the 2-part hip cup. This generated one-off gross revenues of £7.5m in the first half of this year and a further £1.7m of gross revenues will be recognised over the nine months to December 2005. This settlement also allows for BTG to receive royalty payments on Zimmer's future sales of this product from January 2006.

BeneFIX®, the treatment for haemophilia B, generated gross royalties of £7.5m, an increase of 19% over the first half of the last financial year. Royalties from sales of Campath®, the treatment for chronic lymphocytic leukaemia, and other related IP increased by 28% to £2.9m gross.

BTG also sold rights to its RFID patents to Zebra Technologies. This transaction resulted in recognition of £2.9m of gross proceeds in the first half and a profit on sale of £1.6m. This transaction should generate additional proceeds upon satisfaction of certain conditions surrounding the RFID patent portfolio.

Expenses

Operating and administrative expenses, excluding restructuring charges, were £10.7m (H1 05: £14.1m, FY 05: £31.6m). Restructuring charges of £2.2m were incurred following charges of £11.8m in the second half of the prior year. This restructuring is allowing the Company to significantly reduce its ongoing administrative expense base. Investment in research and development was £5.5m (H1 05: £11.9m, FY 05: £16.8m) and includes £2.7m invested in Varisolve® and £0.6m relating to development expenditure in portfolio companies in which BTG owns between 20% and 50% of the equity. The biggest reduction is in expenditure on Varisolve®.

The operating loss at £2.7m and loss for the period at £1.9m show substantial year on year improvements (H1 05: £14.8m operating loss and £13.8m loss).

Cash

BTG finished the period with cash and cash equivalents of £46.7m (H1 05: £47.4m, FY 05: £34.5m) although £12.0m of these funds are held on account of liabilities relating to the Zimmer settlement. As such the 'free' cash is £34.7m, with the Company operating on a cash neutral basis for the first half of the year. This compares to cash burn of £19.1m in the first half of the previous year and £12.9m in the second half.

The operating loss for the period included significant non-cash charges for amortisation, depreciation and IAS adjustments. The Company also benefited from receipt of £0.6m proceeds from the exercise of options resulting in the issue of 0.5m new ordinary shares, taking the issued share capital to 148.1 m shares.

Balance Sheet

The Group's net assets at 30 September 2005 were £35.6m, a decrease of £3.4m in the period, being principally the loss for the period of £1.9m and changes in fair value of certain investments £2.7m, offset by £0.6m of share option receipts.

The Group's liability for employee benefits, largely the defined benefit pension plan, was £9.9m at the period end.

OPERATING REVIEW

BTG currently has seven principal pharmaceutical programmes in preclinical or clinical development, with eight other products under development by licensees. The main developments during the first half year were:

BTG development pipeline

Varisolve®
In July, following the submission of data from a programme of preclinical studies, the US Food and Drug Administration (FDA) approved the resumption of the US clinical development of Varisolve®, the novel injectable microfoam treatment for moderate to severe varicose veins. Clinical development of Varisolve® had been halted by the FDA in November 2003 owing to concerns about the potential consequences of circulating microbubbles following administration of Varisolve® which the preclinical studies aimed to address.

At the same time as lifting the clinical hold, the FDA approved the protocol for a Phase II clinical safety study. This study will use intensive monitoring techniques including magnetic resonance imaging scanning to answer definitively the FDA's question about circulating microbubbles within the clinical setting. Preparations are under way for the study including sourcing and production of clinical trials materials and appointment of investigators. The study could commence in early 2006 but the exact timing will depend upon the status of partnering negotiations.

With the FDA lifting the clinical hold and approving the Phase II protocol, BTG took the decision to re-market Varisolve® and widen the search for a global development and commercialisation partner. Discussions have now taken place with a number of major companies and there is significant new interest in the product and recognition of the value of Varisolve® as a potentially practice-changing treatment for varicose veins if it can gain regulatory approval. Discussions with potential partners are ongoing.

