INTERIM REPORT AND ACCOUNTS

Six Months Ended 30 September 2008

BTG

developing **the difference**

Financial highlights

- Recurring royalty revenues increase 17% to £24.2m (H1 07/08: £20.7m)
  - net recurring royalty revenues up 25% to £15.1m (H1 07/08: £12.1m)
- £6.0m revenues from non-recurring transactions (H1 07/08: £26.9m)
  - net non-recurring revenues £3.0m (H1 07/08: £15.1m)
- Net gains on sales of investments of £1.6m (H1 07/08: £0.2m)
- Research and development expenditure increased to £6.9m (H1 07/08: £4.8m)
- Operating costs stable at £8.6m (H1 07/08: £8.9m)
- Profit before tax of £3.4m (H1 07/08: £15.2m) and profit after tax £3.2m (H1 07/08: £13.4m)
- Cash reserves at £57.5m (31/03/08: £57.0m)

Operating highlights

- Recommended all-share offer by BTG plc for Protherics PLC to be effected by way of scheme of arrangement announced 18 September 2008
  - Requisite shareholder approvals received at BTG's EGM on 5 November 2008 and at Protherics' EGM and Court Meeting on 11 November 2008
  - Anticipated effective date of the scheme 4 December 2008
- Post period end, BGC945 licensed to Onyx Pharmaceuticals for $13m upfront (£8.0m gross, £7.3m net) and potential $307m additional milestones plus royalties
- Good progress with internal development programmes
  - Varisolve® (varicose veins) US Phase II study completed showing no cerebral injury in patients with cardiac shunts; preparatory studies for Phase III programme progressing in parallel with commercialisation planning
  - BGC20-0134 (multiple sclerosis) completed Phase I study - expected to start Phase II in H1 2009
  - BGC20-1531 (migraine) Phase I study nearing completion – Phase II planned for H1 2009
  - BGC20-1259 (Alzheimer's disease) completing last of Phase II preparatory work
  - BGC20-0166 (sleep apnoea) IND preparations progressing in parallel with partnering discussions
- Strong progress in partnered programmes
  - TRX4 commenced a Phase III trial in type 1 diabetes, triggering $7.5m milestone payment
  - CB7630 commenced a Phase III trial in prostate cancer, triggering a milestone payment
  - Campath® final Phase II data in multiple sclerosis published showing significant reductions in risk for relapse and risk for accumulation of disability compared with interferon

OVERVIEW

BTG has delivered another strong financial performance in the first half of the year. With 17% growth in recurring royalty revenues and significant milestone payments from licensees, we delivered a seventh consecutive half-yearly profit. Our post-tax profit of £3.2m compared with £13.4m in the first half of the prior year, which included a strong contribution from non-recurring revenues of which £11.7m of net income was from two paid-up licence agreements.

Operating costs were steady at £8.6m (H1 07/08: £8.9m) and the expenditure on pipeline development increased from £4.8m in the prior year to £6.9m. The profit of £3.2m includes a charge of £2.2m in respect of marking to market the forward US$ contracts taken out by the Company in line with its stated policy.

Cash and equivalents at 30 September 2008 were £57.5m, an increase of £0.5m in the period. Cash reserves are sufficient to enable the Group to continue to progress development of its current pipeline programmes to the planned value inflexion points and to access new opportunities.

On 18 September 2008, BTG announced a recommended all-share offer for Protherics PLC to be effected by way of a scheme of arrangement. The transaction received overwhelming support from BTG shareholders at an EGM on 5 November and was approved by Protherics shareholders at a Court Meeting and EGM on 11 November 2008. The anticipated effective date of the scheme is 4 December 2008. The Board believes that this merger positions the enlarged Group to become a self-sustaining specialty pharmaceuticals business with clear growth prospects.

DEVELOPMENT PIPELINES

BTG applies a disciplined approach to its development programmes, which are formally reviewed twice yearly. This review includes an assessment of the optimal stage at which to out-license programmes. The review focuses on technical development, changes in the competitive landscape, the investment and time required to reach key milestones and the potential return on investment.

In the most recent portfolio review, programmes were also assessed in line with our strategy to focus on acquiring and developing later-stage programmes. As a result of this review, it was decided that development of certain early stage compounds, including the preclinical compounds BTG6001 (pain) and BTG6228 (cancer), would be halted.

In November 2008 BTG licensed BGC945 to Onyx Pharmaceuticals, Inc. generating upfront payments and cash receipts of $13m ($11.8m net) with the potential for further significant milestones worth up to $307m and royalties on future sales.

Within BTG's pipeline, Varisolve® completed the important US Phase II safety study and is progressing towards Phase III trials in 2009. Three programmes targeting Alzheimer's disease, multiple sclerosis and migraine are all progressing towards planned Phase II studies in 2009.

