BTG plc Annual Report and Accounts 2018

Imagine where we can go.

At BTG, we are focused on bringing to market innovative products in specialist areas of medicine to better serve doctors and patients.

Our growing portfolio of image-guided minimally invasive Interventional Medicine products is designed to advance the treatment of cancer, severe blood clots, varicose veins and severe emphysema.

We also provide Pharmaceuticals that counteract certain snake venoms and toxicities associated with some heart and cancer medications.

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Creating value **today...**

Establishing leadership positions in attractive markets

The role of Interventional Medicine is expanding. Advances in imaging and device technology mean that more diseases can now be treated in minimally invasive procedures. Short hospital stays and low rates of treatment complication benefit patients and healthcare providers.

BTG focuses on market segments where there are large patient populations with high unmet need. We provide leading-edge interventional therapies, and we invest in activities to expand their use and to enable our customers to treat more patients.

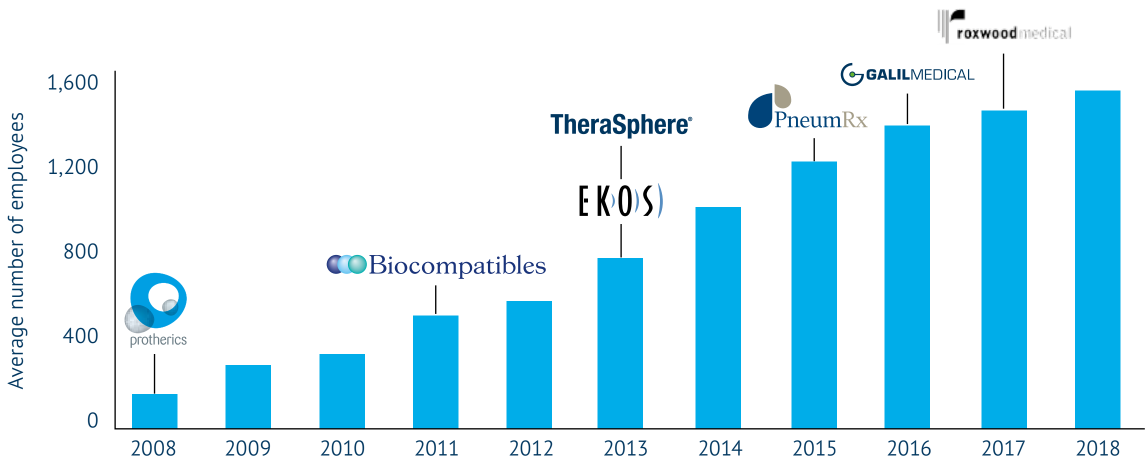
Our Pharmaceuticals business provides antidote products for conditions where there are limited or no existing treatment options. We continue to invest in product and data enhancements to ensure optimal outcomes for patients.

Business units	Stage	Therapies	Patient populations†
Interventional Medicine	High-growth businesses	Interventional Oncology Embolic and drug-eluting beads, and radioactive microspheres to treat tumours in the liver Cryoablation technology to treat solid tumours	c. 325,000 annual patients worldwide
		Interventional Vascular Ultrasonic catheter drug delivery device for treating severe blood clots Anchoring catheters and microcatheters used to cross complex lesions and arterial blockages	c. 2-3m annual patients worldwide
	Early-stage products	Varithena® Injectable microfoam that reduces the symptoms and improves the appearance of varicose veins	c. 800,000 annual GSV procedures in the US
		PneumRx® Coil Implantable metal coils designed to improve lung function in certain patients with severe emphysema	>4m annual severe emphysema patients worldwide
Pharmaceuticals	Established cash generation	CroFab®/DigiFab®/ Voraxaze® Antidote products for treating snakebite envenomation, and toxicity from overexposure to certain medicines	>10,000 patients treated annually
Licensing		Zytiga®/Two-part hip cup Royalties relating to products subject to BTG intellectual property and licence agreements	

† Company estimates.

To learn more about our products go to pages 14 to 23.

Building a scalable growth platform



We have built our business through acquisition and organic development, and we now have a scalable platform for sustained growth.

With each acquired business we have added capability as well as products, development programmes and technology platforms. We have also invested in our company infrastructure to ensure we have the right skills and experience across the business to be leaders in our field.

As we have grown, successfully integrating businesses and people, we have maintained a consistent company culture centred on putting our customers and their patients first.

Delivering a good underlying financial performance

Revenue
£620.5m +9% (+10% CER[1])

Adjusted operating profit[2]
£152.7m +18% (+20% CER)

IFRS operating loss
(£102.8m) n/m

Adjusted basic EPS[2]
32.9p +42%

IFRS basic EPS
3.9p (55%)

Free cash flow[2]
£109.3m +69%

IFRS cash from operating activities
£120.7m +63%

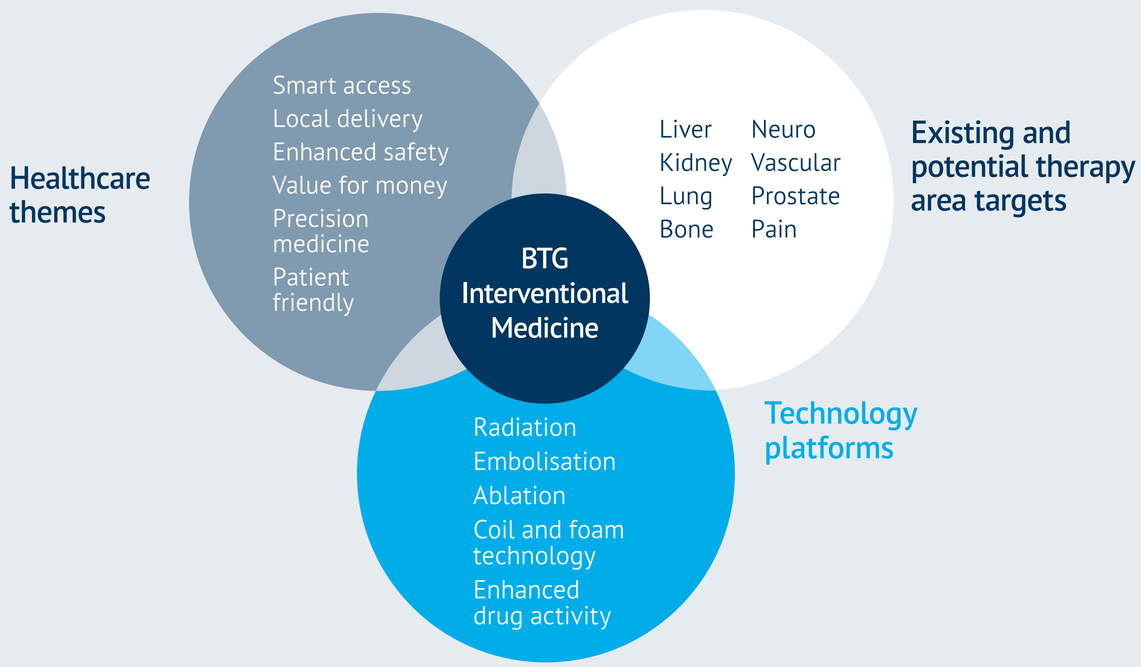
1. Constant exchange rate ('CER') growth is computed by restating 2017/18 results using 2016/17 foreign exchange rates for the relevant period.
2. Adjusted operating profit, Adjusted basic EPS and free cash flow are not prepared in accordance with IFRS. For definition see page 34.

...while investing to ensure growth over the **long term**

1 Innovation and development

Investing in our technology platforms to expand our portfolio and enable our customers to treat more patients.

Our goal is to bring to market differentiated products with the characteristics that meet the needs of customers, patients and payers. We invest in product innovation and clinical studies, to develop new products from our current technology platforms and to expand the use of our products to new patient populations and therapy areas.



Liver	TheraSphere® STOP-HCC and EPOCH clinical trials to expand use in HCC and mCRC
Lung	PneumRx® Coils ELEVATE study to support market adoption
Immuno-oncology	Exploring how BTG products may be synergistic to immuno-oncology therapies
Solid tumours	Developing other treatment approaches to supplement chemoembolisation, radiation therapy and cryoablation
Vascular	Developing products for tougher obstructions and smaller vessels

2 Commercial and geographic expansion

Making our products available to patients around the world.

BTG is a global business with direct commercial operations in the US and major European markets. We supplement our direct sales activities with partnerships to ensure our products are available worldwide.

We are investing in clinical and regulatory development activities to gain approvals to market our products in new geographies, and to secure appropriate reimbursement. We are also building our commercial and medical capabilities to support our growth in new territories, including China and other Asian markets, where we see significant future growth opportunities.

Progress with liver cancer therapy in Asia, Europe and Latin America

During the year, the first patients were treated with TheraSphere® in Latin America, Taiwan and Israel, and the first patients in Europe were treated with the novel radiopaque chemo-embolising bead, DC Bead LUMI™.

3 Acquisitions

Sourcing leading-edge external innovation.

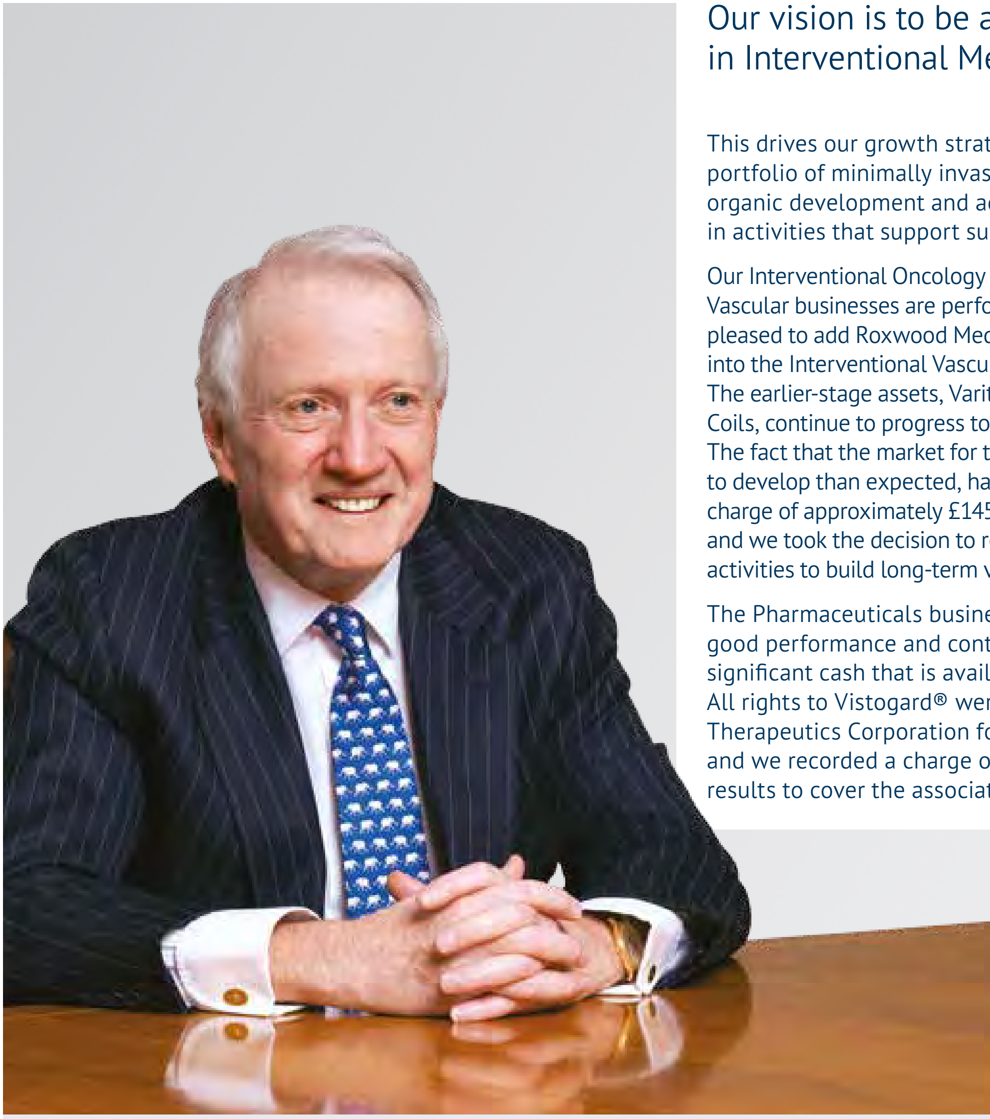
In parallel with our organic innovation and development programmes, we will continue to seek opportunities to expand our portfolio and pipeline through acquisitions.

We look for differentiated products and technology platforms that will enhance our customer offering and help us develop and maintain leadership positions in our chosen therapy areas. This gives us confidence we can continue to create long-term value through disciplined allocation of capital to sourcing external technologies and investing behind them.

Roxwood Medical acquisition

In October 2017, BTG acquired Roxwood Medical, an innovative provider of advanced cardiovascular specialty catheters used in the treatment of patients with severe coronary and peripheral artery disease.

Chairman's introduction



Creating value through leadership in Interventional Medicine

Our vision is to be a global leader in Interventional Medicine.

This drives our growth strategy to expand our portfolio of minimally invasive products through organic development and acquisitions, and to invest in activities that support sustained product growth.

Our Interventional Oncology and Interventional Vascular businesses are performing well. We were pleased to add Roxwood Medical's specialty catheters into the Interventional Vascular portfolio in October 2017. The earlier-stage assets, Varithena® and the PneumRx® Coils, continue to progress towards key milestones. The fact that the market for the Coils is taking longer to develop than expected, has resulted in an impairment charge of approximately £145m in our results for the year, and we took the decision to reduce costs and to focus on activities to build long-term value.

The Pharmaceuticals business has delivered another good performance and continues to generate significant cash that is available for reinvestment. All rights to Vistogard® were returned to Wellstat Therapeutics Corporation following a legal ruling, and we recorded a charge of £57.7m in our full year results to cover the associated damages and costs.

Read more

Strategy

While we continue to develop and embed a strong governance framework across the culture of our organisation, we also take a proportionate approach to ensure that our processes are efficient and support our growth strategy.

Pages 6 to 13, to read more

Business performance

We monitor our operating performance at regular Board meetings and, through an annual strategy review, we concentrate on forward planning to support long-term sustainable growth.

Pages 14 to 23, to read more

Board changes

Strong corporate governance and leadership is an essential part of BTG's strategy and we strive to maintain the best talent capable of achieving the highest standards.

During the year, Rolf Soderstrom stepped down as Chief Financial Officer (CFO) and as an Executive Director of the Company. The Board is grateful to Rolf for his significant contributions since joining BTG in 2008. I am delighted that Duncan Kennedy has been appointed as his successor. Duncan joined BTG as Group Financial Controller in 2005 and most recently led our Interventional Oncology business. He brings a wealth of financial and commercial experience and we welcome him to the Board.

After almost eleven years, Giles Kerr has announced his intention to step down from the Board at this year's Annual General Meeting (AGM). During the year we appointed Anne Thorburn who, having previously been Chief Financial Officer of Exova Group PLC, brings an extensive range of international financial management, risk, audit and M&A experience.

We also were pleased to appoint Gregory Barrett to the Board in November 2017. Greg has extensive commercial experience in the US MedTech industry, with a focus on Interventional Medicine therapies. Anne and Greg's strong track record will be of great benefit to BTG as we continue to implement our growth plans. Further details on the changes to the Board can be found in the corporate governance report on page 37.

With more than 90% of current revenues earned in US dollars, we are going to switch from reporting in Sterling to reporting in US dollars starting with our Interim Results in November 2018. This will help reduce volatility in our reported results caused by exchange rate movements.

Vision: Be a global leader in providing Interventional Medicine therapies.

Aim: Deliver sustained value creation for all our stakeholders.

Outlook

In the year ahead we expect ongoing growth in our Interventional Oncology and Interventional Vascular businesses, with Pharmaceuticals and Licensing providing strong cash flows that are available for reinvestment.

I continue to be excited by BTG's journey. We are building leading positions in our chosen markets, by providing differentiated, minimally invasive therapies and by investing in activities that help our customers treat more patients. With our financial resources and capabilities, I am confident our strategy will create long-term value for all our stakeholders.

Our products make a real difference to our customers and to their patients' lives. This is the main motivation for colleagues throughout BTG. I would like to thank all of our employees for their dedication and professionalism, which enable us to serve more physicians and patients every year.

Garry Watts
Chairman

Leadership & people

We invest in the development of our people to ensure we have the capabilities to succeed. Our business standards and ways of working are guided by our Code of Conduct and are embodied in the day-to-day behaviours that we call the BTG 'DNA'.

Pages 24 to 27, to read more

Internal control & risk

The Group's risk management framework is based on the UK Corporate Governance Code. Our internal processes and controls provide us with a clear understanding of the principal risks inherent in our business operations and strategy, and give us confidence in the appropriateness of the actions we take to mitigate them.

Page 62, to read more

Stakeholder engagement

Ensuring good communication with our shareholders and employees is important to us. We meet with shareholders throughout the year, and we regularly engage with and seek input from our employees.

Page 68, to read more

CEO's Strategic report

Implementing our growth strategy

Healthcare systems around the world are continuing to evolve to meet ever-growing demands for improved patient care and value for money.

Interventional Medicine can help healthcare providers and payers meet these goals. Delivering targeted therapies through minimally invasive procedures can provide cost-effective solutions and improve treatment outcomes.

Our strategy

Our aim is to establish leadership positions in selected therapy areas where there are large patient populations with unmet needs. We develop and acquire differentiated products, and invest in activities that support their growth. These include generating clinical data to access new patient populations and to provide evidence to payers to support appropriate reimbursement. We also undertake regulatory and commercial activities to enable geographic expansion, and product innovation to maintain our technology leadership.

Customers are at the centre of everything we do. Our sales, medical and product development teams work closely with our customers to ensure that we can provide the leading-edge products they desire. We also provide the clinical data, training and other support our customers need to enable them to treat more patients.

A scalable platform for success

Over the past decade we have been transforming BTG from a royalties business into a product sales business with diverse, sustainable revenue streams. We have built the capabilities and infrastructure that support ongoing business growth, by investing our strong cash flows to develop leading positions in selected Interventional Medicine markets and to maintain a strong Pharmaceuticals business.

We have national sales forces for Interventional Oncology in the US and the EU and an Interventional Vascular sales force in the US. Multiple investments in product innovation, clinical studies and geographic expansion, together with a focused acquisition strategy, support sustained high-growth in these businesses and increasing operating leverage over time.

While continuing to source external innovation, we are investing to build an organic development pipeline. We are exploiting our existing technology platforms to deliver new products to enhance our position in existing markets and to access new organs and therapy areas. These investments give us confidence that we can continue to grow our Interventional Medicine business over the next decade and beyond.

Operational progress

BTG has delivered a good operational performance over the year. As a leader in Interventional Oncology, significant progress has been made with multiple activities to support the sustained high-growth of this business. Geographic expansion has continued, with regulatory approvals and the start of commercial activities in a number of territories in Asia, EMEA and Latin America.

The TheraSphere® Phase III trials are progressing well, with data expected in 2019. Our cryoablation business received 510(k) and CE Mark regulatory clearances for Visual-ICE® MRI, a new cryoablation system and needles from Galil Medical that are compatible with all Magnetic Resonance Imaging (MRI) scanners.

Our Interventional Vascular business was strengthened by the acquisition of Roxwood Medical in October 2017. Roxwood's anchoring catheters complement our existing EKOS® product by allowing physicians to cross complex lesions and arterial blockages, thus enabling them to treat patients with some of the most complex arterial diseases. One-year data from the OPTALYSE PE study reinforced the safety and efficacy of shorter, lower-dose EKOS® therapy for PE, and we also initiated a further PE registry to build upon our leadership in this field.

Varithena®, the novel treatment for varicose veins, received finalised category 1 CPT reimbursement codes in the US, effective from January 2018. While these codes have led to renewed physician interest, we will have a better understanding of their impact on physician ordering and reordering patterns, and on insurer coverage and payment practice, by the end of 2018.

European sales of the PneumRx® Coils have been disappointing. We continue to believe that over the long term this product can help address a significant unmet need in treating severe emphysema. However, market development, including securing appropriate reimbursement, is taking longer than expected and we recognise that it will take some years to develop this therapy area and to build product sales. We are therefore focusing activities to build long-term value while appropriately reducing the cost base. These include conducting the ELEVATE clinical study to support market development including accessing reimbursement, and progressing our pre-market approval (PMA) application in the US.

In our Pharmaceuticals business growth was driven by strong performances from CroFab® and Voraxaze®. We expect continued strong cash generation in this business. While there is likely to be some impact over time on sales of our antivenin CroFab® from a different antivenin product that could enter the US market from October 2018, we are implementing strategies to ensure we maintain our market leadership. We were disappointed with the court judgement concerning the commercial dispute over Vistogard®. However, despite having lost a potential revenue contributor our Pharmaceuticals business will continue to provide us with a strong financial underpin. Licensing revenues performed well as a result of new clinical data supporting earlier use of Johnson & Johnson's prostate cancer treatment, Zytiga®.

Multiple drivers of growth for the future

As we enter a period of financial transition, we have built a scalable platform, with a broad portfolio of differentiated products, strong customer relationships, and multiple investments to support sustained growth. As the use of minimally invasive therapies continues to grow, we have the financial resources and capabilities to continue to make targeted new investments, so that we can continue building our Interventional Medicine business and developing leadership positions in attractive growth markets.

Dame Louise Makin
Chief Executive Officer

BTG has delivered a good operational performance over the year... significant progress has been made with multiple activities to support the sustained high-growth of this business.

Market overview

Understanding BTG's strategy in today's healthcare market

The global context

Against a background of political, social and economic uncertainty, the global healthcare industry is expected to benefit from favourable demographic trends and shifting behaviours. According to United Nations' projections, the world's population is estimated to grow by more than 1 billion people by 2030, with the number of people over the age of 60 anticipated to rise by 500 million to 1.4 billion. The prevalence of chronic illnesses such as cancer, cardiovascular, metabolic and respiratory diseases is set to rise with this ageing population.

Healthcare spending is expected to increase annually by 4% to 5% on average through to 2020. By then c. 50% of spending – approximately $4 trillion – will be on cardiovascular diseases, cancer and respiratory disease.[1]

Growing demand for high-quality treatment

In recent years, there have been fundamental shifts in consumer empowerment and digital enablement. Consumers now have more choice and understanding and a greater say in their treatment. In response, MedTech companies have pursued innovation outside the traditional boundaries of the sector. BTG's strategy is to invest in innovation and development and offer products that demonstrate greater safety, efficacy and value for money to physicians, patients and payers. In particular, our portfolio of minimally invasive Interventional Medicine therapies offers significant advantages over conventional treatment options.

1. Deloitte 2017 Global Healthcare sector outlook.

Markets and competition

The healthcare industry is highly competitive. Companies compete to attract and retain technical and commercial talent, to develop and acquire products, and to gain share in their chosen markets and geographies. We focus on medical areas where we can develop market-leading positions through our capability and resources to undertake product innovation, clinical development and commercial expansion.

Pages 14 to 23, for a detailed description of our markets and competition in the performance review

Pricing and reimbursement

Pricing and reimbursement remain challenging in many markets for the healthcare industry. Government, insurers and other private payers continue to implement strict controls on cost. We look to mitigate this by providing innovative, differentiated products that advance the treatment of patient populations that are currently underserved. We have also invested in our market access capabilities, so that we can work with policy makers and regulators to ensure that our products demonstrate value for money and thus gain market acceptance and appropriate reimbursement coverage and pricing.

Regulation

The healthcare industry is highly regulated by governments, with strict rules overseeing research, clinical development, manufacturing and commercial activity. At BTG, we have developed extensive quality, pharmacovigilance and compliance systems and procedures. Our skilled and experienced employees are provided with regular training to ensure that we comply with all relevant regulatory standards. We pay close attention to the future regulatory landscape and the potential impact of healthcare reforms. This is of particular importance when reviewing product development or acquisition opportunities.

We have developed extensive quality, pharmacovigilance and compliance systems, and we provide regular training to our highly skilled and experienced employees.

Risk management

Rigorous governance, along with our consistent risk management systems and processes, enable us to identify, assess, manage and mitigate the key existing and newly emerging risks facing the business. BTG's Board of Directors is responsible for the Group's risk management and internal control systems, and for regularly and robustly assessing these systems.

We believe the most significant risks that could materially affect the Group's ability to achieve its financial goals and its operating and strategic objectives are: ensuring continuity of product supplies; securing acceptable product reimbursement; obtaining/maintaining product regulatory approvals; Intellectual Property (IP)/legal challenges; competition; healthcare law compliance; and successful completion of merger and acquisition activity.

Pages 62 to 67, for BTG's risk management governance and processes, and the principal risks listed above described in detail

Cost of treating cancer, cardiovascular and respiratory diseases will be

$4trn

by 2020

People over the age of 60 estimated to rise

500m

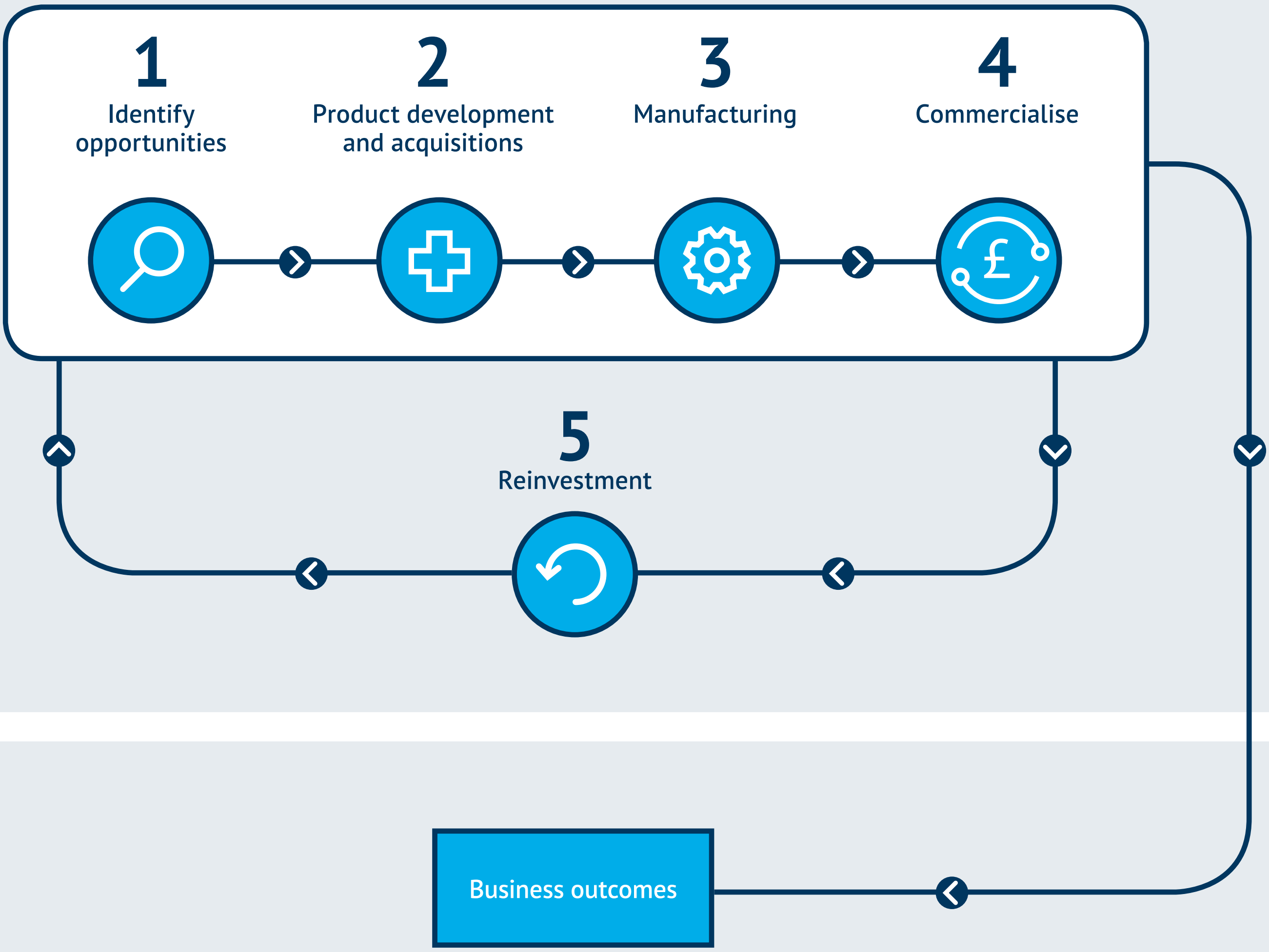
to 1.4 billion by 2030

Our business model

Business context

Addressing unmet specialist healthcare needs

BTG activity



By using our strong cash flows to reinvest in product innovation, commercial expansion, clinical studies and complementary acquisitions, we are confident of delivering long-term growth.

How does BTG create value for its stakeholders?

Human health and well-being continue to benefit from advances in medical science. Yet some patients with certain medical conditions are still poorly served by existing treatment options. At BTG, we see an exciting opportunity to provide novel therapeutic solutions to a wide-range of complex medical problems. Our solutions focus on local delivery of targeted therapies, to optimise efficacy and side effect profiles while providing cost-effective options for healthcare providers.

Aligning our business model with our strategy

Our strategy is to become commercial and technical leaders in our chosen therapy areas by delivering therapies that are of value to patients, physicians and payers. By developing strong partnerships with the medical community and key opinion leaders, we gain valuable insights into their needs. This informs our product development and acquisition strategy. As an agile organisation with strong networks in medicine, industry and academia, we can quickly identify and initiate new product development opportunities.

1. Identifying opportunities

We focus on addressing unmet healthcare needs, by providing innovative products in specialist areas of medicine to better serve doctors and their patients. We also invite proposals from the medical community for funding to explore the use of our products in different patient populations. Close interactions with our customers give us valuable insights into the way they treat their patients, helping to inform our innovation strategy and identify new product opportunities.

2. Product development and acquisitions

To exploit the full value of our products, we invest in lifecycle management, which includes product innovation and clinical studies to support new regulatory approvals. Our development and acquisition strategy is focused on opportunities that complement our current product portfolio. We seek to balance late-stage development and marketed product opportunities, with efforts to build an early-stage pipeline that will ensure sustained business growth.

3. Manufacturing

Our products are either manufactured in-house or we use third-party contractors to manufacture and supply certain key materials and services. We have robust quality systems, policies and procedures in place to ensure we meet our legal and compliance obligations.

4. Commercialise

We have product sales teams in the US, Europe and Asia and we also work with distribution partners in these and other regions. Our sales teams are supported by marketing and brand specialists. We also have experienced professionals working in regulatory affairs and market access who generate and provide the data and product support to healthcare providers and payers to ensure that our products are used and reimbursed appropriately.

5. Reinvestment

Invest in organic innovation and development and in targeted acquisitions. Invest in commercial and geographic expansion. Invest in upgrading manufacturing operations and capabilities.

Business outcomes

- Portfolio of leading-edge technologies
- Leadership in chosen therapy areas
- Product sales growth
- Cash generation to support sustained growth
- Foundations for future growth

Stakeholder benefits

- **Shareholders:** return on investment
- **Physicians:** treat more patients, deliver better outcomes
- **Patients:** shorter hospital stays, improved treatment
- **Social benefits:** job creation, tax revenue

Our strategic priorities

We monitor our performance against four strategic priorities: (1) delivering products that meet the needs of our customers and their patients; (2) investing for growth; (3) ensuring our people have the right capabilities and our practices are fit for purpose and scalable; and (4) financial key performance indicators (KPIs). Our objectives may span several years.

Objective	Progress against objectives set for 2017/18
1 **Delivering products for our customers and their patients** Our specialist physician customers and their patients are at the heart of everything we do. We deliver differentiated products that enable physicians to address unmet patient needs. We make our products as widely available as we can, through regulatory and commercial activities that support geographic expansion, market adoption and appropriate reimbursement.	**Interventional Oncology:** mid-teens percent sales growth achieved; launched DC Bead LUMI™ in the EU; expanded TheraSphere® into new territories, including Latin America, Taiwan and Israel; vandetanib bead first-in-man study commenced. **Interventional Vascular:** delivered high-teens percent product sales growth; expanded US PE/DVT business with increased hospital penetration; increased sales personnel in EU. *Not achieved: 20%+ sales growth not met; new control unit launch delayed until FY19* **Early Stage IM:** Varithena® granted US Level 1 CPT codes from January 2018. PneumRx® ELEVATE study initiated; progressed US PMA application. *Not achieved: PneumRx reimbursement delays in Germany and France* **Pharmaceuticals:** Copperhead study published in the Annals of Emergency Medicine; Voraxaze® included in the 2017 Expert Consensus Guidelines contained within the Annals of Emergency Medicine.
2 **Investing for growth** We are investing in expanding our product portfolio and building our pipeline to generate long-term value for our stakeholders.	**Innovation and Development:** Patient enrolment completed in TheraSphere® STOP HCC trial; successful completion and outcomes in EKOS®, OPTALYSE PE and ACCESS PTS studies; completion of cryoablation lung and bone metastases studies. MRI visible cryoablation needles developed; Roxwood Medical acquired.
3 **People and practices** As a fast-growing business, we strive to ensure that our organisational structure, capabilities and systems are scalable and can support our growth strategy. **Pages 24 to 27** for more details	Business Unit Operating Model fully embedded across BTG to best meet the needs of each business at their stage of the growth life cycle and create scalable support structures that are fit for purpose and the future. Learning & Development continued to be a supportive programme that enabled BTG's focus on accelerating growth. A succession plan identifying future business leaders and development programmes was implemented to provide growth opportunities.
4 **Financial management** We report on four KPIs that demonstrate progress towards our long-term goals. **Pages 28 to 36** for more details	Product sales **£423.8m** (2016/17: £387.3m) Adjusted operating profit[1] **£152.7m** (2016/17: £129.6m) IFRS operating loss **(£102.8m)** (2016/17: profit of £57.5m) Adjusted basic EPS[1] **32.9p** (2016/17: 23.1p) IFRS basic EPS **3.9p** (2016/17: 8.7p) Free cash flow **£109.3m** (2016/17: £64.7m) Cash from operating activities **£120.7m** (2016/17: £74.2m)

1. For information on our adjusted earnings policy, and those items excluded from our adjusted financial metrics, see pages 35 to 36.