BGC 9331 (Plevitrexed)
Plevitrexed is a potent and selective inhibitor of thymidylate synthase (TS) that destroys cancer cells by inhibiting DNA replication within the cells. Plevitrexed has been evaluated in more than 1,000 patients as a single agent and in drug combinations. It has shown promising efficacy as a single agent in pancreatic, gastric and potentially ovarian cancers. BTG is currently conducting a Phase I/II trial of Plevitrexed in patients with advanced and/or metastatic gastric cancer. The Phase I phase has finished, with 30 patients given three escalating doses. The dose to be used in the Phase II part of the study has been selected and enrolment of patients is under way, with around half of the patients now recruited.

BGC 945
BGC 945 is another TS inhibitor but with a unique profile and mechanism that may make it very potent against certain tumour cells while being relatively non-toxic to normal cells. Efficacy has been demonstrated in preclinical studies, and BTG plans to file an application to commence clinical trials during 2006 with a view to the first clinical study commencing in early 2007.

BGC20-1259
Acquired from Sankyo Pharmaceuticals of Japan, BGC20-1259 is under development for the treatment of Alzheimer's disease. The compound has a unique triple action that seeks to treat cognitive impairment, slow disease progression by acting as a neuroprotectant and treat the symptoms of depression and anxiety that often accompany the disease. BTG has completed preclinical development of BGC20-1259 and anticipates commencing clinical testing in early 2006.

BGC20-0166
In addition to the therapeutic focus areas of oncology and ageing & neuroscience, BTG is seeking opportunities in the drug repositioning field. New uses of existing drugs, novel formulations and combinations of known drugs to generate an enhanced or different effect all fall within the scope of drug repositioning. Target indications will often fall outside the oncology and ageing & neuroscience areas and may include niche areas, but there is demand from a growing speciality pharmaceuticals industry for such opportunities. Strong IP is at the heart of repositioning opportunities, which is an area of competitive advantage for BTG. There is usually a significant amount of data already available that can shorten the time to gain marketing approval for drug repositioning opportunities.

BGC20-0166 is the most advanced technology in the repositioning area and is a combination of two approved compounds that together have shown efficacy in preclinical studies from treating sleep apnoea, in which breathing is interrupted during sleep. Sleep apnoea is associated with cardiovascular disease, depression and daytime sleepiness. There is currently no approved pharmaceutical treatment. A proprietary product formulation is being produced in association with Collegium Pharmaceutical, and patient enrolment has commenced for a pilot clinical study, the results of which are anticipated in late 2006.

Products under development by licensees

Campath®
Campath® (alemtuzumab) is currently licensed for the treatment of B-cell chronic lymphocytic leukaemia for patients who have been treated with alkylating agents and have failed fludarabine therapy. It is also under development for other cancer and non-cancer indications. In September, BTG's licensee Genzyme Corporation and its partner Schering AG announced the interim results of a Phase II trial comparing Campath® with Rebif® (interferon beta-1a) for the treatment of multiple sclerosis. The results showed a large treatment effect in favour of Campath®. The companies plan to initiate a Phase III trial in the first half of 2006 and, in association with the investigators and regulator, to establish a programme to manage patient safety in the ongoing Phase II and planned Phase III trials.

TRX4
TRX4 (ChAglyCD3) is a humanised monoclonal antibody that binds to the CD3 receptor on T-cells and is designed to block the function of certain cells that attack the body and cause autoimmune disease. TolerRx, Inc., BTG's licensee, is currently developing TRX4 as a treatment for Type 1 diabetes and psoriasis.

In June, TolerRx announced the publication of a study demonstrating that in patients with Type 1 diabetes, a six day course of therapy with TRX4 preserved the function of insulin-producing beta cells in the pancreas and reduced significantly the amount of administered insulin required to control blood glucose levels for at least 18 months. TolerRx is now planning further trials.