There was also significant progress in partnered programmes. CB7630 (abiraterone acetate) commenced a Phase III trial in prostate cancer and TRX4 (otelixizumab) commenced a Phase III trial in type 1 diabetes. Enrolment continued into two Phase III trials of Campath® (alemtuzumab) in multiple sclerosis.

Activity in the year to date focused on the following key programmes:

The US Phase II safety study of **Varisolve®** was completed successfully, showing that treatment with Varisolve® did not cause injury to the brain, retina or heart in patients with a right-to-left cardiac shunt, which connects the venous and arterial circulations. Full results of the study were presented at the 22nd annual congress of the American College of Phlebology on 7 November 2008. Following completion of this study, BTG commenced commercial discussions with potential development and marketing partners. Discussions are continuing with a range of parties. BTG has also commenced preparatory studies in the US to validate certain procedures and endpoints to be used in the pivotal Phase III trials. The overall design of the Phase III programme is being finalised and the first US pivotal Phase III trial is expected to start around mid-2009.

A Phase I study was completed for **BGC20-0134**, a novel structured lipid being developed to treat multiple sclerosis. BGC20-0134 is designed to raise levels of anti-inflammatory and neuroprotective cytokines and decrease levels of pro-inflammatory cytokines that are implicated in the autoimmune attack on myelin proteins that occurs in multiple sclerosis. In the Phase I study, 30 subjects received rising oral doses of the drug compound, which was well tolerated at all doses. Analysis continues of certain pharmacodynamic endpoints. Preparations are under way for a Phase II trial in patients with relapsing-remitting multiple sclerosis, anticipated to commence in H1 2009.

BGC20-1531, an EP4 receptor antagonist that provides a potential new treatment mechanism for migraine headaches, completed a single ascending dose Phase I study and was well tolerated in all 24 subjects at all doses studied. A multiple ascending dose Phase I study is under way. Two further Phase I studies are planned in Q4 08 and Q1 09 to evaluate the pharmacodynamic effects of the compound in human volunteer models of pain and headache. A Phase II trial of BGC20-1531 as an acute treatment for classic migraine is scheduled to commence in H1 2009.

Additional toxicology data is required to progress regulatory applications to start the planned EU Phase II study of **BGC20-1259** in patients with Alzheimer's disease, which has delayed the anticipated study start date from H2 2008 to H1 2009.

Preparations continue to open an Investigational New Drug (IND) application in the US early in 2009 for **BGC20-0166**, a proprietary combination of two marketed serotonin modulating drugs being developed to treat mild to moderate obstructive sleep apnoea. BTG is meeting with the US Food & Drug Administration to seek guidance on the regulatory development pathway.

Licensed programmes

Final data from the Phase II study of **Campath®**, licensed to Genzyme Corporation, were published in the *New England Journal of Medicine* in October 2008. These showed that patients with relapsing-remitting multiple sclerosis who received Campath® reduced their risk of relapse by 74% and the risk of sustained accumulation of disability by 71% compared with patients treated with the active comparator Rebif® (high-dose interferon beta-1a).

Two Phase III trials are now enrolling. CARE-MS I will compare Campath® with Rebif® in patients with relapsing-remitting multiple sclerosis who have not been previously treated for their disease. The CARE-MS II trial is studying patients who have continued to relapse while using approved therapies.

In August 2008, BTG's licensee Tolerx, Inc. announced the start of the DEFEND pivotal Phase III clinical trial to evaluate **TRX4** in autoimmune new onset type 1 diabetes. The trial will evaluate whether a single course of TRX4, administered not more than 90 days after the initial diagnosis of autoimmune type 1 diabetes, will reduce the amount of administered insulin required to control blood glucose levels by inhibiting the destruction of beta cells in the pancreas. The primary endpoint will be a measurement of C-peptide, which is a surrogate measure of beta cell function.

The start of the study triggered a milestone payment to BTG of $7.5m, representing half of the milestone payment received by Tolerx from GlaxoSmithKline, its development and commercialisation partner for TRX4. Tolerx can earn up to $525m in development, approval and commercialisation milestones under this agreement, and BTG is entitled to receive 50% of the milestones Tolerx receives.

Positive Phase I and Phase II data on **CB7630**, licensed to Cougar Biotechnology, Inc., have been presented at a number of prostate cancer conferences during the period. In April 2008, enrolment commenced into a Phase III trial of CB7630 plus prednisone in patients with metastatic castration-resistant prostate cancer who have failed docetaxel-based chemotherapy. The trial will enrol approximately 1,160 patients who will be randomised to receive either CB7630 plus prednisone or placebo plus prednisone, and its primary endpoint will be overall survival. The start of the study triggered a milestone payment to BTG.

FINANCIAL REVIEW

Revenue

Revenue for the first half of the year was £30.2m (H1 07/08: £47.6m) comprising £24.2m from recurring royalties (H1 07/08; £20.7m) and £6.0m from non-recurring transactions (H1 07/08: £26.9m). In addition, the Group recorded net gains on disposals of assets of £1.6m (H1 07/08: £0.2m).