Strategy risk summary[2]	Priorities for 2018/19
The following could adversely impact product adoption and revenue growth: – Failure or significant delay in gaining regulatory approvals to market products. – Failure to secure timely or adequate levels of reimbursement for products. – Increased competition.	**Interventional Oncology:** deliver continued very good sales growth; expand offering in Latin America; launch of LC Bead LUMI™ M0 in the US **Interventional Vascular:** deliver continued very good sales growth; build on OPTALYSE PE data to expand US PE/DVT business; launch new EKOS® control unit; develop business in existing ex-US territories; expand into new RoW territories **Early stage IM:** Varithena® – expand US sales based on new CPT codes, focusing on evaluations, orders and re-orders by high-volume vein practices; PneumRx® – progress US regulatory application; progress ELEVATE clinical study **Pharmaceuticals:** execute CroFab® leadership strategy; strengthen Voraxaze® value proposition; develop digital solutions; maintain product inventories and robust supply chain
Failure to deliver pipeline programmes or to expand the portfolio, whether by R&D or M&A, would limit BTG's long-term growth potential.	Ensure timely and efficient delivery of pipeline projects and lifecycle management Build early-stage pipeline; implement medical education strategy to help physicians improve patient outcomes Identify acquisitions, in-licensing and investment opportunities that can accelerate growth/de-risk execution
Without the right capabilities and capacity, BTG's growth plans may not be achieved. Without maintaining appropriate and efficient systems BTG would fail to meet regulatory obligations or not be nimble enough to respond to, and capture, market opportunities.	Deliver against succession and hiring plans, actively promoting diversity at all levels; focus on talent development to build fit-for-future capabilities in all areas Progress roll-out of global ERP system; drive efficiency across the business
A number of risks relate to numerous objectives. These include: failure to execute business plans; increased competition; supply chain disruption; legal or intellectual property disputes; failing to meet the Group's legal, regulation and compliance obligations; failure to secure adequate levels of reimbursement or regulatory approvals; failure to attract, retain and develop staff with the requisite skills and expertise to deliver the strategy.	In 2018/19 we expect to deliver: • Interventional Oncology and Interventional Vascular: 13% to 15% CER growth; • Pharmaceuticals: flat to single-digit percent CER decline

2. For a full disclosure of risks, see pages 62 to 67.

Strategic priorities: performance

Interventional Medicine: Oncology

Our Interventional Oncology (IO) products include: TheraSphere®, glass microspheres that deliver internal radiation therapy; LC Bead® and DC Bead®, our embolisation and chemoembolisation polymer beads; and BTG cryoablation systems and needles. This unique portfolio gives us the ability to offer our customers minimally invasive treatment alternatives to systemic radiotherapy, chemotherapy or open surgery.

Conventional versus Interventional

Although remarkable progress has been made in the detection, prevention and treatment of cancer, it has surpassed cardiovascular diseases as the leading cause of death worldwide. Conventional treatment for tumours includes: chemotherapy, which uses anti-cancer drugs to destroy the cancer cells; radiotherapy, which uses radiation to control or kill malignant cells; or surgery to cut out the tumour. While these three conventional options are widely used today, Interventional Oncology has successfully established itself as an essential and independent pillar within the choices for treatment of cancer patients alongside Medical, Surgical and Radiation Oncology.

Interventional Oncology makes use of advances in device technology and imaging to deliver the loco-regional equivalent chemotherapy, radiotherapy or surgery. This often brings the advantage of being able to deliver a higher local dose of the therapeutic agent while minimising side effects or sparing healthy tissue.

Beads and TheraSphere®

Beads and TheraSphere® are used in the treatment of primary liver cancer, commonly known as hepatocellular carcinoma (HCC). They are also used when tumours from other organs spread to the liver, one of the most common being metastatic colorectal cancer (mCRC).

We estimate that, globally, the combined annual incidence of HCC and mCRC is approximately 1.2 million people. Of these, around 147,000 patients would be amenable to locoregional treatments every year, based on their disease progression and taking into account access to treatment and affordability in different countries. This represents a global opportunity of approximately $1.3bn.

The beads and TheraSphere® products are delivered by the same interventional oncologist through a catheter that is placed in the arterial system. Once they have reached the tumour site, the beads block the blood flow within the vessels, depriving the tumour of oxygen. DC Bead® starts a controlled release of a chemotherapeutic drug over time, which results in ischemia and tumour cell death. Once TheraSphere® has reached the tumour, it emits a high, localised dose of Y^{90} beta radiation that kills the tumour cells.

Competition in IO

Embolisation and transarterial chemoembolisation (TACE) have become established treatments for unresectable, intermediate-stage HCC around the world. Conventional TACE (cTACE) involves the administration of a compounded oil and drug solution emulsion, followed by an embolising material. LC Bead® competes with a small number of commercially available beads, while DC Bead® competes with cTACE and a small number of other beads that are capable of being loaded with chemotherapeutic drugs.

TheraSphere® is one of only two commercially available selective internal radiation Y^{90} products used to treat liver tumours and BTG cryotherapy systems compete with other minimally invasive surgical devices, such as radiofrequency ablation.

IO growth strategy and progress

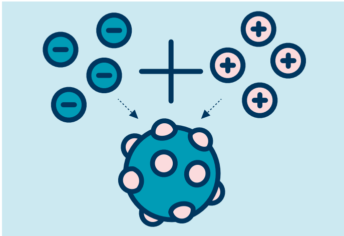
To sustain our strong annual sales growth we are investing in commercial and geographic expansion, focusing on product innovation and generating clinical data to support new indications and expanded use of our products.

During the year, we received regulatory approvals and commenced commercial activities in a number of territories in Asia, EMEA and Latin America. BTG has partnered with Mirada, the medical imaging software company, to develop advanced dosimetry software that enables physicians to personalise TheraSphere® Y^{90} treatment for every patient. A centre of excellence in BTG for ablation has been created and a range of development programmes have been initiated, which have the potential to deliver several new products over the next 12 to 24 months.

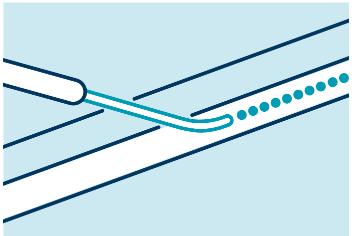
The TheraSphere® Phase III trials are progressing well, with data expected in 2019. Enrolment of 526 patients with unresectable hepatocellular carcinoma (HCC) was completed in the STOP-HCC trial, and approximately two-thirds of patients with metastatic colorectal cancer (mCRC), who have failed first-line chemotherapy, have now been enrolled in the EPOCH trial. Both trials are intended to support Premarket Approvals (PMAs) of TheraSphere® in the US.

The MOTION and SOLSTICE studies, using BTG cryoablation for the palliation of bone metastases, and for treating pulmonary metastatic disease, are both fully enrolled and on track to report data in 2018.

How DC Bead® works

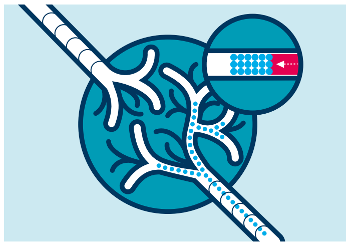


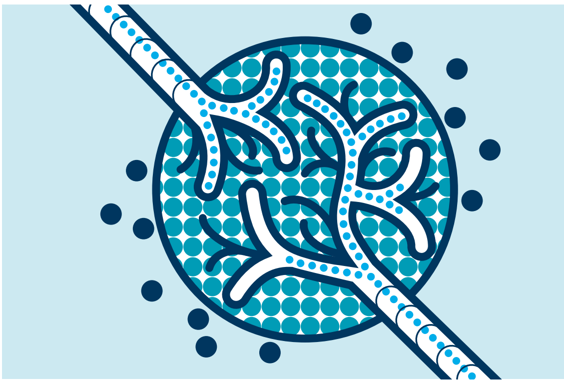
1. DC Bead® containing negatively charged sites are bound with a positively charged cancer drug. Water is displaced as the cancer drug is absorbed throughout the beads.



2. The drug loaded embolic beads are inserted into an artery through a catheter which is then advanced into a tumour feeding vessel.

3. The beads are guided to the tumour site and there they block the blood flow within the vessels, depriving the tumour of oxygen.





4. DC Bead® start a controlled release of a chemotherapeutic drug over time which results in ishchemia and tumour cell death.

Where next?

Building on our leadership in IO by expanding our product range, generating clinical data and selling our products in new territories.

Strategic priorities: performance

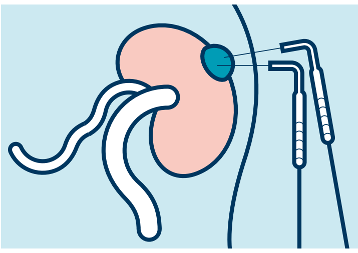
BTG cryoablation technology

In June 2016, BTG acquired Galil Medical, a leading provider of cryoablation technology for use in oncology and other indications. The main clinical use for the cryoablation technology today is in kidney cancer (renal cell carcinoma).

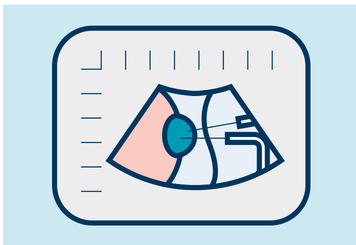
Globally, kidney cancer is the twelfth most common cancer, with an annual incidence of approximately 340,000[1] new cases. Causes include smoking, though there are other risk factors including being overweight, hypertension and having polycystic kidney disease. Treatment choices depend upon the stage of the cancer when diagnosed and include surgery, ablation, radiation therapy and biologic and chemotherapies.

The needles use ultra-thin probes that are inserted through the skin into the tumour. Argon gas is pumped under pressure into a small chamber inside the tip of the needle where it cools to a temperature below -100°C. This produces an ice ball of predictable size and shape that engulfs the tumour and leads to the successful destruction of the cancer cells.

How BTG cryoablation works

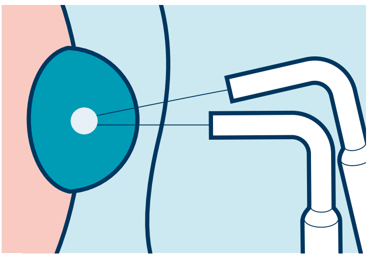


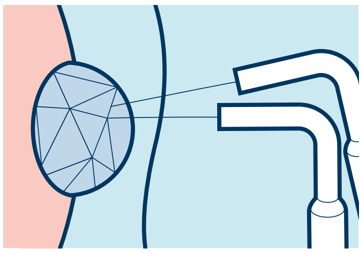
1. To freeze the cancer, special ultra-thin probes called cryoablation needles are inserted through the skin into the tumour.



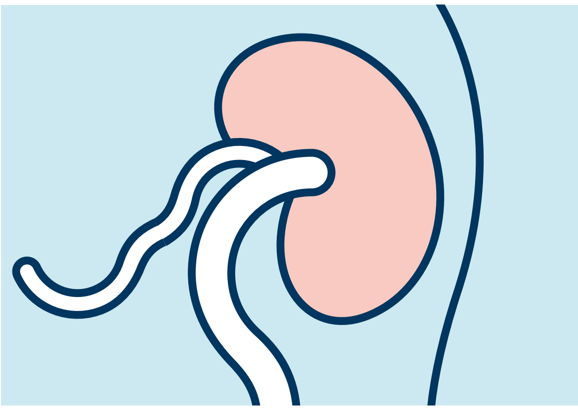
2. The needles are inserted under guidance of CT, ultrasound imaging or MRI.

3. Argon gas is delivered under pressure into a small chamber inside the tip of the needle where it expands and cools, reaching a temperature well below -100°C.





4. This produces an iceball of predictable size and shape around the needles. The iceball is visible under imaging, allowing the physician to ensure the iceball fully engulfs the tumour, killing the cancerous cells.

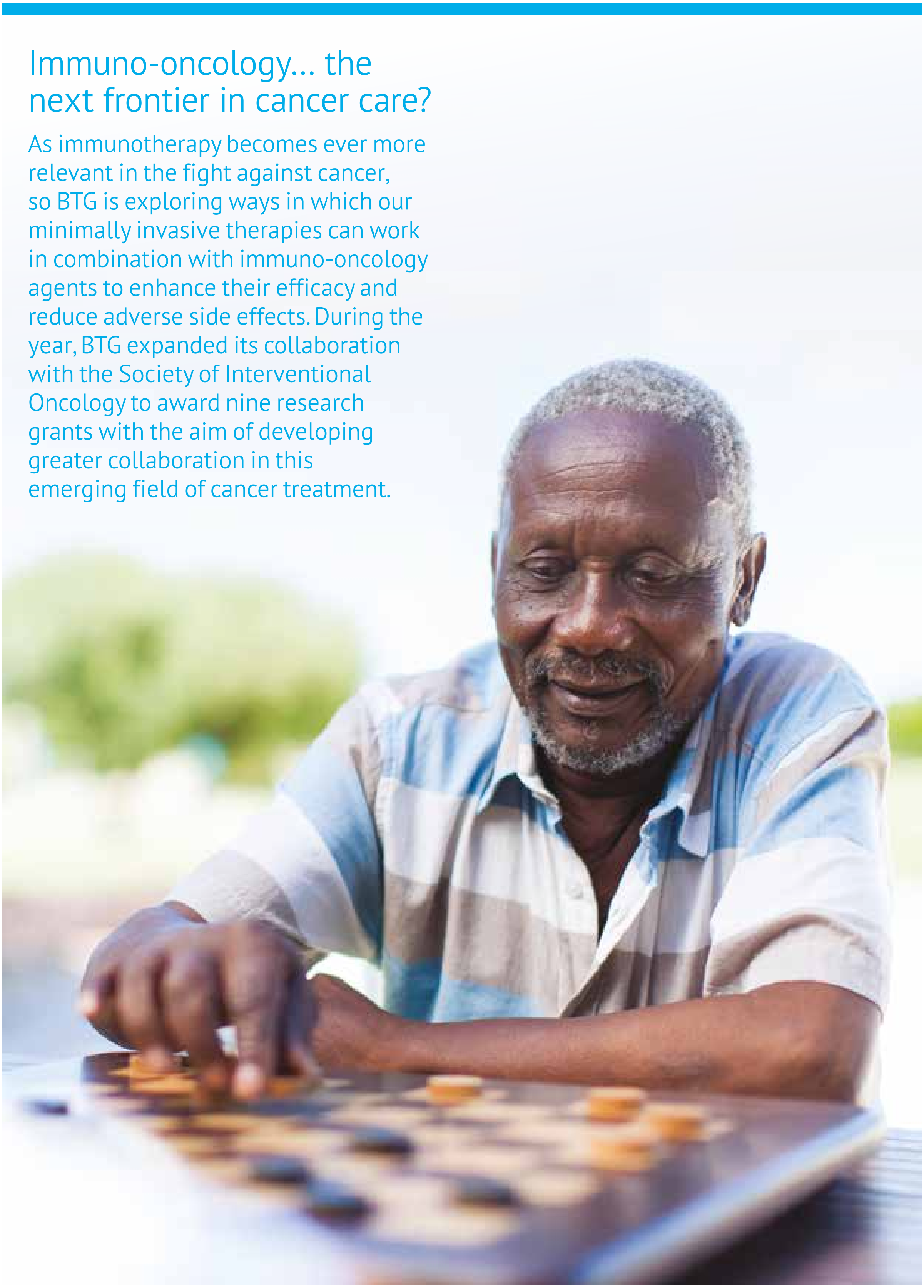


5. The body temperature gradually melts the iceball, resulting in ablated tissue.

Where next?

Galil's ablation expertise is anticipated to deliver a range of products, from new needle types to new modalities.

1. Source: www.cancerresearch.co.uk



Immuno-oncology… the next frontier in cancer care?

As immunotherapy becomes ever more relevant in the fight against cancer, so BTG is exploring ways in which our minimally invasive therapies can work in combination with immuno-oncology agents to enhance their efficacy and reduce adverse side effects. During the year, BTG expanded its collaboration with the Society of Interventional Oncology to award nine research grants with the aim of developing greater collaboration in this emerging field of cancer treatment.

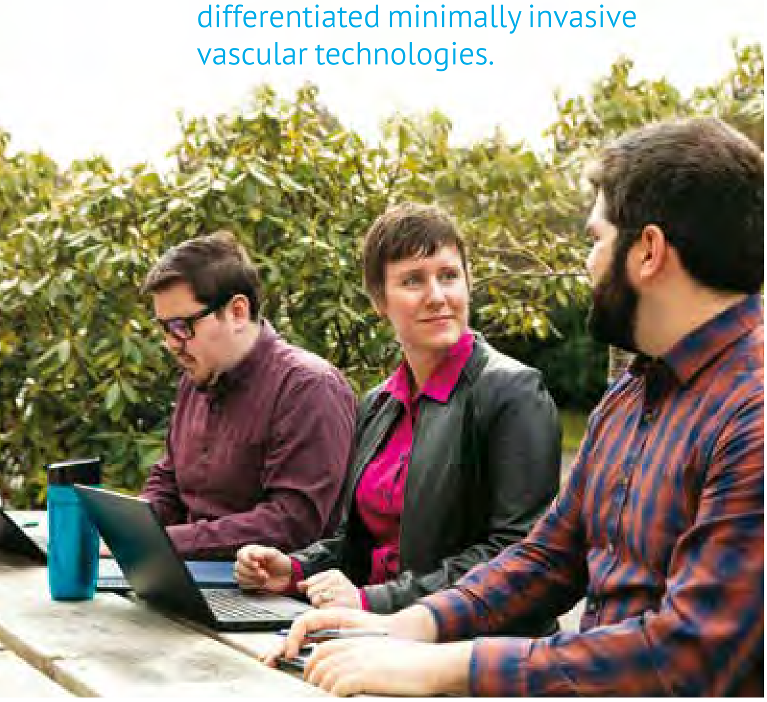
Strategic priorities: performance

Interventional Medicine: Vascular

Our Vascular portfolio consists of: the EKOS® System, which is an ultrasonic catheter drug delivery device used in the treatment of blood clots; and specialist anchoring catheters (CenterCross®, CenterCross® Ultra and MultiCross®) and microcatheters (MicroCross®), which enable physicians to cross complex lesions and arterial blockages.

Building on our success... Roxwood Medical acquisition

In October 2017, BTG acquired Roxwood Medical, an innovative provider of advanced cardiovascular specialty catheters used in the treatment of patients with severe coronary and peripheral artery disease. This bolt-on acquisition continues to build BTG's strength in the vascular space, further expanding our portfolio of differentiated minimally invasive vascular technologies.



The rise of minimally invasive vascular procedures

Every year, thousands of people die as a result of some form of blood clot. The collective term is venous thromboembolism (VTE) and this includes deep vein thrombosis (DVT), which is a blood clot in one of the deep veins in the body, and pulmonary embolism (PE), a blood clot in the vessel that carries blood from the heart to the lungs.

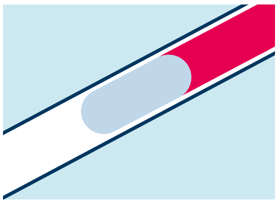
The incidence of VTE has increased markedly, driven in part by an ageing population and rising levels of obesity. Anticoagulant drugs, such as Heparin or Warfarin, are still widely prescribed as they decrease the clotting ability of blood, however, they have little effect on dissolving existing clots. When a VTE is very large, blocks major veins, or produces severe pain and swelling of the limb, then minimally invasive surgery, performed in a hospital setting by vascular surgeons and interventional radiologists, has been shown to reduce the severity of symptoms.

EKOS®

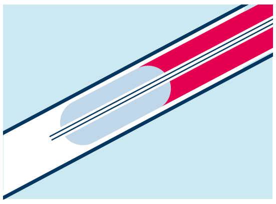
Enabling more procedures and faster clot dissolution

The core of our vascular business is based upon the EKOS® ultrasonic catheter drug delivery device. Once a catheter is inserted through the blood clot, the unique EKOS® ultrasonic core is fed through the infusion catheter and ultrasonic pulses thin and separate the fibrin strands that enmesh the blood clot. This acoustic action, combined with direct placement of a thrombolytic drug, results in faster and more complete clot dissolution.

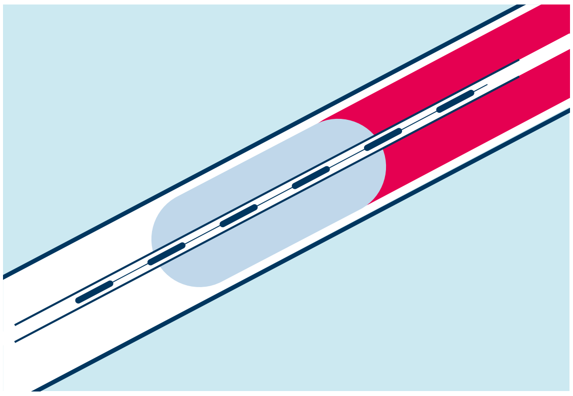
How we treat blood clots



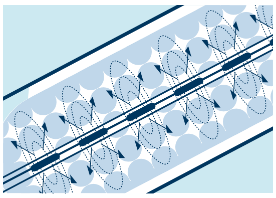
1. When blood clots form in the body they can cause chronic pain and swelling. The clot might also break free and travel through your blood stream to major organs, such as your lungs resulting in a life-threatening pulmonary embolism (PE).



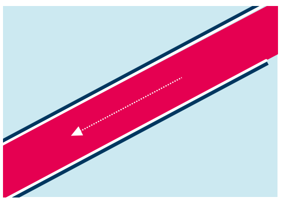
2. An infusion catheter is inserted within the blood vessel through the clot.



3. A unique ultrasonic core, containing numerous ultrasound transducers, is then inserted inside the infusion catheter.



4. The ultrasonic core then delivers acoustic pulses that loosen the fibrin strands that enmesh the blood clot. This acoustic action combined with the direct placement of a thrombolytic drug results in faster and more complete clot dissolution.



5. Blood flow is then restored within the vessel.

Where next?

Expand our vascular presence outside of the core US market, including Europe where we have established a direct sales presence in select countries.

In many instances, patients with severe coronary and peripheral arterial disease have complex blockages that prevent catheter guidewires from being able to get to the clot. The CenterCross® Catheter is designed to be used in conjunction with guidewires and microcatheters to access discrete regions of the coronary and peripheral vasculature and enable clinicians to better address wire-crossing of complex lesions.

Our CenterCross® and MultiCross® platforms enable clinicians to access the most challenging coronary and peripheral anatomies with optimum guidewire support and successfully treat patients with some of the most complex arterial disease.

Competition in vascular

EKOS® faces competition from standard side-hole catheters and mechanical devices that use catheters that physically break up the clot. The Roxwood products compete with more expensive powered devices that aim to break through the obstruction and clear a path for the guidewire.

Strategic progress and growth drivers

The vascular business now has a US national sales force selling both EKOS® and Roxwood products. US hospital penetration has increased to around 80% and expansion in other territories continues. In the EU, the sales and medical presence in major markets has been strengthened to support revenue growth and expand reimbursement, including in Germany where a new direct sales force has been established.

Adding to the clinical data already generated by EKOS® will enable us to build on our leadership position in the treatment of VTE. Clinical data from the OPTALYSE PE study showed that PE can be treated effectively with EKOS® using lower doses of thrombolytic drug and shorter treatment times than the standard protocol. This allows for scheduling flexibility and efficiencies in clinician time and drug costs. In addition, we have commenced the KNOCOUT PE registry, which will measure how hospitals and patients are benefitting from this new standard of care in the treatment of PE with EKOS® therapy using the protocols proven in the OPTALYSE PE study. EKOS® is the only device cleared by the US Food and Drug Administration (FDA) for use in treating PE.

Positive data were also reported from the ACCESS PTS study, which found that patients with chronic deep vein thrombosis (DVT) and post-thrombotic syndrome (PTS) can be treated safely and effectively with a combination of EKOS® therapy and balloon dilatation. As this is the only treatment regimen proven to significantly reduce the signs and symptoms of PTS and lead to a significant improvement in quality of life, over time this could provide another new procedure for physicians treating their patients.

Strategic priorities: performance

Early-stage Interventional Medicine

BTG's early-stage Interventional Medicine products are: the PneumRx® Coil, a treatment for severe emphysema; and Varithena®, a treatment for varicose veins.

PneumRx® Coil

Emphysema is a debilitating lung disease, most commonly caused by cigarette smoking. It is characterised by damage to the elasticity and function of the lung tissue, leading to shortness of breath and significant disability. Treatments to alleviate symptoms include pharmacotherapy, pulmonary rehabilitation and oxygen therapy. A very small number of patients may qualify for lung transplants or lung volume reduction surgery.

> Take a deep breath, hold it for three seconds, now take another deep breath without exhaling... this is what every breath feels like in the severe emphysema patient.

Dr Jerry Criner, Temple University

How the coils work

The PneumRx® Coils are made of a shape-memory material called nitinol, pre-programmed in a double-loop shape. After being straightened for insertion into the lung via a bronchoscope, they gather up and compress the diseased lung tissue surrounding them, re-tensioning the airway network, as they recover their original shape. The coils are designed to improve lung function by enabling more efficient contraction during the breathing cycle, and by tethering open small airways, preventing airway collapse during exhalation.

Market opportunity

It is estimated that there are over four million people worldwide with severe emphysema. The PneumRx Coil has been shown in clinical studies to improve lung function and quality of life in certain patients with severe emphysema.

Growth strategy and progress

Interventional Pulmonology is an emerging medical field. The coils are cleared for use in Europe, where low sales levels reflect that market development, including securing appropriate levels of reimbursement, is taking longer than expected.

Third party market research and feedback from payers received in the second half of the year has corroborated that there is a need for more clinical data in order to expand reimbursement and support market adoption in both Europe and the US.

There is a significant long-term opportunity and BTG is focusing on activities to build long-term value. These include conducting the ELEVATE clinical study, which is designed to generate additional clinical data to support patient selection and progressing reimbursement discussions in the EU. In the US, BTG is progressing a PMA application, with a decision expected from the FDA by the end of 2018.

Varithena®

Transforming the treatment of varicose veins

Varithena® is a uniform, low-nitrogen, engineered microfoam, that is dispensed from a proprietary canister device. Treatment is a non-surgical procedure and usually takes less than one hour, after which patients may resume light activities.

Market opportunity

It is estimated that there are approximately 30 million Americans with varicose veins, of whom about 2.5 million develop symptoms each year that qualify them to receive reimbursed treatment by their healthcare provider. Varicose veins are a progressive disease and, if left untreated, can result in more serious and painful leg ulcers.

Competition in the US reimbursed sector

The majority of reimbursed procedures are conducted in private vein clinics. Since 2005, most symptomatic varicose vein treatments involve a combination of heat ablation of the great saphenous vein (GSV), stab phlebectomy of the visible varicosities and sclerotherapy of the visible veins.

Growth strategy and progress

Category 1 CPT reimbursement codes in the US were implemented for Varithena® effective 1 January 2018. The new CPT codes define Medicare payment rates and enable automatic and electronic processing of claims, providing physicians in the US with further predictability of payment and streamlining the reimbursement process. The impact of these new codes on physician ordering and re-ordering patterns, and on insurer practice, will be clearer by the end of 2018.

Strategic priorities: performance

Pharmaceuticals and Licensing

Our Pharmaceutical portfolio of three acute care products offers rescue medication to patients for whom there are few or no other treatment options.

Pharmaceuticals

We have built leading positions within our Pharmaceuticals business. Our portfolio of marketed products is sold in the US through small, specialist sales teams and elsewhere in the world, where approved or permitted on a named patient basis, through commercial partners.

Physician education and awareness initiatives continue to drive optimum use of BTG's antidotes. We have invested in digital consumer platforms for CroFab®, a treatment for North American crotalid snake envenomation, and we have strengthened distribution channels for the digoxin overdose antidote DigiFab®.

Growth of the high-dose methotrexate antidote Voraxaze® continues, as awareness of methotrexate toxicity and treatment options increases.

During the year, BTG stopped the sale of Vistogard® as the related distribution agreement with Wellstat Therapeutics Corporation was terminated following a court ruling in relation to the litigation with Wellstat.

Licensing

Whilst no longer a strategic priority for BTG, the Group expects to continue to receive royalties for some years to come, primarily from sales of Johnson & Johnson's prostate cancer drug Zytiga®. Generic competition to Zytiga® is not expected in the US before October 2018 and in the EU by September 2021.

Royalties from Zytiga® grew strongly following the publication of positive data from two clinical studies that showed benefits in men who were initiated on Zytiga® treatment at an earlier stage of disease progression.

7,000 to 8,000

people per year receive venomous bites in the United States

Source: Centers for Disease Control and Prevention

Progress in the year

April 2017

First European patients treated with radiopaque drug-eluting beads

Two patients are treated for hepatocellular carcinoma (HCC) and one patient is treated for malignant colorectal cancer metastasised to the liver (mCRC) using DC Bead LUMI™. This is the first commercially available radiopaque drug-eluting bead (DEB) in the EU that can be loaded with doxorubicin or irinotecan for the local treatment of tumours in patients with HCC and mCRC, respectively.

2017

June 2017

SIO announces first grants in Interventional Oncology/ Immuno-Oncology research programme

BTG and The Society of Interventional Oncology (SIO), a global organisation working to nurture and support interventional oncology worldwide, announce their 2017 Interventional Oncology/ Immuno-Oncology research grant recipients.

September 2017

BTG and Mirada Medical sign software development agreement

Mirada Medical and BTG began working together to develop software solutions to optimise radioembolisation therapy with TheraSphere®. That collaboration resulted in Simplicit90Y™, a customised, easy-to-use dosimetry software that helps physicians to personalise treatment with TheraSphere®, for patients with liver cancer.

October 2017

BTG acquires Roxwood Medical

This bolt-on acquisition continues to build BTG's strength in the interventional vascular space, further expanding our portfolio of differentiated, minimally invasive vascular technologies alongside our existing EKOS® business.

November 2017

Varithena® receives finalised CPT codes

The US Centers for Medicare and Medicaid Services publish the final fee schedule for new Category I CPT codes for Varithena® procedures. The codes are effective from 1 January 2018 and define Medicare payment rates and enable automatic and electronic processing of claims.

2018

February 2018

First patient in Latin America receives treatment with TheraSphere®

Liver cancer has a high mortality rate in Mexico and is now the 14th highest cause of all fatalities. Dr Jose Luis Rios Reyna, Interventional Radiologist, Chief of Imagenology, Hospital Ángeles Mocel, in Mexico was responsible for administering the first ever dose of TheraSphere®.

Strategic priorities: performance

People and practices

As a fast-growing business, we invest in our people, our capabilities, and the practices that ensure BTG will be able to deliver value over the long term and for a wide-range of stakeholders.

This section highlights areas where we are working to ensure our growth is sustainable and that our organisation continues to be a responsible corporate citizen and a trusted member of the communities where we operate.

We provide additional information about our policies and positions on a range of social, environmental and governance topics on our website at **btgplc.com/responsibility**.

Maintaining our culture

As we grow, both organically and through acquisition, maintaining our culture continues to be an essential component of our success. Monthly company-wide meetings, hosted by the CEO and featuring news, stories and major developments, help to keep employees informed and to reinforce our ways of working. Our DNA defines a set of behaviours that provide consistent ways of working as the company grows. We believe these behaviours provide a competitive advantage, allowing us to stay agile and entrepreneurial, while also making BTG a great place to work. As part of our ongoing effort to maintain this culture, this year we put particular emphasis on encouraging communication, an appropriate appetite for risk, critical thinking, efficiency, and accountability.

Rather than a top-down initiative, we reinforce our culture through a network of influential employees we call 'Champions' who span our business functions and geography. They are empowered to maintain and propagate our culture through role-modelling, sharing experiences, and peer-to-peer interactions. This year we bolstered our Champion network by selecting and training 'Site Mobilisers' to help guide and coordinate our efforts at particular locations and for each major group of field based employees.

Diverse people with diverse perspectives

BTG employs more than 1,600 people in 20 countries around the world. These employees come from all walks of life and represent a diverse range of age, race, religion, gender, gender expression and sexual orientation. More importantly, our employees offer a diversity of opinions and perspective. We foster an open and inclusive culture that allows employees to understand and trust each other, and to listen and learn from each other's experiences. We believe this leads us to better business decisions and more innovative solutions to problems.

In accordance with the UK government's Equality Act 2010 (Gender Pay Gap Information) Regulations of 2017, BTG has published data on our website and in a government registry showing differences in mean and median pay between genders.

The data shows that on average male employees earn 17% more than women with the median male employee earning 11% more than the median female employee. These differences are driven by proportionally more men being in senior, higher paid roles. More clearly identifying these gaps helps us better target our efforts to address them. Additional statistics required by the legislation are available on the Responsibility section of our website.

Analysis of BTG's pay practices globally gives us comfort that men and women are paid the same for carrying out the same work or work of equal value, and we see no statistically significant difference in average salaries between men and women in the same job band. Women make up 27% of our board and 44% of our top leadership. BTG has several programmes to identify, develop, and recruit diverse talent into the Company.

Learning from others

This year's HORIZONS participants formed teams that conducted 'learning expeditions,' capturing transferable lessons from businesses ranging from Netflix and Hubspot to non-profit organisations such as the Cure Violence campaign in Chicago and the United Nations Human Rights Council.

Investing in people and capabilities

Our Management Development Programme (MDP) enrolled 39 people this year and the formal programme was reinforced by online forum discussions between participants. This is our third year since we started facilitating and developing the MDP internally and since then 78% of the participants have moved into new roles within the organisation. Our mentoring programme has paired 34 new employees this year with senior leaders to further develop their leadership, management and executive presence skills.

This year 90 people participated in our HORIZONS programme, which aims to foster a community of emerging leaders from across the company. HORIZONS stems from the belief that our success depends on us having leaders who understand the direction the company is heading in and what it means to be accountable for making things happen. Participants discussed the capabilities needed to lead in BTG today and in the future, heard from external guest speakers, and held individual Q&A sessions with several members of the Leadership Team.

We continue to place a strong focus on succession planning and have improved successor readiness across the organisation with all of our Leadership Team and next level down roles having an identified succession plan, 86% have an internal successor identified whilst 14% require an external successor. Of the 86% of internal successors, readiness has more than doubled in two years with 63% of the successors being identified as ready now; 65% mid-term and 84% long-term. We've seen a number of significant moves across the top levels of the organisation this year that were a result of our robust succession planning process. These include the previously announced internal placement of Duncan Kennedy to the Board and role of Chief Financial Officer as well as the placement of Peter Pattison to the Head of Interventional Oncology role and a member of our Leadership Team. Looking further into the future, the company is working to generate a pipeline of talent with two new graduate trainees and 10 participants in our apprenticeship scheme. Next year we will double these figures across the company to add another three graduate trainees and 10 more apprentices. This year we also rolled out a new Technical Ladder and Bonus Plan for our Manufacturing Production teams across the globe. These guidelines support visibility for career progression, more accurate measurement of individual performance and create an incentive structure that allows for a closer connection of performance to payout.

Strategic priorities: performance

Looking further into the future, the company is working to generate a pipeline of talent by continuing to invest in graduate and apprenticeship schemes.

Health and well-being

The physical and mental well-being of our employees is a high priority for managers, especially at our higher risk facilities. The number of accidents increased from five to seven in the year. Two initiatives were commenced as a result of investigations into the accidents.

