BTG plc Interim report and accounts

Six months ended 30 September 2003

BTG

Financial highlights

- Total revenues increased by 35% to £19.1 million (2002: £14.2 million)
  - Revenues from new licence agreements increased by 100% to £3.2 million (2002: £1.6 million)
- Operating loss (excluding investment in Provensis development) 26% lower at £7.0 million (2002: £9.4 million)
- Group operating loss (including £8.1 million investment in Provensis development (2002: £6.1 million)) of £15.1 million (2002: £15.5 million)
- Loss before tax of £13.4 million (2002: £13.6 million)
- Net cash at period end £42.2 million (2002: £83.3 million)

Operational highlights

- Varisolve®
  - Positive European pivotal Phase III trial results, with overall response rate of 83.4%
  - US Phase II safety study placed on clinical hold. Additional preclinical and other studies likely, leading to significant delay in the clinical programme
- Six new licence agreements signed
- Settlement with Acambis plc – revenues excluded from these results. Full year results will include £12.0 million additional turnover and will add £7.2 million to cash balances

Ian Harvey, BTG's Chief Executive Officer, commented:

"*These are strong financial results. Our core business is delivering revenue growth, both from increased royalties and new licence income. We are making good progress towards our stated goal of profitability, excluding Provensis, in the 2005/6 financial year.*

During the period we reported positive results from a European pivotal Phase III trial with Varisolve®. We were, however, disappointed to announce in November that the Phase II safety study in the US had been placed on clinical hold by the FDA. We are assessing what is required to move forward but, assuming the clinical hold issues can be resolved, it is clear the timelines and costs of the further clinical and regulatory development will increase. We expect by early 2004 to have clarified our strategy to maximise the value while managing the risks."

Ian Harvey
Chief Executive Officer

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Chairman's statement

In my first statement as Chairman I am pleased to report good financial and operational progress in BTG's core business in the first half of the year.

Revenues have increased strongly and the benefits of the Group's restructuring are beginning to flow through. Total revenues at £19.1 million were 35% higher than the same period last year (2002: £14.2 million), with net revenues, after sharing with our technology and intellectual property (IP) sources, also 35% higher at £11.0 million (2002: £8.2 million).

BTG's operating loss, excluding Provensis development, reduced by 26% to £7.0 million (2002: £9.4 million), while the Group operating loss including the investment in Provensis development was £15.1 million (2002: £15.5 million), resulting in a loss before tax of £13.4 million (2002: £13.6 million). At the period end, net cash was £42.2 million (2002: £83.3 million). The satisfactory settlement of our dispute with Acambis plc for £12.0 million occurred after the period end and is therefore not included in these figures. A financial summary on page 7 describes the impact of this settlement and explains the results for the period in greater detail.

We signed six new licence agreements in the first half of the financial year, with good prospects for completing further new licences in the second half. Fourteen new technology and IP acquisitions were made, five new development projects were authorised and three new ventures investments were made. The Chief Executive Officer's business review on page 3 describes operational progress in detail.

Varisolve®, the new treatment for varicose veins being developed by our subsidiary Provensis, had a setback in the US, where the Phase II safety study was placed on clinical hold by the Food & Drug Administration (FDA). There was, however, good progress in Europe, with positive results from a pivotal Phase III trial. When the Provensis team has completed its assessment of the technical issues involved in progressing the development of Varisolve®, your Board will determine its strategy with reference to both the risks and rewards that Varisolve® presents to shareholders. We expect to clarify our strategy by early 2004.

Outlook

We have set clear short, medium and long-term corporate goals. In the short term, following on from our reorganisation in December 2002, we aim to reduce costs by £6.0 million per annum. We are on track to meet this target. Another goal is to increase revenues by at least 25% this year. Again, we are on track with the first half results, which show growth of 35%. In the medium term, we aim to be profitable in our core business, excluding Provensis, in the financial year 2005/6. In the longer term, our goal is to operate as a profitable business with growing revenues from licensing activities and equity realisations, enabling us both to provide good returns to our shareholders and to continue investing in portfolio development.

I look forward to continued progress towards these goals during the second half of the year.

Sir Brian Fender
Chairman

Chief Executive Officer's review

BTG currently has two important components to its business:

- our core business, where we find, develop and commercialise a broad portfolio of technology and intellectual property; and

- Provensis, our subsidiary, which is developing Varisolve®, a new treatment for varicose veins.