Net recurring royalties increased by 25% over the first half of 07/08 to £15.1m, reflecting higher gross royalties and the impact of a reduction in amounts shared on certain patents.

	Recurring royalties		Non-recurring revenues		Total	
	H1 08/09 £m	H1 07/08 £m	**H1 08/09 £m**	H1 07/08 £m	**H1 08/09 £m**	H1 07/08 £m
Revenue	**24.2**	20.7	**6.0**	26.9	**30.2**	47.6
Revenue sharing	**(9.1)**	(8.6)	**(3.0)**	(11.8)	**(12.1)**	(20.4)
Net revenue	**15.1**	12.1	**3.0**	15.1	**18.1**	27.2

Recurring royalties

Recurring royalty revenues grew by 17% to £24.2m (H1 07/08: £20.7m). Royalties on Wyeth's BeneFIX® recombinant Factor IX product of £10.6m (H1 07/08: £8.1m) were the main driver, contributing £2.5m to the overall £3.5m positive variance. Sales volumes of BeneFIX® increased by around 15% over the comparative period, with the remainder of the positive variance in revenues arising from price increases and currency fluctuations.

Royalties from sales of the two-part hip-cup, the second largest contributor after BeneFIX®, increased by £0.6m (17%) to £4.2m, again as a result of both increasing volumes and currency fluctuations.

Revenue sharing was 37.6% compared with 41.5% in the prior period. The reduction is principally due to a change in amounts owed by BTG on the Factor IX royalties that it receives and this new reduced rate will continue through to patent expiry in 2011.

Non-recurring revenues

A total of £6.0m has been recognised in the first half of the year, following continued good progress by BTG's licensees Tolerx, Inc. and Cougar Biotechnology, Inc., both of which successfully initiated clinical trials in the period which in turn triggered aggregate milestones to BTG totalling £5.9m. A further £0.1m was achieved from smaller licensing deals in the period. Overall revenue sharing on these amounts was 50%, reflecting the nature of the obligations back to the inventive source. In the prior period, BTG completed two significant fully paid up licences on semiconductor related patents for proceeds of £22.4m and received one-off amounts from both the Medical Research Council and Novacea, Inc.

Operating expenses

Operating expenses of £8.6m for H1 07/08 were £0.3m lower than in the prior year. This includes impairment charges of £0.9m in relation to preclinical development programmes BTG6228 and BTG6001, where decisions were taken during the period to discontinue development work on these projects.

Net profit on sale of assets

The Group recognised a net profit of £1.6m (H1 07/08: £0.2m) in the period principally in relation to the sale of its investment in Protez Pharmaceuticals, Inc. (£2.2m profit) and the crystallisation of a loss of £0.6m on its investment in the Primaxis venture fund. The loss of £0.6m had previously been recognised through the fair value reserve; as the losses crystallised in this period, they were transferred into the income statement, with no reduction in shareholders' funds as a result of this adjustment. Novartis acquired Protez in July 2008 for initial proceeds of $100m and further contingent proceeds of up to $300m depending on successful completion of certain development and sales milestones. BTG owned approximately 5% of Protez.

Research and development

Investment in the Group's research and development programmes in the period was £6.7m (H1 07/08: £4.5m) reflecting the later stage of the portfolio. Varisolve® costs were £2.7m (H1 07/08: £1.8m), which included the completion of the Phase II safety study, commencing Phase III preparatory work and ongoing product development and supply chain management. Other development expenditure of £4.0m (H1 07/08: £2.7m) included Phase I studies for BGC20-1259 in Alzheimer's disease, BGC20-0134 in multiple sclerosis and BGC20-1531 in migraine. Expenditure in the second half of the year is expected to be slightly lower than this as a number of the programmes are in the preparatory phase for their next clinical study.

Financial income and expenses

Financial income, which comprises bank interest receivable, at £1.4m was broadly in line with that of the comparative period as a higher average cash balance during the period was offset by lower interest rates.

Financial expenses represent a fair value loss of £2.2m in the period on marking-to-market BTG's forward contracts to sell US$. BTG's policy is to put in place forward contracts to manage predictable foreign currency surpluses over a rolling twelve-month period. At 30 September 2008, BTG has contracts to sell $53.5m in the period to August 2009 at exchange rates from £1:$1.92 - £1:$2.04.

Profit before R&D and profit after tax

Key internal performance measures are maximising the operating surplus, which is the excess of recurring royalties over operating expenses, and maximising the profit before tax and external research and development expenditure. For the six months ended 30 September 2008 the operating surplus was £6.5m (H1 07/08: £3.2m) and profit before tax excluding R&D was £10.3m compared with £20.0m in the prior period, which included £11.7m of net income from two fully paid up licences.