Symadex™
Licensed to Xanthus Life Sciences, Symadex™ (imidazoacrinidone) is an orally available cancer drug with a novel mechanism of action that is currently under investigation in two Phase I studies. Xanthus presented data at the 2005 American Association for Cancer Research meeting from a preclinical study of the gene expression profile of Symadex™ that suggested it may also be useful in treating autoimmune disorders such as multiple sclerosis. Xanthus plans to further investigate this as well as continuing the Phase I cancer studies.

Banoxantrone

Banoxantrone (AQ4N) is a prodrug designed to be selectively activated in a broad range of solid tumours. It is licensed to KuDOS Pharmaceuticals, which has sub-licensed North American rights to Novacea Inc. In April, Novacea announced the start of a Phase I/II trial in patients with B-cell tumours, including non-Hodgkin's lymphoma and chronic lymphocytic leukaemia. Up to 55 patients will be treated and the trial will examine banoxantrone's pharmacokinetic profile, safety and tolerability as well as its anti-tumour activity as measured by the overall response rate.

SUMMARY AND OUTLOOK

Significant progress has been made with products under development by BTG and its licensees, and the Company has continued to strengthen the pipeline. Having decided to focus on developing and commercialising medical innovations, BTG has moved quickly to restructure the business to ensure it is fully aligned to support the new strategy. Costs have been significantly reduced and recurring royalty revenues are increasing, a trend that gives the Board confidence that BTG is moving towards break-even and cash self-sufficiency.

CONSOLIDATED INCOME STATEMENT
for the six months ended 30 September 2005

	Note	Six months ended **30 September 2005 £m**	Six months ended 30 September 2004 £m	Year ended 31 March 2005 £m
Revenue	2	**25.1**	18.6	38.3
Revenue sharing		**(11.0)**	(8.3)	(15.7)
Revenue net of revenue sharing		**14.1**	10.3	22.6
Varisolve® development		**(2.7)**	(8.0)	(9.2)
Other development		**(2.2)**	(3.3)	(6.6)
Share of results of associates		**(0.6)**	(0.6)	(1.0)
Research and development expenses		**(5.5)**	(11.9)	(16.8)
Operating and administrative expenses	3	**(10.7)**	(14.1)	(31.6)
Restructuring costs		**(2.2)**	-	(11.8)
Operating expenses		**(12.9)**	(14.1)	(43.4)
Profit on disposal of other fixed assets	4	**1.6**	1.2	2.2
Amounts written off other fixed assets	5	**-**	(0.3)	(1.0)
		1.6	0.9	1.2
Operating loss	2	**(2.7)**	(14.8)	(36.4)
Financial income		**0.8**	1.0	1.7
Financial expenses		**-**	-	(0.1)
Net financing income		**0.8**	1.0	1.6
Loss before tax		**(1.9)**	(13.8)	(34.8)
Income tax expense	6	**-**	-	(0.2)
Loss for the period		**(1.9)**	(13.8)	(35.0)
Attributable to:				
Equity holders of the parent		**(1.9)**	(13.6)	(34.7)
Minority interest		**-**	(0.2)	(0.3)
Loss for the period		**(1.9)**	(13.8)	(35.0)
Basic and diluted loss per share	7	**(1.3p)**	(9.3p)	(23.8p)

ADJUSTED PROFIT/(LOSS) BEFORE TAX AND EARNINGS/(LOSS) PER SHARE

Loss before tax	**(1.9)**	(13.8)	(34.8)
Add back restructuring costs	**2.2**	-	11.8
Adjusted profit/(loss) before tax	**0.3**	(13.8)	(23.0)
Income tax on ordinary activities	**-**	-	(0.2)
Loss attributable to minorities	**-**	0.2	0.3
Adjusted profit/(loss) attributable to parent equity holders	**0.3**	(13.6)	(22.9)
Adjusted basic earnings/(loss) per share	**0.2p**	(9.3p)	(15.7p)