Our stated objective is to reach operating profitability in our core business in the financial year 2005/6. That core business has performed well in this period, keeping us on track to meet our objective, but attention has understandably been focused on Varisolve® over the past few weeks.

Varisolve®

Positive developments in Europe were overshadowed by the news that the US Phase II safety study had been placed on clinical hold by the FDA.

The FDA's concerns relate principally to the potential risk of embolism from the use of the microfoam, and to the potential systemic exposure to polidocanol. The Provensis team is currently assessing what will be required to resolve the clinical hold. The team's initial assessment, developed with independent experts, will then be discussed with the FDA. It is currently anticipated that additional preclinical, toxicology and pharmacokinetic studies will be required to generate data that could lead to the removal of the clinical hold. If endorsed, the additional studies are likely to take approximately 12 months. A further 12 months might be required to complete Phase II and hold an end of Phase II meeting with the FDA. If the clinical hold issues are successfully resolved, the results in Phase II are satisfactory and pivotal Phase III trials are successfully completed, it is unlikely that a New Drug Application could be filed in the US earlier than 2007.

The high incidence and prevalence of varicose veins denote a large market opportunity, and the potential advantages of Varisolve® over current treatments are significant, as evidenced by the recent Phase III results in Europe. These positive results were published at a US medical congress in August, generating high interest among the physician community. Our own market research has confirmed that both physicians and patients would welcome this rapid, virtually painless, treatment for varicose veins.

Clearly, if the US clinical hold issues can be successfully addressed, the timelines and costs involved in obtaining regulatory approval and reaching the US market will be affected. Whether there will be any impact on European approvals will depend on both the outcome of planned discussions with the European regulators and BTG's strategy for realising value from Varisolve®.

BTG's core business

BTG's business is finding, developing and commercialising technologies and intellectual property. Universities, research institutions and companies – our clients – typically assign enabling technologies to us when they are at early stage. We invest in both developing the IP protecting the technology and, if required, further technical development. We commercialise these technologies by licensing them to established companies or by creating new ventures.

We operate a portfolio approach to value creation and risk management. Our portfolio is diversified by technology sector, stage of development and level of investment required to commercialise each technology. The success of our business does not depend on any individual technology or piece of intellectual property.

Currently we have around 250 technologies in the portfolio, protected by some 4000 patents and patent applications. We manage in excess of 200 agreements with licensees, and hold equity in two listed companies and more than 25 unlisted companies.

BTG has four Strategic Business Units (SBU) which focus on specific technologies and markets. The fifth SBU looks more broadly at high value "opportunistic" technologies from any sector, and the Ventures SBU manages the new ventures from the portfolio. The seventh SBU manages our key litigation (or "assertion") cases.

Ageing and neuroscience
The team concentrates on opportunities in pain, obesity and neurodegeneration, including Alzheimer's Disease and multiple sclerosis.

IP rights to two compounds from a new class of non-sedating, non-addictive drugs with the potential to treat anxiety and depression were licensed to Abiogen Pharma SpA. BTG 1640, which is currently in Phase I trials, is being investigated as a treatment for clinical anxiety states such as panic disorder. BTG 1675A, in preclinical testing, also has the potential to treat depression. Both compounds, together with several others, came from the universities of Bradford, Reading, Southampton and Sussex in the UK.

The team recently acquired a portfolio of compounds from Sankyo Co. Ltd, in Japan, which provide different therapeutic approaches to the treatment of Alzheimer's Disease. One compound combines acetylcholinesterase inhibition with inhibition of serotonin transport, which may offer patients improved cognitive response while also addressing the anxiety and depression common in Alzheimer's patients. The other two compounds target beta-amyloid, with the potential to combat the toxic effects of amyloid on the brain – a suspected cause of Alzheimer's Disease. BTG plans to continue the preclinical development of these compounds and to seek pharmaceutical companies to further develop and market them.

BioPharmaceuticals
The team's focus is therapeutics, diagnostics and platform technologies that can accelerate the pharmaceutical value chain.

A development programme is under way to identify a specific diagnostic test and therapeutic approaches for celiac disease, which is an intolerance to gluten. Commercialisation continues of Q-cells, a protein production platform, and the pre-natal diagnostic technology for detecting genetic disorders. All three technologies came from Oxford University. The team is also seeking licensees for the Lewis P450 Models, a computer-based system from the University of Surrey that enables affordable, accurate and rapid screening and profiling of drug candidates.