(a) all BTG sites implemented the use of safety knives

(b) an ergonomic improvement was started at the Seattle site

The Australia site recorded its second consecutive year without a lost time accident.

Month/year	Accidents per 100,000 hours worked[1]
End March 2018	0.22
End March 2017	0.17

1. This figure includes accidents where people have returned to work and were given alternative duties as they were not able to fulfil their normal roles.

Community service and charitable giving

Our community service and charitable giving activities are coordinated locally at each of our major sites. Employees choose the charities and initiatives they feel best support their local community or causes aligned to our values. Charities chosen this year include, for example, the American Heart Association, American Lung Association, London Air Ambulance, Wales Air Ambulance, Sue Ryder, and the Black Dog Institute (a more complete list of charities is available on our website). BTG also encourages employees to support charitable events by matching funds raised by individuals up to a designated cap.

During this fiscal year we donated £23,866 (2016/17: £44,000) to charitable causes chosen by our employees.

Protecting the environment

Each year we look for new ways to reduce our environmental impact. Each facility exclusively occupied by BTG with more than 20 employees is asked to implement two eco-efficiency projects per year.

Electricity consumption and total carbon dioxide emissions were broadly flat compared to last year, with the closure of BTG Germany siteoff setting an increase at other sites. A decrease in production units led to the per unit increase in electricity use and CO_2 emissions.

Environmental Impact

Data Point	2017/18	2016/17	% Change
Total CO_2 equivalent generated (tonnes)[1-5]	**6,698**	**6,989**	**(4)**
Total CO_2 equivalent generated (tonnes), scope 1[1-5]	1,286	1,571	(18)
Total CO_2 equivalent generated (tonnes), scope 2[1-5]	5,412	5,418	–
Total production units[1-5]	229,571	276,691	(17)
Total Kg CO_2 generated per production unit[1-5]	**29.45**	**25.26**	**17**
Total employees[8]	1,631	1,558	5
Total Kg CO_2 generated per employee[1-5]	**4,145**	**4,383**	**(5)**
Total electricity consumed (MWh)[1-5]	9,939	9,879	1
Total electricity consumed per production unit[1-5]	0.0433	0.0357	21
Total waste from production and research sites (tonnes)[6]	**602.3**	**687.9**	**(12)**
Waste recycled[6]	186.7	213.6	(13)
Hazardous waste – incinerated or other treatment[6]	159.3	200.0	(20)
Waste to landfill[6]	256.3	274.3	(7)
Total water consumed production and research sites (m^3)[7]	**40,853**	**39,132**	**4**

Notes

This data excludes Frankfurt facility closed during the year, and Roxwood facility acquired in 2017.

1. GHG protocol used for data. Scope 3 emissions have not been calculated.
2. Covers 100% of BTG controlled operations; third-party manufacturing has not been included in either the carbon dioxide generated or the intensity figures.
3. Data from operational sites with more than 20 employees based on energy bills.
4. Emissions from field based staff and smaller offices estimated based on average US consumption – as this is where the majority of employees are based, 24% of data is estimated.
5. Conversion factors used: Defra/DECC 2017 and government websites for operations in countries outside the UK.
6. Waste from our manufacturing and research sites in Australia, USA, Israel, Germany and UK.
7. Water consumption measured at our production sites in Australia, USA and UK.
8. Employee number includes all employees, plus contractors and temporary workers directly supervised by BTG employees.

Our code

Because BTG operates in a highly regulated industry, our employees are trained and regularly reminded of the ethical behaviours expected of them. We instruct every employee in every region and function on our Code of Conduct annually, and contractors and other third parties we work with are expected to adhere to the same standards. The principles and procedures described in the Code, along with supporting policies, ensure that we operate in line with applicable industry codes of practice (e.g. ABHI, AdvaMed, EFPIA, IFPMA, JPMA, MedTech Europe, PhRMA), and the specific laws and regulations of the countries in which we do business.

We encourage employee incident reporting and are committed to investigating and dealing with all concerns in an open and honest manner and protect those raising concerns. Employees can report concerns in a variety of ways, including via a confidential whistleblowing helpline.

Anti-bribery and corruption

Bribery is considered illegal in all countries in which BTG conducts business. Our anti-bribery and corruption (ABAC) policy prohibits BTG employees, and those acting on their behalf, from offering anything of value as a bribe or inducement to others to make decisions that favour BTG's interests. These policies are designed to promote compliance with the UK Bribery Act, the US Foreign Corrupt Practices Act (FCPA), and other local law equivalents.

Transparency

To ensure the transparency of our relationship with healthcare providers, BTG collects, tracks, and reports payments to healthcare professionals and organisations in accordance with the US Physician Payment Sunshine Act.

Tax strategy

The overriding policy of BTG is to pay the taxes which are legally due in the territories in which it operates and to make filings and tax payments on a timely basis. Tax decisions take account of the views and interests of all of our stakeholders and are in accordance with the BTG Code of Conduct and core values. We publish information on our website about how we manage tax risk, our approach to tax planning and tax risk, and how we interact with tax authorities.

Respecting international standards

BTG has publicly committed to respecting international standards such as the United Nations Universal Declaration of Human Rights. All appropriate staff are provided with information, instruction and training to raise awareness of the responsibilities under the Modern Slavery Act and those directly responsible for the selection of new suppliers and on-going management of existing supplier relations are required to act in accordance with the Act's requirements. Our statement on Human Rights is available on our website and satisfies the UK Modern Slavery Act and the US California Transparency in Supply Chains Act.

Ethically priced

Each of our products is priced in accordance with its value from the points of view of healthcare professionals, patients and payers, and to allow our continued investment in R&D. For some products we offer Patient Assistance and access programmes to ensure life-saving treatments are available to patients who need them.

CDP Carbon disclosure

BTG participates in CDP, formerly Carbon Disclosure Project, a not-for-profit organisation providing a global system for companies to share vital environmental information.

Group financial review

Delivering a good underlying financial performance

BTG delivered a good underlying financial performance in 2017/18, and the Group has built a product sales business that is well positioned to deliver sustained profitable growth.

This review includes financial metrics on both an IFRS and adjusted basis. Information on the Group's adjusted financial information is set out on pages 35 and 36.

Financial highlights

Revenues

- Product sales were £423.8m (2016/17: £387.3m) up 10% on a Constant Exchange Rate (CER) basis, with growth driven by Interventional Oncology, Interventional Vascular and Pharmaceuticals. At actual exchange rates product sales were up 9%.
- Interventional Medicine delivered very good growth, up 14% at CER, and Pharmaceuticals delivered good growth, up 5% at CER.
- Revenues were £620.5m (2016/17: £570.5m), up 10% at CER and up 9% at actual exchange rates. Revenues in the year benefited from good growth in Licensing, with very strong growth in Zytiga® royalties, and from £11.0m of Lemtrada™ back-royalties.

Financial summary
Revenues

		2017/18 £m	2016/17 £m	Growth %	Growth at CER[1] (%)
Interventional Oncology		156.2	139.0	12	14
Interventional Vascular		73.7	64.0	15	18
Early-stage Interventional Medicine	PneumRx®	6.8	9.1	(25)	(29)
	Varithena®	6.2	4.1	51	55
Interventional Medicine		**242.9**	216.2	12	14
	CroFab®	100.4	82.4	22	19
	DigiFab®	51.8	64.1	(19)	(18)
	Voraxaze®	25.5	21.1	21	22
	Other	3.2	3.5	(9)	(3)
Pharmaceuticals		**180.9**	171.1	6	5
Product Sales		**423.8**	387.3	9	10
	Zytiga®	155.4	123.2	26	30
	Lemtrada™	21.8	39.0	(44)	(49)
	Other	19.5	21.0	(7)	(5)
Licensing		**196.7**	183.2	7	9
Revenues		**620.5**	570.5	9	10

1. For the methodology applied to calculate CER growth, refer to page 34.

Operating profit

- Adjusted operating profit was £152.7m (2016/17: £129.6m), up 20% at CER, reflecting higher revenues offset by targeted commercial and R&D investments. Adjusted operating margin improved to 25% (2016/17: 23%).
- On an IFRS basis, the Group reported an operating loss of £102.8m (2016/17: profit of £57.5m). The loss includes intangible asset impairment charges of £151.1m (principally charges of £143.2m relating to the impairment of PneumRx intangible assets) and a charge of £57.7m in respect of the Vistogard® commercial dispute.

EPS

- Adjusted basic EPS was 32.9p (2016/17: 23.1p), up 42% due to higher adjusted profit after tax, before non-controlling interests, of £125.7m (2016/17: £88.7m). Adjusted profit after tax was higher in 2017/18 due to growth in adjusted operating profit and foreign exchange forward contract gains in 2017/18 compared to losses in 2016/17, partly offset by a higher adjusted effective tax rate.
- IFRS basic EPS was 3.9p (2016/17: 8.7p), down 55% due to lower profit after tax. The IFRS loss before tax in 2017/18 was offset by a net tax credit, in part due to a one-time credit recognised as a result of US tax reform.

We are well positioned to continue generating around double-digit product sales growth through the anticipated royalties decline, and to deliver operating leverage over the medium term.

Cash flow

- Free cash flow was £109.3m (2016/17: £64.7m), up 69% with growth benefiting from comparison with free cash flow in 2016/17 which included the DOJ litigation. Excluding this settlement, free cash flow was up 18% in 2017/18 as very good growth in adjusted operating profit was converted into cash.
- On an IFRS basis, cash flow from operating activities was up 63% to £120.7m (2016/17: £74.2m).

Group financial review continued

Interventional Medicine

Interventional Medicine revenues increased to £242.9m (2016/17: £216.2m), up 14% at CER. Interventional Medicine is the Group's largest and fastest growing business unit.

Interventional Oncology revenues grew 14% at CER to £156.2m (2016/17: £139.0m). This primarily reflects increased demand for TheraSphere® from existing and new customers in the US and EU, and continued growth in the number of cryoablation procedures.

Interventional Vascular revenues were £73.7m (2016/17: £64.0m), 18% higher at CER. Positive data from the OPTALYSE PE study supported continued growth in the use of the EKOS® devise to treat pulmonary embolism, and the total number of US hospitals using EKOS® grew. Revenues included the first sales of the specialty catheters and crossing devices from Roxwood Medical, which was acquired in October 2017.

Among the earlier-stage products, sales of the PneumRx® Coil treatment for severe emphysema were £6.8m (2016/17: £9.1m), down 29% at CER due to a lower number of procedures in Germany, the largest market.

Sales of the varicose veins treatment Varithena® increased to £6.2m (2016/17: £4.1m), reflecting steady progress and customers transitioning from interim reimbursement codes in the US to new category 1 CPT reimbursement codes in January 2018.

Pharmaceuticals

Pharmaceuticals revenues were £180.9m (2016/17: £171.1m), up 5% at CER.

Sales of CroFab®, the snakebite antivenin, were up 19% at CER, driven by volume growth and benefit of single digit price increases. A different antivenin could enter the US market from October 2018. While this competition would likely result in some impact on CroFab® sales over time, BTG expects CroFab® and the Pharmaceuticals business overall to continue to provide a strong financial underpin.

Sales of the digoxin toxicity treatment DigiFab® were lower as expected, down 18% at CER, primarily reflecting the timing of hospital reorders relating to expired product batches.

Sales of Voraxaze®, used for treating high-dose methotrexate toxicity, were 22% higher at CER. Final sales from Vistogard® were £3.2m (2016/17: £3.2m) as BTG has relinquished all its former rights to this product.

Licensing

Licensing revenues increased by 9% at CER to £196.7m (2016/17: £183.2m).

Royalties from Zytiga® were £155.4m (2016/17: £123.2m), up 30% at CER, delivering very strong growth following the publication of new data that supported earlier use in patients with advanced prostate cancer. As previously outlined, no generic entrant to Zytiga® is expected in the US before October 2018, and no generic entrant to Zytiga® is expected in the EU before September 2021.

Royalties from Lemtrada™ declined to £21.8m (2016/17: £39.0m) due to the expiration of the US and EU patents in March and September 2017 respectively. These final royalties included £11.0m of back-royalties.

Gross profit

Adjusted gross profit was £435.0m (2016/17: £391.6m) at an adjusted gross margin of 70% (2016/17: 69%). IFRS gross profit was £434.6m (2016/17: £390.6m), at a gross margin of 70% (2016/17: 68%).

The Interventional Medicine gross margin of 71% (2016/17: 71%) continues to be supressed by the fixed manufacturing cost base for the early-stage products, Varithena® and PneumRx®. The Pharmaceuticals gross margin of 90% (2016/17: 90%) reflects the high efficiency of this business.

The Licensing gross margin improved to 51% (2016/17: 45%) as a result of increased revenues from higher margin royalty streams in 2017/18 and the ongoing benefits of being able to offset expenses incurred by BTG against amounts owed to licensors.

SG&A

Adjusted SG&A grew 4% at CER to £185.7m (2016/17: £178.6m), reflecting increased commercial investments in Interventional Medicine that were partly offset by continued effective cost management across the Group. Adjusted SG&A was up 4% at actual exchange rates.

IFRS SG&A of £325.5m (2016/17: £206.6m) includes a provision of £57.7m in relation to the previously disclosed Vistogard® commercial dispute, and impairment charges relating to the ex-US intangible assets of PneumRx® and Vistogard® of £76.6m and £5.5m respectively. IFRS SG&A in 2016/17 included a charge of £28.0m in relation to the settlement of the investigation into the historical marketing of LC Bead®.

Research and development

Adjusted R&D expenditure was £95.3m (2016/17: £87.8m), up 10% at CER, reflecting increased investment primarily in Interventional Oncology programmes, including the STOP-HCC and EPOCH TheraSphere® trials, as well as support for a number of ablation development projects. At actual exchange rates, adjusted R&D was up 9%.

IFRS R&D expenditure was £165.5m (2016/17: £87.8m) and includes intangible asset impairment charges of £68.7m, principally in relation to the PneumRx® in-process research and development intangible asset.

Operating profit

Adjusted operating profit was £152.7m (2016/17: £129.6m), up 20% at CER, reflecting higher revenues offset by targeted commercial and R&D investment. Adjusted operating margin improved to 25% (2016/17: 23%).

On an IFRS basis, the Group reported an operating loss of £102.8m (2016/17: profit of £57.5m). The loss includes intangible asset impairment charges of £151.1m (principally charges of £143.2m relating to the impairment of PneumRx® intangible assets) and a charge of £57.7m in respect of the Vistogard® commercial dispute.

Financial expense/income

Adjusted net financial income was £7.3m (2016/17: net financial expense of £26.6m), principally reflecting gains of £8.8m on foreign exchange forward contracts in 2017/18 compared to losses of £25.2m in 2016/17.

IFRS net financial income was £32.2m (2016/17: net financial expense of £25.9m). In addition to foreign exchange forward contract gains, IFRS net financial income includes a net credit of £24.9m relating to the change in fair value of contingent consideration liabilities (2016/17: net credit of £0.7m), principally a credit of £26.5m relating to the release of the PneumRx® Coil US regulatory approval milestone.

Taxation

The adjusted effective tax rate of 21% (2016/17: 14%) is higher than the standard rate of UK corporation tax as a significant portion of the Group's profit arises in the US where there is a higher US corporate tax rate. This is in part offset by the UK's patent box deduction on royalty income and the recognition of deferred tax assets for historical losses and timing differences.

On an IFRS basis, there was a tax credit of £83.3m (2016/17: credit of £2.0m). The tax credit in part arises from the one-time impact of US tax reform, which resulted in a net credit of £36.2m being recorded in 2017/18, principally relating to the revaluation of net deferred tax liabilities to the lower US federal tax rate. The overall tax credit also includes the benefit of expected future tax relief for litigation provisions and deferred tax credits relating to the amortisation and impairment of acquired intangible assets.

Group financial review continued

Earnings per share

Adjusted basic EPS was 32.9p (2016/17: 23.1p), up 42% due to higher adjusted profit after tax, before non-controlling interests, of £125.7m (2016/17: £88.7m). Adjusted profit after tax was higher in 2017/18 due to growth in adjusted operating profit and foreign exchange forward contract gains in 2017/18 compared to losses in 2016/17, partly offset by a higher adjusted effective tax rate.

IFRS basic EPS was 3.9p (2016/17: 8.7p), down 55% due to a lower profit after tax in the year.

BTG has a robust financial position that can support sustained, profitable growth.

Balance sheet

	31 March 2018 £m	31 March 2017 £m
Non-current Assets	754.7	968.8
Current Assets	408.0	342.3
Non-current Liabilities	(59.8)	(165.7)
Current Liabilities	(190.1)	(165.5)
Net Assets	912.8	979.9

Non-current assets

Non-current assets decreased by £214.1m to £754.7m (31 March 2017: £968.8m), principally due to lower intangible assets. The carrying value of intangible assets decreased by £215.2m following the impairments of PneumRx, Vistogard® and Oncoverse intangible assets, together with the effect of amortisation and foreign exchange translation. These decreases were partially offset by intangible assets acquired with Roxwood Medical.

Current assets

Current assets increased to £408.0m (31 March 2017: £342.3m). Cash and cash equivalents were £54.5m higher at £210.0m (31 March 2017: £155.5m), reflecting continued strong cash generation.

Inventories increased to £61.0m (31 March 2017: £58.4m) and receivables increased to £134.0m (31 March 2017: £125.7m) as a result of underlying business growth, partially offset by foreign exchange retranslation.

Non-current liabilities

Non-current liabilities decreased to £59.8m (31 March 2017: £165.7m) principally due to a reduction in deferred tax liabilities as a result of the effects of US tax reform, foreign exchange retranslation, and impairments and amortisation of associated intangible assets.

Current liabilities

Current liabilities increased to £190.1m (31 March 2017: £165.5m). Trade and other payables decreased to £127.9m (31 March 2017: £152.0m) principally due to a reduction in the fair values of contingent consideration liabilities in relation to the PneumRx® acquisition. Derivative financial instrument liabilities decreased to £0.6m (31 March 2017: £7.9m) due to changes in the fair values of foreign exchange forward contracts in the period.

These decreases were more than offset by an increase in provisions, principally due to the recognition of a provision of £53.9m in respect of the Vistogard® commercial dispute, reflecting damages awarded and estimated pre- and post-judgement interest consistent with the Final Order and Judgement issued in November 2017. BTG has appealed the quantum of damages and the appeal is ongoing.

Summary cash flow

	2017/18 £m	2016/17 £m
Free Cash Flow	**109.3**	64.7
Cash paid for Galil Medical, net of cash acquired	–	(55.1)
Cash paid for Roxwood Medical, net of cash acquired	(43.6)	–
Other investing and financing activities	(2.4)	(0.4)
Net Change in Cash	63.3	9.2
Opening Cash and Cash Equivalents	155.5	
Effect of foreign exchange on cash	(8.8)	
Closing Cash and Cash Equivalents	210.0	

The business continues to be highly cash generative. Free cash flow was £109.3m (2016/17: £64.7m), up 69%, with growth benefiting from comparison with free cash flow in 2016/17 which included the settlement of the DOJ litigation. Excluding this settlement, free cash flow was up 18% in 2017/18 as very good growth in adjusted operating profit was converted into cash.

On an IFRS basis, cash flow from operating activities was up 63% to £120.7m (2016/17: £74.2m).

Cash and cash equivalents were £210.0m at 31 March 2018 (31 March 2017: £155.5m).

On 7 November 2017, the Group refinanced its multi-currency revolving credit facility (RCF) which was otherwise due to expire in November 2018. Following the refinancing, BTG has a £150m multi-currency RCF, with an option to increase the RCF by a further £150m. The RCF has a three-year term which expires in November 2020, although the Group has the option to extend the term of the RCF for up to an additional two years. The RCF currently remains undrawn.

Reporting in US Dollars (USD)

BTG will in future report in USD, starting with its Interim Results for the six months ending 30 September 2018. In June 2018 BTG will publish selected historical financial results restated to USD.

Summary and outlook for 2018/19

BTG has delivered a good financial performance this year, with very good growth in Interventional Medicine contributing to double-digit growth in product sales and adjusted operating profit, and strong cash generation.

BTG has the financial resources and capabilities to continue to make targeted investments in product innovation, clinical data, geographic expansion and acquisitions. This will enable the business to develop and sustain leading positions in attractive growth markets, creating significant long-term value for shareholders.

Viability statement

The activities of the Group, together with factors likely to affect its future development and performance, its financial position, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report on pages 4 to 36. The Directors have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. These risks and the manner in which they are mitigated are summarised in the risk management and principal risks section on pages 62 to 67.

Taking account of the Group's financial position and principal risks, the Directors assess the prospects of the Group by reviewing at least annually the annual budget, the three year strategic plan and the Group's risk framework. The Directors review the potential impact of each principal risk as well as the risk impact of any major events or transactions. A three-year period is considered appropriate for this assessment as it is consistent with the period covered by the group's business planning process.

The Group is well positioned to manage its business risks in the event identified risks materialise. The Group has a number of established business units which provide a strong financial underpin. The Group also has considerable financial resources, including cash and cash equivalents of £210.0m at 31 March 2018, strong free cash flows and access to a £150m revolving credit facility, with an option to increase the RCF by an additional £150m. Based on the results of its analysis, the Directors believe that the Group is well placed to manage its business risks successfully. The Directors have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Group financial review continued

Information on adjusted financial information

The financial review includes financial information prepared in accordance with International Financial Reporting Standards and the Group's accounting policies, as well as financial information presented on an adjusted basis.

Financial information on an adjusted basis excludes certain cash and non-cash items which management believe are not reflective of the underlying financial performance of the business and is consistent with how management reviews the business for the purpose of making operating decisions.

Metrics presented on an adjusted basis in this Annual Report include Constant Exchange Rate (CER) growth, Adjusted Gross Profit, Adjusted SG&A, Adjusted R&D, Adjusted Operating Profit, Adjusted Net Financial Income/Expense, Adjusted Effective Tax Rate, Adjusted Basic EPS and Free cash flow. A reconciliation between IFRS and adjusted financial information is included on page 35 and 36 of this report.

These metrics are further discussed below:

CER growth: CER growth is calculated by restating 2017/18 performance using 2016/17 exchange rates for the relevant period. CER growth allows management to focus on underlying performance without the impact of foreign exchange, which it cannot control.

Adjusted Operating Profit: Adjusted operating profit reflects the IFRS operating profit of the Group excluding the impact of certain adjustments, which have been separately outlined below. Adjusted operating profit allows management to assess operational performance without the impact of certain items which are not reflective of underlying financial performance.

Adjusted Basic EPS: Adjusted Basic EPS reflects Basic EPS excluding the after tax impact of certain adjustments, which have been outlined below. Adjusted Basic EPS allows management to assess EPS without the impact of certain items which are not reflective of underlying financial performance.

Free Cash Flow: Reflects the cash generated from operating activities after recurring capital expenditure, being a measure of cash flow available for discretionary investing or financing activities. The reconciliation of free cash flow to net cash flows from operating activities is shown on page 36.

Adjusted gross profit, Adjusted SG&A, Adjusted R&D, Adjusted Finance Income/Expense and Adjusted effective tax rate are stated after excluding the effect of those items outlined below.

Management apply a consistent policy in determining its adjusted financial measures. In determining this policy, outlined below, management assess the nature and materiality of individual or groups of items, and have deemed it appropriate to adjust for those items including their tax effect, which (i) occur outside the normal course of business and (ii) relate to corporate acquisitions. These adjustments allow better comparability with historic performance and identify year on year trends in the underlying performance of the business.

Items excluded from adjusted financial measures in 2016/17, 2017/18 and from our outlook for 2018/19 are:

(a) Acquisition related adjustments

- The release of the fair value uplift of acquired inventory or PP&E
- Amortisation of acquired intangible assets and impairment charges relating to acquired or in-licensed intangible assets or goodwill
- Fair value adjustments relating to contingent consideration liabilities
- Transaction costs incurred in relation to corporate acquisitions

(b) Other adjustments

- Net costs relating to the settlement of litigation, disputes and government investigations
- Reorganisation costs, including redundancy programmes, property costs and asset impairments arising from significant restructuring
- The impact of US tax reform on current and deferred tax

Reconciliation between IFRS and Adjusted Income Statement
For the period ended 31 March 2018

	IFRS Total £m	Release of the fair value uplift on acquired inventory and PPE[1] £m	Amortisation and impairments of intangible assets (ex. PneumRx)[2] £m	PneumRx impairment charges[3] £m	Acquisition costs[4] £m	Fair value adjustments to contingent consideration liabilities[5] £m	Litigation and other[6] £m	US Tax Reform[7] £m	Adjusted Total £m
Revenue	**620.5**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**620.5**
Cost of sales	(185.9)	0.4	–	–	–	–	–	–	(185.5)
Gross profit	**434.6**	**0.4**	**–**	**–**	**–**	**–**	**–**	**–**	**435.0**
SG&A expenses	(325.5)	–	5.5	76.6	–	–	57.7	–	(185.7)
Research and development	(165.5)	–	2.1	68.1	–	–	–	–	(95.3)
Other operating expense	(1.3)	–	–	–	–	–	–	–	(1.3)
Amortisation of acquired intangible assets	(43.8)	–	43.8	–	–	–	–	–	–
Acquisition and reorganisation costs	(1.3)	–	–	–	1.3	–	–	–	–
Operating (loss)/profit	**(102.8)**	**0.4**	**51.4**	**144.7**	**1.3**	**–**	**57.7**	**–**	**152.7**
Financial income	41.5	–	–	–	–	(26.5)	–	–	15.0
Financial expense	(9.3)	–	–	–	–	1.6	–	–	(7.7)
(Loss)/profit before tax	**(70.6)**	**0.4**	**51.4**	**144.7**	**1.3**	**(24.9)**	**57.7**	**–**	**160.0**
Tax credit/(charge)	83.3	(0.1)	(17.7)	(49.3)	–	–	(14.3)	(36.2)	(34.3)
Profit for the year	**12.7**	**0.3**	**33.7**	**95.4**	**1.3**	**(24.9)**	**43.4**	**(36.2)**	**125.7**
Attributable to non-controlling interests	(2.3)	–	0.9	–	–	–	–	–	(1.4)
Attributable to owners of the parent	15.0	0.3	32.8	95.4	1.3	(24.9)	43.4	(36.2)	127.1
Profit for the year	**12.7**	**0.3**	**33.7**	**95.4**	**1.3**	**(24.9)**	**43.4**	**(36.2)**	**125.7**
Weighted average number of shares – basic	386.1								386.1
Weighted average number of shares – diluted	389.2								389.2
Basic earnings per share	**3.9**	**0.1**	**8.5**	**24.7**	**0.3**	**(6.4)**	**11.2**	**(9.4)**	**32.9**
Diluted earnings per share	**3.9**	**0.1**	**8.4**	**24.5**	**0.3**	**(6.4)**	**11.2**	**(9.3)**	**32.7**

1. The release of the fair value uplift relating to property, plant and equipment (PPE) acquired with Galil Medical in June 2016 of £0.2m and inventory acquired with Roxwood Medical in October 2017 of £0.2m.
2. Amortisation charges relating to intangible assets acquired through corporate acquisitions of £43.8m and impairment charges relating to the Vistogard® and Oncoverse intangible assets of £5.5m and £2.1m respectively.
3. Impairment charges relating to PneumRx inventory and PP&E (£1.5m), in-process research and development (£66.6m) and developed technology (£76.6m) intangible assets.
4. Costs related to the acquisition of Roxwood Medical in October 2017 (£1.3m).
5. Fair value adjustments to contingent consideration liabilities relating to the PneumRx acquisition (credit of £26.5m) and the Galil Medical acquisition (charge of £1.6m).
6. Litigation costs (£57.7m) reflect amounts provided based on the Final Order issued by the Court of Chancery of Delaware ruling against BTG in respect of the previously announced litigation with Wellstat Therapeutics Corporation concerning the commercialisation of Vistogard®. The Court has found that BTG has breached the distribution agreement and that Wellstat is entitled to damages of $55.8m plus interest and costs. BTG has appealed the quantum of damages and the appeal is ongoing.
7. The US tax reform credit of £36.2m comprising a net £41.8m credit from revaluation of net deferred tax liabilities and current tax charge of £5.6m.

Group financial review continued

Reconciliation between IFRS and Adjusted Income Statement
For the period ended 31 March 2017

	IFRS Total £m	Release of the fair value uplift on acquired inventory and PPE[1] £m	Amortisation of acquired intangible assets[2] £m	Acquisition costs[3] £m	Fair value adjustments to contingent consideration liabilities[4] £m	Litigation and other[5] £m	Adjusted Total £m
Revenue	570.5	–	–	–	–	–	570.5
Cost of sales	(179.9)	1.0	–	–	–	–	(178.9)
Gross profit	390.6	1.0	–	–	–	–	391.6
Selling, general and administrative expenses	(206.6)	–	–	–	–	28.0	(178.6)
Research and development	(87.8)	–	–	–	–	–	(87.8)
Other operating income	4.4	–	–	–	–	–	4.4
Amortisation of acquired intangible assets	(42.0)	–	42.0	–	–	–	–
Acquisition and reorganisation costs	(1.1)	–	–	1.1	–	–	–
Operating profit	57.5	1.0	42.0	1.1	–	28.0	129.6
Financial income	3.3	–	–	–	(3.0)	–	0.3
Financial expense	(29.2)	–	–	–	2.3	–	(26.9)
Profit before tax	31.6	1.0	42.0	1.1	(0.7)	28.0	103.0
Tax credit/(charge)	2.0	(0.3)	(13.1)	–	–	(2.9)	(14.3)
Profit for the year	33.6	0.7	28.9	1.1	(0.7)	25.1	88.7
Weighted average number of shares – basic	384.4						384.4
Weighted average number of shares – diluted	390.0						390.0
Basic earnings per share	8.7p	0.2p	7.6p	0.3p	(0.2p)	6.5p	23.1p
Diluted earnings per share	8.6p	0.2p	7.4p	0.3p	(0.2p)	6.4p	22.7p

1. The release of the fair value uplift relating to inventory and property, plant and equipment (PPE) acquired with Galil Medical in June 2016 of £1.0m.
2. Amortisation charges relating to intangible assets acquired through corporate acquisitions of £42.0m.
3. Acquisitions and reorganisation costs are directly attributable costs related to the acquisition of Galil Medical in June 2016, including costs incurred with professional advisers in relation to the corporate acquisition of £1.1m.
4. Fair value adjustments to contingent consideration liabilities relating to the PneumRx acquisition (credit of £3.0m) and the Galil Medical acquisition (charge of £2.3m).
5. Settlement with the US government in relation to the Department of Justice's investigation of the historical marketing of LC Bead® of £28.0m.

Reconciliation between IFRS and Adjusted financial information – Free Cash Flow
For the period ended 31 March 2018

Net cash inflow from operating activities £m	Purchase of intangible assets £m	Purchase of property plant and equipment £m	Free cash Flow £m
120.7	(1.0)	(10.4)	109.3

For the period ended 31 March 2017

Net cash inflow from operating activities £m	Purchase of intangible assets[1] £m	Purchase of property plant and equipment £m	Free cash Flow £m
74.2	(0.6)	(8.9)	64.7

Duncan Kennedy
Chief Financial Officer

Approval of the strategic report
This strategic report is approved by the Board and signed on its behalf by:

Dame Louise Makin
Chief Executive Officer

Governance

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Corporate Governance report

Letter from the Chairman

Dear shareholder

On behalf of the Board, I am pleased to present the Corporate Governance Report for the year ended 31 March 2018.

The Board is ultimately responsible for ensuring the highest standards of governance are embedded into everything we do as a company. An efficient and effective governance framework is essential to support management in delivering the Company's strategy and to manage the risks facing the business while striving to deliver value to all our stakeholders. Our approach to governance is enhanced by the high standards of ethical behaviour the Board demands of all employees, as reflected in our code of conduct. This is underpinned by the BTG DNA, which directs our people to do whatever is in the best of interests of the Group while striving to live up to our values in all our activities.

As usual, we have reviewed our governance framework with reference to the UK Corporate Governance Code and a statement of compliance with the Code is set out on page 42.

Governance during 2017/18

During the year, we have continued to strengthen our governance, having reviewed the reporting structures of our Board and its primary committees, as well as the major policies that underpin our business operations. The terms of reference for each of the Board's primary committees and sub-committees were reviewed and adjusted as necessary during the year to reflect best practice. Following the Board evaluation undertaken last year, changes were made to the Board's forward agenda, dedicating additional time to key strategic areas and opportunities as well as to continue to evolve our approach to risk management (as described in more detail on pages 62 to 67).

As a Board, we take our governance responsibilities very seriously and will continue to seek ways to improve those mechanisms of governance that support the efficient running of the business. As part of the continuing governance review, the Board conducted a formal review of the roles and responsibilities of the Chairman, Chief Executive Officer, Senior Independent Director and Company Secretary; this division of responsibilities has been approved by the Board, and can be found on the Company's website.

Board changes and succession planning

As Chairman, I am responsible for ensuring the Board operates effectively. This requires it to maintain the appropriate level of independence and objectivity and have the correct balance of experience, diversity and skills, alongside a good understanding of the operations of the business. I am delighted to lead a Board with such experience, diversity and knowledge.

The Board continues to develop, with Greg Barrett and Anne Thorburn joining the Board in November 2017 and January 2018 respectively. Details of these appointments and the review of Board composition leading to their appointment can be found on pages 49 to 51.

On 1 January 2018 Duncan Kennedy joined the Board to succeed Rolf Soderstrom who stepped down as an executive director after more than ten years with the Company.

The Board appointed Graham Hetherington to the Nomination Committee in November 2017. Graham was also appointed as the Board's Senior Independent Director during the year, replacing Giles Kerr. Giles will step down as a director following the AGM in July 2018 and will therefore not be standing for re-election at that meeting. I would like to offer my sincerest thanks to Giles for his significant contribution to the Board as a non-executive director, as Chairman of the Audit Committee and as the Senior Independent Director.

Board evaluation

An external Board effectiveness evaluation exercise was conducted by Calibro in late 2017 following on from their review of the Board's composition last year. It is pleasing to note that the evaluation confirmed that the Board and its principal committees have, individually and collectively, worked effectively to discharge their responsibilities and support the ongoing development of the Group. More information on the Board evaluation can be found on pages 52 and 53.

The following pages of this report set out in greater detail the framework and processes that the Company has in place to ensure the highest levels of corporate governance. The report as a whole provides an insight into how, through its actions, the Board and its committees have fulfilled their governance responsibilities and have worked to ensure that your investment and the assets of the business remain protected.

Governance Framework

The Corporate Governance Report, the Directors' Remuneration Report and the Directors' Report have been prepared to provide shareholders with a comprehensive understanding of how the Board and its committees operate and how we meet the requirements of the UK Corporate Governance Code (the Code) and other guidance.