CONSOLIDATED BALANCE SHEET
as at 30 September 2005

	30 September 2005 £m	30 September 2004 £m	31 March 2005 £m
Assets			
Intangible assets	**8.7**	12.9	10.7
Property, plant & equipment	**10.1**	11.5	10.7
Investments in associates	**3.2**	3.8	3.6
Other investments	**8.0**	14.6	9.6
Total non-current assets	**30.0**	42.8	34.6
Trade and other receivables	**6.6**	6.8	7.4
Cash and cash equivalents	**46.7**	47.4	39.2
Total current assets	**53.3**	54.2	46.6
Total assets	**83.3**	97.0	81.2
Equity			
Issued capital	**14.8**	14.8	14.8
Share premium	**182.8**	182.2	182.2
Translation reserve	**(0.5)**	0.1	(0.1)
Fair value reserve	**(0.3)**	4.8	2.1
Retained earnings	**(161.3)**	(139.7)	(160.1)
Total equity attributable to equity holders of the parent	**35.5**	62.2	38.9
Minority interest	**0.1**	0.2	0.1
Total equity	**35.6**	62.4	39.0
Liabilities			
Employee benefits	**9.9**	10.5	10.1
Provisions	**2.2**	2.3	3.0
Deferred tax liabilities	**-**	1.4	0.2
Total non-current liabilities	**12.1**	14.2	13.3
Bank overdraft	**-**	-	4.7
Trade and other payables	**31.7**	19.8	19.6
Provisions	**3.9**	0.6	4.6
Total current liabilities	**35.6**	20.4	28.9
Total liabilities	**47.7**	34.6	42.2
Total equity and liabilities	**83.3**	97.0	81.2

CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30 September 2005

	Note	Six months ended **30 September 2005 £m**	Six months ended 30 September 2004 £m	Year ended 31 March 2005 £m
Cash flows from operating activities				
Cash generated from operations	8	**9.8**	(16.9)	(29.8)
Interest received		**0.8**	1.0	1.7
Interest paid		**-**	(0.1)	(0.1)
Income taxes paid		**-**	-	(0.1)
Net cash from operating activities		**10.6**	(16.0)	(28.3)
Cash flows from investing activities				
Purchase of intangible assets		**(0.9)**	(1.2)	(2.2)
Disposal proceeds from sale of intangible assets		**2.9**	0.1	1.9
Purchase of property, plant & equipment		**-**	(2.2)	(3.1)
Expenditure on investments		**(0.7)**	(0.6)	(1.8)
Expenditure on associates		**(0.3)**	(0.8)	(0.9)
Disposal proceeds from sale of investments		**-**	1.6	2.4
Net cash from investing activities		**1.0**	(3.1)	(3.7)
Cash flows from financing activities				
Proceeds of share issue		**0.6**	-	-
Net cash from financing activities		**0.6**	-	-
Net increase/(decrease) in cash and cash equivalents		**12.2**	(19.1)	(32.0)
Cash and cash equivalents at start of period		**34.5**	66.5	66.5
Cash and cash equivalents at end of period		**46.7**	47.4	34.5

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
for the six months ended 30 September 2005

	Six months ended		Year ended
	30 September 2005	30 September 2004	31 March 2005
	£m	£m	£m
Foreign exchange translation differences	**(0.4)**	0.1	(0.1)
Unrealised gain on intangible assets	**-**	0.2	0.2
Actuarial gains and losses on pension liabilities	**0.2**	0.2	0.3
Change in fair value of equity securities available for sale	**(2.7)**	(3.5)	(7.4)
Deferred tax due on equity securities available for sale	**(0.2)**	1.0	2.2
Net expense recognised directly in equity	**(3.1)**	(2.0)	(4.8)
Loss for the period	**(1.9)**	(13.8)	(35.0)
Total recognised income and expense for the period	**(5.0)**	(15.8)	(39.8)
Attributable to:			
Equity holders of the parent	**(5.0)**	(15.6)	(39.5)
Minority interest	**-**	(0.2)	(0.3)
Total recognised income and expense for the period	**(5.0)**	(15.8)	(39.8)

NOTES TO THE ACCOUNTS

1. Basis of preparation and accounting policies

EU law (IAS Regulation EC 1606/2002) requires that the next annual consolidated financial statements of the company, for the year ending 31 March 2006, be prepared in accordance with International Financial Reporting Standards ("IFRS") adopted for use in the EU ("adopted IFRS").