Also in commercialisation is a novel imaging probe, created by scientists from the Memorial University of Newfoundland, for identifying plaque lesions associated with atherosclerosis. When injected into the bloodstream, the probe travels to the atherosclerotic plaque site and provides lesion-specific delivery of a diagnostic agent that is then detected with a gamma camera or by computer tomography scanning.

Oncology
The team's main focus is on cancer therapeutics, though cancer therapy adjuncts and products for supportive care will also be selected.

ILEX Oncology, Inc. continues to develop Campath®, from Cambridge University, for multiple sclerosis, solid tumours and organ transplant rejection. Sales in the approved indication, chronic lymphocytic leukaemia, have been strong, and in October ILEX increased its guidance for anticipated full year sales to $70 million from $60 million. BTG earned £2.8 million from Campath royalties in the first half (2002: £1.5 million).

A Phase I/II trial will start shortly to assess the potential of BGC 9331, a thymidylate synthase inhibitor from the Institute of Cancer Research in Sutton, UK, as a treatment for gastric cancer – the second most common form of cancer world-wide, responsible for 750,000 deaths each year. Already tested in more than 1000 patients, BGC 9331 has already shown an overall objective response rate in gastric cancer of 25%, which is higher than most single agent treatments. If this can be confirmed in a further trial, BGC 9331 should prove an attractive treatment option, and BTG would seek to license a pharmaceutical company to complete development and take it to market.

Semiconductor technologies, optoelectronics and nanotechnology
The semiconductor team is building a portfolio around low-power methodologies, advanced memories, system level integration, inter- and intra-system communication and storage, fundamental materials and cell designs. In optoelectronics, the team seeks components and technologies for next generation systems, such as lasers, organic light-emitting diodes (OLEDs), waveguides, modulators, filters and fabrication processes.

Three licences were signed for the Electro-absorption Modulator and Distributed Feedback laser technologies from BT. The team is commercialising a relatively new class of lasers known as VCSELs (vertical cavity surface-emitting lasers) for use in telecom and datacom applications. From Cornell Research Foundation in Ithaca, NY, these strain-compensated multiple quantum well VCSELs offer a lower cost alternative to traditional edge-emitting lasers.

In development, the team formed a collaboration with Taiwan's Industrial Technology Research Institute to jointly develop and to commercialise a light emitting polymer technology for flexible organic/polymer light-emitting diode information displays.

Strategic business development
The team pursues life and physical science IP opportunities that fall outside the four targeted focus areas, working with other business units where appropriate – for example on assertion and ventures opportunities. They also pilot IP-based partnership initiatives and explore diverse commercialisation channels.

The team is commercialising a technology from King's College London, low dose potassium, that could enable food and beverage manufacturers to create functional foods, or nutraceuticals, that may help reduce blood pressure. In development, the team is seeking to validate the use of MESNA (sodium-2-mercaptoethane sulfonate), a technology acquired from the University of Parma, Italy, that shows great potential in reducing the difficulty of some surgical procedures while minimising tissue trauma and scarring for the patient.

Another initiative seeks to leverage BTG's core skills. TT Solutions is a new licence audit and management service being offered to clients, initially focusing on the US academic sector but in the future being extended to corporate clients and offering additional services.

Ventures

The ventures team seeks opportunities for seed and early stage investments in technology development opportunities, usually in university and corporate spin-outs, both from within BTG's portfolio and working alongside other entrepreneurs and investors.

In the first half of the year, the team invested £2.7 million in eight ventures (2002: £6.5 million), of which three were new investments. These included an investment co-lead by BTG of £4.0 million in Xention Discovery Ltd, Cambridge, UK, which is using its unique technology to discover and develop drugs that act on ion channels, concentrating on cardiovascular and neurology areas. The team has also co-sponsored a new venture fund, the VIMAC Milestone Medica Fund, an early stage life sciences fund that will invest in opportunities covering the region from the Eastern Seaboard of the US to Ontario and Quebec. Co-sponsors are VIMAC Ventures LLC and RBC Technology Ventures Inc.

Licensing support and assertion

Successful technologies are frequently infringed. BTG has a reputation for defending the legitimate rights of those who have made major inventions, hence we will also acquire IP that may already be infringed by companies that do not have rights to use it. In such cases, we may develop the IP further and reverse engineer existing products to determine whether they fall within the scope of the IP. We then present our findings to infringing companies, seeking licence agreements to capture value for both past and future use.