Our Corporate Governance Report can be found on pages 38 to 68 and includes our statement of compliance with the Code and its principles on page 42. The Directors' Remuneration Report can be found on pages 69 to 94.

With the Board, I look forward to discussing BTG's progress with you at our forthcoming AGM on 18 July 2018.

Garry Watts
Chairman

Corporate Governance report
Board of Directors

We have a strong Board with the appropriate balance of skills and experience to oversee the future growth of the Company. The Board is collectively responsible for the leadership of the Company, its culture, values and standards.

Garry Watts
FCA, MBE
Chairman

Joined the Board as Chairman in January 2012. He is Chairman of the Nomination Committee.

Other directorships: Garry is Chairman of Spire Healthcare and of Foxtons Group plc and is a non-executive director of Coca-Cola Enterprises, Inc.

Expertise and experience: Garry provides considerable commercial leadership experience and expertise to the BTG Board. For seven years up to December 2010, he was CEO of SSL International plc and, before that, its CFO. He was previously an executive director of Celltech plc and of Medeva plc, and a non-executive director of Protherics plc and of Stagecoach Group plc. Other roles have included 17 years as a member of the UK Medicines and Healthcare Products Regulatory Agency Supervisory Board. Garry is a former partner at KPMG.

Dame Louise Makin
MA, PhD (Cantab), MBA, DBE
Chief Executive Officer

Joined BTG as Chief Executive Officer in October 2004.

Other directorships: Louise is a non-executive director of Intertek Group plc and the Woodford Patient Capital Trust. She is a Trustee of the Outward Bound Trust, an Honorary Fellow of St. John's College, Cambridge and is Chair of the 1851 Trust.

Expertise and experience: Louise is a highly experienced international business leader, who brings considerable strategic and operational expertise to the Board. Prior to joining BTG, she was President, Biopharmaceuticals Europe, of Baxter Healthcare from 2001, with responsibility for Europe, Africa and the Middle East. Before Baxter Healthcare, Louise was Director of Global Ceramics at English China Clay and prior to that she held a variety of roles during 13 years at ICI.

Duncan Kennedy
BSc, ACA
Chief Financial Officer

Joined the Board as Chief Financial Officer in January 2018.

Other directorships: Duncan currently holds no external directorships.

Expertise and experience: Duncan offers significant financial expertise to the Board. Before being appointed CFO, Duncan led BTG's Interventional Oncology business, a role he held since May 2015. Duncan joined BTG in December 2005 as Group Financial Controller and became a member of the Leadership Team in April 2012 when he was appointed Group Director of Finance, with responsibility for managing the global finance function and supporting the CFO. Prior to joining BTG, Duncan spent six years in the group finance function of Wembley plc. He qualified as a Chartered Accountant at Arthur Andersen and holds a BSc in Mathematics from Durham University.

Gregory Barrett
Non-executive director

Appointed to the Board in November 2017.

Other directorships: Greg is currently non-executive director of Cutera Inc and Aqua Medical.

Expertise and experience: Greg has a broad range of commercial experience in the US MedTech industry, with a focus on interventional medicine therapies. He was previously President and Chief Executive Officer of DFINE Inc, Barrx Medical Inc, and ACMI Corporation. His prior roles include leading a minimally invasive surgery division of Boston Scientific, both in the US and in emerging markets. Greg has also held a series of senior sales and marketing roles at a number of companies, including Baxter Healthcare and C.R. Bard.

Dr Susan Foden
MA, DPhil
Non-executive director

Appointed to the Board in March 2015. She is a member of the Remuneration Committee.

Other directorships: Susan currently holds non-executive roles with BerGenBio ASA, Evgen Pharma plc and Vectura Group plc, and is an advisory board member for CD3 (a joint initiative between Leuven University and the European Investment Fund).

Expertise and experience: Susan brings extensive scientific knowledge to the Board together with many years' experience in intellectual property, licensing and company creation. She has a strong track record of having assisted in the development of a number of businesses in the sector including Kudos Ltd, acquired by AstraZeneca in 2002 and Piramed Pharma Ltd acquired by Roche in 2008. She was Investor Director with the venture capital firm Merlin Biosciences, was formerly CEO of the technology transfer company, Cancer Research Campaign Technology Ltd and was Head of Academic Liaison at Celltech Ltd.

Ian Much
Non-executive director

Appointed to the Board in August 2010. He is Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.

Other directorships: Ian currently holds no other directorships.

Expertise and experience: Ian provides substantial international business experience to the Board. He was Chief Executive of De La Rue plc between 1998 and 2004 and Chief Executive of T&N plc between 1996 and 1998. Previously, he was non-executive director of Manchester United plc, Camelot plc, Admiral plc, and Chemring Group plc.

Graham Hetherington
FCMA
Senior independent director

Appointed to the Board in August 2016. He is the Company's Senior Independent Director and is Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees.

Other Directorships: Graham currently holds no other directorships.

Expertise and experience: Graham brings substantial financial and industry experience to the BTG Board. Prior to joining BTG he was Chief Financial Officer of Shire plc, a role he held from June 2008 to February 2014. Previously he held the same positions at Bacardi in 2007 and at Allied Domecq plc from 1999 to 2005. Graham has a broad knowledge of international finance management and planning, including M&A, and audit and risk management. He is also a Fellow of the Chartered Institute of Management Accountants.

Jim O'Shea
Non-executive director

Appointed to the Board in April 2009. He is a member of the Nomination Committee.

Other Directorships: Jim serves as Chairman of Cardiome Pharma Corp., and is a director of Ocular Therapeutix Inc.

Expertise and experience: Jim provides the Board with significant US industry experience. He is a former Chairman of the US National Pharmaceuticals Council. From 2007 to 2008, he was Vice Chairman of Sepracor, Inc, where he was also President and Chief Operating Officer from 1999 to 2007. Previously, Jim was Senior Vice President of Sales & Marketing and Medical Affairs for Zeneca Pharmaceuticals (US), a business unit of Zeneca Inc. While at Zeneca, he held several management positions of increasing responsibility in international sales and marketing in the US and the UK.

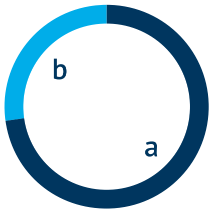
Richard Wohanka
Non-executive director

Appointed to the Board in January 2013. He is a member of the Audit Committee.

Other directorships: Richard is a board member of Lloyds Banking Group Insurance (Scottish Widows), Embark Group and Pershing Square Holding Limited, and is Chairman of the Nuclear Liabilities Fund and of Old Mutual Global Investors.

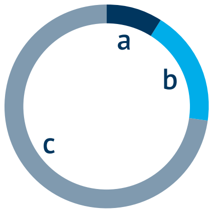
Expertise and experience: Richard provides substantial expertise to the BTG Board in the field of business and finance, with more than 20 years' experience in building asset management businesses. He was CEO of Union Bancaire Privée Asset Management between October 2009 and June 2012, and CEO of Fortis Investment Management from 2001 to 2009.

Gender Diversity
(%)



a	Male **73%**
b	Female **27%**

Balance of directors



a	Chairman **1**
b	Executive directors **2**
c	Non-executives **8**

Giles Kerr
FCA
Non-executive director

Appointed to the Board in October 2007. He is a member of the Audit and Remuneration Committees.

Other directorships: Giles is the Director of Finance with the University of Oxford, UK. He is also a Director of Oxford University Innovation Ltd, Senior plc, PayPoint plc and Adaptimmune Therapeutics plc, as well as being a non-executive director and Chair of the Audit Committee of Arix Bioscience plc.

Expertise and experience: Giles provides important relevant industry and financial experience to the BTG Board. He was previously the Group Finance Director and Chief Financial Officer of Amersham plc, acquired by GE Healthcare in 2004, and previously served as Director of Victrex plc. Prior to his role at Amersham, he was a partner with Arthur Andersen in the UK.

Anne Thorburn
CA
Non-executive director

Appointed to the Board in January 2018. She is a member of the Audit Committee.

Other Directorships: Anne is non-executive director and Chair of the Audit Committee of Diploma plc.

Expertise and experience: Anne has an extensive range of international financial management, risk, audit and M&A experience. She was Chief Financial Officer of Exova Group plc from 2009 to 2015 and previously served as Group Finance Director at British Polythene Industries plc. Anne is a member of the Institute of Chartered Accountants in Scotland.

Company Secretary

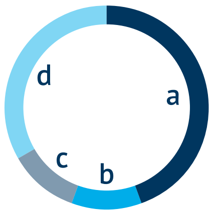
Dr Paul Mussenden
General Counsel, Head of Strategic Affairs & Company Secretary

Appointed as Company Secretary in March 2010.

Other directorships: Paul is a non-executive director and trustee of LifeArc Ltd.

Expertise and experience: Paul supports the board with over 20 years of advisory experience in the healthcare industry. As a member of BTG's Leadership Team he is accountable for management of the Legal, Intellectual Property, Global Market Access, Healthcare Compliance and Risk Management functions. Paul is a solicitor and has a BSc (Hons) in Biotechnology and a Ph.D. in molecular biology and microbial physiology.

Tenure of non-executive directors and Chairman
(as at 31 March 2018)



a	More than 6 years **4**
b	4 – 6 years **1**
c	2 – 4 years **1**
d	0 – 2 years **3**

Corporate Governance report
Leadership

Compliance with the UK Corporate Governance Code (the Code)

BTG's governance structure is based on the principles of the Code published by the Financial Reporting Council (FRC) and available from www.frc.org.uk.

The Code contains broad principles and specific provisions that set out standards of good practice. Our Corporate Governance Report, which includes reports from the Nomination and Audit Committees and the Directors' Remuneration Report, is structured to report against these key areas and sets out how we have applied the Code's main principles and complied with its provisions.

Statement of Compliance with the provisions of the Code

The Board considers that throughout the financial year ended 31 March 2018 and up to the date of this report, the Group has applied and complied fully with the April 2016 edition of the Code. The Board has at all times throughout the year been mindful to consider how we comply with not only the principles of the Code but also the spirit.

KPMG is required to review certain elements of the corporate governance statement and to report if those disclosures do not reflect the Company's compliance (and the Company has not instead explained why it has not complied) with the provisions of the Code specified for the auditor's review by the Listing Rules of the Financial Conduct Authority (FCA).

The role of the Board and its committees

The Board

- Responsible for the overall leadership of the business, its culture, values and standards.
- Has a schedule of matters reserved specifically for its decision or approval.
- Determines governance, strategy and risk appetite.
- Responsible for ensuring adequate organisational capabilities and capacity.

Disclosure Committee

- Responsible for ensuring the Company's compliance with applicable transparency and disclosure obligations under the Market Abuse Regulation (MAR) including those related to the management of price sensitive information.

The Leadership Team

- Chaired by the CEO.
- Members include the CFO and senior management from different areas of the business and functions.
- Responsible for the day-to-day running of Group operations and making recommendations to the Board on strategy.
- Ensures the capabilities are in place to deliver on strategy and annual objectives.
- Ensures the internal controls in place to assess and manage risk are fully complied with. This includes responsibility for maintaining a system to ensure that the Group is compliant with all applicable healthcare laws and regulations.

Audit Committee
- Assists the Board on oversight of financial results, internal control and management of risk and compliance and maintaining an appropriate relationship with the external auditor and internal audit function.

Page 54 to read more.

Remuneration Committee
- Determines executive director remuneration and oversees that for senior management.
- Ensures the Remuneration policy supports the strategy by attracting, developing, motivating and retaining people of the appropriate calibre.

Page 69 to read more.

Nomination Committee
- Considers the structure, size and composition of the Board and its committees to ensure inclusion of appropriate experience, diversity and expertise.
- Oversees talent management and succession planning for senior roles.

Page 49 to read more.

Treasury Committee
- Primary responsibility is to monitor the Group's treasury activities, including cash management, foreign exchange management and financing. The Committee also ensures compliance with the Group's treasury policy.

Risk Committee
- Responsible for monitoring risks throughout the organisation and assessing the risk control and mitigation measures implemented by the Group.
- Conducting work to support the assessment of the Viability Statement by the Board.
- Ensuring operations are undertaken within the risk appetite defined by the Board.
- Assisting with the evaluation of external macro risks that may impact the Group.
- Assisting with the integration of risk management and strategy development.

Internal Audit
- Testing of the effectiveness of the internal control systems.
- Supporting the risk management and compliance functions with appropriate audits.

Portfolio Review Board and R&D Leadership Team
- Ensures BTG is investing in its assets efficiently and in relation to opportunities with well-targeted business cases where the value to the customer and to BTG is clearly understood.
- Oversees the definition of activities and priorities of the R&D Leadership Team.
- The R&D Leadership Team provides strategic and operational leadership of R&D activities, harnessing BTG's combined knowledge and resources, to deliver a balanced pipeline of innovative therapies aligned with its business priorities.

Operational Leadership Team
- Responsible for ensuring that the manufacturing and supply chain are tightly controlled and their operations are optimised, as far as practicable, and meeting all applicable regulatory requirements.

Global Quality Leadership Team
- Reviews progress with the overall Quality Strategy and objectives, including inspection readiness, Quality Management System effectiveness and enhancements, product delivery on time and to required quality, safety and efficacy standards.
- Ensures continued regulatory compliance.

Performance Management Review
- Monthly meeting of the Leadership Team and senior staff to review progress against business plans and targets, both financial and operational (includes business unit risk assessments).

Corporate Responsibility Committee
- Provides guidance and leadership in regards to social, environmental and governance issues of most relevance to BTG to ensure the Group maintains appropriate standards in this area.

Business Unit Leadership Teams
- Each business segment has an established leadership team comprising commercial and functional capabilities. They are responsible for managing the day-to-day operations of each specific business.

Corporate Governance report
Leadership continued

Matters reserved for the Board and delegated authorities

The Board is ultimately responsible for the management and direction of the Group and monitors performance of the business. There is clear division of responsibilities between the running of the Board and the running of the Company's business, and the Board has reserved certain matters for its approval. Other matters and authorities have been delegated to its primary committees and other management committees detailed on pages 42 and 43. A review of the Board's reserved matters and those authorities delegated below primary committee level was conducted during the year and amendments were made, as appropriate, to ensure they remain relevant, are in line with best practice, and scalable going forward as the Group grows. The Board continues to maintain a watching brief over those delegated matters and recommends amendments as it considers appropriate.

The Board's powers are set out in the Company's Articles of Association. The Articles of Association and those matters reserved for the Board's consideration, along with the terms of reference for each of the Board's primary committees, which are reviewed annually, can be found on the Group's website at www.btgplc.com.

The Board of Directors

The Board maintains standing annual agenda schedules setting out core activities for its consideration and those of its primary committees. The agendas are carefully planned to ensure they remain focused on the Group's strategic goals and afford sufficient time for monitoring and reviewing significant activities. A review of these schedules, which help plan and structure meetings, was conducted during the year. Additional meetings are held as required to respond to important issues as they arise.

While, as a unitary board, the executive and non-executive directors are collectively responsible for the success of the Group and have fiduciary duties to shareholders, their roles are strictly delineated. The roles of the Chairman and Chief Executive are separate and distinct, and the division of their responsibilities is clear (and is set out on BTG's website www.btgplc.com). During the year, a formal review of those responsibilities and those of the Senior Independent Director and Company Secretary was conducted to ensure they remain fit for purpose and in line with best practice. The responsibilities of the executive directors and non-executive directors are clearly defined. The executive directors have direct responsibility for the business operations of the Group, while the non-executive directors are responsible for bringing independent and objective judgement to Board decisions.

Effective division of Board responsibilities

Chairman

Responsible for leading the Board, creating conditions for overall Board and individual director effectiveness, promoting constructive debate and for:

- Ensuring a robust decision-making process is in place, based on all appropriate information being provided to the Board in a timely manner. Ensuring clear decisions are made, communicated and effected. Ensuring appropriate input from all directors.
- Setting the Board agenda, focusing on strategic matters and giving adequate time to other key issues, such as its role in shaping and ensuring adequate organisational capabilities and capacity.
- Managing the Board to allow enough time for discussion of complex or contentious issues.
- Ensuring the Board environment is productive and the Board and its committees have appropriate composition and diversity, experience and expertise with regards to the Company's evolving needs.
- Ensuring Board Committees are properly structured.
- Ensuring the Board discharges its responsibilities with respect to risk management and governance generally (including determining the appropriate risk appetite for the Group and addressing those matters reserved for the decision of the Board).
- Ensuring necessary relationships of mutual respect and open communication are fostered between the executive directors and non-executive directors. Providing support and advice while respecting executive responsibility.
- Effective communication with shareholders and other stakeholders.
- Appropriate oversight of business performance.
- Ensuring appropriate delegation of authority from the Board to executive management.
- Ensuring the performance of the Board, its committees and individual directors is evaluated at least once a year and acting on the results of such evaluation. Where appropriate, through the nomination committee, proposing that new members be appointed to the Board or seeking the resignation of others.
- Promoting high standards of corporate governance.

Chief Executive Officer (CEO)

Primarily responsible for the running of the Group and for executing strategy in line with the risk appetite defined by the Board and Company values. Through her direct reports, the CEO is responsible for all financial reporting, tax and financial control aspects of the Group. The Chief Executive is responsible for:

- Communicating to the Board her views on business issues to improve the standard of Board discussion and prior to final decision on an issue, explaining in a balanced way, any divergence of views in the executive team.
- Driving the strategy formulation process and definition of the Group's objectives, to enable an effective and evidence based approach and to ensure that the Board is well informed about all aspects of the business and its operations that bear on its strategy.
- Driving the execution of the strategy.
- Managing the Group's risk profile in accordance with the risk appetite defined by the Board.
- Ensuring implementation of Board actions.
- Delivering high-quality information to the Board to enable it to monitor the performance of the whole business including the management of risk, and to make critical decisions.
- Developing the overall capabilities of the organisation.

The Senior Independent Director (SID)

Principally to support the Chairman in his role and to work with him and other directors to resolve any significant issues that may arise. The Senior Independent Director is responsible for:

- Supporting the Chairman's delivery of objectives.
- Leading the non-executive directors in the oversight and evaluation of the Chairman and ensuring there is clear division of responsibility between the Chairman and Chief Executive Officer.
- Being available to shareholders who wish to express concerns that the normal channels have failed to resolve or which would be inappropriate to raise with the Chairman.
- Taking responsibility for an orderly succession process for the Chairman.

Company Secretary

Provides advice and assistance to the Board, particularly in relation to corporate governance practices and development. The Company Secretary ensures that:

- Board procedures are complied with and applicable legislative and regulatory rules are followed.
- A good flow of information exists to the Board and its committees.
- There is appropriate induction and facilitating ongoing training for directors.
- The Board's risk management discussions are underpinned by robust process.

Corporate Governance report
Leadership continued

Board activity during the year:

Strategy
- Annual strategy away day including presentations from each of the business units and discussion of risks associated with the strategy and risk appetite.
- Ongoing assessment of M&A opportunities including the acquisition of Roxwood Medical.
- Ongoing assessment of R&D portfolio.
- Consideration of geo-political developments, including Brexit and geographical expansion plans.

Business performance
- Oversight of the financial and operational performance of the business.
- The 2018/19 budget was considered in depth.
- Reviewed the half-year and annual results, announcements and analyst presentations.
- Approved the Annual Report and Accounts.
- Approved appropriate action relating to litigation with Wellstat Therapeutics Corporation with respect to Vistogard®.

Governance and shareholders
- Discussed the outcome of the Board and committee evaluations and set objectives for the coming year.
- Regularly reviewed feedback from institutional investors.
- Where necessary, updated the terms of reference for the Nomination, Audit and Remuneration Committees and Matters Reserved for Board approval.
- Annual General Meeting.
- Continued to develop the governance frameworks.

Internal control and risk
- Regular review of the risk management system; deep dives into specific areas, including Healthcare Compliance and geographical expansion strategy. Review of principal risks, potential impact and support for the Viability Statement. Participation of representative Board members in the Risk Committee meetings.
- Review of reports from the Audit Committee (including summary of Internal Audit and Compliance reports).

Leadership and people
- Discussed and evolved the composition of the Leadership Team and Board and its committees, including succession planning.
- Undertook external Board and committee evaluations.
- Considered a capability review of the wider workforce population, including succession planning and training requirements for the next generation of business leaders.
- Approved the appointment of Duncan Kennedy to the Board.
- Approved the appointment of Greg Barrett to the Board.
- Approved the appointment of Anne Thorburn to the Board and as a member of the Audit Committee.
- Approved the appointment of Graham Hetherington as a member of the Nomination Committee and to act as Senior Independent Director.
- Regular review of the capabilities deemed necessary for the delivery of the future strategy (including review of Clinical and Regulatory capabilities).

Case study

Board Induction process

The Board welcomed two new non-executive directors and a new Chief Financial Officer during the year and took the opportunity to review and enhance its Board induction materials and programme in support of their on-boarding process. A full pack of induction materials was made available to each new director, with additional material provided depending on the requirements of the director and their roles within the BTG Board.
A comprehensive guide to UK corporate governance and directors' duties, was provided to all directors, with additional guidance highlighting the main differences between the UK and US listed company environments being provided to Greg Barrett. As part of her induction to the operations of the Audit Committee, Anne Thorburn met with senior finance team members, the internal audit function and the external auditors. She also met with the heads of the risk and compliance functions to support her understanding of those functions and their inputs into the Committee.

Directors have an open invitation to visit any of the Company's facilities to help them gain a deeper understanding of the Group's operations and are encouraged to do so as their other commitments permit. While the Board was in the USA in February, Anne Thorburn took the opportunity to tour the Company's facility in Salt Lake City, Utah, and meet with its employees and both Greg and Anne met a range of senior US personnel. Greg Barrett has also arranged to visit a number of US facilities.

In the coming year, the Board continues its rolling programme of visiting global offices and will take advantage of these visits to meet staff and provide the Board with enhanced understanding of the various areas of the business.

Attendance by individual directors at Board and Committee meetings during 2017/18

Board & committee composition & attendance	Committee memberships	Independent	Board meetings	Nomination Committee	Audit Committee	Remuneration Committee
Total number of meetings held			6	8	5	5
Number of meetings attended						
Executive Directors						
Louise Makin (CEO)	n/a	No	6/6	–	–	–
Rolf Soderstrom (CFO)[1]	n/a	No	4/4	–	–	–
Duncan Kennedy (CFO)[2]	n/a	No	2/2	–	–	–
Non-Executive Directors						
Garry Watts	Nom[4]	n/a[3]	5/6	7/8	–	–
Greg Barrett[6]	n/a	Yes	2/2			
Susan Foden	Rem	Yes	6/6	–	–	5/5
Graham Hetherington	Aud[4], Rem, Nom[5]	Yes	5/6	2/4	4/5	3/5
Giles Kerr	Aud, Rem, Nom	Yes	5/6	3/4	4/5	5/5
Ian Much	Aud, Rem[4], Nom	Yes	6/6	8/8	5/5	5/5
Jim O'Shea	Nom	Yes	6/6	8/8	–	–
Anne Thorburn[7]	Aud	Yes	2/2	–	2/2	–
Richard Wohanka	Aud	Yes	5/6	–	4/5	–

1. Rolf Soderstrom left the Board on 31 December 2017.
2. Duncan Kennedy joined the Board on 1 January 2018 and attended all Board meetings after this date.
3. Garry Watts is excluded from the determination of independence by virtue of his role as Chairman of the Group.
4. Committee Chairman.
5. Graham Hetherington became a member of the Nomination Committee with effect from 27 September 2017.
6. Greg Barrett was appointed to the Board on 27 November 2017 and attended all Board meetings after this date.
7. Anne Thorburn was appointed to the Board and Audit Committee on 23 January 2018 and attended all Board and Audit Committee meetings after this date.

Notes

In addition to the formal meetings contained in the table above, the Board held seven telephone meetings during the year scheduled as needed to address specific areas of business.
Garry Watts was unable to attend the July 2017 meetings due to illness.
Graham Hetherington was unable to attend meetings held in November 2017 due to illness.
Giles Kerr was unable to attend the September 2017 meetings due to illness.
Richard Wohanka was unable to attend the Audit Committee and Board meetings in March 2018 due to an unavoidable pre-arranged engagement.
Directors did not attend Nomination Committee meetings where consideration of their appointments was the sole agenda item.
The external auditor attends the Audit Committee meetings and the remuneration advisers attend the Remuneration Committee meetings.
There was an informal Board update call when there was a larger break between scheduled meetings.

Corporate Governance report
Leadership continued

Board composition, membership and election of directors

The Board currently comprises nine non-executive directors, including the Chairman, and two executive directors.

The names and brief biographical details of all the current directors are set out on pages 40 and 41.

The Board recognises the range of benefits that diversity in its broadest sense brings to the business as a whole and is committed to supporting the culture of equal opportunities that exists throughout the Group, which aims to foster an inclusive environment for all its employees, regardless of age, disability, gender, race or sexual orientation. While appointments to the Board are made on merit, the Board seeks to appoint candidates from diverse backgrounds that will support it in overseeing the long-term growth ambitions of the Company.

The Nomination Committee reviews Board composition, size, structure and diversity on a regular basis to ensure that, as the business evolves, the Board continues to have the necessary skills and experience to support its strategy now and in the future. A description of the activities of the Nomination Committee can be found on page 50.

The Board and Leadership Team are comprised of members with a diverse range of experience and backgrounds. The Board currently comprises 27% of women, which will increase to 30% when Giles Kerr steps down from the Board following the AGM in July. The Leadership Team comprises 33% of women and details of gender diversity across the Group below Board level, can be found in the Directors' report on page 97.

Following the formal external evaluation process, further details of which can be found on pages 52 and 53, the Chairman is satisfied that each of the directors continues to perform effectively and demonstrates commitment to their role. This includes having time for Board and committee meetings and their other duties, and their capacity to dedicate sufficient time to deliver what is expected of them.

Independence

The Board applies a rigorous process to satisfy itself that its non-executive directors remain independent. The Board reviews this question every year, using its own judgement when applying the criteria in the Code. Having undertaken this review, the Board confirms that all the non-executive directors are considered to be independent in character and judgement. Giles Kerr has been a member of the Board for more than nine years and, following his review, the Board was satisfied that he continued to demonstrate the attributes of an independent non-executive director, with no evidence that the length of his tenure had impacted this. Giles has announced his intention to stand down as a director of the Company and will therefore not be seeking re-election at the AGM in July 2018.

In line with the recommendations of the Code, at least half the Board, excluding the Chairman, are independent non-executive directors. Garry Watts was considered to be independent at the time of his appointment although, in accordance with the Code, he is excluded from the determination of whether at least half the Board are independent non-executive directors thereafter.

Independent non-executive Board appointments are for three-year terms, subject to re-election at each year's AGM. When a non-executive has served on the Board for more than six years, their term of reappointment reduces to one year, in line with best practice. Giles Kerr, Jim O'Shea and Ian Much have each served on the Board for more than six years. During the year, the Chairman Garry Watts was reappointed for a further three-year term.

Structure and reporting

The Group has a well-defined management structure with clear lines of responsibility and accountability. The Board is responsible for setting the overall strategy and reviewing the performance of the Group.

The Leadership Team generally meets weekly and more formally on a monthly basis to review business performance measured against annual budgets, longer-term plans, an agreed set of objectives and performance criteria for each business segment. In addition, it will assess and respond to issues arising across the Group. Forecasts are monitored monthly on the basis of detailed reviews of progress and prospects. Reporting to the Board is based on the information provided to and reviewed by the Leadership Team, as well as their assessment and recommendations regarding how to deliver the Group's objectives. The reports include non-financial as well as financial information and a review of progress within the development portfolio.

Compliance and the review of risk and risk management are embedded throughout the Group. The Audit Committee has reviewed the detailed reports on Risk, Internal Audit and Compliance and reported its findings to the Board (see the Audit Committee report on pages 54 to 61 for more detail). The Board has reviewed the risk management process and confirms that ongoing processes and systems ensure that the Group continues to be compliant with the guidance on internal control in the Code.

Delegated authority structures ensure that decisions are taken at an appropriate level, with an appropriate level of input by internal and external expert advisers. The delegated authority structure prescribes financial limits of approval at each level and requires decisions with significant financial, risk or reputational impact for the Group to be approved by the Board.

Nomination Committee report

Dear Shareholder

I am pleased to present the report of the Nomination Committee of the Board for the year ended 31 March 2018.

The Nomination Committee has an important role to play to ensure the composition of the Board and senior leadership team remains appropriate for continued success. As I mentioned in my Chairman's statement on page 38 and 39, during the year we announced three changes to the Board: the departure of Rolf Soderstrom and the appointment of Duncan Kennedy as Chief Financial Officer (CFO); and the appointment of Greg Barrett and Anne Thorburn as non-executive directors.

Last year I reported that an external assessment of the Board skills and competencies required to deliver on the Group's longer-term strategic plans had been conducted and the findings would be used to inform the continued evolution of the composition of the Board. The Committee engaged Heidrick & Struggles (who have no other connection to the Group) to assist in the search for two suitable candidates, in particular those with relevant US MedTech commercial experience and recent Finance and Audit Committee experience. A diverse list of candidates with a range of experience was developed for each role. Following detailed evaluation of a long list and meetings with a short list of candidates, the Committee agreed unanimously to recommend the appointment of Greg Barrett and Anne Thorburn to the Board, both of whom bring substantial recent relevant experience in addition to other relevant facets. Greg joined the Board in November 2017 and Anne Thorburn was appointed in January 2018. Both directors received an induction tailored to their respective roles and experience, details of which can be found on page 47.

As part of the Committee's succession planning process and in conjunction with the external assessment of required experience and capabilities, criteria for the selection of a successor to Rolf were developed. The Committee considered the performance of Duncan in his previous roles at BTG, both financial and operational, and the results of an external capability assessment he had undertaken as part of his personal development plan. The Committee also considered the particular requirements for the CFO role and the overall experience and capabilities required of the Board as a whole going forward in light of the Group's strategy. Following a thorough process, during which the views of the whole Board were gathered along with the input from external advisers, the Committee concluded that Duncan was the most suitable candidate for the role.

During the year, the Committee also considered the composition of each Board Committee and the role of Senior Independent Director (SID). This resulted in the appointment of Graham Hetherington to this Committee and also his appointment as the Board's SID, replacing Giles Kerr. On her appointment to the Board, Anne Thorburn was also appointed as a member of the Audit Committee.

After a busy year, the Board and Leadership Team are now well placed for the next stage of the Company's growth. Long-term succession planning remains the cornerstone of the Committee's activities and we will continue this work into 2018/19 to ensure the Company retains, develops and, where necessary, attracts the talent at all levels that will support the delivery of its strategy.

Garry Watts
Nomination Committee Chairman

Corporate Governance report
Leadership continued

The Nomination Committee and its membership

The Committee's terms of reference were reviewed during the year and are considered fit for purpose and reflect current best practice. They are available on the Group's website, www.btgplc.com, or from the Group Company Secretary on request.

Committee members	Date of appointment to the Committee
Garry Watts (Committee Chairman)	1 January 2012
Graham Hetherington	27 September 2017
Giles Kerr (until 27 September 2017)	16 July 2008
Ian Much	1 January 2012
Jim O'Shea	13 May 2009

Composition of the Committee

As at the year end, the Committee comprised three non-executive directors and the Chairman.

Directors' biographies

See pages 40 and 41.

Meeting attendees

Only members of the Nomination Committee have the right to attend meetings, however, the CEO and the other non-directors may attend meetings by invitation, as may employees or external advisers when appropriate and necessary. The Group Company Secretary serves as secretary to the Committee.

Scheduled meetings during the year

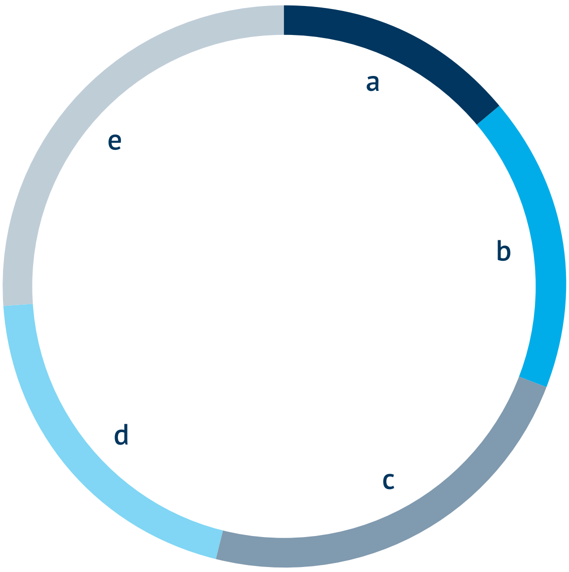
Committees are typically held before scheduled meetings of the Board and additional meetings convened when required. There were eight meetings of the Committee during the year. Details of attendance can be found on page 47.

The key responsibilities of the Committee

The Board has delegated responsibility for the following to the Committee:

- Keep under review the structure, size and composition of the Board, looking at its balance of skills, experience, independence and knowledge as well as its diversity, and make recommendations to the Board on any appropriate changes.
- Identify, via a rigorous and transparent procedure, and nominate, for the Board's approval, suitable candidates to fill any vacancies for non-executive directors and, with the assistance of the CEO, executive directors.
- Plan for the orderly succession of directors to the Board.
- Recommend to the Board the membership and chairmanship of the Nomination, Audit and Remuneration committees.

Time spent by the Committee during the year



- a Composition and balance including diversity **14%**
- b Governance/effectiveness **17%**
- c Succession planning and re-appointment of directors **23%**
- d Non-executive search **20%**
- e CFO replacement **26%**

Activities

The principal activities of the Committee during the year related to:

- The process to appoint a new Group CFO.
- The process to find and appoint two new non-executive directors.
- The reappointment of non-executive directors Giles Kerr, Ian Much and Jim O'Shea, each for a further 12 months, subject to being re-elected at the Annual General Meeting (AGM).
- The reappointment of Sue Foden as non-executive director for a further three-year period, subject to being re-elected at the AGM.
- The reappointment of Garry Watts as a non-executive director and Chairman of the Board for a further period of three years, subject to being re-elected at the AGM.
- Considering the composition of the Board and the appointment of Graham Hetherington as Senior Independent Director.
- Reviewing the independence and effectiveness of each non-executive director prior to recommending their re-election at the AGM.
- Discussing succession planning for the Group's Leadership Team, including the CEO and CFO and the Group's senior managers in key positions.
- Considering the expertise, capabilities and capacity of the Group's management team with regard to the Group's strategy and future requirements. Progress to address perceived capability gaps is regularly reviewed and this remains an area of focus and is considered in the context of growth, both organically and by acquisition.

Appointment process

Board appointments are made on merit and in line with current and future needs, reflecting the UK listing and international activities of the Group. The Committee considers what areas of expertise the Board would most benefit from and draws up a full description of the role accordingly, where necessary utilising the services of senior executive search agencies. Any search agency engaged by the Committee to provide a list of potential candidates is required to be free from any conflicts of interest with the Group and to have adopted the Voluntary Code of Conduct for addressing gender diversity and best practice in the search process.