This unaudited interim financial information for the six months ended 30 September 2005 has been prepared on the basis of the recognition and measurement requirements of IFRSs in issue that either are endorsed by the EU and effective (or available for early adoption) at 31 March 2006 or are expected to be endorsed and effective (or available for early adoption) at 31 March 2006, the Group's first annual reporting date at which it is required to use adopted IFRSs. In preparing these accounts the Directors have assumed that the amendments to IAS 19, "Employee Benefits" will have been adopted by the EU by the time the first annual IFRS financial statements are prepared for the year ending 31 March 2006.

In addition, the adopted IFRSs that will be effective (or available for early adoption) in the annual financial statements for the year ending 31 March 2006 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period will be determined finally only when the annual financial statements are prepared for the year ending 31 March 2006.

The financial statements have been prepared under the historical cost convention except that certain investments where the Group holds less than 20% of the equity are held at fair value, as required by IAS 39.

1.1 Changes to accounting policies

These financial statements have been prepared in accordance with existing Group accounting policies, set out in the Group's 2005 annual report and accounts, with certain amendments required in order to comply with the requirements of IFRS. Note 9 summarises the impact of the transition to IFRS on the results for the six months to 30 September 2004 and the year ended 31 March 2005. A detailed explanation of these changes was communicated to shareholders on 7 November 2005 by way of a press release and RNS announcement, and is available on the Group's website at www.btgplc.com and is obtainable from the Group Company Secretary on request. The significant changes in accounting policies, together with the associated transitional arrangements, are set out below.

Share based payments

The share option and restricted share schemes allow Group employees to acquire shares of the Company. The fair value of options granted and restricted shares awarded is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant or award date and spread over the period during which the employees become unconditionally entitled to them. The fair value of the options and awards granted is measured using a binomial lattice model, taking into account the terms and conditions upon which the options and awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options and awards that vest, except where forfeiture is only due to share prices not achieving the threshold for vesting.

In accordance with IFRS 2, the Group has recognised a charge to income representing the fair value of outstanding employee share options and restricted share awards. The fair value has been calculated using the binomial lattice model and is charged to income over the relevant option vesting periods, adjusted to reflect actual and expected levels of vesting. The charge includes all options and awards granted since 7 November 2002 but not vested at 1 January 2005, in accordance with IFRS 2.

Employee benefits
Under IAS 19, the Group is required to recognise the surplus or deficit and cost of its pension scheme within the income statement and balance sheet. The Group has elected to recognise any variations in actuarial gains and losses in full immediately in the statement of recognised gains and losses, as allowed by an IASB exposure draft "Actuarial Gains and Losses, Group Plans and Disclosures" amending IAS 19. The draft, if adopted by the IASB and endorsed by the EU, will be effective from 1 January 2006 with earlier adoption encouraged. Assuming the proposals are adopted, the Company's policy will be to apply the revised standard as from the transition date.

Subsidiaries and associates
The Group now consolidates all investments where its holding exceeds 50% as required by IAS 27. In the past the Group has elected to apply a true and fair override and treat certain such holdings as investments held exclusively with a view for subsequent resale.

The Group has elected to equity account all investments where the Group's holding is between 20% and 50%, recognising the Group's share of profits and losses and net assets within the Group accounts, in accordance with IAS 28. The Group has elected to treat holdings below 20% as available for sale in accordance with IAS 39, which has been adopted with effect from 1 April 2004. Such investments are adjusted to fair value at each balance sheet date and any movement in value taken through the statement of equity.