The tax charge for the first half of the year was £0.2m, being withholding tax on royalty income, compared to a total charge of £1.8m in the first half of 07/08 of which £1.7m was irrecoverable withholding tax incurred. The profit after tax for the six months was £3.2m (H1 07/08: £13.4m).

Cash

Cash and cash equivalents at the end of the period were £57.5m, an increase of £0.5m in the six months. The net profit for the period of £3.2m was supplemented by £2.7m of proceeds on sale of assets, £4.9m of non-cash income statement charges (depreciation, amortisation, book value of investments and assets sold, fair value loss on foreign exchange forward contracts) and £0.3m of proceeds from the issue of shares. Offsetting this were purchases of tangible and intangible assets of £0.6m, pension deficit repayments £2.6m higher than the Income Statement charge for the period, £1.8m of prepaid margin calls on foreign exchange contracts and £5.6m of working capital and other changes.

Balance sheet

Non-current assets reduced by £2.0m since 31 March 2008 to £12.1m due principally to aggregate depreciation and amortisation charges of £1.8m, the sale of the investment in Protez Pharmaceuticals, Inc which had a carrying value of £0.7m offset by additions to intangible assets and property, plant and equipment of £0.6m.

Trade and other receivables increased by £8.0m to £23.2m at the end of the period. This includes a £3.7m receivable from Tolerx in relation to the milestone met on commencement of a Phase III clinical trial, £1.8m of prepaid margin calls on foreign exchange contracts and £1.7m of prepaid fees in relation to the proposed acquisition of Protherics PLC. If the acquisition completes the fees will form part of the acquisition cost of the company. Should the acquisition not complete, the fees will be expensed though the Income Statement.

Trade and other payables (current and non-current) total £29.6m compared to £24.4m at 31 March 2008. The increase is due principally to accrued revenue sharing on the Tolerx milestone (£1.8m), £1.0m fees in relation to the proposed acquisition of Protherics PLC and an increase in the fair value loss recognised on BTG's forward foreign exchange contracts of £2.2m.

Provisions for onerous leases reduced from £1.3m to £0.7m as £0.5m was utilised in the period and £0.1m released through the Income Statement. The liability recorded on the Balance Sheet in relation to the Group's defined benefit pension scheme reduced from £4.9m at 31 March 2008 to £2.7m at 30 September 2008. The main movements in the period were cash contributions of £3.3m (of which £3.1m was in relation to deficit repair payments) offset by an Income Statement expense of £0.7m and an actuarial loss in the period of £0.4m recognised through the Statement of Recognised Income and Expense.

The Trustees of the pension scheme are close to finalising a formal actuarial valuation of the scheme as at 31 March 2007. This currently shows a deficit of £16.1m as at that date. The basis of valuation used by the actuaries differs from that used in preparing the accounts under IFRS. The Company has put in place a funding schedule to make good this deficit over the period to 31 March 2013 that includes payments of £2.2m in the prior financial year, £4.2m in the current year (of which £3.1m was paid by 30 September 2008 and the remainder was paid during October 2008) and £3.3m in each of the next four financial years.

Shareholders' equity, at £59.1m, showed an increase of £3.9m since 31 March 2008, due mainly to the profit for the period of £3.2m, the issue of new shares of £0.3m, foreign exchange translation differences on consolidation of foreign subsidiaries of £0.4m and net fair value adjustments of £0.4m offset by the actuarial loss on the pension scheme of £0.4m.

Risks and uncertainties facing the business

The key business risks facing the BTG Group on a standalone basis remain unchanged from those set out in the Annual Report & Accounts for the year ended 31 March 2008, although the recent credit crunch and turmoil in the financial markets bring additional uncertainties to BTG as in all other businesses. As an R&D based company, development risks and regulatory risks are significant and failure of products in BTG's pipeline or in licensees' hands could result in a loss of future revenues to BTG. Competition and reimbursement risks exist with respect to marketed products on which BTG earns royalties and to the value of drugs in the development pipeline. Failure to maintain or renew key patents could result in significant loss of revenue and the costs of defending any patent infringement suits could be significant. The fluctuating US dollar in currency markets has and could continue to adversely impact results with foreign exchange hedging positions being marked to market with resultant losses in the income statement. The credit crunch could result in the failure of banks where funds are deposited, the failure of customers or insurers and in restrictions on the ability to obtain financing.

SUMMARY AND OUTLOOK

BTG has had a strong first half with significantly increased recurring royalties and good progress both in the internal pipeline and the partnered programmes. The Group has also made a strong start to the second half of the year by licensing BGC945, a novel anticancer compound, to Onyx Pharmaceuticals in a deal that has generated a $13m upfront payment and has the potential to generate up to $307m in additional development and commercial milestones, together with a royalty on worldwide sales. BTG retains around 90% of milestones received under this licence agreement.