The Committee will typically consider a longer list of potential candidates before shortlisting candidates for interview. The candidates will be interviewed by the Committee members on behalf of the Board. Preferred candidates are also then interviewed by the other non-executive directors, the CEO and, where considered appropriate, the Group Company Secretary. Taking into account their views and the Board's requirements, the Committee will make a recommendation to the Board. Appointments to the Board receive a thorough induction process, details of which can be found on page 52. The appointment process for Duncan Kennedy differed from the above as it was part of the Board's long-term succession planning process.

Development of capabilities and succession planning

The development of talent below Board level is extremely important and an area of focus for the Board. BTG continues to build an internal leadership pipeline for senior roles and the Head of HR updates the Board regularly on progress. In addition to traditional Management Development Programmes, the Group has many learning and development opportunities available to prospective leaders. By focusing on creating a pool of talent, we are increasing the probability of retaining them through meaningful development and career opportunity, and building the internal capability needed to support the Company's growth. The strength of the Company's capability development and succession planning programme was demonstrated during the year by the appointment of Duncan Kennedy as CFO.

Diversity

Any appointment to the Board will be made on merit and for the benefit of the continuing success of the Company. However, the benefits of diversity in its broadest form, including gender diversity, are recognised by the Board and play a very important part in the decision-making process regarding appointments. The Board remain supportive of best practice recommendations to improve gender balance on Boards. The Board currently comprises eight men (73%) and three women (27%). The Board recognises the value of a workforce with diverse skills, experience, thinking and background and those values are reflected in the recruitment policies in effect throughout the Group. Those policies of diversity and inclusion are applied when making appointments to the Board.

Further details can be found in the Directors' report on page 97.

Committee evaluation

The Committee's performance was reviewed as part of the externally facilitated annual Board evaluation process. The assessment found that it continued to function effectively and reinforced the work begun during the year to continue to evolve the Board's composition to ensure it contained the necessary skills and experience in light of the Group's strategy. The evaluation supported the ongoing focus on succession planning both at Board and Leadership Team level.

Garry Watts
Nomination Committee Chairman

Corporate Governance report
Effectiveness

Induction and training

All new directors receive a comprehensive induction tailored to their needs. The programme continues to evolve taking into account feedback from directors. It includes written information on areas such as directors' duties and corporate governance guidelines and includes meetings with other directors and a cross section of senior management at a Group and business unit level. Site visits are encouraged. New Board members also receive a full briefing on the financial and operating history of the Group and details of its strategy, risk management and compliance processes, operating plans, budgets and forecasts for future years. Following their appointment to the Board during the year both Greg Barrett and Anne Thorburn received tailored induction programmes. Further information on these inductions can be found in the case study on page 47.

All directors, including those newly appointed, are given the opportunity to attend external courses and refresh their knowledge regularly through publications and conferences, and through information provided by the Group and its advisers.

In accordance with best practice, the Chairman considers and addresses the development needs of the Board as a whole, if any, and ensures that each director updates their individual experience, skills and knowledge as appropriate.

Support

There are robust processes in place to ensure that the Board receives management information and reports on strategic and operational matters for discussion on a timely basis via a secure Board portal. The Board calendar includes annual strategy days and senior management regularly attend meetings to enhance the non-executive directors' understanding of the business and to present deep-dive analysis of their areas of the business. Board meetings are held twice a year at other Group locations outside the UK, affording non-executive directors an additional opportunity to meet employees and enhance their understanding of Group businesses.

There is an agreed procedure for directors to take independent professional advice, if necessary, at the Group's expense. They also have direct access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed and for providing advice on corporate governance. The Group provides appropriate directors' and officers' liability insurance. Further information on directors' indemnities is given in the Directors' report on page 95.

Performance evaluation

The Board recognises that a rigorous evaluation of its performance is important to optimise its continued effectiveness and development.

The CEO appraises the performance of the CFO. The Chairman and non-executive directors review the performance of the CEO. The non-executive directors, led by the Senior Independent Director, with input from the executive directors, evaluate the performance of the Chairman each year. The committees also review their own performance and report the results to the Chairman and the Board. During the year, the non-executive directors held a meeting without the executive directors to discuss the performance of the executive directors and their management of the Group's affairs.

A formal Board evaluation is carried out annually and is externally facilitated every three years. This year an external evaluation was carried out by Calibro, who reviewed the performance and effectiveness of the Board and its committees. Calibro was considered to be best placed to conduct the review given the insight into the Board acquired during their work in 2016/17 relating to Board composition. Calibro developed a comprehensive brief with the Chairman and Group Company Secretary and attended certain Board and committee meetings held during November 2017. Individual interviews were also conducted with each Board member and the Company Secretary.

The main areas considered by the evaluation were:

- Board structure and composition.
- The quality of information provided to the Board.
- Development of organisational capabilities needed for BTG to succeed.
- Process for the definition of strategy.
- Governance oversight, including risk management.
- Board culture and communication.

Progress on the output from the 2017 evaluation and objectives following the 2018 evaluation is set out below:

Board evaluation

Key 2017 objectives	Progress	Key 2018 objectives, taking into account the 2018 Board evaluation
The risk management process is to be further integrated into strategic planning. The Board will receive further strategic updates throughout the year as part of an iterative discussion.	Good progress. The risk discussion was an integral part of the Board strategy day discussion. The strategic updates were integrated into the 2017/18 Board agenda with deep-dives in key areas.	Strategy and risk – increase the focus on the evolution of the Group's strategy and definition of the associated risk appetite.
Continue to evolve the top-down macro risk assessment of those external developments that may adversely impact the business. Definition of key risks inherent in the strategy and discussion of appropriate risk appetite in key areas.	Good ongoing progress. External risk briefings were provided to the Risk Committee with participation of a number of non-executive directors. Ongoing focus on changes in the external environment and the impact on strategy.	Communication – continue to improve external communication of the strategy and shareholder engagement.
Monitor the execution of the R&D strategy and evaluation of the pipeline of earlier-stage development opportunities.	Ongoing development of the R&D pipeline, reviewed by the Board twice a year.	
Continue the varied leadership development programmes. Continue the consideration of capability needs at Board level.	Addressed with ongoing work and new leadership development initiatives across the business. Ongoing evolution of the composition of the Board occurred during the year with the succession of CFO and two additional Board appointments.	Capabilities – ongoing evolution of the composition, expertise and diversity at the Board and Leadership Team. Ongoing review of the capability and capacity needs of the Group to deliver the strategy and 'deep-dive' reviews of key strategic capabilities. Continue to enhance internal M&A expertise.

Related parties and conflicts of interest

The Group maintains robust procedures to ensure that related party transactions and potential conflicts of interest are identified, disclosed and managed. To address the effect of Section 175 of the Companies Act 2006, the Group's Articles of Association enable the Board to authorise situations that might give rise to directors' conflicts of interest. Directors declare interests in other businesses on appointment to the Board, as they arise and complete an annual self-certification.

Board members are regularly reminded to disclose any conflicts should they arise, and any such notifications are kept in a conflicts register maintained by the Company Secretary. Any director who considers they may have a potential conflict of interest is required to report this to the Chairman in the first instance, who may consult the Nomination Committee and report its findings to the Board.

Where it is identified that a related party relationship exists, the Board agrees specific additional procedures to ensure the effective management of potential conflicts of interest.

At the March 2018 Board meeting, all directors were asked to review and make any necessary amendments to their existing declarations. The Company Secretary has reviewed the latest declarations and has confirmed that no conflicts are believed to have arisen.

Giles Kerr, a non-executive director of the Board, is also the Director of Finance for Oxford University and a director of Oxford University Innovation Limited, a subsidiary of Oxford University. Wholly-owned subsidiaries of the Group entered into technology commercialisation and revenue-sharing agreements with these organisations prior to Giles Kerr joining the Board. The Group has licensed the intellectual property rights covered by these agreements to independent third-party companies that are developing and/or selling the licensed products. Under these licence agreements, the Group is entitled to receive milestone payments and/or royalties on sales of the products sold by the third-party licensees.

Under the various revenue-sharing agreements, the Group pays a share of any income it receives to Oxford University or Oxford University Innovation, depending on the specific technology that generated the income. As the revenue-sharing agreements do not permit these organisations to have any input over the commercialisation of the licensed products or the amount payable under the relevant revenue-sharing agreement, Giles Kerr is not able to influence the amounts received in his position outside the Group. As Giles has no influence over any aspect of these agreements in his role outside the Group, the Company considers that his independence in relation to the Group is not compromised.

To avoid any possible conflict of interest, it has been agreed that Giles Kerr will not participate in any discussions or decisions concerning the relevant agreements either within the Board or in any other discussions or meetings with the executives of its subsidiaries. Giles Kerr will not be standing for re-election at the 2018 AGM.

The Board has considered, and is satisfied with, the separation of duties and safeguards.

Corporate Governance report
Accountability

Audit Committee Report

Dear Shareholder

I am pleased to present the report of the Audit Committee for the year ended 31 March 2018.

External auditor

Last year I announced the intention to put the Group's external audit out to tender, which has resulted in Deloitte LLP being appointed as external auditor of the Company with effect from the 2018 AGM, full details of which can be found on page 59. As Chairman of the Committee and on behalf of the Company, I would like to thank Richard Broadbelt and his team at KPMG for the firm's service as auditor of the Company for the last 26 years.

Review of reporting currency

As the majority of the Group's revenue and a significant proportion of the Group's operating costs are denominated in US Dollars, with effect from the 2018/19 financial year the Group will change its reporting currency to US Dollars. The Committee reviewed the implications of this change, including a review of historical financial information restated to the US Dollar, together with the implications of the change on financial systems and external communications.

Oversight of CFO transition

With the departure of Rolf Soderstrom, the Committee oversaw the transition of the CFO role to Duncan Kennedy.

Review of Group Tax strategy and the effect of US tax reform

During the year, the Committee reviewed the Company's tax strategy, including a detailed review of the effect of US tax reform on the Group's current and future effective tax rate and the one-off effect of the enactment of US tax reform on the 2017/18 financial statements.

Review and oversight of Enterprise Resource Planning (ERP) programme

As part of its efforts to increase efficiencies and implement common processes and controls across the Group, the Company has been evaluating the adoption of a Group-wide ERP system. During the year the Committee reviewed the rationale for the ERP implementation, programme governance and the project plan.

Risk and risk mitigations

The Committee has continued to review and monitor the approach to risk management. The Committee focused on those risks considered to be of greatest significance to delivery of the Company's strategy, as well as the effect of external healthcare and macro-economic risks. Further explanation of the risk management process and work by the Committee in this area during the year can be found on pages 60 and 61.

Governance

The Committee has continued to oversee the ongoing review and, where necessary, revision of the Company's general governance framework during the year to ensure it remains relevant for the current year as well as the future of the business.

Viability Statement

The Company's Viability Statement can be found on page 33. The Committee has reviewed the elements of the statement in light of the latest FRC guidance. The Committee concluded that the approach, and the internal work undertaken to support the statement remained robust and appropriate and that the three-year period covered by the statement was also appropriate in the circumstances.

Fair, balanced and understandable

The report provides the Committee's opinion as to whether the Annual Report, taken as a whole, is fair, balanced and understandable. The Board, after taking advice from the Audit Committee, has confirmed this to be the case and that it provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Committee constitution

The Committee welcomed a new member during the year, with Anne Thorburn joining in January. Committee members are selected to provide the extensive range of financial and relevant sector experience required by the Committee in order to fulfil its duties. Anne's arrival will allow Giles Kerr to step down as a member of the Committee at the AGM and I would like to thank Giles for his commitment and energy during his time serving as Chairman, and latterly, as a member of the Committee.

I will be available at the AGM to answer any questions about the work of the Committee.

Graham Hetherington
Chairman of the Audit Committee

The Committee and its membership

The Committee, established by the Board, is responsible for monitoring all aspects of financial reporting, governance and management of risk. The Committee comprises five non-executive directors, all of whom are considered independent for the purposes of the Code.

Committee members	Date of appointment to the Committee
Graham Hetherington (Committee Chairman)	1 August 2016
Giles Kerr	6 November 2007
Ian Much	1 November 2010
Anne Thorburn	23 January 2018
Richard Wohanka	1 January 2013

Graham Hetherington is designated as the Committee member with recent and relevant financial experience as required by the Code. All other members of the Committee are deemed to have the necessary accounting or related financial management experience and ability to discharge the responsibilities of the Committee, and as a whole, have competence relevant to the sector in which the company operates. Members provide a wealth of experience of financial reporting, risk management and internal controls, and possess knowledge relevant to the sector in which the Group operates. More information on the experience and expertise of Committee members can be found in the directors' biographies on pages 40 and 41.

Meeting attendees

Only members of the Audit Committee are entitled to participate in meetings, however, there is a standing invitation for other non-executive directors to attend meetings of the Committee as observers. At the Committee's invitation, the Group CEO, CFO and SVP Group Finance regularly attend meetings, as do other senior business, legal and compliance team members, representatives from the external auditor KPMG LLP and the internal auditor PwC LLP. Deloitte LLP were also invited to attend the meetings in March and May 2018 as part of the external auditor transition. The Group Company Secretary serves as secretary to the Committee.

Scheduled meetings during the year

The Committee has an annual standing agenda developed from its terms of reference, which is aligned with the Company's financial calendar and the annual audit cycle. Five meetings were held in the year and details of attendance can be found on page 47.

During the year, immediately following a Committee meeting, private meetings were held with the external and internal auditor to allow them the opportunity to discuss matters without management being present.

Corporate Governance report
Accountability continued

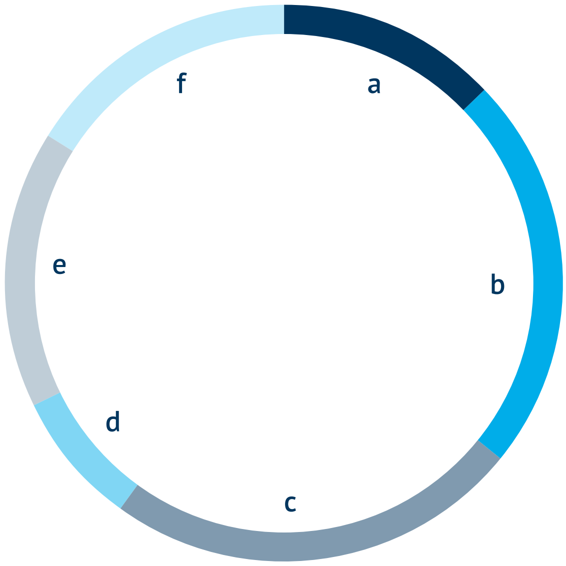
Role of the Committee

In accordance with its terms of reference, the Committee's primary purpose is to provide the Board with assurance as to the effective nature of the internal control and risk management environment within the Group. In satisfying this purpose, the Committee is required, in addition to other tasks, to:

- review, understand and monitor the integrity of the Group's financial reporting, and its compliance with relevant accounting standards;
- review the effectiveness of the Group's internal financial controls, systems and processes for the assessment and monitoring of financial risk;
- assist in the assessment of the principal risks facing the Group;
- monitor and annually review the effectiveness of the Group's internal audit function;
- oversee the relationship with the Company's external auditor and make recommendations to the Board in relation to their appointment, remuneration and terms of engagement;
- approve the scope of the internal and external audit programmes and monitor and review outputs;
- annually review and monitor the objectivity, independence and effectiveness of the external auditor;
- review the adequacy of group policies, procedures and controls for preventing fraud, bribery and money laundering and the Group's whistleblowing arrangements;
- review the Annual Report and Accounts and oversee the process for determining whether, if taken as a whole, the report is fair, balanced and understandable and provides the necessary information to assess the Company's position, performance, business model and strategy; and
- review and approve the going concern assumptions and the Viability Statement.

The terms of reference for the Committee are set out in full on the Group's website, www.btgplc.com, or are available on request from the Group Company Secretary. The terms were reviewed during the year and are considered fit for purpose and reflect current best practice.

Time spent by the Committee during the year



- **a** Internal audit **13%**
- **b** External audit (inc. non-audit services) **23%**
- **c** Financial reporting **24%**
- **d** Tax **8%**
- **e** Risk management and compliance (inc. whistleblowing) **16%**
- **f** Governance/Policy/other **16%**

Activities

During the year, in discharging its responsibilities, in addition to those standing agenda items considered at each meeting, the Committee received and considered reports across a number of areas as summarised below:

Area of review	Activities undertaken
Financial reporting	– Reviewed the Group's half-year and full-year results and announcements. – Reviewed the process to ensure that the Board was able to confirm that the Annual Report and Accounts is fair, balanced and understandable. – Reviewed the external auditor reports on the half-year and full-year results. – Considered the significant accounting issues as detailed on the following table. – Reviewed trading and close period updates issued by the Group. – Conducted an assessment of the going concern basis of preparation for the financial statements, including a consideration of whether there were any material uncertainties as to the Group's ability to continue to adopt this basis over a period of at least 12 months from the date of approval of the financial statements. – Reviewed and advised the Board on the Viability Statement.
External auditor	– Oversaw a formal competitive tender for the appointment of the new external auditor and made recommendations to the Board in relation to that appointment. – Reviewed the performance, objectivity and independence of the external auditor. – Reviewed the strategy, scope and results of the half-year review and full-year audit. – Reviewed and approved external auditor remuneration. – Reviewed the use of the external auditor for non-audit work.
Risk management and internal control	– Reviewed the effectiveness of risk management systems, internal controls and fraud, anti-bribery and anti-corruption procedures, and made recommendations to the Board in relation to ongoing improvements to the approach to risk management and integration of the discussions of risk and strategy. – Reviewed the Group's whistleblowing policy and arrangements for employees to raise concerns confidentially. – Reviewed compliance systems and policies and made recommendations to the Board regarding the further development of compliance procedures relating to the Group's distributor network. – Reviewed the results of internal compliance monitoring and auditing. – Reviewed and established enhanced Gifts & Hospitality Policy and Travel Policy.
Tax	– Reviewed and approved the Group's tax strategy and its publication of the required disclosure of this strategy on the Company website. – Considered the impact of US tax reforms on the Group.
Internal audit	– Reviewed the scope of the internal auditor's work plan. – Reviewed internal audit reports produced throughout the year. – Reviewed the performance of PwC who lead the internal audit function.
Committee governance	– Reviewed the terms of reference of the Committee. – Completed a review of the Committee's performance and effectiveness. – Provided oversight and advice on the transition of the Group CFO. – Reviewed the Delegation of Authorities and Treasury Policy. – Reviewed and approved relevant Group-wide policies. – Reviewed governance and project plan for the planned implementation of a Group-wide ERP system.

Corporate Governance report
Accountability continued

Significant accounting matters

The Committee considered the following key accounting issues, significant judgements, areas of estimation and disclosures during the course of the year:

Significant issues considered	How the issue was addressed
Carrying value of intangible assets	The Committee critically reviewed the Company's assessment of the recoverability of intangible assets, including developed technology and In-process R&D assets. These reviews particularly focused on the PneumRx® assets and the key assumptions and valuation methodologies which underpinned the valuation of these assets, as further disclosed in Note 11. Additionally, the Committee reviewed the full impairment of the Vistogard® asset in light of the Wellstat litigation. Key assumptions with respect to PneumRx® included forecast revenue growth, peak sales, discount and terminal growth rates and related sensitivity analyses. In addition, key judgements included the probability of success from the ELEVATE trial, and for the US asset the probability of achieving FDA approval. As a result of the review, the PneumRx® intangible assets were deemed not to be fully recoverable and an impairment charge of £143.2m was recorded.
Taxation	The Committee received reports on and reviewed the accounting implications of US tax reform, in particular the revaluation of deferred tax assets and liabilities as a result of the lower US federal corporate tax rates and the establishment of a current tax liability as a result of the deemed repatriation provisions, see Note 8.
Contingent liabilities	The Committee assessed the progress of the ongoing Wellstat litigation, including the probability of any outflow. Following the Final Order and Judgement issued by the court in November 2017 and the status of the related appeal by the Company, the Committee reviewed the level of provisioning and disclosure requirements in relation to the litigation, see Note 18.
Contingent consideration liabilities	The Committee reviewed the assumptions which underpinned the fair value of contingent consideration liabilities, in particular the liability relating to a $60 million milestone payable to former PneumRx® shareholders if FDA approval of the PMA for the PneumRx® was received by 31 December 2017.
Business combinations	The Committee received reports on the key accounting judgements in relation to the Company's acquisition of Roxwood Medical, Inc. In particular, the Committee reviewed the identification and valuation of acquired intangible assets and the fair value of contingent consideration liabilities relating to potential sales milestone payments, see Note 25.
Change in presentation currency	The Committee received detailed reports from management on the key accounting and disclosure impacts relating to the future change of the Group's presentation currency from Sterling to US Dollar. The Committee reviewed management's plans for communication of the change and the commitment to perform historical retranslation of the Group's results to the US Dollar to assist shareholders in understanding the transition.

External auditor

External audit tender	The Committee has primary responsibility for the relationship with the external auditor and makes recommendations to the Board with regard to their appointment, reappointment and removal, taking into account their overall performance, independence and audit partner rotation. KPMG has been the Group's sole external auditor since the Company listed in 1995 and in last year's Audit Committee Report the Company stated its intention to put the external audit out to tender, with a view to appointing a new external auditor for the financial year ending 31 March 2019. The Committee recommended that a tender process should take place in the financial year ending 31 March 2018, to align with the current audit partner rotation schedule. Having reviewed current regulations and best practice guidance governing the rotation of the external auditor, the Committee decided that KPMG would not be included in the tender process. The tender process was carried out in accordance with the EU Audit Reform and the best practice guidelines provided by the FRC and the Investment Association. **Selection criteria and timetable –** The Committee considered and approved a proposed timetable for the tender process. The timetable was developed to ensure that the tender process would be completed in sufficient time to allow the successful audit firm a thorough induction period, which would include shadowing KPMG as they concluded the year-end audit for the financial year ended 31 March 2018. A selection sub-committee was established, chaired by Graham Hetherington and including the CFO and the SVP Group Finance, supported by other senior managers. The sub-committee developed key criteria to select and evaluate prospective audit firms which included: – audit partner capabilities and character; – wider audit team capabilities (including industry sector experience); – business understanding and relevant insight; – audit quality and innovation; – approach to issue resolution; – quality control, policies and procedures; – transition approach; and – fees. Potential audit firms considered included firms inside and outside the Big Four accounting firms. The Audit Committee concluded that, given the size and geographical spread of the Group's business, an audit firm with a global reach and multi-jurisdictional experience would be most appropriate. **Invitation to tender –** In November 2017 two shortlisted firms were invited to tender. The tender documents invited each firm to prepare a detailed proposal document for consideration by the sub-committee, including a proposed transition timetable. A virtual data room of relevant BTG financial information was made available to both. Each audit firm was also invited to attend a number of meetings with the Audit Committee chair, executive directors and senior BTG management. Written proposals from each firm were received in January 2018. In February 2018 formal presentations to the sub-committee were delivered by the selected audit partners of each firm and members of the proposed audit teams. Following these meetings, the sub-committee scored each audit firm against the selection criteria and in addition, assessed both firms as to their capability, audit quality and cultural fit. **Selection of new external auditor –** At a meeting of the Audit Committee in February 2018, following the conclusion of the formal tender process, the sub-committee proposed that Deloitte be appointed as the Company's new external auditor. The Audit Committee considered the assessment provided by the sub-committee and recommended to the Board that following the completion of the March 2018 year-end audit, and subject to shareholder approval at the 2018 AGM, Deloitte LLP be appointed as the Group's external auditor. The Board accepted and endorsed that recommendation.
Audit scope	For the year under review, the current external auditor (KPMG) presented their proposed audit plan to the Committee for consideration and approval. The Committee agreed the approach and scope of the audit plan which had been discussed with management to ensure alignment with business focus and risk. The Committee agreed the terms of engagement and fees for the audit work to be undertaken. Details of the amounts paid to the external auditor for the audit services are provided in Note 5 to the accounts.
Non-audit work	The Committee has a formal policy for approving the use of the auditor for non-audit work, detailing areas where the auditors may not be used, areas where they may be used subject to the agreement of the Committee and areas where prior approval is not required. The external auditor is precluded from engaging in non-audit services that would compromise their independence or violate any laws or regulations affecting their appointment as external auditor. During the year, no approval was granted for any non-audit services not in full accordance with these standards. The Committee receives a written annual report from management summarising the fees paid to the auditors for non-audit work and whether such services were pre-approved or specifically approved by the Committee. Details of the amounts paid to the external auditor for non-audit services are set out below.

Audit Committee approval	Task	Fees £'000
Pre-approval required:	Taxation compliance services	4
	Other audit related assurance services	61

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External auditor continued

Evaluation	The Committee reviews the performance of and considers the independence of the external auditor annually. During the year, the Committee and senior members of the finance team evaluated the external auditor performance, reviewing the strength of the audit team, its expertise and experience, the completion of the approved audit plan, communication, and interactions with Internal Audit and reporting. The evaluation was conducted by questionnaire and the results shared and discussed in detail at a meeting of the Committee. As part of the assessment, the Committee also monitored the progress against the approved external audit plan and considered the Audit Quality Review findings for KPMG. In considering external auditor independence, the committee received a statement of independence, a report describing their arrangements for identifying and managing conflicts of interest, and confirmation that the provision of non-audit services would not impair its independence or objectivity. Following its annual review, the Committee deemed the performance of the external auditor satisfactory, the audit process was effective, and KPMG remained independent and objective.

Risk management and internal control committee considerations

Approach to risk management	The Board has overall responsibility for risk management and for defining risk appetite, being the risk the Company is willing to take in pursuit of its strategy. Additional details of our approach to risk management and the specific principal risks that may affect the business are given on page 13 in the Strategic Report and on pages 62 to 67 following this report.
Audit Committee interaction with Group risk management process	On behalf of the Board, the Committee oversees the risk management process and the effectiveness of internal controls. It reports its findings to the Board biannually. Where appropriate, the Committee may recommend more specific 'deep-dive' reviews be provided to the Board in selected areas, the aim being to ensure the Company is able to identify, assess and effectively manage or mitigate existing and newly emerging risks. The overall risk assessment structure is designed to manage rather than eliminate the risk of failure in achieving business objectives. It can only provide reasonable and not absolute assurance against material misstatement or loss. The Group operates a Risk Committee that is chaired by the CFO, Duncan Kennedy, and comprises senior members of staff representing relevant parts of the business and key functions and a non-executive director of the Board. The output from the Risk Committee is formally reported, biannually, to the Leadership Team and Audit Committee. This Group Risk report is also shared and discussed with the Board and is used to identify those individual risks that the Board may wish to monitor and consider in greater detail throughout the year. Leading indicators of material changes in principal risks are monitored six monthly by the Board via the Audit Committee. The criteria applied by the directors in judging the effectiveness of these controls are that they allow the maximisation of shareholder value by exploiting business opportunities, while ensuring that risks are properly identified and managed, and the Group's legal, regulatory and other obligations are met. To strengthen the control framework of the business, the Group has an Internal Audit group supported by PwC.
Areas of focus	The Committee discharges these duties using a combination of reports from management, Internal Audit and external auditor reviews. A risk management reporting structure has been in place throughout the year and up to the date of approval of the financial statements, and is regularly reviewed by the directors in accordance with the Code. The Committee's review focuses on a wide range of areas including financial, operational, anti-bribery, regulatory and healthcare law compliance risks and controls, for the year under review and up to the date of this Report. This year the Committee also specifically considered the key risks that could impact the business model and strategy over the longer term, such as the changing healthcare landscape in the US and the implications of Brexit.
Use of Internal Audit	PwC is engaged to perform the role of the Group's Internal Audit function and operates under the direction of the Audit Committee. The Committee monitored and reviewed the work of internal audit throughout the year. Internal audit reviews of the risk management programme, cyber security, HR and payroll processes, Group and local site finance processes, healthcare law compliance and treasury management were undertaken. The work carried out by internal audit did not identify any material weaknesses in internal controls but included proposals to enhance control procedures. The Committee monitors management's responses to ensure that control improvements are instigated on a timely basis. During the year, the Committee evaluated the performance of the internal auditor using the same methodology applied to the external auditor. In general, performance of the Internal Audit group was deemed satisfactory.

Risk management and internal control committee considerations continued

Assessment of fair, balanced and understandable	Communications with shareholders, such as results announcements, interim reports, annual reports and AGM and close period updates, are reviewed carefully and approved by the Board, or a sub-committee of the Board, to ensure they are accurate, transparent, balanced and understandable in the view they give of the Group's progress and prospects. A key role of the Committee includes a review of the significant financial reporting judgements contained in the Annual Report and Accounts with the aim of ensuring that they present a fair and balanced view of the Group and comply fully with the relevant statutes and accounting standards. To determine whether, taken as a whole, the Annual Report and Accounts is fair, balanced and understandable, the Committee discusses audit findings and the Auditor's Report with management and the external auditor, and considers significant judgements and issues contained within those reports. Following this discussion, the Chairman of the Committee reports the results of its review to the full Board. The Annual Report and Accounts is compiled by members of the Finance, Investor Relations and Company Secretariat functions who review the content to ensure it is balanced and, where necessary, contains appropriate links to various sections of the report. The Committee has assessed and recommended to the Board that, taken as a whole, the Company's 2018 Annual Report and Accounts is fair, balanced and understandable, and provides the necessary information to enable shareholders to assess the Company's performance, business model and strategy. The statement of directors' responsibilities in relation to the preparation of the financial statements is set out on page 98 and the auditor's statement on the respective responsibilities of directors and the auditor is included within its report set out on pages 100 to 107.
Corporate policies, values and compliance	The Company places great emphasis on the embedded behaviours and values that define the BTG DNA, which have been integral in building the organisation to date, and we believe them to be key for continuing success. They are underpinned by the Code of Conduct, which covers all aspects of ethics, business practices and compliance, including a whistleblowing policy, an anti-bribery and anti-corruption policy and policies related to the ethical conduct of research and development and interactions with doctors and other healthcare professionals. A Companywide meeting is held each month where all sites join via video conference. The CEO updates employees on different aspects of the business and presentations are given by employees from all areas of the business.
Whistleblowing	The Committee continued its role of monitoring and providing oversight of the operation of the Group's Whistleblowing policy. The Group operates an 'open door' policy and, in line with best practice, an independent and confidential Whistleblowing procedure, which includes an anonymous reporting 'Helpline'. The Leadership Team is responsible for ensuring that arrangements, under which employees may raise concerns about possible improprieties, are operating effectively and that appropriate follow-up action takes place. Details of the Group's Whistleblowing and non-retaliation policy are included within the Employee Code of Conduct and various employee training modules.
Anti-bribery and anti-corruption policy	The Group has continued to operate and enhance its anti-bribery and anti-corruption (ABAC) policy, which reflects the Group's commitment to ethical business practices. This has included the conduct of due diligence on existing and new key business partners who may act on behalf of the Group in higher risk areas of business. During the year, all employees were required to undertake refresher training in relation to the policies via the Group's online training portal. Further enhancements were completed during the year with the development of a compliance programme 'toolkit' of simple policies and procedures for third parties with whom the Company contracts. Training on the toolkit, which confirms the company's expectations in relation to anti-bribery and anti-corruption standards was provided. Audits measuring against the policies and procedures within the toolkit will commence during the year and the results will be considered by the Committee on an ongoing basis.

Committee evaluation and action plan for 2018/19

The review of the Committee and its effectiveness was considered as part of the overall externally facilitated Board evaluation conducted during the year. The Committee was found to be continuing to function efficiently and effectively, providing a healthy balance between in-depth assessment and analysis and a clear practical approach. In the year ahead, the Committee will support the Board in further developing the articulation of risk to assist in the Company's strategic development. It will provide oversight of the transition and handover to the Company's new auditors, and in addition to conducting selective deep-dive reviews into some of the Company's key risk areas, it will also provide ongoing assessment of all aspects of the Company's ERP project.

Compliance with CMA Order

The Company confirms that during the period under review, it has complied with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Graham Hetherington
Chairman of the Audit Committee

Corporate Governance report
Accountability continued

Risk management and principal risks

Accountability for oversight of risk

The goal of the Board is to ensure the Company is able to identify, assess and effectively manage or mitigate existing, changing and newly emerging risks. The Board also assesses the likelihood and potential impact of plausible concurrent risks and seeks to ensure that the overall risk profile of the Group is appropriate in light of its strategy.

With direct support from the Audit Committee, the Board believes it has taken all reasonable steps to satisfy itself that the risk management process is effective and fit for purpose. Nevertheless, as with all risk management processes, there remains a degree of uncertainty, planned mitigations may not be effective and unpredicted risks may arise. As a consequence, there can be no guarantee that all risks to the business will be successfully identified, controlled or mitigated. Risk is inherent in a number of aspects of the Company's growth strategy, such as investments in product development, M&A and geographic expansion.

Senior management and the Board specifically consider risks that, in their opinion, could cause the Group's future results, financial condition and prospects to differ materially from current expectations, including the ability to meet the objectives outlined in the Strategic Report. Based on that analysis, the Board believes it has taken into account material and plausible risks and can confirm the viability of the Company over the next three years as set out in the Viability Statement required by the UK Corporate Governance Code (see page 33, the Viability Statement).

Risk review process

BTG has a three-year financial plan that is updated annually. Performance against that plan is monitored on a monthly basis.

The corporate goals have been built into the risk management process and, as such, form one of the bases on which business risks are measured. Individuals in the business managing discrete risks on a day-to-day basis produce and update their business unit specific risk registers regularly, as business conditions change. These registers are consolidated into a Group Risk Register that is reviewed at least twice-yearly by the Risk Committee before being considered by the Leadership Team and reported to the Audit Committee and Board.

Further detail of the work of the Group Risk Committee can be found on page 43.

Where appropriate, the Audit Committee will commission deep-dive assessments of a key risk to better understand its nature and to consider available mitigation options that could be deployed to better manage that risk, together with the costs, timelines and likelihood of success of those options.

During 2017, a number of improvements were made to the risk management process based on a PwC audit of the risk management process conducted in 2016. This included further integrating the review of risk in the discussion of the Group's strategy and specific risk assessment of the external environment in which the Group operates.

The Board uses information from the risk management process to define the appropriate risk appetite for inclusion within the Company strategy. The Board also considers new material risks in a timely fashion as they arise.

Governance and risk management systems

An integral part of the risk management framework is the operation of a number of compliance and governance systems, each of which comprises a framework of policies, processes and procedures used to ensure that BTG fulfils all tasks required to achieve the desired corporate governance objectives. Examples include the corporate functions such as Internal Audit, Compliance, Finance, Legal, Regulatory, Research & Development, Pharma/Device vigilance, Quality, Environmental, Health and Safety and other assurance groups. These are integrated to ensure an overall robust risk management and assurance framework.