One such technology is haemofiltration, from the Childrens' Hospital of Cincinnati in the US, where we are asserting the IP against a company that we believe is already using the technology. Another case is Celltrace, for the remote updating of SIM cards in mobile telephones, where we are litigating in Germany against SIM card manufacturers. The Celltrace IP is the subject of an appeal before the end of the calendar year in the European Patent Office procedure, following our success in an opposition hearing held in 2002.

Our licensing support and assertion team manages these cases and also provides broad licensing support to all of the other SBUs, especially in the commercialisation phase.

Finally, we are delighted that Sir Peter Mansfield has recently jointly won the Nobel Prize for Medicine for his invention of Magnetic Resonance Imaging. We worked with Sir Peter for many years and licensed his and others' MRI patents to the entire MRI industry, litigating where necessary and generating about £95 million in revenues of which over £44 million has been shared with the universities and inventors. We continue to work with some of the world's leading researchers, both helping to take their inventions to market and capturing the value that is rightfully theirs. With strongly growing revenues and a reputation for delivering results, we provide a major service to the world's most creative and inventive people.

Ian Harvey
Chief Executive Officer

Financial summary

We laid out four primary financial objectives in December 2002 that we reiterated with our full year results in May 2003:

- resumption in revenue growth
- reduction in operating losses in our core business
- reaching operating profitability in our core business in the 2005/6 financial year
- excluding Provensis, achieving these objectives from within our current resources.

We have made progress on all these fronts in this period. Revenues have increased strongly, as described below. BTG's operating loss excluding Provensis reduced by 26% to £7.0 million (2002: £9.4 million). The Group operating loss, including the investment in Provensis development, was £15.1 million (2002: £15.5 million), and our loss before tax was £13.4 million (2002: £13.6 million). Further details can be found in the accompanying financial statements and notes.

Revenues

Total revenues at £19.1 million and net revenues at £11.0 million were both 35% higher than in the same period last year (2002: £14.2 million and £8.2 million respectively).

Royalties from launched products were up 26% to £13.7 million (2002: £10.9 million) and revenues generated from the six new licences signed were up 100% to £3.2 million (2002: 10 licences with revenues of £1.6 million). Milestone payments, made when licensees achieve predetermined development milestones, were flat at £0.7 million. Audit revenues were £0.6 million (2002: £1.0 million) and a profit of £0.9 million was realised on the sale of investments, including Acambis plc and Alizyme plc.

Key contributors to revenues were Factor IX at £5.7 million (2002: £5.3 million), Campath® at £2.8 million (2002: £1.5 million), MRI at £1.8 million (2002: £0.5 million), the two-part hip cup at £1.2 million (2002: £1.0 million) and the Alzheimer's Disease compounds BTG 1640 and BTG 1675A, licensed to Abiogen Pharma S.p.A. which generated a £2.0 million down payment.

As usual, we anticipate revenues will be greater in the second half of the year than in the first. Second-half revenues have already benefited from the settlement of our legal dispute with Acambis plc, which resulted in gross revenues to BTG of £12.0 million (£7.2 million after revenue sharing with the source of the technology).

Costs

Good progress was made towards achieving the targeted annual cost savings of £6.0 million. It was intended that the majority of these savings would result from having fewer people following the restructuring and from reducing investment in non-core areas. Administrative expenses were 11% lower at £13.1 million compared with the same period last year (2002: £14.7 million), and significantly less than the 2001 cost of £16.0 million. We expect to reach our target despite some increased expenditure in the form of a rent review which increased costs by £0.2 million and a deficit in the BTG Pension Scheme which led to a resumption of pension contributions of £0.5 million.

Investment
Investment in Provensis development, including capital expenditure, increased to £10.3 million (2002: £6.1 million) as clinical and manufacturing development continued. Investment in other new technology development increased nearly threefold to £1.5 million (2002: £0.4 million), whereas expenditure on venture investments decreased to £2.7 million (2002: £6.5 million).

Cash
Cash flow in the period reflected the general trend of higher revenues, lower costs and increased investment in Provensis development. However, cash flow in BTG's core business is always affected by the timing of revenues and revenue sharing payments, giving rise to volatility in working capital movements. In the current period, working capital decreased by £3.1 million (2002: £4.1 million increase), a swing of £7.2 million. We finished the period with net cash of £42.2 million (2002: £83.3 million).