With the agreed merger with Protherics PLC due to complete on 4 December, BTG has the opportunity to create a sustainably profitable specialty pharmaceuticals business. The Board believes that the merger will give BTG the platform to generate royalties and sales revenues, a very strong balance sheet and the ability to invest in a later-stage pipeline. We look to the future with confidence.

CONSOLIDATED INCOME STATEMENT
for the six months ended 30 September 2008

	Note	Six months ended **30 September 2008 £m**	Six months ended 30 September 2007 £m	Year ended 31 March 2008 £m
Revenue	2	**30.2**	47.6	75.0
Revenue sharing		**(12.1)**	(20.4)	(32.1)
Revenue net of revenue sharing		**18.1**	27.2	42.9
Operating expenses	3	**(8.6)**	(8.9)	(16.0)
Research and development expenses	4	**(6.9)**	(4.8)	(10.7)
Profit on disposal of assets and investments	5	**1.6**	0.2	0.4
Amounts written off research associates and investments	7	**(0.1)**	-	-
Impairment and other costs associated with Wrexham facility	8	**0.1**	-	(8.1)
Operating profit	2	**4.2**	13.7	8.5
Financial income		**1.4**	1.5	2.7
Financial expenses		**(2.2)**	-	(0.5)
Profit before tax		**3.4**	15.2	10.7
Tax	9	**(0.2)**	(1.8)	(1.9)
Profit after tax for the period		**3.2**	13.4	8.8
Basic & diluted earnings per share	10	**2.1p**	9.0p	5.9p

The profit after tax in each period is all attributable to the equity holders of the parent.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
for the six months ended 30 September 2008

	Six months ended **30 September 2008 £m**	Six months ended 30 September 2007 £m	Year ended 31 March 2008 £m
Foreign exchange translation differences	**0.4**	(0.4)	(0.2)
Actuarial (loss)/gain on pension liabilities	**(0.4)**	1.7	(1.2)
Change in fair value of equity securities available-for-sale	**0.2**	(0.1)	(0.3)
Net income recognised directly in equity	**0.2**	1.2	(1.7)
Profit after tax for the period	**3.2**	13.4	8.8
Total recognised income and expense for the period attributable to equity holders of the parent	**3.4**	14.6	7.1

CONSOLIDATED BALANCE SHEET
as at 30 September 2008

	Note	**30 September 2008 £m**	30 September 2007 £m	31 March 2008 £m
Non-current assets				
Intangible assets		**5.8**	8.0	6.8
Property, plant & equipment		**0.7**	8.7	0.8
Investments in research associates		**0.4**	0.4	0.7
Other investments		**5.2**	5.2	5.8
		12.1	22.3	14.1
Current assets				
Trade and other receivables	11	**23.2**	25.9	15.2
Cash and cash equivalents		**57.5**	46.6	57.0
		80.7	72.5	72.2
Total assets		**92.8**	94.8	86.3
Equity				
Share capital	12	**15.1**	15.1	15.1
Share premium account	12	**187.3**	187.0	187.0
Other reserves	12	**(0.8)**	(1.4)	(1.4)
Retained earnings	12	**(142.5)**	(138.5)	(145.5)
Total equity attributable to equity holders of the parent	12	**59.1**	62.2	55.2
Non-current liabilities				
Trade and other payables	13	**1.9**	3.3	1.8
Employee benefits		**2.7**	3.1	4.9
Provisions	14	**0.1**	0.2	0.2
		4.7	6.6	6.9
Current liabilities				
Trade and other payables	13	**27.7**	25.0	22.6
Taxation		**0.7**	0.1	0.5
Provisions	14	**0.6**	0.9	1.1
		29.0	26.0	24.2
Total liabilities		**33.7**	32.6	31.1
Total equity and liabilities		**92.8**	94.8	86.3

CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30 September 2008

	Six months ended		Year ended
	30 September 2008	30 September 2007	31 March 2008
	£m	£m	£m
Profit before tax for the period	**3.4**	15.2	10.7
Profit on disposal of intangible assets and investments	**(1.6)**	(0.2)	(0.4)
Amounts written off research associates and investments	**0.1**	-	-
Investment income	**(1.4)**	(1.5)	(2.7)
Financial expense	**2.2**	-	0.5
Amortisation and impairment of intangible assets	**1.5**	1.0	1.7
Depreciation on property, plant & equipment	**0.3**	0.5	1.0
Impairment charge on Wrexham facility	**-**	-	7.5
Share-based payments	**0.4**	0.4	0.9
Pension contributions	**(2.6)**	(0.9)	(1.9)
Increase in trade and other receivables	**(8.0)**	(15.9)	(5.1)
Increase in trade and other payables	**3.2**	6.6	2.7
Decrease in provisions	**(0.6)**	(0.6)	(0.4)
Share of research associates' losses	**0.2**	0.3	0.7
Other	**(0.3)**	(0.3)	(0.4)
Cash (used in)/from operations	**(3.2)**	4.6	14.8
Interest expense	**-**	-	-
Taxation paid	**-**	(1.0)	(1.4)
Net cash (outflow)/inflow from operating activities	**(3.2)**	3.6	13.4
Investing activities			
Interest received	**1.4**	1.5	2.7
Purchases of intangible assets	**(0.4)**	(0.5)	(1.1)
Purchases of property, plant & equipment	**(0.2)**	(0.5)	(0.6)
Proceeds on disposal of intangible assets	**0.2**	0.5	1.7
Payments made in relation to disposal of intangible assets	**(0.2)**	(0.2)	(0.2)
Investment in research associates	**-**	(0.3)	(0.7)
Expenditure on investments	**-**	(0.4)	(1.2)
Proceeds on disposal of investments	**2.5**	0.2	0.1
Capital repayment	**-**	-	0.1
Net cash inflow from investing activities	**3.3**	0.3	0.8
Cash flows from financing activities			
Proceeds of share issues	**0.3**	-	-
Net cash from financing activities	**0.3**	-	-
Increase in cash and cash equivalents	**0.4**	3.9	14.2
Cash and cash equivalents at start of period	**57.0**	43.0	43.0
Effect of exchange rate fluctuations on cash held	**0.1**	(0.3)	(0.2)
Cash and cash equivalents at end of period	**57.5**	46.6	57.0

NOTES TO THE ACCOUNTS

1. Basis of preparation and accounting policies

The unaudited financial statements for the six months ended 30 September 2008 have been prepared in accordance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting' as adopted by the EU and were approved by the Board on 11 November 2008. Details of the accounting policies applied are set out in the Group's 2008 annual report and accounts. These interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2008.

These interim financial statements do not constitute statutory accounts of the Group within the meaning of section 435 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2008, prepared in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 of the Companies Act 2006.

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:

Life sciences:	The acquisition, development and commercialisation of pharmaceutical and other medical technologies.
Technology commercialisation:	The commercialisation of technology outside the life sciences area.

	Six months ended		Year ended
	30 September 2008	30 September 2007	31 March 2008
	£m	£m	£m
Revenue by business segment			
Life sciences	**30.0**	25.1	52.2
Technology commercialisation	**0.2**	22.5	22.8
Revenue	**30.2**	47.6	75.0
Operating profit/(loss) by business segment			
Life sciences	**6.7**	4.5	1.2
Technology commercialisation	**(0.6)**	11.1	11.3
Other operating costs	**(1.9)**	(1.9)	(4.0)
Operating profit	**4.2**	13.7	8.5

The business is split geographically. The life sciences and technology commercialisation segments are managed on a worldwide basis, but operate in four principal geographical areas, USA, UK, Europe (excluding UK) and Asia. 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 2008 £m	30 September 2007 £m	31 March 2008 £m
Revenue by geographic segment			
USA	**24.8**	16.0	38.9
UK	**4.1**	8.1	11.2
Europe (excluding UK)	**1.0**	0.8	1.7
Asia	**-**	22.4	22.4
Other	**0.3**	0.3	0.8
Revenue	**30.2**	47.6	75.0

3. Operating expenses

	Six months ended		Year ended
	30 September 2008 £m	30 September 2007 £m	31 March 2008 £m
Patent amortisation, impairment charges, renewal fees and litigation expenses	**1.8**	1.3	2.4
Administrative expenses	**7.2**	7.7	14.1
Exchange (profit)/loss	**(0.4)**	0.1	(0.3)
	8.6	9.1	16.2
Reduction in provision for onerous leases (note 14)	**-**	(0.2)	(0.2)
	8.6	8.9	16.0

4. Research and development expenses

	Six months ended		Year ended
	30 September 2008 £m	30 September 2007 £m	31 March 2008 £m
Varisolve® development	**2.7**	1.8	4.6
Other development programmes	**4.0**	2.7	5.4
	6.7	4.5	10.0
Share of results of research associates	**0.2**	0.3	0.7
	6.9	4.8	10.7

5. Profit on disposal of assets and investments

	Six months ended		Year ended
	30 September 2008 £m	30 September 2007 £m	31 March 2008 £m
Profit on disposal of intangible assets*	**0.1**	0.1	0.7
Profit/(loss) on disposal of investments	**1.5**	0.1	(0.3)
	1.6	0.2	0.4

*The profit for the period ended 30 September 2008 is net of £0.1m shared with the inventive source (H1 07/08: £0.1m; 07/08: £0.1m).

Loss relief is expected to absorb the tax due in respect of the profit on disposal.

6. Share-based payments

In accordance with IFRS 2, a charge of £0.4m (H1 07/08: £0.4m; 07/08: £0.9m), relating to the fair value of share-based schemes granted since 7 November 2002, is included within administrative expenses.