A number of these systems are required by legislation or by authorities governing our industry, e.g. in the pharmaceutical industry, product quality is governed by the principles of Good Manufacturing Practice (GMP), enforced by the Food and Drug Administration (FDA) in the US and Medicines and Healthcare Products Regulatory Agency (MHRA) in the UK and other equivalent agencies in other territories.

These BTG governance systems each have a series of Key Performance Indicators (KPIs), reviewed by the Leadership Team at set intervals and fed into the business unit and Group Risk Registers. Non-conformances are investigated, and corrective actions defined and tracked to completion. These systems aim to ensure that risks arising from internal activities or those conducted via third parties with whom we work do not become material. The principal systems are outlined in the following table.

A deep-dive has been conducted on the effects of Brexit to the BTG Business. Overall the effect of Brexit on BTG is not currently deemed to be material but significant uncertainties remain, so the risks will continue to be assessed.

Plans have been drawn up to deal with all risks resulting from a hard Brexit in March 2019 (i.e. the worst case scenario). Implementation of these plans is being monitored by the Leadership Team and the Board.

The highest impact risks identified are:

- Medical devices unable to be sold and marketed in the EU because the Notified Body is not based in the EU.
- UK imports and exports held up in customs because infrastructure cannot cope with the demands placed on the systems by Brexit.

Outline of BTG Governance & Risk Management Systems

Functional area	Summary of KPIs measured
Product quality control and assurance: Ensuring all products: – meet applicable specifications, GMP and other regulatory requirements; – deliver expected efficacy and safety; – are supported by necessary manufacturing and marketing licences in relevant markets.	– Ensuring all products placed in a market meet applicable release criteria for the market for which they are intended. – Assessment against internal operating standards and procedures. – Testing the effectiveness of training. – FDA/MHRA/Internal Audit findings and delivery on remediation plans. – Monitoring customer complaints, for example, product failures or adverse events (via a comprehensive device/ pharmacovigilance system). – Monitoring completion of corrective actions for all measures reported.
Healthcare law compliance: Ensuring: – compliance by BTG Group and its principal commercial partners with applicable laws and regulations relating to the conduct of business including, for example, the UK Bribery Act, US False Claims Act, US Anti-Kickback Statute and the US Foreign Corrupt Practices Act, and other applicable regulations to prevent improper conduct, inaccurate regulatory submissions, misleading or off-label marketing of products, or the submission of false claims for reimbursement of products; – appropriate protection and management of the collection and use of personal data and operation of an appropriate global data privacy framework.	– Collection of internal monitoring data and assessment against operational targets. – Internal audit findings, auditing of commercial partners and delivery on remediation plans. – Monitoring of complaints/queries/allegations. Conduct of investigations where required. – Testing the effectiveness of training of BTG employees and commercial partners.
Finance: Ensuring: – the ongoing viability of BTG's business and adequate financial resources to meet our operational and strategic objectives; – all BTG employees abide by internal and external transaction and reporting standards; – BTG is not subject to serious fraud or misappropriation of company assets.	– Internal and external audit findings at BTG businesses and commercial partners. – Adherence to budget, delegated authorities and other internal financial controls and assurance procedures. – Monitoring of financial transactions. – Monitoring completion of corrective actions for all measures reported.
Supply chain: Ensuring: – products are delivered on time and orders completed; – continuity of supply; – maintenance and management of supply chains such that all internal and regulatory standards are met.	– Collection of internal monitoring data and assessment against operational targets. – Maintaining adequate inventories (based on risk assessments) of raw materials, intermediates and finished goods. – Implementation of process and facility improvement plans. – Rigorous monitoring of third-party suppliers; dual sourcing implemented or being investigated where practicable.
Environment, Health & Safety (EHS): Ensuring: – BTG operations are safe for employees, visitors and the public who interact with our business; – we appropriately manage our impact on the environment; – compliance with internal and external regulatory standards.	– Investigation of lost time accidents (minimum one day lost) and all first aid incidents. – Waste produced. – Carbon footprint. – Water consumption. – Internal audits and site assessments monitoring training and completion of corrective actions for all measures reported.
Cyber Security & Global Privacy: Ensuring: – prevention of cyber attacks to protect BTG systems, data and assets; – protection of personal data.	– Dashboard of cyber attack's activity and responses. – Data monitoring and assessment. – Audit results.

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Accountability continued

Outline of BTG Governance & Risk Management Systems continued

Functional area	Summary of KPIs measured
Research & Development (R&D): Ensuring: – we protect the safety and data privacy of patients participating in our clinical studies and meet all applicable laws and regulations with respect to conduct of R&D (for example, the requirements of Good Clinical Practice and Good Laboratory Practice); – we generate adequate data to support regulatory submissions and product approvals for intended uses; – we define appropriate development plans to meet our strategic goals; – we meet project specific and portfolio budgets and timelines.	– Assessment against internal operating standards and procedures and ongoing review of the scope and content of the policy framework and procedures. – Testing of the effectiveness of training. – FDA/MHRA/Internal Audit findings and delivery on remediation plans. Active monitoring of clinical studies and other activities. – Detailed review of project progress against agreed stage gate milestones for further funding. – Ongoing review of the portfolio as a whole against wider strategic needs.
Skills and capabilities: – Ensuring the business attracts, retains and develops talented individuals of the calibre, and with the capabilities needed, to deliver the Group's operations and strategy.	– Assessment processes to define the future capability or development needs of the Group in light of strategy. – Reviewing the competitiveness of Company reward programmes and employee benefits. – Ensuring key individuals have adequate ongoing development, as well as succession plans in place. – Enhancing overall leadership development programmes.
Business development – Identifying and analysing M&A targets which support the business strategy and business unit (BU) goals. – Ensuring risks from potential targets are within the risk appetite of the Board and senior management.	– Assessing ROI and fair market value of investment opportunities. – Assessing synergies and opportunities to enhance revenue in conjunction with existing products and BU structures. – Producing risk registers for all recommended investments.

Principal risks

Although not exhaustive, we describe in the following table what we believe to be the most significant risks that could materially affect the Group's ability to achieve its financial goals, operating and strategic objectives. While other risks are deemed less material at this time, given the nature of the Company's business, risks continually change.

The BTG Board and senior management note at this time that world trade is becoming more difficult and costly due to protectionist trade polices being mooted in the US and the forthcoming UK exit from the EU. These risks have been analysed and at this time are not thought to be material, however, these risks will introduce additional operating cost to the business.

As a general risk, the existing and future products launched by the Company may not be a commercial success, depending on a number of complex and inter-related factors including: the receipt, maintenance and the scope of the applicable required marketing approvals and clearances (and the time and investment required to obtain approvals); product acceptance by physicians and patients; commercially viable levels of product reimbursement being established; safety and efficacy continuing to be demonstrated; maintaining continuity of supply; the impact of competition; and the successful enforcement of the Group's intellectual property or defence against third-party intellectual property rights.

The pharmaceutical and medical device industries are highly competitive and require substantial ongoing product investment, innovation and development to sustain a continuing competitive advantage. The Group's success will continue to depend on its ability to in-license, acquire or develop new products and businesses, and to realise the expected benefit from such activities by the application of resources and effectively integrating acquired opportunities into the Group. As BTG operates in such a highly specialised industry, in order to deliver against our strategic objectives, we require highly-skilled and experienced employees who are sought after by our competitors. Challenges in attracting, retaining and motivating such employees may impact our ability to maintain performance levels and to deliver against our strategic growth objectives.

Risk	General mitigation strategy	Change in 2017/18
Market access: Securing adequate reimbursement for BTG's products		
BTG may not be able to sell its products profitably if reimbursement by third-party payers, including government and private health insurers, is limited, uncompetitive or unavailable. The Group may be subject to price limits on reimbursement of products that are outside of its control, reducing sales volume or prices, negatively impacting Group revenues. This is particularly the case in the US where a significant proportion of the Group's revenues are derived, and in light of the ongoing US healthcare reforms, which may reduce the number of insured patients or require increased rebates or discounts to be provided. Third-party payers are increasingly attempting to contain healthcare costs through measures that are likely to impact the products that BTG is developing.	Ensuring effective advocacy with payers based on accurate data and analysis to inform reimbursement decisions. Ensuring accurate and complete submissions. BTG is seeking to use its expanding expertise across the portfolio, both within and outside the US. R&D plans increasingly seek to create the data likely to be required to secure the desired level of reimbursement for the applicable products after commercial launch.	A number of initiatives are being taken by the company to support reimbursement for all products. These initiatives include post market registration studies. Clinical studies are underway for EKOS®, TheraSphere® and the PneumRx® Coils. Market adoption of the PneumRx® Coils and securing adequate reimbursement has taken longer than anticipated. Varithena® CPT codes took effect in the US from January 2018. However, further time is required to understand the impact of the availability of these codes on future US revenues. Overall, this risk is deemed to be at the same level as last year.
Obtaining/Maintaining product regulatory approvals		
The pharmaceutical and device industries are highly regulated in relation to the development, approval, manufacturing and sale of products. The development of healthcare products has a high level of inherent risk and a high failure rate. An inability to meet existing or new regulations or regulatory guidance may result in delays or failures in bringing products to market, additional material costs of development or the imposition of restrictions on approval or the sale of a product or its manufacture or distribution, including the possible withdrawal of a product from the market. Such events may adversely impact the Group's revenues and prospects.	The Company has expert internal teams dedicated to ensuring compliance in each of these areas, defining regulatory strategies and supporting product approvals and maintaining existing product licences. The process is supported by the governance systems defined above and monthly monitoring of performance against goals and of changes in the regulatory landscape.	The PMA submission to seek US approval of the PneumRx® Coil, was made during the year and discussions with the US FDA are ongoing. That process has taken longer than anticipated and uncertainty remains regarding the likelihood and timing of approval. TheraSphere® clinical trials continue and are on track to complete to plan. The Company continues with a number of clinical trials and investigator-led studies to support and extend indications for existing products. In addition, a number of early stage partnership projects are being investigated, which will support future business growth. The overall level of risk is deemed to be the same as last year.
IP/Legal challenges		
BTG may be subject to challenges relating to the validity of contracts or its patents or alleging infringement by BTG of intellectual property (IP) rights of others, which might result in the cessation of BTG product sales, litigation and/or settlement costs and/or loss of earnings. BTG might elect to sue third parties for their infringement of BTG's IP to protect current or future product revenue streams. Litigation involves significant costs and uncertainties. BTG may not be able to secure or maintain the necessary IP in relation to products sold, acquired or in development, limiting the potential to generate value from these products and investments. Patent expiries can adversely impact the Group's revenues due to a resultant increase in competition and price erosion. Significant legal commitments are required to be made by the Group to third parties in pursuit of the Group's strategy and, reciprocally, delivery of the strategy is in some cases dependent on third parties meeting their legal and contractual obligations to the Group. Dependency on contractual relationships carries with it varying degrees of risk of future disputes and litigation which may result in loss of product rights or exposure to damages following an adverse court ruling. Examples include the Group's obligation to use reasonable commercial efforts to commercialise certain products or to meet future milestones under product acquisition agreements. BTG's proprietary data and knowhow is also threatened by increased cyber attack threats.	Maintenance of the IP and legal functions as core capabilities of the Group, supplemented by external expertise, which monitors third-party patent portfolios and patent applications and IP rights. Development and implementation of BTG patent filing, defence and enforcement strategies, pursuing litigation or settlement strategies where appropriate. Robust processes are in place to automate patent renewals; internal controls established to avoid disclosure of patentable material prior to filing patent applications and to protect valuable know-how. Processes are in place to ensure the Group meets its obligations under material contracts and to monitor and manage the satisfaction of third-party obligations to the Group. BTG has established a cyber risk function to protect itself against cyber threats.	As reported in previous years, Zytiga® is facing generic challenges in the US which are expected to enter the market in late 2018. The effects of generic entry have been analysed and are included within BTG financial forecasts. At a hearing before the US Patent and Trademark office held during the year, the patent protecting the market for Zytiga® was held to be invalid, subject to ongoing appeal. In last year's annual report, we recorded that BTG were in litigation with Wellstat over the commercialisation of Vistogard®. The initial judgement found in favour of Wellstat and BTG were ordered to pay significant damages (exceeding US$56 million plus interest). BTG have appealed this decision and we await the appeal decision. In the meantime, we have made financial provisions for these damages and initial interest within our actual 2017/18 results and our financial forecasts. As a result of the court decision the Vistogard® asset has been returned to Wellstat and will not contribute further revenue to the Group. The risk is assessed to have increased during the year.

Corporate Governance report
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Risk	General mitigation strategy	Change in 2017/18
Competition		
BTG's products may face competition from products that have superior attributes, including better efficacy or side effect profiles, cost less to produce or be offered at a lower price than BTG's products. There are currently no competitive products to CroFab®, DigiFab® or Voraxaze® but Instituto Bioclon may launch a competitor product to CroFab® around October 2018. TheraSphere® competes with a product from Sirtex Medical Limited (subject to an acquisition proposed by Varian Medical Systems Inc.) and LC Bead® and DC Bead® compete with products from Boston Scientific Corporation, Terumo and Merit Medical. Varithena® competes with other treatment modalities including heat ablation, vein stripping and physician-compounded sclerosing foam. A number of new immuno-oncology biological products are entering the market by various companies and may provide significant new competition to BTG's Interventional Oncology products. EKOS® competes with other interventional clot treatment products from US companies like Boston Scientific. There is a competitor to PneumRx® in the form of the Pulmonx, Inc. valve. In Licensing, Zytiga® competes with a number of other treatments for prostate cancer including Xtandi® (enzalutamide) and is at risk of generic competition.	BTG focuses on select opportunities addressing specialist segments where there are relatively high barriers to entry, for example, relating to the development and manufacturing processes, or the need to generate significant supportive clinical data to gain approval and commercial acceptance. We seek adequate reimbursement to differentiate our products by demonstrating, in clinical trials, safety and efficacy benefits, cost effectiveness or greater patient acceptance.	Interventional Oncology products continue to encounter strong competition in all countries. In particular, Sirtex, which produce a product that competes against TheraSphere®, and may apply for a US PMA in 2018. If successful, this may have a negative effect on TheraSphere® revenues. As previously announced, Bioclon are expected to launch their product, which will compete with CroFab® in October 2018. Overall, the risk is assessed as comparable with last year.
Healthcare law compliance		
Extensive laws and regulations relate to how BTG markets its products and interacts with its customers and payers. Failure to meet applicable requirements may result in criminal or civil proceedings against the Group, exclusion of sale of products in certain territories and material financial penalties or other sanctions against the Group (or their commercial partners, or their respective employees or directors). Defending actual or alleged violations may require significant management time and financial commitment, even if not proven. The Group is required to take significant measures to protect personal data, and failure to do so could result in significant penalties.	A comprehensive compliance programme is in place as referred to above. Ongoing monitoring and auditing is undertaken to seek to ensure any material failures are identified where possible and remediated. The programme is continually reviewed and improved to reflect ongoing learnings and changes to the external environment. The BTG compliance programme is a company standard, which is introduced to all acquisitions. The programme has been fully implemented by the latest addition to the BTG Group.	Compliance within this area continues to be an essential focus. A privacy function has also been established by the Group this year to ensure compliance with a number of developing regulations across the globe, most notably General Data Protection Regulation (GDPR) in Europe. A data security team was also established to further develop and implement a programme of enhanced protections against cyber attacks. Risk in this area is deemed to be equivalent to last year.

Risk	General mitigation strategy	Change in 2017/18
Supply chain/continuity of supply		
There are inherent risks to the BTG supply chain, as the Company's products are typically high value, low volume manufacture. Diversifying the supply chain of such products (for example by establishing dual sources of supply) is not always cost effective. BTG therefore relies on the following single sources of supply: A single site in Wales for supply of manufactured antibodies and a single site in Farnham, UK, for the manufacture of the Beads and Varithena®. Consequently, there is the possibility of disruption to, or loss of supplies resulting from, technical issues, contamination or regulatory actions. BTG polyclonal antibody products rely on serum produced from our sheep flocks in Australia, which could be subject to disease outbreaks or fire. BTG manufactures its EKOS® products at a single site in Seattle, Washington, USA, and the PneumRx® Coil at a single site in Santa Clara, California, USA, with the consequent possibilities from disruption to or loss of supply. Galil Medical consumable items are manufactured at a site in Israel, with the control units manufactured at a site located in Arden Hills, Minnesota, USA. For other products, such as Voraxaze® and TheraSphere®, we continue to rely on third-party contractors for the supply of many key materials and services. These processes inherently carry risks of failure and loss of product, and these are risks over which the Company has a lower degree of control.	BTG has extensive quality, risk and business continuity management systems to ensure resilience of the supply chain. These management systems are applied equally to both the internal and external elements of our supply chain. Each area of our supply chain is thoroughly assessed and stocks of raw materials, in process materials and finished products, are maintained as a result of that risk assessment. Risk assessments are reviewed annually or when business predictions change. Adherence to the agreed stock levels are reviewed monthly through regular business review meetings. The final mitigation is business interruption insurance, which is maintained at a level for each business to cover at least two years loss of business as a result of catastrophic loss of supply.	BTG sites and supply chain partners underwent 24 inspections by external bodies such as the FDA, MHRA and BSI, within the 2017 financial year. No major or critical findings were received and corrective actions for all observations were completed or are on track to the timetables agreed with the authorities. A focus for this year has been to identify and take necessary actions to ensure continued supply to all patients through the Brexit process. Supply chain managers are therefore ensuring increased stocks of raw materials and final products will be built up prior to March 2019. The assumption of BTG is to prepare for a hard Brexit with no transition period. The risks posed by Brexit are not deemed to be material to the Group, save for the risks related to ensuring continuity of the CE marks for the Group's device products to permit them to continue to be sold in EU. In any event, the Company is committed to continuing supplying customers and patients, no matter what challenges Brexit poses. Overall, the supply chain risk is considered to remain unchanged in comparison with last year.
Merger & acquisition activity		
To maintain BTG growth strategy, the Company will need to continue to acquire new companies and/or associated products and assets. Competition for attractive assets remains relatively high, as do asset valuations. Failure to find or successfully acquire the right opportunities (consistent with the strategy) at acceptable prices may constrain the future growth of the Group. Ineffective integration of acquisitions or failure to progress their product strategies or realise predicted post-acquisition synergy benefits may reduce the forecast return on investment of the acquisition or generate risks that fall outside the Group's risk appetite. The Company's strategic objectives may therefore be adversely impacted depending on the availability and price of suitable targets and the Group's ability to effectively and promptly progress the development and/or commercialisation of acquired assets. **New reported risk**	A robust market and opportunity assessment process is undertaken by the Business Development team. All potential acquisition targets undergo extensive due diligence by a multidisciplinary team which includes all key business functions. Development of an acquisition risk register with foreseen control and mitigation strategies is submitted to the Board as part of the process of assessing acquisition proposals. Cross functional post-acquisition integration plans are implemented.	The Company completed the acquisition of Roxwood within the year in the Interventional Vascular area and continues to evaluate numerous potential targets on an ongoing basis.

Key

Increased risk

Unchanged risk

Decreased risk

Corporate Governance report
Relations with shareholders

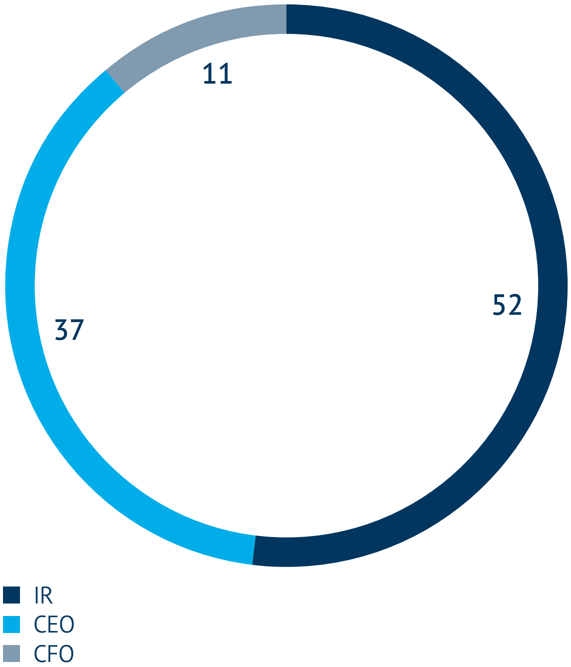
The Board recognises its responsibility to deliver a programme of engagement with shareholders and communication with investors is given a high priority. The Group is committed to regular and open dialogue with all current and potential shareholders and analysts, led by the CEO, the CFO and the Group's Investor Relations (IR) department. Meetings with investors are principally to communicate the Group's strategy, performance and policies and their views are regularly shared with the Board.

The Board believes that appropriate steps have been taken during the year to ensure that all members of the Board develop an understanding of the views of the major shareholders. The Investor Relations department acts as the day-to-day contact point for investors and analysts and provide a report at each Board meeting giving information on material changes in shareholdings and any feedback from the Group's brokers and investors enabling the Board to further develop an understanding of any issues and concerns of major shareholders. There is a period of concentrated activity following the announcement of the half-year and full-year results when the CEO and CFO present these results to the Group's institutional shareholders, analysts and the media.

The Group also participates in UK and overseas investor roadshows and conferences throughout the year. In 2017/18, there was a particular emphasis on attracting new US shareholders. This resulted in more frequent US marketing activities and increased investor interaction from the IR team and CEO. The Chairman is available to meet institutional investors and the Senior Independent Director and other non-executive directors are available to meet with major shareholders on request.

Extensive information, including annual and interim reports and all press releases, is published in the Investor Relations area on the Group's website (www.btgplc.com/investors) and individuals can also register to receive electronic copies of all announcements on the day they are issued.

Investor contact by management type (%)



Annual General Meeting (AGM)

At the AGM, shareholders will hear directly about the Group's performance and strategy with a presentation by the CEO, and the Board will have the opportunity to communicate with, and answer questions from, private and institutional shareholders. The forthcoming AGM will be held on 18 July 2018 and the Chairs of the Audit, Nomination and Remuneration Committees will be available to answer questions.

All resolutions are voted on by way of a poll and results of voting will be published in a market announcement and on BTG's website following the meeting.

Further details of the 2018 AGM can be found on page 97.

Remuneration

Ian Much
Annual Statement from the Remuneration Committee Chairman

Dear Shareholder

I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2018. The report includes full details of remuneration earned by the directors and information on the key decisions taken by the Remuneration Committee during the year.

To help shareholders understand our remuneration structure and its link to the Company's strategy and performance we have again included a 'remuneration at a glance' section, which can be found on page 73. This is followed by the Annual Report on Remuneration on pages 74 to 88 and by the Directors' Remuneration Policy on pages 89 to 94. The Policy was approved by shareholders at the AGM in 2016.

BTG's performance in 2017/18

As described in detail in the Strategic Report, the Group has delivered a good underlying financial performance for 2017/18. The strategic focus on Interventional Medicine therapies is driving growth and is aligned with developing macro healthcare trends, which include strong physician interest in less invasive therapy options. Interventional Medicine is now our largest business segment by revenue and growing at a double-digit pace.

Together with the licensing income and revenue from the Pharmaceuticals business, it provides capacity for investment to support sustainable growth over the longer term.

Activities of the Remuneration Committee

The Committee has appreciated recent high levels of shareholder support for directors' remuneration at BTG. Our Remuneration Policy was approved in 2016 with the support of approximately 99% of shareholders. At the AGM in 2017, the advisory resolution on the Directors' Remuneration Report was passed with over 99% of shareholders voting in favour.

During 2017/18, we made no changes to the application of the Policy other than in respect of the performance metrics for the annual bonus scheme, refining the way we measure revenues, profit and cash generation as explained in my statement last year. Our work during the year focused on ensuring that the operation of the Policy helps the Group achieve an appropriate link between performance and pay.

We reviewed the performance conditions in place under the annual bonus scheme and the PSP and confirmed their appropriateness for BTG for 2018/19.

We agreed the departure arrangements for Rolf Soderstrom, our previous CFO, and the remuneration package for his successor, Duncan Kennedy. Further details are set out below.

We considered BTG's reporting under the new gender pay regulations, as disclosed on BTG's website and as summarised on pages 24 and 25 of the Annual Report, and will keep the Group's gender pay gap under review in 2018/19 and beyond.

Following a review of external advisers, we appointed Korn Ferry Hay Group as independent advisers to the Committee. Korn Ferry Hay Group replaces Aon New Bridge Street, which continues to provide advice on Total Shareholder Return (TSR) calculations and non-Committee remuneration matters.

There were no changes to the composition of the Committee during the year.

Remuneration continued

Review of 2017/18 outcomes

Annual bonus

Bonus payments for 2017/18 were based on a mixture of financial and non-financial metrics. The financial measures, which in total accounted for 70% of the bonus, were product sales, adjusted operating profit and free cash flow. An above-target outcome was reported for product sales, a stretch outcome was achieved for adjusted operating profit, and an outcome of between threshold and target was recorded for free cash flow. This recognises, among other things, the challenging nature of the targets when they were set. In addition to the financial measures, the executive directors had a series of individual corporate objectives, accounting for the remaining 30% of the overall bonus. Performance against these objectives was good. Full details of the bonus targets in place for the year, and performance against them, is set out on pages 76 and 77.

Taking into account performance against the set targets, bonuses were paid at a level of 68% of maximum for Louise Makin, Duncan Kennedy and Rolf Soderstrom.

Performance Share Plan (PSP)

Awards under our PSP are granted annually. Awards granted from 2013 to 2015 under our old PSP consisted of Core awards vesting after three years, which could be put at risk by the executive directors for a further two years in exchange for an additional equivalent Multiplier award. In such cases, both the Core award and potential Multiplier award would vest after five years based on the Company's relative TSR performance over the whole period.

2013 PSP awards

For the CEO, this year's 'single figure' of remuneration includes 50% of the PSP awards granted in July 2013 that will vest later in 2018 based on performance over the five years to 31 March 2018. This comprises the Core award granted in 2013 that was rolled over as well as a matching Multiplier award. Based on BTG's relative TSR performance, the Core award vested at a level of 100% and the matching Multiplier award at 49%. Rolf Soderstrom did not elect to roll over any of his Core award and therefore his associated Multiplier awards lapsed on 17 July 2016.

2014 PSP awards

This year's remuneration single figure also includes the value of the Core awards granted in June 2014 that vested in 2017 (i.e. were not rolled over). As disclosed last year, these awards vested at a level of 46% given adjusted EPS and relative TSR performance over the three years to 31 March 2017. The table below summarises the value of these awards.

As neither the CEO nor the then CFO elected to roll over any part of their 2014 Core award, these awards are included in this year's single figure calculation.

2015 PSP awards

PSP awards granted in 2015 were subject to adjusted EPS and relative TSR performance over the three years to 31 March 2018. BTG's adjusted EPS performance was assessed at 100%, with the maximum EPS target being achieved. Relative TSR performance, however, was below the median of the comparator group and, accordingly, this element of the PSP award lapsed.

As a result of performance over the last three years, 50% of the 2015 Core awards will be capable of vesting. For the CEO, vesting is subject to a decision whether or not to roll over 50% or 100% of the award and receive an equivalent Multiplier award. If no such election is made, vesting will occur in June 2018. Vesting will occur in July 2020 in relation to any part of the award for which an election is made. For the former CFO, vesting of the 2015 Core award is explained below. Having left BTG's employment, Rolf Soderstrom may not elect to roll over any part of the 2015 PSP vesting.

As he was not an executive director at the time his 2015 PSP award was granted, Duncan Kennedy's award is not capable of being rolled over and will vest in 2018 and is reported in the single figure for remuneration table on page 75.

2014 PSP awards

					Core award value at 9 June 2017	
	% of Core award eligible to vest	Number of Core award shares eligible to vest	Percentage rolled over	Shares vesting	Share price on 9 June 2017[2]	Market value of shares vesting
Louise Makin	46%[1]	141,370	0%	65,030	649.0p	£422,045
Rolf Soderstrom		92,661	0%	42,624		£276,630

1. 91% vesting under the EPS element, 0% vesting under the relative TSR element.
2. Actual share price on date the awards were released.

2016 PSP awards

From July 2016, awards were granted under the new PSP established as part of the new Remuneration Policy. Vesting of these awards will be considered in 2019. They were granted at a level of 225% of basic salary under the new Remuneration Policy approved by shareholders in 2016. On vesting, these awards are normally subject to a two-year post-vesting holding period during which the shares may not be sold other than to settle any tax or NICs due. Under this policy there is no accompanying right to roll over vesting awards in 2019.

2017 PSP awards

In June 2017, awards were granted to the CEO and the then CFO at the same level as the award granted to both directors in 2016. The awards will vest in June 2020 subject to the satisfaction of adjusted EPS and relative TSR performance conditions measured over the three financial years to 31 March 2020.

Within the single figure for remuneration table on page 75, included for Louise Makin is the value of the remaining 50% of the 2013 PSP Core award and related Multiplier award, and her 2014 Core award. For Duncan Kennedy it includes the value of his 2015 PSP award and for Rolf Soderstrom, it includes the value of his 2014 and 2015 PSP Core awards.

Change of CFO

On 14 November 2017, we announced the departure of Rolf Soderstrom as CFO and the appointment of Duncan Kennedy as his replacement with effect from 1 January 2018. Managing a successful succession at Board level requires flexibility from the outgoing executive to ensure that both the timing and the process are optimised. I am very pleased to be able to confirm that Rolf provided this flexibility and support for the transition.

Duncan's basic salary was set at £375,000, 8% lower than that of his predecessor, and will next be reviewed on 1 April 2019. He receives pension contributions at a level of 20% of basic salary, lower than the 25% limit permitted under the Remuneration Policy. He participates in the incentive schemes at the same level as the CEO and former CFO, namely an annual bonus opportunity of up to 150% of basic salary and an annual PSP grant at a level of 225% of basic salary. He is required to build a shareholding up to a level of 200% of basic salary.

Duncan's service contract includes a 12-month notice period and is in line with best practice provisions, as set out in the UK Corporate Governance Code.

Duncan's pay for the 2018/19 financial year will be in line with the intended application of the Remuneration Policy as set out below.

Rolf stepped down as a member of the Board and as a member of the Group Leadership Team on 31 December 2017. He remained as an employee of BTG until 31 March 2018 to ensure a smooth transition to his successor. Full details of the payments made to Rolf in connection with his termination are set out on pages 83 and 84 and are summarised below.

- Following the end of his employment with the Company on 31 March 2018 he received a payment in lieu of notice to cover the remaining part of his 12-month notice period not worked (to 14 November 2018). This payment related to both salary and benefits and reflected the requirements set out in Rolf's contract of employment. As that contract was put in place in December 2008 when Rolf joined the Group following the Protherics acquisition, its terms do not reflect current remuneration best practice. For example, the above payment is not subject to mitigation.
- He is eligible for a bonus for the 2018/19 financial year, pro-rated until 14 November 2018 (i.e. equivalent to approximately 60% of the financial year), and subject to the satisfaction of the existing corporate performance conditions. Again, this payment, while not in line with current best practice, comprises an entitlement under his service contract.
- In light of his long and successful service and the circumstances of his departure, Rolf was treated as a 'good leaver' under the terms of the Group's share incentive schemes. His deferred bonus shares vested on 10 April 2018. Remaining PSPs will vest subject to satisfaction of the existing performance conditions and at the same time as the future vesting for remaining employees.
- In light of his departure, he was unable to elect to roll-over the 2015 Core award granted under the PSP and therefore this award will vest at a level of 50% following the achievement of the relevant performance conditions as noted above.
- His 2016 PSP award will vest in 2019, and the Committee has exercised its discretion to permit this award to vest in full if the relevant performance conditions are met. We took this decision as the terms of Rolf's departure and his agreement to remain with BTG for a period following notice being served helped to facilitate a smooth and effective transition to the new CFO. This ensured the success of the move of a strong internal candidate to the CFO position with minimal disruption at a critical time for BTG and validated our managed Board succession process. Without this internal candidate, an external appointment would likely have created a longer period of transition for Rolf's departure and potentially he would not have been involved in a period of handover. We also took into account Rolf's strong contribution to BTG's exceptional performance since he joined the Group, and the fact that his contributions prior to his departure

Remuneration continued

will have an impact over the longer-term. We were cognisant that vesting of the 2016 PSP award remains subject to challenging performance conditions (which at the time of writing look unlikely to be met in full). In light of these factors, we took the view that an exception to the normal pro-rating arrangements was appropriate in these specific circumstances. The Committee is clear that this does not set a precedent for the treatment of future awards to good leavers.

- Time pro-rating will be applied to Rolf's 2017 PSP award, such that any vesting under this award will be reduced to reflect the shortened timeframe between the start of the performance period and the end of Rolf's notice period as a proportion of the full three-year performance period. The Committee agreed to use the performance period rather than the default vesting period to determine the extent of time pro-rating as the performance period is the critical timeframe over which performance is assessed and ultimately rewarded.
- Rolf will not receive a PSP award in 2018.

Looking ahead

We do not intend to make any material changes to the application of the Remuneration Policy for the 2018/19 financial year. In summary:

- We reviewed the CEO's basic salary in March 2018 and agreed an increase of 2.5%, in line with the average increase for BTG employees. The new CFO was not eligible for an increase given his recent appointment; his salary will be reviewed next year, with any increase taking effect from 1 April 2019.
- The annual bonus scheme will continue to operate with financial performance conditions applying to 70% of the bonus and with individual objectives applying to the remaining 30%. The financial metrics will again be BTG product sales, adjusted operating profit and free cash flow, all equally weighted. The maximum bonus opportunity remains at 150% of basic salary.
- Awards will be granted under the PSP in June 2018 at a level of 225% of basic salary, the same as in 2016 and 2017. The awards will vest subject to Earnings Per Share (EPS) and relative Total Shareholder Return (TSR) performance over a three-year period, with a further two-year holding period applying to vested awards. Full details of the performance conditions for the awards can be found on page 86.
- We are seeking shareholder approval at the AGM in July to extend the lives of our two all-employee share plans. The Group believes that broad-based employee participation in share schemes is an important alignment tool helping to focus employees on delivering value for shareholders. Our two plans, the BTG Sharesave Plan 2009 and the BTG USA Stock Purchase Plan 2009, have been effective in aligning employee interests with those of the Company and shareholders, and provide incentives for employees to improve performance and remain with BTG. Details of these plans are included in the Appendix to the Notice of AGM.

During 2018/19, we will embark on a review of the Remuneration Policy ahead of seeking shareholder approval for a renewed Policy at the 2019 AGM. We will consult with major shareholders and their representative bodies on our proposals during the year.

We will also review the responsibilities and operation of the Remuneration Committee once the expected changes to the UK Corporate Governance Code have been confirmed.