Rusi Kathoke
Chief Financial Officer

CONSOLIDATED PROFIT & LOSS ACCOUNT
for the six months ended 30 September 2003

			£ million
	Six months ended		Year ended
	September 2003	September 2002	March 2003
Total revenue (note 3)	19.12	14.16	31.53
Turnover (note 3)	18.22	14.16	31.53
Revenue sharing	(8.10)	(5.97)	(13.71)
Provensis development (note 4)	(8.10)	(6.08)	(13.57)
Other development	(1.47)	(0.38)	(1.94)
Total development	(9.57)	(6.46)	(15.51)
Other operating expenses (note 5)	(2.52)	(2.52)	(6.19)
Administrative expenses	(13.08)	(14.72)	(33.03)
Operating loss (note 7)	(15.05)	(15.51)	(36.91)
Profit on disposal – Trust investment in own shares (note 8)	–	0.02	0.02
Profit on disposal of/(amounts written off) investments (note 9)	0.88	–	(2.45)
Loss on ordinary activities before interest and taxation	(14.17)	(15.49)	(39.34)
Interest receivable	0.80	1.86	3.11
Interest payable and similar charges	–	–	(0.01)
Loss on ordinary activities before taxation	(13.37)	(13.63)	(36.24)
Taxation on loss on ordinary activities (note 10)	(0.13)	(0.24)	(0.34)
Loss for the financial period – retained for equity shareholders	(13.50)	(13.87)	(36.58)
Basic and diluted loss per share (note 11)	(13.06p)	(13.22p)	(35.46p)

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the six months ended 30 September 2003

Loss for the financial period	(13.50)	(13.87)	(36.58)
Currency translation differences on foreign currency net investments	0.24	(0.29)	(0.51)
Total recognised gains and losses relating to the period	(13.26)	(14.16)	(37.09)

CONSOLIDATED BALANCE SHEET
as at 30 September 2003

			£ million
	September 2003	September 2002	March 2003
Fixed assets			
Intangible assets – patents and other IPR	9.55	10.66	9.64
Tangible assets	7.80	6.36	6.86
Investments	17.33	14.09	15.03
	34.68	31.11	31.53
Current assets			
Debtors: amounts falling within one year	7.37	5.02	6.34
Short-term deposits	35.62	78.93	54.65
Cash at bank and in hand	6.93	5.24	7.48
	49.92	89.19	68.47
Creditors: amounts falling due within one year	(16.24)	(15.83)	(18.45)
Net current assets	33.68	73.36	50.02
Total assets less current liabilities	68.36	104.47	81.55
Provisions for liabilities and charges	(1.29)	(1.24)	(1.29)
Net assets	67.07	103.23	80.26
Analysis of net assets			
BTG (excluding Provensis)	108.14	128.69	113.19
Provensis	(41.07)	(25.46)	(32.93)
Net assets	67.07	103.23	80.26
Capital and reserves			
Called up share capital	10.54	10.53	10.53
Share premium account	159.92	159.90	159.86
Capital reserve	7.31	7.31	7.31
Profit and loss account	(110.70)	(74.51)	(97.44)
Equity shareholders' funds	67.07	103.23	80.26

CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30 September 2003

	Six months ended September 2003	Six months ended September 2002	£ million Year ended March 2003
Net cash outflow from operating activities (note 12)			
BTG (excluding Provensis)	(7.05)	(2.63)	(13.10)
Provensis	(8.45)	(5.81)	(13.23)
	(15.50)	(8.44)	(26.33)
Net cash inflow from returns on investments and servicing on finance	1.19	2.82	5.56
Tax paid	(0.01)	(0.25)	(0.35)
Capital expenditure and financial investments			
Purchase of tangible assets	(1.92)	(0.78)	(2.07)
Cash received on sale of investments	1.11	0.06	0.03
Expenditure on investments	(2.67)	(6.51)	(9.99)
Investment in patents	(1.15)	(1.31)	(3.42)
Net cash outflow from capital expenditure and financial investments	(4.63)	(8.54)	(15.45)
Net cash outflow before use of liquid resources and financing	(18.95)	(14.41)	(36.57)
Net cash inflow from management of liquid resources	19.03	11.09	35.37
Financing			
Issue of ordinary share capital	0.07	0.13	0.09
Increase/(decrease) in cash in the period	0.15	(3.19)	(1.11)

Reconciliation of net cash outflow to movement in net funds

	Six months ended September 2003	Six months ended September 2002	£ million Year ended March 2003
Increase/(decrease) in cash in the period	0.15	(3.19)	(1.11)
Cash inflow from reduction in liquid resources	(19.03)	(11.09)	(35.37)
Cash outflow from decrease in debt	–	0.03	0.03
Decrease in net funds resulting from cash flows	(18.88)	(14.25)	(36.45)
Net funds brought forward	61.10	97.55	97.55
Net funds at period end	42.22	83.30	61.10

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 2003 annual report and accounts, was approved by the Board of Directors on 28 November 2003.