7. Amounts written off associates

	Six months ended		Year ended
	30 September 2008	30 September 2007	31 March 2008
	£m	£m	£m
Amounts written off associates	**0.1**	-	-
	0.1	-	-

The amount written off associates represents the reduction in value of associates, taken direct to the income statement, following an impairment review.

8. Impairment and other costs associated with Wrexham facility

	Six months ended		Year ended
	30 September 2008	30 September 2007	31 March 2008
	£m	£m	£m
Impairment of Wrexham facility	**-**	-	7.5
Onerous lease provision in respect of Wrexham facility	**(0.1)**	-	0.6
	(0.1)	-	8.1

Last year the Group reassessed the economics of the existing facility for the manufacture of products for Varisolve® given the design improvements and outsourcing of the manufacturing process during the year, which triggered an impairment review. The Group made full provision against the carrying value of this asset on the basis that the fair value less costs to sell the asset was deemed to be nil. In addition, a provision of £0.6m was been made in relation to an onerous lease in respect of the Wrexham site. This provision was triggered by the decision to exit the Wrexham facility. The £8.1m total cost was charged to the UK Life sciences business segment of the Income Statement.

9. Tax

	Six months ended		Year ended
	30 September 2008	30 September 2007	31 March 2008
	£m	£m	£m
UK corporation tax charge	**-**	0.1	0.1
Overseas tax on royalties	**0.2**	1.7	1.8
	0.2	1.8	1.9

Tax for each six-month period has been provided on the basis of the anticipated effective rate for the full year. Overseas tax on royalties relates to withholding tax deductible from foreign income that is not capable of being offset.

10. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of £3.2m (H1 07/08: £13.4m; 07/08: £8.8m) by the weighted average of ordinary shares outstanding during the period of 149.7m (H1 07/08: 149.7m; 07/08: 149.7m). Diluted earnings per share is calculated using a weighted average of ordinary shares outstanding during the period, adjusted for outstanding share options, of 150.9m (H1 07/08: 149.8m; 07/08: 149.8m).

The weighted average number of ordinary shares outstanding used in the calculations excludes the shares held by the BTG Employee Share Trust.

	Six months ended		Year ended
	30 September 2008	30 September 2007	31 March 2008
Profit attributable to ordinary shareholders (£m)	**3.2**	13.4	8.8
Earnings per share (p)			
Basic & diluted	**2.1**	9.0	5.9
Number of shares (m)			
Weighted average number of shares – basic	**149.7**	149.7	149.7
Effect of share options in issue	**1.2**	0.1	0.1
Weighted average number of shares – diluted	**150.9**	149.8	149.8

11. Trade and other receivables

	30 September 2008 £m	30 September 2007 £m	31 March 2008 £m
Due within one year			
Investment in associate classified as held for sale	**0.1**	-	0.2
Revenues receivable, net of provisions	**14.3**	18.0	9.7
Other debtors	**0.8**	0.8	1.1
Prepayments and accrued income	**5.0**	1.3	1.5
	20.2	20.1	12.5
Due after more than one year			
Revenues receivable, net of provisions	**3.0**	5.8	2.7
	23.2	25.9	15.2

12. Equity

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 April 2008	15.1	187.0	(1.4)	(145.5)	55.2
Foreign exchange translation differences	-	-	0.4	-	0.4
Actuarial loss on pension liabilities	-	-	-	(0.4)	(0.4)
Change in the fair value of equity securities available-for-sale	-	-	0.2	-	0.2
Profit after tax for the period	-	-	-	3.2	3.2
Total recognised income and expense	-	-	0.6	2.8	3.4
Share capital issued	-	0.3	-	-	0.3
Movement in shares held by the Trust	-	-	-	(0.2)	(0.2)
Share-based payments	-	-	-	0.4	0.4
At 30 September 2008	**15.1**	**187.3**	**(0.8)**	**(142.5)**	**59.1**

Other reserves are analysed as follows:

	Translation reserve £m	Fair value reserve £m	Total other reserves £m
At 1 April 2008	(1.1)	(0.3)	(1.4)
Total recognised income and expense	0.4	0.2	0.6
At 30 September 2008	**(0.7)**	**(0.1)**	**(0.8)**

13. Trade and other payables

	30 September 2008 £m	30 September 2007 £m	31 March 2008 £m
Amounts falling due within one year			
Trade creditors	**6.8**	2.9	4.3
Accruals and deferred income	**20.7**	21.0	17.9
Other creditors	**0.2**	1.1	0.4
	27.7	25.0	22.6
Amounts falling due after more than one year			
Accruals and deferred income	**1.9**	3.3	1.8
	1.9	3.3	1.8

The fair value of derivatives included in the accounts is £2.6m (H1 07/08 asset: £0.4m; 07/08: £0.4m) and is included in 'Other creditors' above. The asset at 30 September 2007 is included in 'Other debtors'. At 30 September 2008 the Group held forward contracts to sell a total of US$53.5m in the period to August 2009 (H1 07/08: US$36.1m in the period to August 2008; 07/08: US$41.1m in the period to February 2009). These forward contracts have not been accounted for as cash flow hedges. The fair value loss for the year has been included within 'net financial expense'. The Group had no other derivative financial instruments at the above balance sheet dates.