Engagement with Shareholders

We wrote to our major shareholders earlier this year to provide an update on the Remuneration Committee's activities during the year and explain further the decisions taken in respect of matters such as the exit arrangements for the former CFO. We are grateful for the comments received and will factor the feedback into the design of our new Remuneration Policy. The Committee remains committed to maintaining an open dialogue with shareholders and welcomes any further feedback.

We hope for the continued support of shareholders at the AGM on 18 July 2018, where you will be invited to vote on the 2018 Remuneration Report (and this Annual Statement).

Ian Much
Chairman of the Remuneration Committee
14 May 2018

Remuneration at-a-glance

Performance and remuneration outcomes in 2017/18

	Louise Makin	Duncan Kennedy[1]	Rolf Soderstrom[2]
2018/19 salary (effective 1 April 2018)	£686,238	£375,000	n/a
2017/18 salary (effective 1 April 2017)	£670,000	£94,000	£306,000
Pension, benefits and Sharesave	£157,000	£21,000	£68,000
Annual bonus	£687,000	£96,000	£314,000
Long-term incentives	£1,513,000	£105,000	£565,000
Total remuneration	£3,027,000	£316,000	£1,253,000
Share ownership guidelines	Guideline: 250% of salary Actual: 780% of salary	Guideline: 200% of salary Actual: 33% of salary	Guideline: 200% of salary Actual: 576% of salary

1. 2017/18 remuneration reflects period of year served as a director (1 January 2018 to 31 March 2018).
2. 2017/18 remuneration reflects period of year served as a director (1 April 2017 to 31 December 2017).

2017/18 adjusted financial performance

For reconciliation of adjusted financial performance (for remuneration purposes) to their reported equivalents, see page 76.

Product sales

£444.9m

vs. target of

£443.0m

Adjusted operating profit

£171.0m

vs. target of

£144.8m

Free cash flow

£116.3m

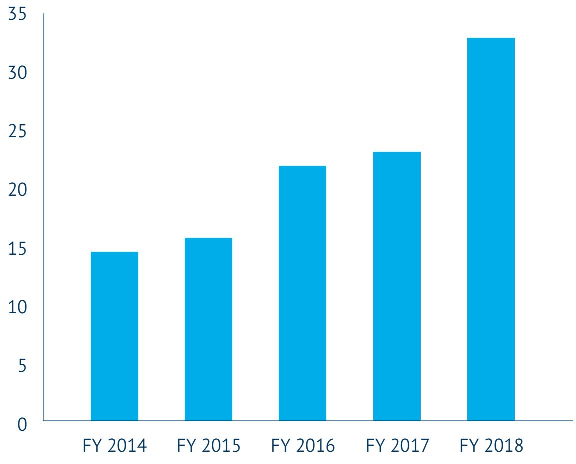
vs. target of

£122.9m

Annual bonus outcome vs. maximum targets

68.4%

Growth in EPS (p)*



* adjusted EPS as disclosed

Total shareholder return

LTIP outcome vs maximum targets

2013 Core awards	2013 Multiplier awards	2014 Core awards	2015 Core awards
100%	49%	46%	50%

Remuneration continued

Structure of the report

The report is divided into three parts: (i) the 'Annual Statement' (above) summarising the business context in which the Committee has operated; (ii) the 'Annual Report on Remuneration' which provides shareholders with details of the major decisions made by the Committee and the remuneration actually delivered to the Group's directors during the 2017/18 financial year; and (iii) the 'Directors' Remuneration Policy report'.

Annual report on remuneration

This part of the report has been prepared in accordance with Part 3 of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended).

The Annual Report on Remuneration and Annual Statement will be put to an advisory shareholder vote at the 2018 AGM. The information on pages 69 to 88 has been audited.

About the Remuneration Committee and its advisers

The Remuneration Committee has been established by the Board and is responsible for executive remuneration.

During the year, the Committee reviewed and updated its terms of reference, which are available in full on the Group's website www.btgplc.com, or from the Group Company Secretary on request.

Members	**Committee member**	**Date of appointment to the Committee**
	Ian Much (Chairman) Giles Kerr Susan Foden Graham Hetherington	28 September 2010 3 November 2009 1 March 2015 29 September 2016
	Details of attendance at meetings are shown in the table on page 47.	
Other attendees at Remuneration Committee meetings	The Chairman (Garry Watts), CEO (Louise Makin), CFO (Duncan Kennedy), Head of HR and VP of Total Rewards may attend meetings by invitation, other than when their own remuneration is being considered. The Company Secretary (Paul Mussenden) serves as secretary to the Committee.	
Committee evaluation	During the year the Committee carried out a review of its effectiveness. The Committee was found to be operating effectively, with good oversight, engagement and debate of issues. The emphasis will remain on ensuring a strong link between remuneration and performance and strategy, and alignment with shareholder interests.	
Committee advisers	The Committee appoints its own advisers as it sees fit. During the year, it appointed Korn Ferry Hay Group (KFHG) to act as advisers to the Committee and a representative usually attends the meetings. KFHG is a signatory to the Remuneration Consultant Group's Code of Conduct, which sets out guidelines to ensure that its advice is independent and free from undue influence. KFHG advises the Committee on all remuneration issues including the vesting of long-term incentive arrangements. The Committee will review the performance and independence of KFHG on an annual basis. The Group continues to use the Committee's former advisers, NBS (part of Aon plc) to advise on other matters including remuneration matters in general. NBS also assists with the total shareholder return (TSR) performance measurement and the implementation of employee share schemes and, through Aon plc's Radford brand, provides the Group with advice on matters specific to the US employment market. The fees paid to KFHG in 2017/18 were: £56,950 (2016/17: £nil). The fees paid to NBS for Committee advice during 2017/18 were £70,617 (2016/17: £103,078).	

Single figure for total remuneration (audited)[1]

		Salary/fees	Benefits[2]	BIK arising from performance of duties[7]	Bonus paid in cash	Bonus paid in shares[3]	Long-term incentives[4]	Pension[5]	Other[6]	Total remuneration
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Executive Directors										
Louise Makin	2018	670	1	4	502	185	1,513	148	4	3,027
	2017	650	1	5	487	316	1,407	151	4	3,021
Duncan Kennedy[8]	2018	94	1	1	70	26	105	19	–	316
	2017	–	–	–	–	–	–	–	–	–
Rolf Soderstrom[9]	2018	306	1	6	314	–	565	61	–	1,253
	2017	396	1	6	297	192	1,442	79	10	2,423
Non-executive Directors										
Garry Watts	2018	245	–	2	–	–	–	–	–	247
	2017	235	–	1	–	–	–	–	–	236
Greg Barrett[10]	2018	$36	–	–	–	–	–	–	–	$36
	2017	–	–	–	–	–	–	–	–	–
Susan Foden	2018	54	–	3	–	–	–	–	–	57
	2017	52		6						58
Graham Hetherington[11]	2018	68	–	2	–	–	–	–	–	70
	2017	41	–	4	–	–	–	–	–	45
Giles Kerr[12]	2018	54	–	2	–	–	–	–	–	56
	2017	60	–	2	–	–	–	–	–	62
Ian Much	2018	64	–	5	–	–	–	–	–	69
	2017	62	–	5	–	–	–	–	–	67
James O'Shea	2018	54	–	4	–	–	–	–	–	58
	2017	52	–	4	–	–	–	–	–	56
Anne Thorburn[13]	2018	10	–	1	–	–	–	–	–	11
	2017	–	–	–	–	–	–	–	–	–
Richard Wohanka	2018	54	–	–	–	–	–	–	–	54
	2017	52	–	1	–	–	–	–	–	53

1. All figures in Sterling, with the exception of Greg Barrett, whose fees are presented in US dollars, the currency in which his fees are paid.
2. Benefits shown above for Louise Makin, Duncan Kennedy and Rolf Soderstrom relate principally to the provision of medical benefits.
3. Element of bonus deferred into the Deferred Share Bonus Plan (DSBP).
4. Awards are included in the financial year in which the performance conditions end. The share price used is the three-month average share price to the end of the financial year.
   - For 2018, this figure does not include the 2015 Core PSP award for Louise Makin, as the Core and Multiplier awards are treated as a single award and the Core award will be shown in 2019 if no election is made and both Core and Multiplier in 2020 if an election is made. If 50% of a 2015 Core award is rolled over into a Multiplier award, 50% of the Core award will be shown in 2019 and the remainder with the Multiplier award in 2020.
   - The Long-Term Incentives figure for 2018 relates to 50% of the 17 July 2013 Core award that was rolled over and the related 50% Multiplier award (for Louise Makin only), plus the 2014 Core award for Louise Makin and Rolf Soderstrom, as neither were rolled over in 2017. It also includes the vesting 2015 award for Duncan Kennedy and Rolf Soderstrom.

   Share price appreciation over the five-year period to 31 March 2018 contributed materially to the total remuneration figure for 2018. Details can be found in the table on page 78.

   The 2017 figure has been restated to reflect the actual share price on the date that the 2012 awards were released.
5. Pension consists of a cash supplement in lieu of employer pension contributions following the changes to pension legislation. In addition, for Louise Makin, it includes £45,117 (2017: £51,198), representing the value of the increase in the year of her pension entitlement in the defined benefit BTG Pension Fund.
6. Other shows the value of vested Sharesave options.
7. Certain expenses relating to the performance of a director's duties, such as travel to and from Company meetings and related accommodation, are classified as taxable. In such cases, the Company will ensure that the director is not out of pocket by settling the related tax via the PSA. In line with current regulations, these taxable benefits have been disclosed and are shown in the Benefits in Kind (BiK) incurred arising from the performance of duties column. The figures shown are the cost to the Company of providing the taxable benefit.
8. Duncan Kennedy's remuneration is stated as from 1 January 2018.
9. Rolf Soderstrom's remuneration is stated for the period from 1 April 2017 to 31 December 2017, when he stepped down from the Board.
10. Fees paid to Greg Barrett in 2018 were for the period from his appointment to the Board on 27 November 2017. He currently receives a fee of $70,000 per annum. Greg is based in Nashville, USA, and in recognition of the extra time commitment he is required to make with respect to travel on BTG Board business he is paid a supplementary fee of $4,000 for each meeting of the Board requiring less than four hours' travel, and $8,000 for each meeting requiring more than four hours' travel. His fee stated above for 2018 includes $24,394 as his annual base fee and $12,000 as supplementary travel fees.
11. Fees paid to Graham Hetherington in 2018 were adjusted with effect from 7 June 2017 to reflect his appointment as Senior Independent Director.
12. Fees paid to Giles Kerr were adjusted with effect from 7 June 2017 to reflect his stepping down as Senior Independent Director.
13. Fees paid to Anne Thorburn in 2018 were for the period from her appointment to the Board on 23 January 2018.

Remuneration continued

Annual bonus for the year to 31 March 2018 (audited)

For the year ended 31 March 2018, bonuses were subject to a maximum of 150% of base salary for executive directors and up to 75% for other senior staff.

Bonus targets were set at the start of the financial year for both Louise Makin and Rolf Soderstrom based on the achievement of targets for product sales, adjusted operating profit and free cash flow and individual KPIs intended to drive future growth in the business. The same structure applied for Duncan Kennedy for the three-month period of the year in which he served as an executive director. The Committee set threshold and stretch as well as intermediate targets. The bonus is calculated on base salary with a percentage pay out (against the maximum of 150%) of between 25% at threshold, 50% at on-target and 100% of the maximum at stretch.

The adjusted operating profit and free cash flow measures are adjusted performance metrics, calculated on the basis of BTG's adjusted earnings policy as outlined on page 34. A reconciliation of the relevant IFRS metric to these adjusted metrics is outlined on pages 35 and 36. The Committee may also adjust the final outcome upwards or downwards in the event that an exceptional event occurs, which, in the Committee's opinion, materially and unreasonably affected the bonus out-turn.

During 2017/18, the Committee assessed that normal adjustments for remuneration purposes compared to the reported metrics should be made for each of the following. These adjustments are consistent with those made in prior years.

(i) Exclusion of the impact of the business combinations (Roxwood, Oncoverse and Vetex) which occurred during the year, as their performance was not included in the original bonus targets.

(ii) Measuring product sales and adjusted operating profit at the constant currency exchange rates used in the budget. Consistent with prior years it has not been felt practical to make the same adjustment to the cash flow metric and accordingly cash flow performance has been measured at actual exchange rates during the year. The adverse impact of exchange rate movements during FY18 has resulted in a significantly lower performance against the cash flow targets as compared to the adjusted operating profit performance.

For the financial year to 31 March 2018 product sales, adjusted operating profit and free cash flow are calculated as follows:

	Product sales £m	Adjusted operating profit £m	Free cash flow £m
Reported metrics	423.8	152.7	109.3
Remuneration Committee adjustments:			
Add/(less): effect of business combinations (Roxwood, Oncoverse and Vetex)	(0.8)	2.5	2.5
Add: Roxwood acquisition related costs	–	–	4.5
Add/(less): Translational foreign exchange impacts	21.9	15.8	n/a
	444.9	171.0	116.3

The performance achieved against the bonus targets are summarised as follows:

Measure	As a percentage of maximum bonus opportunity	Performance required: Threshold (£m)	Performance required: Target (£m)	Performance required: Stretch (£m)	Actual (£m)	Louise Makin % of maximum	Rolf Soderstrom % of maximum	Duncan Kennedy % of maximum
Corporate Financial Targets								
Product sales	23 1/3%	430.0	443.0	457.0	444.9	13.2	13.2	13.2
Adjusted operating profit	23 1/3%	134.7	144.8	156.2	171.0	23.3	23.3	23.3
Free cash flow	23 1/3%	114.3	122.9	132.6	116.3	6.9	6.9	6.9
Individual Corporate Objectives	**30%**	See narrative on the following page				25.0	25.0	25.0
Total	**100%**					68.4	68.4	68.4

Key achievements against the individual corporate objectives

The table below includes details of the individual corporate objectives which applied to the executive directors for the year ended 31 March 2018, and the extent to which these were achieved.

	Objectives	Key achievements	Bonus achieved
Louise Makin	Leadership in Interventional Medicine	– Acquisition of Roxwood Medical in October 2017 – Two strategic investments completed – Positive progress in R&D pipeline across all areas, including the approval and launch of new products, clinical study enrolment, geographic expansion of existing product portfolio	25/30
	Succession planning	– Comprehensive succession planning conducted across all areas of BTG – Succession plans in place for >90% of all leaders from Leadership Team to two reporting levels below – Specific capability reviews completed in key functional areas and action plans in place	
	Operating model	– Clear alignment of the organisation behind Pharmaceuticals and Interventional Medicine businesses – Continuous improvements to R&D portfolio management and prioritisation implemented – Clarity on business unit/central services operating model across all areas of the company	
Rolf Soderstrom[1] **Duncan Kennedy[2]**	Leadership in Interventional Medicine	– Acquisition of Roxwood Medical in October 2017 – Two strategic investments completed – Positive progress in R&D pipeline across all areas, including the approval and launch of new products, clinical study enrolment, geographic expansion of existing product portfolio	25/30
	Finance function	– Key finance leadership roles upskilled in the period – New finance organisational structure implemented to drive efficiency in centrally provided services and business focus – Planning completed and Board approval granted to progress global ERP implementation	
	Operating efficiencies	– Continued focus on manufacturing cost optimisation with specific plans approved and implemented – Benchmarking completed for all central services and specific plans in place to drive efficiency over the medium term	

1. CFO until 31 December 2017.
2. CFO from 1 January 2018.

Vesting of Long-Term Incentive awards (audited)

Core awards granted on 17 July 2013 and rolled over by Louise Makin, together with the associated Multiplier award granted on the same date will vest in July 2018. Core awards granted on 8 June 2015 under the Performance Share Plan will vest in June 2018 based on performance to the year ended 31 March 2018. For Louise Makin this is subject to a decision to roll over 50% or 100% of the 2015 Core awards. In light of Rolf Soderstrom's departure, he was unable to elect to roll over the 2015 Core award. As he was not an executive director at the time his 2015 PSP award was granted, Duncan Kennedy's award is not capable of being rolled over and will vest in June 2018.

The performance conditions and estimated vesting outcomes for these awards are as follows:

2013 PSP – Core and Multiplier

The Core awards granted in July 2013 were subject to 50% adjusted EPS and 50% TSR targets over the three years to 31 March 2016. At that time, full vesting was achieved on both elements due to performance conditions being satisfied in full. Vesting of 50% of the Core awards was deferred by Louise Makin and put at risk in 2016 and in return she was eligible to receive Multiplier awards, with both elements capable of vesting in July 2018, subject to TSR performance over the five years to 31 March 2018, as detailed in the tables below. (Rolf Soderstrom did not elect to roll over any of his Core award and therefore his associated Multiplier awards lapsed on 17 July 2016):

Metric	Condition	Threshold Target 0% vesting	Target 100% vesting – Core 0% vesting – Multiplier	Outperformance Target 100% vesting – Multiplier	Median	Actual BTG	% Vesting
TSR – 2013 Core and Multiplier	Five-year comparison with index	Median minus 66.66%	Median	Median plus 100%	59.24%	108.47%	100% Core 49.23% Multiplier

TSR has been calculated for the Committee by NBS.

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Remuneration continued

2013 PSP – Core and Multiplier continued

		Number of shares granted that were rolled over	Vesting outcome	Number of shares to vest	Estimated value*	Value at grant of Core award**	Value attributable to share price appreciation**
Louise Makin	17 July 2013 Core award	104,403	100%	104,403	£731,134	£412,496	£318,638
	17 July 2013 Multiplier award	104,403	49.23%	51,397	£359,933	N/A	N/A

* Value estimated as not fully vested until 17 July 2018 and is based on the three-month average share price to 31 March 2018 of 700.3p per share

** Estimated value based on the share price at the date of grant, 17 July 2013, of 395.1p, compared to the estimated realised value at date of vesting due to share price appreciation.

2014 PSP – Core awards and associated Multiplier awards

As neither Louise Makin or Rolf Soderstrom elected in 2017 to roll over any part of their 2014 Core award, the associated Multiplier awards lapsed on 9 June 2017.

		Number of shares at grant	Vesting outcome	Proportion*** of awards elected for roll over	Number of shares vested in June 2017	Value at vesting*	Value at grant of Core awards vesting in 2017**	Value attributable to share price appreciation**
Louise Makin	9 June 2014 PSP	141,370	46%	0%	65,030	£422,045	£392,781	£29,264
Rolf Soderstrom	9 June 2014 PSP	92,661	46%	0%	42,624	£276,630	£257,449	£19,181

* Value based on the share price at date of vesting 9 June 2017 of 649p per share

** Estimated value based on the share price at the date of grant, 9 June 2014, of 604p, (calculated using the previous five-day average share price), compared to the estimated realised value at date of vesting due to share price appreciation.

*** Neither Louise Makin or Rolf Soderstrom rolled over any of their Core awards and therefore neither have any outstanding awards from 2014 subject to a five-year TSR condition.

June 2015 PSP

Metric	Condition	Threshold target	Stretch target	Actual**	% Vesting
EPS (50%)	Adjusted EPS in the financial year to 31 March 2018	23.0p	30.3p	33.7p	100%
TSR (50%)*	Three-year comparison with FTSE 250 Index between median and upper quartile	Median (TSR: 27.6%)	Upper Quartile (TSR: 55.3%)	TSR: (10.5)%	0%
			Total vesting		50%

* TSR has been calculated for the Committee by NBS.

** In accordance with the performance condition, in determining the outcome against the adjusted EPS performance targets the Committee took into account the impact of acquisitions completed since the date of grant of the awards, with Adjusted EPS excluding the effect of those acquisitions which were not included in the original targets.

	p
Adjusted EPS	32.9
Roxwood Medical, Inc.	0.2
Galil Medical Inc	0.6
Revised EPS used for the purposes of determining vesting	33.7

		Number of shares at grant	Vesting outcome	Number of shares to vest***	Estimated value*	Value at grant of Core awards**	Value attributable to share price appreciation**
Louise Makin	8 June 2015 PSP	125,731	50%	62,865	£440,244	£439,741	£503
Duncan Kennedy	8 June 2015 PSP****	30,089	50%	15,044	£105,353	£105,233	£120
Rolf Soderstrom	8 June 2015 PSP	82,411	50%	41,205	£288,559	£288,229	£330

* Value estimated as not fully vested until 8 June 2018 and is based on the three-month average share price to 31 March 2018 of700.3p per share.

** Estimated value based on the share price at the date of grant, 8 June 2015, of 699.5p, (calculated using the previous five-day average share price), compared to the estimated realised value at date of vesting due to share price appreciation.

*** If Louise Makin defers her Core awards in June 2018, she will have the Core awards plus the associated Multiplier awards (125,730 awards) subject to a five-year TSR condition. Duncan Kennedy was not granted Multiplier awards and in light of his departure, Rolf Soderstrom is unable to elect to roll over the 2015 Core award.

**** Duncan Kennedy's 2015 PSP was granted with the first £30,000 awarded as a linked Company Share Option Plan (CSOP)/PSP award, as described on page 81.

For Louise Makin, the number of shares that are capable of vesting under the 2015 PSP this year as a Core award are subject to an election by her to forego vesting of 50% or 100% of that award and roll over the award in return for the entitlement to receive a Multiplier award, which may increase or decrease the number of shares vesting at year five, based on relative TSR performance up to the end of that period. This election must be made before the shares vest in June 2018. The Core awards will not vest until the expiry of the period within which she is able to elect to roll over her awards without a valid election having been made. Any Multiplier award will not vest until the period of five years from grant of the original Core award.

Within the single figure for remuneration table on page 75, included for Louise Makin is the value of the remaining 50% of the 2013 Core award and related Multiplier award and her 2014 Core award. For Duncan Kennedy, it includes the value of his 2015 award, and for Rolf Soderstrom, it includes the value of his 2014 and 2015 Core awards.

PSP awards made during the year (audited)

On 5 June 2017, the following PSP awards were granted to executive directors.

	Type of award	Basis of award granted	Share price at date of grant	Number of shares over which award was granted*	Face value of award	Performance period	Vesting date
Louise Makin	2017 PSP	225% of salary	655.3p	229,875	£1,506,371	1 April 2017 to 31 March 2020	5 June 2020
Rolf Soderstrom**	2017 PSP	225% of salary	655.3p	139,990	£917,354	1 April 2017 to 31 March 2020	5 June 2020

* The number of shares awarded under the PSP were calculated by reference to the average share price for the five days prior to the date of grant on 5 June 2017 of 655.3p per share.

** Please see the Chairman's' statement on page 71, explaining the treatment of this award following Rolf Soderstrom's departure.

The number of awards under the 2017 PSP that will vest will be determined according to the satisfaction of the following performance conditions (each performance condition applies to 50% of an award)

Percentage of vesting of that portion of an award*	Adjusted EPS in the financial year to 31 March 2020	Relative TSR ranking against the constituents of the FTSE 250 Index (as at 1 April 2017) for the period from 1 April 2017 to 31 March 2020
0%	< 29p (below threshold)	Below median
25%	29p (threshold)	Median
100%	39.5p (stretch)	Upper quartile

* Vesting on a straight-line basis in between threshold and stretch (EPS) or median and upper quartile (TSR).

Executive directors will be required to hold vested shares, net of tax, for an additional two-year holding period to 5 June 2022.

Remuneration
continued

Outstanding share awards (audited)

The table below sets out details of executive directors' outstanding share awards (which will vest in future years subject to performance and/or continued service).

Louise Makin

Date of grant/award	Exercise price (p)/market price on date of award (p)	At 1 April 2017	Granted in year	Exercised/ vested	Lapsed	At 31 March 2018	Exercise period/ vesting date	Share price on exercise/ vesting (p)
Share options								
31 July 2009	179.25	187,179	–	–	–	187,179	31 July 2012 to 30 July 2019	
13 July 2010	201.30	199,253	–	–	–	199,253	13 July 2013 to 12 July 2020	
6 July 2011	298.90	153,320	–	–	–	153,320	6 July 2014 to 5 July 2021	
1 June 2012	386.00	122,288	–	–	–	122,288	1 June 2015 to 31 May 2022	
Sharesave								
19 July 2014	498.67	2,165	–	2,165	–	–	1 September 2017 to 1 March 2018	693.5
22 July 2015	504.40	713	–	–	–	713	1 October 2018 to 1 April 2019	
23 July 2016	520.53	691	–	–	–	691	1 September 2019 to 1 March 2020	
19 July 2017	565.07	–	1,911	–	–	1,911	1 September 2020 to 1 March 2021	
Total option awards						**665,355**		
Performance share awards								
1 June 2012[1]	380.54	124,042	–	107,755	16,287	–	1 June 2017	655.5
17 July 2013[2]	395.10	104,403	–	–	–	104,403	17 July 2018	
	395.10	104,403	–	–	–	104,403	17 July 2018	
9 June 2014	604.00	141,370	–	65,030	76,340	–	9 June 2017	649.0
	604.00	141,370	–	–	141,370	–	9 June 2019	
1 June 2015[1]	709.50	186,063	–	–	186,063	–	1 June 2017	
8 June 2015	699.50	125,731	–	–	–	125,731	8 June 2018	
	699.50	125,731	–	–	–	125,731	8 June 2020	
15 July 2016[3]	704.70	207,535	–	–	–	207,535	15 July 2019	
5 June 2017[3]	655.30	–	229,875	–	–	229,875	5 June 2020	
Deferred share awards								
5 June 2017	655.30	–	48,206	–	–	48,206	5 June 2020	
Total other awards						**945,884**		
Total awards						**1,611,239**		

1. In 2015, Louise elected to receive a Multiplier award as an alternative to the vesting of the 2012 PSP as a Core award and on 1 June 2015 a Multiplier award of 186,063 was granted.
2. In 2016, Louise elected to roll over 50% of her 2013 PSP Core award. Therefore 50% of the award vested and 50% will be subject to a five-year TSR condition. 50% of the 2013 PSP Multiplier award lapsed and 50% remains and will also be subject to the five-year TSR condition.
3. PSP awards from 2016 onwards are granted under the 2016 PSP Plan and executive directors will be required to hold vested shares, net of tax, for an additional two-year holding period. The award granted in 2016 will have a holding period to 15 July 2021, and the award granted in 2017 will have a holding period to 5 June 2022.

Duncan Kennedy

Date of grant/award	Exercise price (p)/market price on date of award (p)	At 1 April 2017	Granted in year	Exercised/ vested	Lapsed	At 31 March 2018	Exercise period/ vesting date	Share price on exercise/ vesting (p)
Share options								
8 June 2015[1]	688.5	4,357	–	–	–	4,357	8 June 2018 to 15 June 2018	
Sharesave								
19 July 2016	520.53	1,729	–	–	–	1,729	1 September 2019 to 1 March 2020	
20 July 2017	565.07	–	1,592	–	–	1,592	1 September 2020 to 1 March 2021	
Total option awards						**7,678**		
Performance share awards								
8 June 2015	699.50	25,732	–	–	–	25,732	8 June 2018	
8 June 2015[1]	699.50	4,357	–	–	–	4,357	8 June 2018	
10 June 2016	678.10	34,685	–	–	–	34,685	10 June 2019	
5 June 2017	655.30	–	39,840	–	–	39,840	5 June 2020	
Deferred share awards								
8 June 2015	699.50	5,644	–	–	–	5,644	8 June 2018	
10 June 2016	678.10	6,038	–	–	–	6,038	10 June 2019	
5 June 2017	655.30	–	7,537	–	–	7,537	5 June 2020	
Total other awards						**123,833**		
Total awards						**131,511**		

1. On 8 June 2015, Duncan was granted an HMRC tax approved market value option over 4,357 shares at an option price of 688.5p per share (the CSOP) and a separate conditional free share award under the PSP over shares worth (on vesting) a maximum of approximately £30,000 (the PSP award). The CSOP and PSP award were designed so that when taken together they deliver the same aggregate gross gain as a free share award under the PSP over 4,357 shares, but in a more tax efficient manner.

Rolf Soderstrom

Date of grant/award	Exercise price (p)/market price on date of award (p)	At 1 April 2017	Granted in year	Exercised/ vested	Lapsed	At 31 March 2018	Exercise period/ vesting date	Share price on exercise/ vesting (p)
Share options								
31 July 2009	179.25	102,649	–	102,649	–	–	31 July 2012 to 30 July 2019	655.5
13 July 2010	201.30	129,514	–	129,514	–	–	13 July 2013 to 12 July 2020	655.5
6 July 2011	298.90	99,658	–	99,658	–	–	6 July 214 to 5 July 2021	655.5
1 June 2012	386.00	90,673	–	90,673	–	–	1 June 2015 to 31 May 2022	655.5
Sharesave								
23 July 2015	504.40	1,784		–	1,784	–	1 October 2018 to 1 April 2019	
19 July 2016	520.53	1,729	–	–	1,729	–	1 September 2019 to 1 March 2020	
Total option awards						**0**		
Performance share awards								
1 June 2012[1]	380.54	91,974	–	79,897	12,077	–	1 June 2017	655.5
9 June 2014	604.00	92,661	–	42,624	50,037	–	9 June 2017	649.0
	604.00	92,661	–	–	92,661	–	9 June 2019	
1 June 2015[1]	709.50	137,961	–	–	137,961	–	1 June 2017	
8 June 2015	699.50	82,411	–	–	–	82,411	8 June 2018	
	699.50	82,411	–	–	82,411	–	8 June 2020	
15 July 2016[2]	704.70	126,385	–	–	–	126,385	15 July 2019	
5 June 2017[2]	655.30	–	139,990	–	62,218	77,772	5 June 2020	
Deferred share awards								
5 June 2017	655.30	–	29,357	–	–	29,357	5 June 2020	
Total other awards						**315,925**		
Total awards						**315,925**		

1. In 2015, Rolf elected to receive a Multiplier award as an alternative to the vesting of the 2012 PSP as a Core award and on 1 June 2015 a Multiplier award of 137,961 was granted.
2. PSP awards from 2016 onwards are granted under the 2016 PSP Plan and executive directors will be required to hold vested shares, net of tax, for an additional two-year holding period. Taking into account Rolf's departure, the Remuneration Committee will have the discretion to determine whether or not to apply the two-year holding period at the point each award vests.

Remuneration continued

Share options and performance shares were granted for nil consideration. The price used for calculating the number of shares awarded under the PSP was based on the average of the closing share prices over the five days immediately prior to the award date. Share options are awarded using the closing mid-market price on the date before grant. Sharesave options were granted on the condition that participants agreed to enter into a monthly savings contract.

Awards are normally satisfied using new issue shares. The Group's share plans comply with recommended guidelines on dilution limits and the Group has always operated within these limits. Assuming none of the extant options lapse and will be exercised and, having included all exercised options, the Group has utilised 3.6% of the 10% in ten years and 3.1% of the 5% in ten years in accordance with the Investment Association (IA) guidance on dilution limits.

Directors' pensions

Louise Makin is a member of the BTG Pension Fund. The Fund is a defined benefit arrangement, which provides a pension based on an accrual rate of either one sixtieth or one eightieth of basic salary (up to the HMRC Earnings Cap), depending on the level of contributions paid by members of 7% or 5% respectively. Members are able to retire at any time from age 60 without any actuarial reduction to the pension payable (for Louise Makin this is 2020). Under current legislation, if members continue to work beyond age 60, they may continue to pay contributions and enhance their pension entitlement, subject to a maximum of 40 years pensionable service. Pension payments post retirement are increased annually by inflation for pensionable service earned up to 5 April 2006 and inflation subject to a ceiling of 2.5% for pensionable service earned after that date. Members may take early retirement, once they have reached 55 years of age, although any pension paid will be subject to an actuarial reduction. Ill-health retirements may be permitted from an earlier age subject to meeting certain medical conditions. In the event of the death of a member, the Fund provides for a spouse's (or at the discretion of the pension fund trustees and subject to certain conditions being met, a partner who is not a spouse) pension to be payable equal to two-thirds of the deceased member's pension (including any pension exchanged for a retirement lump sum). For current active members, a lump sum death benefit equal to four times basic salary (up to the earnings cap) plus refund of the member's contributions is also payable.

During the year, Louise Makin contributed £10,794 (2017: £10,542) to the Fund, representing 7% of her salary up to the earnings cap and the Group contributed £67,231 (2017: £59,111).

Louise Makin receives a cash payment in lieu of pension to the value of 20% of base salary over the earnings cap.

Duncan Kennedy receives an annual pension allowance equivalent to 20% of his base salary. Rolf Soderstrom received a cash payment in lieu of pension contributions to the aggregate value of 20% of base salary. These pension allowances are not subject to bonus or other benefits and are paid less such deductions as are required by law.

Directors' shareholding and share interests (audited)

Executive directors are required to build and maintain a holding of Group shares worth at least 250% of salary in the case of the CEO and 200% of salary in the case of the CFO. As at the date of this report, Louise Makin had met the requirement.

Directors' holdings of Group shares

	Beneficially owned at 31 March 2018 and at the date of this report	Guideline met?	Vested unexercised market value options	Subject to performance conditions		
			Options	PSP	Options	DSBP
Louise Makin	772,664	Yes	662,040	897,678	–	48,206
Rolf Soderstrom[1]	347,336	Yes	–	286,568	–	29,357
Duncan Kennedy[2]	18,288	No	–	104,614	4,357	19,219
Garry Watts	10,000					
Giles Kerr	–					
Ian Much	–					
James O'Shea	–					
Richard Wohanka	26,500					
Susan Foden	–					
Graham Hetherington	–					
Greg Barrett	–					
Anne Thorburn	–					

1. For Rolf Soderstrom, all numbers relate to holdings as at 31 December 2017.
2. Duncan Kennedy is required to retain a portion of after-tax shares vesting under the BTG long-term incentive plans until the guideline is met.

Vested unexercised nil cost options count towards the guidelines on the basis of their net of tax value. Market value options do not count until such time as they have been exercised.

The directors are not permitted to hold their shares in hedging arrangements or as collateral for loans without the express permission of the Board. None of the directors currently holds or has held their shares in such an arrangement.

Leavers and Joiners

On 14 November 2017, we announced the departure of Rolf Soderstrom as CFO and the appointment of Duncan Kennedy as his successor.

Rolf Soderstrom

Rolf stepped down as a member of the Board and as a member of the Group Leadership Team on 31 December 2017. Full details of the payments made to Rolf up to this date are included in the single figure table on page 75. He remained as an employee of BTG until 31 March 2018 to ensure a smooth transition to his successor. He was treated as a 'good leaver' under the terms of the company's share incentive schemes. Details of the payments made to Rolf in connection with his termination are set out below. All payments were in accordance with the approved Directors' Remuneration Policy.