IFRS 3 prohibits the amortisation of goodwill generated from business combinations. The standard requires that goodwill should be carried at cost and subject to regular impairment reviews. Under the transitional arrangements, IFRS 1 permits the Group to apply IFRS 3 from the date of transition and does not require the restatement of all previous business combinations. The Group has taken advantage of this option.

Income taxes
IAS 12 requires the separate disclosure of deferred tax assets and liabilities on the Group's balance sheet. Deferred tax assets are only recognised to the extent to which they are expected to be realised in the near future. Deferred tax liabilities are recognised on any increase in the fair value of investments directly in reserves.

Intangible assets and property, plant & equipment
Under IAS 38, computer software should be capitalised under intangible assets unless it is part of an actual operating system. Certain assets have been reclassified accordingly.

1.2 Comparative figures
The financial information in this document does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The auditors have issued an unqualified opinion on the Group's statutory financial statements under UK GAAP for the year ended 31 March 2005, which have been filed with the Registrar of Companies. The interim financial statements for the six months ended 30 September 2005 were approved by the Board on 9 November 2005.

2. Summary segmental analysis

Segmental information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

The Group comprises the following main business segments:

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

	Six months ended		Year ended
	30 September 2005	30 September 2004	31 March 2005
	£m	£m	£m
Revenue by business segment			
Medical innovations	**24.2**	16.8	35.7
Technology commercialisation	**0.9**	1.8	2.6
Revenue	**25.1**	18.6	38.3
Operating loss by business segment			
Medical innovations	**3.5**	(8.9)	(11.2)
Technology commercialisation	**(2.0)**	(4.3)	(11.0)
Restructuring	**(2.2)**	-	(11.8)
Other operating costs	**(2.0)**	(1.6)	(2.4)
Operating loss	**(2.7)**	(14.8)	(36.4)

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

	Six months ended		Year ended
	30 September 2005	30 September 2004	31 March 2005
	£m	£m	£m
Revenue by geographic segment			
USA	**21.9**	14.0	29.5
UK	**2.0**	1.8	3.6
European Union (excluding UK)	**0.5**	0.7	2.0
Japan	**-**	0.4	0.8
Other	**0.7**	1.7	2.4
Revenue	**25.1**	18.6	38.3

Notes to the accounts (continued)

3. Operating and administrative expenses

	Six months ended		Year ended
	30 September 2005 £m	30 September 2004 £m	31 March 2005 £m
Amortisation and impairment of intangible assets	**1.8**	1.5	4.6
Patent renewal fees	**0.5**	0.4	0.8
Litigation costs	**1.1**	0.9	2.6
	3.4	2.8	8.0
Administrative expenses	**8.7**	11.5	23.4
	12.1	14.3	31.4
Exchange (gains)/losses	**(1.4)**	(0.2)	0.2
	10.7	14.1	31.6

4. Profit on disposal of other fixed assets

	Six months ended		Year ended
	30 September 2005 £m	30 September 2004 £m	31 March 2005 £m
Profit on disposal of investments	**-**	1.2	1.3
Profit on disposal of intangible assets	**1.6**	-	0.9
	1.6	1.2	2.2

5. Amounts written off other fixed assets

	Six months ended		Year ended
	30 September 2005 £m	30 september 2004 £m	31 March 2005 £m
Amounts written off investments	**-**	0.3	1.0
	-	0.3	1.0

6. Taxation

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

7. Loss per share

	Six months ended		Year ended
	30 September 2005	30 September 2004	31 March 2005
Loss for the financial period attributable to ordinary shareholders	**£1.9m**	£13.6m	£34.7m
Basic and diluted loss per ordinary shares	**1.3p**	9.3p	23.8p
Basic and diluted weighted average number of shares	**146.0m**	145.4m	145.5m