2. The financial information for the year ended 31 March 2003 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 2003	September 2002	March 2003
Royalties from launched products	13.72	10.86	24.91
Milestone payments	0.68	0.69	1.50
Income from new agreements	3.18	1.57	3.86
Licence income	17.58	13.12	30.27
Audit revenues	0.64	1.04	1.26
Turnover	18.22	14.16	31.53
Income from sale of investments	0.90	–	–
Total revenue	19.12	14.16	31.53

Geographical analysis of turnover

			£ million
	Six months ended		Year ended
	September 2003	September 2002	March 2003
USA	11.46	9.32	21.16
European Union (excluding UK)	3.07	0.89	2.40
UK	2.25	2.09	5.03
Japan	1.27	1.35	2.20
Other	0.17	0.51	0.74
Total turnover	18.22	14.16	31.53

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 2003	September 2002	March 2003
Clinical development	2.07	1.97	3.68
Manufacturing costs	2.87	1.92	4.13
Marketing & business development	0.13	–	0.39
	5.07	3.89	8.20
Staff costs	1.53	1.25	2.77
Other costs	1.50	0.94	2.60
Operating loss	8.10	6.08	13.57

5. Other operating expenses

	Six months ended September 2003	Six months ended September 2002	Year ended March 2003
			£ million
Patent amortisation	1.39	1.93	4.95
Patent renewal fees	0.58	0.37	0.74
Litigation costs (note 6)	0.55	0.22	0.50
	2.52	2.52	6.19

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 £0.55 million. This compares with £0.22 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 September 2003	Six months ended September 2002	Year ended March 2003
			£ million
BTG trading losses	(5.48)	(9.05)	(21.40)
Other development costs	(1.47)	(0.38)	(1.94)
BTG operating loss	(6.95)	(9.43)	(23.34)
Provensis operating loss	(8.10)	(6.08)	(13.57)
Group operating loss	(15.05)	(15.51)	(36.91)

8. Profit on disposal – Trust investment in own shares

	Six months ended September 2003	Six months ended September 2002	Year ended March 2003
			£ million
Profit on shares sold by BTG Employee Share Trust	–	0.02	0.02

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

	Six months ended September 2003	Six months ended September 2002	Year ended March 2003
			£ million
Profit on disposal of investments	0.88	–	–
Amounts written off investments	–	–	(2.45)
	0.88	–	(2.45)

10. Taxation

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

11. Loss per share

The loss per share, basic and diluted of 13.06p (September 2002: 13.22p; March 2003: 35.46p), is based on losses on £13.50 million (September 2002: £13.87 million; March 2003: £36.58 million) and the weighted average number of shares in issue during the half year of 103.34 million (September 2002: 103.05 million; March 2003: 103.16 million).

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.

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

			£ million
	Six months ended		Year ended
	September 2003	September 2002	March 2003
BTG (excluding Provensis)			
Operating loss (note 7)	(6.95)	(9.43)	(23.34)
Amortisation	1.32	1.93	4.95
Depreciation	0.62	0.72	1.28
Other	0.41	0.29	0.29
	(4.60)	(6.49)	(16.82)
Working capital movement (note 13)	(2.45)	3.86	3.72
	(7.05)	(2.63)	(13.10)
Provensis			
Operating loss (note 7)	(8.10)	(6.08)	(13.57)
Depreciation	0.26	–	0.24
	(7.84)	(6.08)	(13.33)
Working capital movement (note 13)	(0.61)	0.27	0.10
	(8.45)	(5.81)	(13.23)
Net cash outflow from operating activities	(15.50)	(8.44)	(26.33)