14. Provisions

	30 September 2008	30 September 2007	31 March 2008
	£m	£m	£m
At 1 April	1.3	1.7	1.7
Provisions utilised during year	(0.5)	(0.4)	(0.8)
Provisions made during year	-	-	0.6
Provisions released during year	(0.1)	(0.2)	(0.2)
At period end	**0.7**	**1.1**	**1.3**
Balance due within one year	0.6	0.9	1.1
Balance due after more than one year	0.1	0.2	0.2
	0.7	**1.1**	**1.3**

These provisions relate to onerous leases on the Wrexham facility and on BTG's UK and US offices and represent the net present value of future obligations. The present value of the offices represents the amount not covered by income from tenants. The release of part of the provision in each period has followed a reassessment of the future income stream and costs relating to each office and of the Wrexham facility (see note 8).

15. Related party transactions

By virtue of a common director and certain pre-existing licence contracts, BTG has a related party relationship with Oxford University and its subsidiary Isis Innovations Ltd. For the six month period to 30 September 2008, BTG made payments of £0.1m under the relevant contracts. As at 30 September 2008 £1.7m was outstanding and payable by BTG under these agreements.

16. Post balance sheet events

On 18 September 2008 BTG announced a recommended all share offer for Protherics PLC. On 5 November 2008, at an Extraordinary General Meeting, BTG plc shareholders overwhelmingly voted in favour of the proposed transaction. On 11 November 2008, at a Protherics PLC Extraordinary General Meeting, the shareholders overwhelmingly voted in favour of the proposed transaction. Subject to Court approval of the Scheme of Arrangement the acquisition will complete on 4 December 2008.

On 7 November 2008 BTG announced it had granted worldwide rights to Onyx Pharmaceuticals, Inc. to develop and commercialise BTG's novel anticancer compound, BGC945. Under the terms of the agreement, BTG has received an upfront payment of $13m and has the potential to receive development milestone payments of up to $72m plus additional payments of up to $235m relating to product approval and achievement of commercial milestones. BTG will also receive a royalty on any future sales worldwide.

17. Posting of interim accounts

The announcement is being sent to all shareholders on the register on 21 November 2008 and further copies are available from the Company's registered office: 10 Fleet Place, Limeburner Lane, London EC4M 7SB.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE INTERIM FINANCIAL REPORT

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU;
- the interim management report includes a fair review of the information required by:
  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

Dr Louise Makin Chief Executive Officer
Christine Soden Chief Financial Officer

11 November 2008

INDEPENDENT REVIEW REPORT TO BTG PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2008 which comprises the Group income statement, balance sheet, cash flow statement and the statement of recognised income and expense and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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 Disclosure and Transparency Rules ('the DTR') of the UK's Financial Services Authority ('the UK FSA'). 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 half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2008 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

KPMG Audit Plc
Chartered Accountants

8 Salisbury Square
London EC4Y 8BB

11 November 2008

SHAREHOLDER INFORMATION

Financial calendar

Announcement of interim results for the six months ended 30 September 2008	12 November 2008
Preliminary announcement of annual results for year ended 31 March 2009	May 2009

Capita share dealing services

A quick and easy share dealing service is available from Capita Registrars, to either buy or sell more shares. An online and telephone dealing facility is available providing shareholders with an easy-to-access and simple-to-use service. For further information on this service, or to buy and sell shares, please contact: www.capitadeal.com (online dealing) or +44 (0) 871 664 0446 (telephone dealing) – calls cost 10p per minute plus network extras. Full terms, conditions and risks apply and are available on request or by visiting www.capitadeal.com.

Shareholder change of address

The Company offers the facility, in conjunction with Capita Registrars, our Registrars, to conduct a number of routine matters via the web including the ability to notify any change of address. If you are a shareholder and are either unable or would prefer not to use this facility, please do not send the notification to the Company's registered office. Please write direct to Capita Registrars, at their address shown below, where the register is held.

Relating to beneficial owners of shares with 'information rights'

Please note that beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's registrar, Capita Registrars, or to the Company directly.

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Cautionary statement regarding forward-looking statements

This interim report may contain forward-looking statements based on current expectations of, and assumptions and forecasts made by, Group management. Various known and unknown risks, uncertainties or other factors could lead to substantial differences between the actual future results, financial situation development or performance of the Group and the estimates and historical results given herein. Undue reliance should not be placed on forward-looking statements which speak only as of the date of this document. The Group accepts no obligation to publicly revise or update these forward-looking statements or adjust them to future events or developments, whether as a result of new information, future events or otherwise, except to the extent legally required.

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