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

8. Reconciliation of loss before tax to cash flows from operating activities

	Six months ended		Year ended
	30 September 2005	30 September 2004	31 March 2005
	£m	£m	£m
Loss before tax	**(1.9)**	(13.8)	(34.8)
Profit on disposal of other fixed assets	**(1.6)**	(1.2)	(2.2)
Amounts written off other fixed assets	**-**	0.3	1.0
Investment income	**(0.8)**	(1.0)	(1.7)
Interest expense	**-**	-	0.1
Amortisation and impairment of intangible assets	**1.8**	1.5	4.6
Depreciation	**0.5**	1.0	2.0
Pension and share based movements	**0.5**	-	0.3
Decrease/(increase) in debtors	**0.9**	(0.2)	(0.3)
Increase/(decrease) in creditors	**11.9**	(4.9)	(5.4)
(Decrease)/increase in provisions	**(1.5)**	0.8	5.6
Share of associates losses	**0.6**	0.6	1.0
Other	**(0.6)**	-	-
Cash flows from operating activities	**9.8**	(16.9)	(29.8)

9. Summary of impact of transition to IFRS on prior year results

	Six months to 30 September 2004 *UK GAAP*	Six months to 30 September 2004 IFRS	Year to 31 March 2005 *UK GAAP*	Year to 31 March 2005 IFRS
	£m	£m	*£m*	£m
Revenue	*18.6*	18.6	*38.3*	38.3
Operating loss:				
Adjusted*	*(14.1)*	(14.8)	*(23.3)*	(25.8)
Reported	*(14.1)*	(14.8)	*(35.9)*	(36.4)
Basic loss per share:				
Adjusted*	*(8.9p)*	(9.3p)	*(14.8p)*	(16.5p)
Reported	*(8.9p)*	(9.3p)	*(23.5p)*	(23.8p)
	£m	£m	*£m*	£m
Net cash	*47.2*	47.4	*34.4*	34.5
Employee benefits liability	*0.3*	10.5	*-*	10.1
Shareholders' equity	*69.3*	62.2	*47.9*	38.9

* The 'Adjusted' loss excludes certain items described as exceptional in the UK GAAP accounts for the year ended 31 March 2005

9. Summary of impact of transition to IFRS on prior year results (continued)

The major contributors to the increase in losses under IFRS from UK GAAP for the year ended 31 March 2005 of £0.5m were the ongoing impact of expensing share-based payments (£0.6m), equity-accounting for certain investments previously carried at cost (£1.0m), changes in the scope of consolidation (£0.4m), goodwill impairment (£0.4m), exchange differences (£0.2m) offset by the removal of equity write-downs (£2.0m credit) and pension & other benefits (£0.1m credit).

The major contributors to the decrease of £9.0m in shareholders' equity at 31 March 2005 were the introduction of the defined benefit pension scheme deficit (£10.1m) offset by the balance sheet impacts of equity accounting or consolidating certain investments and fair value of available for sale investments.

10. Posting of interim accounts

The announcement is being sent to all shareholders on the register on 23 November 2005 and further copies are available from the Company's registered office: 10 Fleet Place, Limeburner Lane, London EC4M 7SB.

INDEPENDENT REVIEW REPORT TO BTG PLC

Introduction

We have been engaged by the Company to review the financial information set out on pages 7 to 16 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 financial statements except where any changes, and the reasons for them, are disclosed.

As disclosed in note 1 to the financial information, the next annual financial statements of the Group will be prepared in accordance with IFRSs adopted for use in the European Union.

The accounting policies that have been adopted in preparing the financial information are consistent with those that the Directors currently intend to use in the next annual financial statements. There is, however, a possibility that the Directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with those IFRSs adopted for use by the European Union. This is because, as disclosed in note 1, the Directors have anticipated that certain standards, which have yet to be formally adopted for use in the EU, will be so adopted in time to be applicable to the next annual financial statements.

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 2005.

KPMG Audit Plc
Chartered Accountants

8 Salisbury Square
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9 November 2005

BTG

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

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developing **the difference**