13. Working capital movement

	Six months ended September 2003	Six months ended September 2002	Change	£ million Year ended March 2003
(Increase)/decrease in debtors				
– BTG (excluding Provensis)	(1.39)	5.66	(7.05)	2.98
– Provensis	(0.03)	0.12	(0.15)	(0.02)
	(1.42)	5.78	(7.20)	2.96
(Decrease)/increase in creditors				
– BTG (excluding Provensis)	(1.06)	(1.80)	0.74	0.69
– Provensis	(0.58)	0.15	(0.73)	0.12
	(1.64)	(1.65)	0.01	0.81
Increase in provisions	–	–	–	0.05
Working capital movement	(3.06)	4.13	(7.19)	3.82
BTG (excluding Provensis)	(2.45)	3.86	(6.31)	3.72
Provensis	(0.61)	0.27	(0.88)	0.10
Working capital movement	(3.06)	4.13	(7.19)	3.82

14. Analysis of net funds

	Balance at 1 April 2003	Cash Flow	£ million Balance at 30 September 2003
Cash at bank and in hand	7.48	(0.55)	6.93
Overdraft	(1.03)	0.70	(0.33)
	6.45	0.15	6.60
Liquid resources	54.65	(19.03)	35.62
	61.10	(18.88)	42.22

Liquid resources are comprised of funds placed on the money markets for periods of up to three months. During the period the Group suffered £0.30 million exchange loss (September 2002: £0.38 million; March 2003: £0.06 million).

15. The announcement is being sent to all shareholders on the register on 28 November 2003 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 9 to 15 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 2003.

KPMG Audit Plc
Chartered Accountants
London

28 November 2003

Electronic communication to shareholders

The company is able to offer shareholders the option to receive notices of meetings (and related forms of proxy), also reports such as the Annual report and Interim statement, in electronic form via the Internet, rather than through the mail.

This should allow shareholders to receive information more speedily and also have the potential to reduce company costs. If you choose this electronic option, you will receive an email notification each time we publish a new shareholder document on our website. You will be able to read and, if you wish, download them at your leisure.

In addition to the above facilities, you can also conduct via the Internet, a number of routine matters concerning your shareholding. These are described below together with details on how to access them. If you wish to receive electronic communications, please also read the notes which follow.

Account Enquiry
This function is available to all shareholders and enables you to check the following account details, with no registration required:

- Registered name
- Registered address
- Class of shares
- Number of shares held
- Current share price and total value of shares held

Additional Services
This allows the following functions to be performed, registration is required to access these services:

- Change postal address
- Register for electronic communications
- Change email address
- Historical share balance/transaction enquiry
- Proxy voting

Accessing & Registration
All services are accessed via our Registrar's website **www.capitaregistrars.com**. On accessing the Registrar's website, select "Shareholder Account Services".

Where registration is required – you will be requested to register online. Confirmation of registration will be sent in writing, together with a User ID and Password, to your registered postal address. This should take no longer than three days to arrive.

Where registration is not required – you will be requested to enter your investor code (11 character number, to the right of name and address, on every share certificate). You will also be asked to enter your family name and postal code.

Please note, if you have received more than one copy of these documents, then you have multiple shareholding accounts. So that you no longer receive more than one copy of all the company paperwork, please contact the Registrars, via their helpline +44 (0)870 162 3100.

NOTES:

1. It is the shareholder's responsibility to notify the company's Registrars of any change to their name, address, email address or other contact details.

2. Shareholders should also note that with electronic communication, the company's obligations will be satisfied when it transmits the Notification of Availability or such other document as may be involved to the electronic address it has on file. The company cannot be held responsible for any failure in transmission beyond its control any more than it can for postal failures.

3. In the event of the company becoming aware that an electronic notification is not successfully transmitted, a hard copy of the notification will be mailed to the shareholder.

4. The election and relevant contact address detail will stand until such time as the company receives alternative instructions from the shareholder.

5. Before electing for electronic communications shareholders should ensure they have the appropriate equipment and computer capabilities sufficient for the purpose.

6. The company takes all reasonable precautions to ensure no viruses are present in any communication it sends out, but the company cannot accept responsibility for loss or damage arising from the opening or use of any email or attachments from the company and recommends that shareholders subject all messages to virus checking procedures prior to use. Any electronic communication received by the company, including the lodgement of an electronic proxy form, that is found to contain any virus, will not be accepted.

Please contact our registrars, Capita Registrars, via their helpline +44 (0)870 162 3100 or via email ssd@capitaregistrars.com if you have any queries.