- During the period until 31 March 2018, he was employed on his existing terms and received his employment benefits in full. This included basic salary of £101,929, pension contributions of £20,386 and benefits with a value of £278. He received an annual bonus payment for the 2017/18 financial year of £418,315, in line with the satisfaction of the performance conditions as set out on pages 76 and 77. This payment was made in cash and comprised £313,736 in respect of his service as a director (as set out in the single figure table on page 75) and a further £104,579 covering the period from the date he stepped down from the Board (31 December 2017 to 31 March 2018).
- Following the end of his employment with the Company on 31 March 2018 he received a payment in lieu of notice of £303,037 to cover the remaining part of his 12-month notice period to 14 November 2018 not worked. This payment comprised £251,733 in respect of salary, £50,346 for pension contributions and £958 in respect of benefits. In line with his contract, this payment is not subject to mitigation, although his medical insurance will cease if he secures alternative employment with a comparable level of medical insurance before 14 November 2018. He also received a payment of £36,067 in lieu of accrued but untaken holiday.
- He is also eligible for a bonus for the 2018/19 financial year, pro-rated until 14 November 2018 (i.e. equivalent to approximately 60% of the financial year), and subject to the satisfaction of the existing corporate performance conditions. This payment, while not in line with current best practice, comprises an entitlement under his existing service contract.
- His outstanding 29,357 deferred bonus shares vested in full on 10 April 2018, in line with the terms of the Remuneration Policy. At the date of departure from the Company these shares had a value of £198,453 based on a share price of 676p.

Remuneration continued

- His 2015 PSP Core award will vest at a level of 50% following the achievement of the relevant performance conditions, as set out on page 78. In light of his departure, he was unable to elect to roll over this Core award into a Multiplier award. At the date of his departure from the Company, the vested shares had a value of £278,546 based on a share price of 676p.
- His 2016 PSP award will vest in 2019, subject to the satisfaction of the relevant performance conditions. As explained in the Annual Statement from the Remuneration Committee Chairman, the Committee has exercised its discretion to permit this award to vest in full if the relevant performance conditions are met. The full extent of vesting (if any) will be confirmed by the Committee in next year's Annual Report on Remuneration.
- His 2017 PSP award will vest in 2020, subject to the satisfaction of the relevant performance conditions, and will be pro-rated for time such that any vesting under this award will be reduced to reflect the shortened timeframe between the start of the performance period and the end of Rolf's notice period as a proportion of the full three-year performance period. The full extent of vesting (if any) will be confirmed by the Committee in the Annual Report on Remuneration for the 2019/20 financial year.
- Rolf will not receive a PSP award in 2018.
- A contribution of £8,000 plus VAT was made towards his legal fees related to the exit arrangements.

Duncan Kennedy

Duncan Kennedy was appointed as CFO and as an executive director with effect from 1 January 2018. Prior to this, Duncan served as head of BTG's Interventional Oncology business and was previously Group Financial Controller and then Group Director of Finance.

Duncan's remuneration as CFO is fully consistent with BTG's Remuneration Policy. Upon appointment, Duncan's basic salary was set at £375,000. He receives a cash payment in lieu of pension contributions to the aggregate value of 20% of salary. He participates in the annual bonus scheme up to an individual maximum bonus opportunity of 150% of basic salary and has an entitlement to annual PSP awards of up to 225% of basic salary. He is required to build a shareholding up to a level of 200% of basic salary.

Duncan's service contract includes a 12-month notice period and is in line with the best practice provisions as set out in the UK Corporate Governance Code. If leaving the Group, he will not receive an annual bonus for any part of his notice period not worked and mitigation principles would apply.

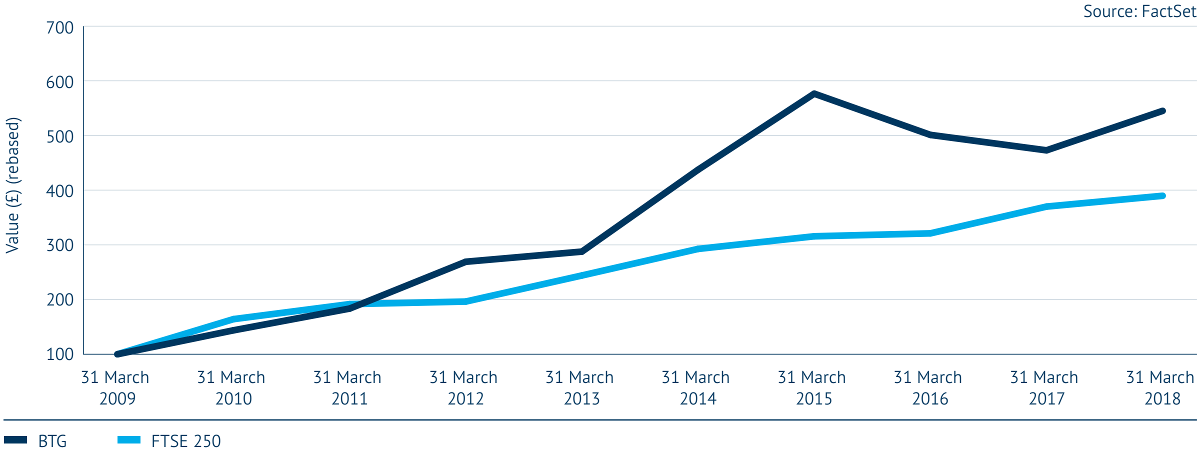
Percentage increase in the remuneration of the Chief Executive Officer[1]

CEO	% change from 2017 to 2018
– Salary	3
– Benefits	(5)
– Bonus	(14)
Average per employee[2]	
– Salary	1
– Benefits	8
– Bonus[3]	1

1. Percentage increases contained within the table represent changes between financial years 2016/17 and 2017/18 and are presented using constant currency.
2. We have an international workforce and the Committee considers all employees to be the most relevant comparator group.
3. Group employee bonus based on estimated average pay-out for 31 March 2018.

Total shareholder return

The performance of the Group's ordinary shares compared with the FTSE 250 (the Index) for the nine-year period ended on 31 March 2018 is shown in the graph below.



This graph shows the value, by 31 March 2018, of £100 invested in BTG shares on 31 March 2009, compared with the value of £100 invested in the FTSE 250 Index on the same date.

The other points plotted are the values at intervening financial year-ends.

The Group has chosen the Index as a comparator as it believes that it gives shareholders a reasonable comparison with the TSR of other equity investments in companies of a broadly similar size across all sectors. The TSR performance has been measured by NBS.

The middle market price of an ordinary share on 31 March 2018 was 676.3p. During the year, the share price ranged from a low of 578p to a high of 784p.

Total remuneration for the Chief Executive Officer over time

	2010	2011	2012	2013	2014	2015	2016	2017	**2018**
Total Remuneration (£'000)	1,351	1,489	1,944	2,073	1,757	1,606	3,759	3,021	**3,027**
Bonus Outturn (%)	79%	70%	95%	100%	82%	89%	75%	82%	**68%**
LTIP Vesting (%)	100%	89%	80%	92%	100%	100%	100%	51%	**63%**

The chart above shows the total remuneration for the Chief Executive Officer during each of the financial years. The total remuneration figure includes the annual bonus and Long-Term Incentive (LTIP) awards which vested based on performance in those years. The annual bonus and LTIP percentages show the pay-out for each year as a percentage of the maximum. 2018 reflects the vesting of the 2013 Core award, the related Multiplier awards and the 2014 Core awards.

Relative importance of spend on pay

The table below illustrates the change in expenditure by the Group on remuneration paid to all the employees of the Group and distributions to shareholders from the financial year ended 31 March 2017 to the financial year ended 31 March 2018.

	2018 £m	2017 £m	Percentage Change
Overall expenditure on pay	**179.2**	164.0	9%
Dividend plus share buyback	**nil**	nil	n/a

These matters were selected to be shown as they represent key distributions by the Group to its stakeholders.

Remuneration continued

How the 2016 policy will be applied in 2018/19 onwards

2018/19 salary review

Louise Makin's salary was reviewed in March 2018 and an increase of 2.5% was agreed which was in line with the average increase for BTG employees. Her annual salary with effect from 1 April 2018 was £686,238 (as at 1 April 2017 was £669,500).

On appointment as CFO on 1 January 2018, Duncan Kennedy's salary was set at £375,000. This will next be reviewed with effect from 1 April 2019.

Performance targets for the 2018/19 annual bonus

The bonus opportunity for 2018/19 will be 150% of salary for both directors and will continue to be based on corporate financial metrics (70% of the total bonus) and individual corporate objectives (30% of the total bonus) as detailed in the policy report on pages 89 to 94.

The Committee has chosen not to disclose, in advance, the performance targets for the forthcoming year as these include items which the Committee considers commercially sensitive. However, the targets will be based on three financial metrics, being BTG product sales (1/3 weighting), adjusted operating profit (1/3 weighting) and free cash flow (1/3 weighting). Full retrospective disclosure of the financial targets and performance against them will be seen in next year's Annual Remuneration Report. The individual corporate objectives will also be disclosed to the extent possible given their ongoing commercial sensitivity.

The first 75% of salary of any bonus will be paid in cash, with any bonus paid in excess of 75% of salary compulsorily deferred into shares for three years.

Performance targets for the 2018 PSP awards

The Committee's policy is to grant executive directors annual PSP awards. The Committee intends to grant awards in June 2018 at the level of 225% of salary to each executive director.

Targets for the PSP awards made during 2018/19 will be measured in the final year of the three-year period (the 2020/21 financial year) and are as follows:

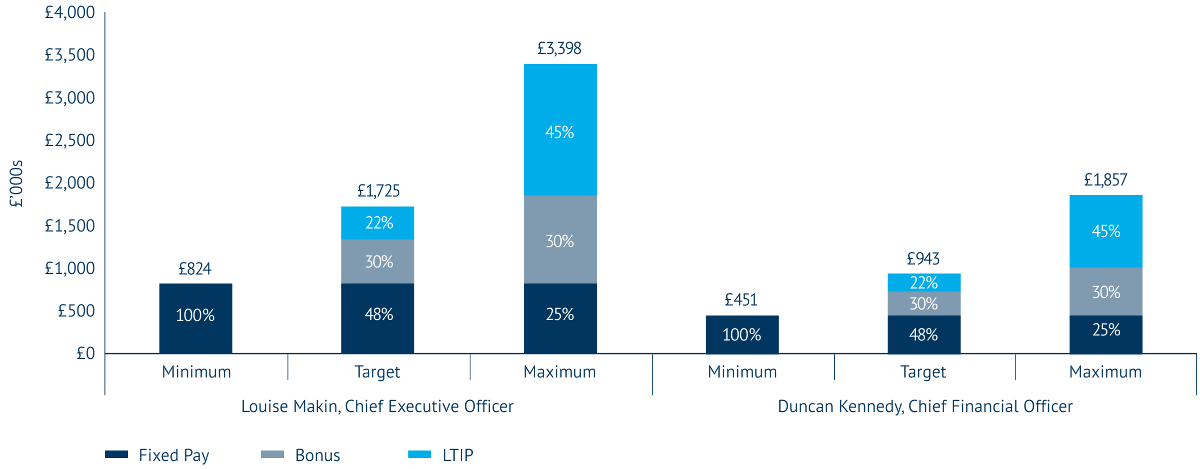
	Adjusted EPS in the year ending 31 March 2021 (50% of the total award)	TSR relative to the constituents of the FTSE 250 over three financial years ending 31 March 2021 (50% of the total award)	Percentage of each element that vests
Below threshold	Less than 37.5c	Less than median	0%
Threshold	37.5c	Median	25%
Between threshold and stretch	37.5c to 49c	Between median and upper quartile	25% to 100%
Stretch	49c or higher	Upper quartile or higher	100%
		Payouts for performance between Threshold and Stretch calculated on a straight-line basis	

This is the first year the Committee has set EPS targets in US Dollars and reflects the move to reporting in this currency from the 2018/19 financial year. The above targets reflect the anticipated reduction in revenues from royalties over the period to the 2020/21 financial year and in particular those currently being received from sales of Zytiga® in the US. The targets require growth in the earnings of the underlying business of between 7% and 17% per year over the period. These targets were set by the Committee to straddle what it feels both the internal plans will achieve and what market consensus for the performance of the Company will be. The range reflects the Committee's desire to set a demanding level of stretch that it wishes management to strive to achieve.

Executive directors will be required to hold vested shares, net of tax, for a further two-year holding period.

Value of remuneration packages at different levels of performance

The Group's policy results in a significant portion of remuneration received by executive directors being dependent on Group performance. The chart below illustrates how the total pay opportunities for the executive directors vary under three different performance scenarios: minimum, target and maximum. These charts are indicative only, as share price movement and dividend accrual have been excluded. All assumptions made are noted below the chart.



Assumptions

Minimum = fixed pay only (salary + benefits + pension)

On-Target = 50% vesting of the annual bonus (75% of salary) and 25% vesting of the PSP award (56.25% of salary).

Maximum = 100% vesting of the annual bonus (150% of salary) and 100% vesting of the PSP award (225% of salary).

- Salary levels (on which other elements of the package are calculated) are based on those as at 1 April 2018.
- The value of taxable benefits is based on the cost of supplying those benefits (as disclosed) for the year ended 31 March 2018, excluding expenses incurred in their role as a director as these cannot be anticipated in advance.
- Pension levels have been estimated at 20% of base salary levels.
- The executive directors can participate in all employee share schemes on the same basis as other employees. The value that may be received under these schemes is subject to tax approved limits. For simplicity, the value that may be received from participating in these schemes has been excluded from the above charts.
- Amounts have been rounded to the nearest £1,000.
- No account has been taken of share price growth or dividends on vested shares.

Remuneration continued

Non-executive director 2018 remuneration

Set out in the table below are the fees paid for the year ended 31 March 2018 and proposed fees for the year ending 31 March 2019.

Director	As from 1 April 2018 £	As from 1 April 2017 £	% increase
Chairman[1]	**275,000**	235,000	17%
Non-executive director[2]	**55,000**	53,560	2.7%
Senior independent director fee	**8,000**	5,000	60%
Audit Committee chairmanship fee	**12,000**	10,000	20%
Remuneration Committee chairmanship fee	**12,000**	10,000	20%

1. The fee was increased from 1 January 2018, having last been increased on 1 January 2015, to reflect the increased size, internationality and complexity of the Group. The fee is fixed until 31 December 2020, with no additional fee paid for his role as Chair of the Nomination Committee.
2. This fee applies to all non-executive directors except Greg Barrett, who received a fee of $70,000 per annum up to 31 March 2018, and a fee of $71,883 per annum as of 1 April 2018. Greg is based in Nashville and in recognition of the extra time commitment he is required to make with respect to travel on BTG Board business he is paid a supplementary fee of $4,000 for each meeting of the Board requiring less than four hours travel, and $8,000 for each meeting requiring more than four hours travel.

Shareholder voting at the Annual General Meeting

At last year's Annual General Meeting held on 13 July 2017, the following votes were received from shareholders:

	Remuneration Report (votes)	Percentage of eligible votes
Votes cast in favour	325,527,863	99.42%
Votes cast against	1,883,099	0.58%
Total votes cast	327,410,962	100.00%
Abstentions	2,459,182	

At the Annual General Meeting held on 14 July 2016, the following votes were received from shareholders in respect of the Remuneration Policy:

	Remuneration Policy (votes)	Percentage of eligible votes
Votes cast in favour	322,172,730	98.88%
Votes cast against	3,654,672	1.12%
Total votes cast	325,827,402	100.00%
Abstentions	543,261	

Approval

This report was approved by the Board on 14 May 2018 and signed on its behalf by

Ian Much
Chairman of the Remuneration Committee

Directors' Remuneration Policy Report

This part of our Directors' Remuneration Report sets out key elements of the Remuneration Policy, which was approved by shareholders at the 2016 AGM. The full policy is available in the 2016/17 Annual Report on our website. We will be seeking shareholders' approval of a new/updated policy at next year's AGM.

Element	Purpose and link to strategy	Operation	Maximum	Performance targets
Base salary	Provides market competitive fixed remuneration that takes account of individual responsibilities and enables the Group to recruit and retain executives who are capable of delivering the Group's strategic objectives.	Set at a broadly mid-market level, salaries are normally reviewed annually with effect from 1 April taking account of individual responsibilities, experience and performance.	Other than to reflect a change in the size and complexity of the role or Group or to reflect experience in the role, salary increases will normally be no higher than the average increases taking place across the Group (taking into account, where appropriate, the relevant pay groups).	None, although overall individual and corporate performance is a factor considered when reviewing salaries. Details of the salary review in the period are set out on page 86.
Benefits	Provide a competitive package of benefits that assists with attracting and retaining employees.	These mainly comprise medical benefits and permanent health insurance, but the components will have regard to the market practice in the location of any future appointment. This could include relocation allowances or other appropriate benefits. Any reasonable business-related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit. Executive directors are eligible for other benefits that are introduced for the wider workforce on broadly similar terms.	The quantum of benefits will be in line with local market practice. The value of each benefit is based on the cost to the Group, which may vary from year to year.	N/A

Remuneration continued

Element	Purpose and link to strategy	Operation	Maximum	Performance targets
Annual bonus	A reward that is linked to the Group's short-term aims and value creation objectives. Deferral of part of the bonus under the Deferred Share Bonus Plan (DSBP) provides an element of lock-in and alignment with shareholders.	All employees including the executive directors participate. Paid as a mix of cash and deferred shares under the DSBP. From 2016, the first 75% of salary of any bonus will be paid in cash, with any bonus paid in excess of 75% of salary compulsorily deferred into shares for three years. DSBP awards are structured as conditional awards over shares. From 2016, both the cash and deferred portion of bonuses and are subject to clawback and malus.[2] Dividend equivalents may be paid on the shares awarded as part of the DSBP.	Maximum of 150% of salary for executive directors.	Performance targets for the executive directors are set annually by the Committee and focus on Group financial performance measures such as revenue, trading profit, operating cash flow (although the Committee has discretion to select other measures) and performance against a number of corporate and individual objectives intended to stimulate future growth. Financial objectives account for the majority of the bonus. Targets are set annually on a sliding scale with 50% of maximum bonus potential normally payable for on-target performance and up to 25% of maximum bonus potential payable for performance at threshold. The Committee has discretion to adjust the bonus pay-out if in its opinion, the pay-out would not otherwise appropriately reflect the performance achieved. In addition, the Committee must be satisfied that a minimum level of financial performance has been achieved before any bonus is paid. If, in exceptional circumstances, it was decided to apply upward discretion, it would first be discussed with major shareholders and the reasons fully disclosed in the annual report on remuneration for the relevant year.
Long-term incentives	Support the strategy to transition the business from an R&D-focused specialty pharmaceuticals company to an earnings-driven international specialist healthcare company. Ensure remuneration includes a strong emphasis on the delivery of growth, sustained financial performance and superior shareholder returns.	Annual awards of performance shares are made under the PSP, vesting of which is subject to the achievement of targets measured over a minimum of three financial years.[1] Starting with the awards granted in 2016, a two-year holding period applies upon vesting of awards, during which shares may not be sold (other than to pay tax and national insurance). Awards of performance shares are subject to clawback and malus.[2] Executives are entitled to receive dividend equivalents in respect of vested awards.	Maximum award of 225% of salary	Awards prior to 2016 are subject to conditions which are described in the annual report on remuneration on pages 69 to 88. Awards will be granted subject to a combination of financial and total shareholder return measures, tested over a period of at least three years. The Committee may introduce or reweight performance measures so that they are directly aligned with the Group's strategic objectives for each performance period. No more than 25% of each element vests at median/threshold performance, rising to full vesting at upper quartile/stretch performance. Details of the targets for these awards are provided in the Annual Report on remuneration. The Committee has the discretion in certain circumstances to grant and/or settle an award in cash. In practice, this will only be used in exceptional circumstances for executive directors.

Element	Purpose and link to strategy	Operation	Maximum	Performance targets
Pension	Provides competitive retirement benefits that reward sustained contribution.	For longer serving employees: participation in contributory defined benefit pension arrangements up to a scheme specific cap or HMRC defined limits. For more recent hires and provision above the cap: defined contribution pension provision and/or cash allowances.	Defined benefit provision: 1/60ths accrual up to cap (reviewed annually), normal retirement age of 60. Defined contribution or cash allowance: up to 25% of salary.	N/A
All-employee share plans	Encourages employees to acquire shares in BTG, increasing alignment with shareholders.	Executive directors can participate in BTG's save-as-you-earn scheme, which is open to all UK employees. A US Internal Revenue Service 423 Plan with standard terms is operated for US employees.	Participation limits are those set by the relevant tax authorities from time to time.	N/A
Shareholding guidelines	Provide alignment between executives and shareholders.	Executive directors are required to build significant shareholdings in the Group.[3] Executive directors may sell vesting shares to meet tax and national insurance liabilities. In addition, provided they have achieved and continue to meet the applicable shareholding guideline level, they will be permitted to sell shares over and above those required to meet their tax liabilities and national insurance liabilities within 30-day periods after either (i) the announcement of the Group's results and completion of the related investor road-show or (ii) the date of subsequent vesting of shares with respect to the period to which those results relate (in either case subject to agreement with the Chairman and any other legal restrictions on share dealings)	CEO: 250% of salary. CFO: 200% of salary.	N/A

1. Prior to 2013, awards consisted of a mix of market value share options granted under the ESOP and performance shares granted under the 2006 PSP. Awards granted under the 2006 PSP consist of a Core award and a Multiplier award and executive directors are able to roll over 0%, 50% or 100% of any Core award that would vest in return for a Multiplier award that could increase or decrease the value of the Core award, vesting after five years from the date of grant, subject to performance conditions. The full structure of these awards is outlined in the policy approved at the 2013 AGM.
2. All awards granted post 1 July 2011 under the DSBP, PSP and ESOP are subject to clawback and malus in the event of a material misstatement of the financial results of the Group for the financial year to which an award relates being discovered, an error in the calculation of performance for an award or individual misconduct resulting in dismissal. The same principle was adopted in 2015 with respect to the annual bonus.
3. Under the shareholding guidelines the executive directors are not permitted to hold their shares in hedging arrangements or as collateral for loans without the express permission of the Board.

Remuneration continued

Recruitment and promotions

The remuneration package for a new director will be set in accordance with the terms of the Group's approved Remuneration Policy in force at the time of appointment but focusing on the objective of appointing the most appropriate incumbent in the right geography.

The salary for a new executive director will be set to reflect their skills and experience, the Group's target pay positioning and the market rate for the role in the relevant location, subject to the overall goal of attracting the right candidate. Where it is appropriate to do so, salaries may be set below the normal market rate, with phased increases over the first few years as the executive gains experience in their new role.

Benefits and pensions will be in line with those offered to other executive directors, taking account of local market practice with relocation expenses provided if necessary. Tax equalisation may also be considered if an executive is adversely affected by taxation due to their employment with the Group. Legal fees and other costs incurred by the individual may also be met by the Group.

The ongoing incentive opportunity offered to new recruits will be in line with that offered to existing directors. Different measures and targets under the bonus plan or the PSP may be set initially taking account of the responsibilities of the individual and the point in the financial year at which they join. A new employee may be granted normal annual PSP awards in the first year of employment. In addition, the Committee may offer additional cash and/or share-based elements to assist with recruitment (for example to buyout existing entitlements) when it considers these to be in the best interests of the Group and its shareholders. Existing arrangements will be used to the extent possible (subject to the limits set out in the policy), however, the Committee retains discretion to use the flexibility provided by the Listing Rules to make such awards. Such awards/payments would take account of remuneration relinquished when leaving the former employer and would reflect (as far as possible) the value, nature and time horizons attached to that remuneration and the impact of any performance conditions. Awards may be granted in cash on recruitment if the Group is in a prohibited period at the joining date. Shareholders will be informed of any such awards/payments at the time of appointment.

For an internal executive appointment, any variable pay element awarded in respect of the prior role will be allowed to pay out according to its terms, adjusted as relevant to take into account the timing of the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue, provided that they are put to shareholders for approval at the earliest opportunity.

For the appointment of a new Chairman or non-executive director, the fee arrangement would be set in accordance with the approved Remuneration Policy in force at that time.

Legacy arrangements

For the avoidance of doubt, authority is given to the Group to honour any commitments entered into with current or former directors (such as the payment of a pension or the unwind of legacy share schemes) that have been disclosed to shareholders in this or any previous remuneration reports or subsequently agreed in line with the approved policy in force at that time. Details of any payments to former directors will be set out in the annual Remuneration Report as they arise.

External appointments

The Board believes that it may be beneficial to the Group for executives to hold non-executive directorships outside the Group. Any such appointments are subject to approval by the Board and the director may retain any fees received. Louise Makin received fees of £68,625 for being on the Board of Intertek Group during the year to 31 March 2018 (2017: £68,000) and £27,202 for being on the Board of Woodford Patient Capital Trust during the year to 31 March 2017 (2017: £27,000). Duncan Kennedy does not currently hold any outside directorships, neither did Rolf Soderstrom.

Service contracts and payments for loss of office

Executive directors have rolling service contracts, details of which are summarised in the table below:

Provision	Detailed terms
Contract dates	Louise Makin – 19 October 2004 Duncan Kennedy – 14 November 2017
Notice period	Twelve months from both the Group and from the executive
Termination payment	The Group may terminate the contracts of the executive directors with immediate effect by making a payment in lieu of notice. Other than as specifically provided for in the policy with respect to 'good leavers' (where for example existing Multiplier awards elected for are retained) the directors' contracts do not provide for automatic entitlement to bonus or share-based payments. The contracts of Louise Makin and Rolf Soderstrom (who retired from the Board on 31 December 2017) were drafted well before shareholders first approved our pay policy and contain the provision that they are eligible for bonuses for any period of notice and within a payment in lieu of notice but there is no automatic and guaranteed amount due. The contracts do not provide for mitigation. The Committee recognises that these are unusual features and not in line with current best practice, which has moved on since the directors were appointed. Reflecting this evolution, Duncan Kennedy's contract does not contain this eligibility within the payment in lieu of notice provision and the Committee has determined that neither will any future contracts.
Remuneration entitlements	Louise Makin's contract contains the following remuneration related entitlements: – salary, membership of Group pension scheme or contribution to a personal pension, medical benefits, and permanent health insurance. Duncan Kennedy's contract contains the following remuneration related entitlements: – salary, membership of the Group Defined Contribution Scheme or contribution to a personal pension, medical benefits, life insurance and permanent health insurance.

The Group's policy on new directors' service contracts is that, in line with the best practice provisions of the Code, they should be terminable by the Group on a maximum of one year's notice and contracts should not provide for predetermined compensation in the event of termination or provision for enhanced payments in the event of a takeover of the Group. Provisions permitting the Group to make any termination payments by instalments, and requiring directors to mitigate their loss in such circumstances, will be included in new contracts (as it was with respect to Duncan Kennedy). The Remuneration Committee will exercise discretion in determining whether termination payments should be paid by instalments, taking account of the reason for the departure of the director and their prior performance. Other than in gross misconduct situations, the Group would expect to honour the contractual entitlements of terminated directors.

Other than in certain 'good leaver' circumstances (including, but not limited to, redundancy, ill-health or retirement) no bonus would be payable unless the individual remains employed and is not under notice at the payment date. Any bonuses paid to a 'good leaver' would be based on an assessment of their individual and the Group's performance over the period, and pro-rated for the proportion of the bonus year worked.

With regards to long-term incentive awards, the PSP rules provide that other than in certain 'good leaver' circumstances, awards lapse on cessation of employment. Where an individual is a 'good leaver', the Remuneration Committee's policy for future PSP awards will normally be to permit awards to remain outstanding until the end of the original performance period (although it will have discretion to allow awards to vest on cessation). At such time, a pro-rata reduction will be made to take account of the proportion of the vesting period that lapsed prior to termination of employment, although the Committee has discretion to partly or completely disapply pro-rating and the performance conditions in certain circumstances. Multiplier awards granted under the PSP approved in 2013 would not be subject to pro-rating. The Remuneration Committee has discretion to deem an individual to be a 'good leaver'. In doing so, it will take account of the reason for their departure and the performance of the individual.

Deferred bonus share awards will also normally lapse on cessation of employment, unless the executive director is deemed to be a 'good leaver' by the Remuneration Committee, as referred to above. Unvested deferred bonus share awards held by 'good leavers' will not be time pro-rated.

The Group can pay any statutory redundancy in addition to contractual entitlements and the Committee will have authority to settle legal claims against the Group (e.g. for unfair dismissal, discrimination or Whistleblowing) that arise on termination. The Committee may also authorise the provision of outplacement services and pay reasonable legal expenses associated with the termination.

Remuneration continued

The non-executive directors do not have service contracts but have letters of appointment for an initial period of three years, which may be renewed by mutual agreement, normally for a further three-year term. The terms of appointment provide for a notice period in the event of early termination of six months for the Chairman and three months for other non-executive directors, other than if they are not re-elected at an AGM.

Details of contracts and letters of appointment, for directors serving at the date of this report, are as set out below.

Non-executive	Date of first appointment	Notice period (months)	Date of expiry of current contract
Garry Watts	1 January 2012	6	31 December 2020
Greg Barrett	27 November 2017	3	26 November 2020
Susan Foden	1 March 2015	3	28 February 2021
Graham Hetherington	1 August 2016	3	31 July 2019
Giles Kerr	1 October 2007	3	30 September 2018
Ian Much	1 August 2010	3	31 July 2018
James O'Shea	2 April 2009	3	31 March 2019
Anne Thorburn	23 January 2018	3	22 January 2021
Richard Wohanka	1 January 2013	3	31 December 2018

Non-executive directors' and Chairman's fees

The table below summarises the Group's policy in relation to the fees of non-executive directors.

Purpose and link to strategy	Operation	Maximum	Performance targets
Takes account of recognised practice and set at a level that is sufficient to attract and retain high-calibre non-executives.	Non-executive directors receive fees paid monthly in cash and consist of an annual basic fee plus additional fees for additional responsibilities such as a Committee Chairmanship and the role of Senior Independent Director. When reviewing fee levels, account is taken of market movements in non-executive director fees, Board committee responsibilities, ongoing time commitments and the general economic environment. Additional fees may be paid where there is a material increase in the time commitment and responsibilities required of non-executive directors. Fee increases, if applicable, are normally effective from 1 April each year. Non-executives do not participate in any pension, bonus or share incentive plans and do not receive any benefits (other than limited benefits relating to travel, accommodation and hospitality provided in relation to the performance of any directors' duties and any tax thereon).	The maximum level of fees is set in the Articles of Association	N/A

The Chairman, in consultation with the executive directors, is responsible for proposing changes to the non-executive directors' fees. The Senior Independent Director, in consultation with the executive directors, is responsible for proposing changes to the Chairman's fees. In each case this follows advice on market fee levels supplied by the Committee's advisers. In proposing such fees, account is also taken of the time commitments of the Group's non-executive directors. The decision on fee changes is taken by the Board as a whole. Individual non-executive directors do not take part in discussions on their remuneration.

Directors' report
Other Statutory Information

The directors present their report together with the financial statements and the independent auditor's report for the year ended 31 March 2018.

Principal activity

The principal activity of the Group is the business of healthcare: focusing on Interventional Medicine therapies for cancer, vascular disease and other disorders, and Pharmaceuticals products to help patients who are overexposed to certain medications or toxins, and a licensing business.

Strategic Report

The Group is required by the Companies Act 2006 to set out a fair and balanced review of the business, including the performance and development of the Group during the year and at the year end, and a description of the principal risks it faces. This information is contained within the Strategic Report, which can be found on pages 6 to 36 and incorporated into this report by reference:

- The Chairman's statement on page 4, the Chief Executive's review on pages 6 and 7 and the Market overview on page 8 provide details of the Group's principal activities and strategy, its performance during the year and its prospects for future development opportunities.
- Details of the principal risks facing the Group are set out on pages 64 to 67.
- Information relating to the environment, employees and stakeholders, health and safety, ethical considerations, charitable donations and policies regarding its employees is set out on pages 24 to 27.

This information is prepared solely to assist shareholders to assess the Group's overall strategy, the risks inherent in it and the potential for the strategy to succeed. The Directors' report should not be relied on by any other person or for any other purpose.

Forward-looking statements contained in this report have been made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the uncertainties, including economic and business risk factors, inherent in them.

Further information on the Group is available on the website: www.btgplc.com. Notwithstanding the references made in this Annual Report and Accounts to the Group's website, none of the information made available on the website constitutes part of, or should be deemed to be incorporated by reference into, this Annual Report and Accounts.

Results and dividends

The results for the year and the financial position at 31 March 2018 are shown in the Consolidated Income Statement on page 108 and the Consolidated Statement of Financial Position on page 110. The directors do not recommend the payment of a dividend for the year (16/17: nil). The results of the Group for the year are explained further on pages 28 to 36.

Directors and their powers and interests

The directors of the Group at the date of this report, together with their biographical details and dates of appointment, are shown on pages 40 and 41.

The Board confirms that each of the directors who served during the year has been formally appraised during the period. All the directors continue to demonstrate commitment to the Group, the Board and to their role. In accordance with the UK Corporate Governance Code (the Code), all directors of the Company will stand for election or re-election annually (other than, in case of the 2018 AGM, Giles Kerr who is stepping down from the Board after ten years.

In accordance with the Company's Articles of Association, throughout the year the Company has maintained insurance cover for its directors and officers and those of its subsidiary companies under a directors' and officers' liability policy as permitted by sections 232 to 235 of the Companies Act 2006. The Company has also, to the extent permitted by law, entered into separate Deeds of Indemnity in favour of each of its directors to provide them with appropriate protection with respect to potential liabilities arising from the discharge of their duties. Neither the insurance policy nor the indemnities provide cover where the relevant director or officer is found to have acted fraudulently or intentionally breached the law.

Directors' report
Other statutory information continued

Information on directors' remuneration, contracts, options and their beneficial interests, including those of their immediate families, in the shares of the Company are shown in the Directors' Remuneration Report on pages 69 to 94. None of the directors had an interest in any contract of significance to which the Company or any of its subsidiaries was party during the year.

Corporate governance

A report on corporate governance may be found on pages 38 to 68.

Environmental matters

Our greenhouse gas emissions have been calculated as carbon dioxide equivalents, these are disclosed in the People and Practices section of the strategic report on page 26.

Share capital and shareholders

As at 31 March 2018, the issued share capital of the Company was £38,649,258, divided into 386,492,575 shares of 10p each. During the year, the share capital increased by 1,365,050 shares, due to the exercise and vesting of share awards by employees and former employees under the Company's employee share schemes. The Company has only one class of shares and there are no restrictions on voting rights or on the holding or transfer of these securities.

Details of the movements in the Company's share capital are shown in Note 15 to the financial statements on page 136. At 31 March 2018, the Company had 8,147 shareholders (2017: 8,764). Further details of shareholdings and Company reporting dates may be found on page 164.

The BTG Employee Share Trust holds shares in the Company which may be used for the benefit of employees. The shares held by the Trust have the same rights as those held by all other shareholders.

Details of outstanding share options and awards are set out in Note 20 to the financial statements on pages 141 to 145.

As at 9 May 2018, the Company had been notified of the following interests held, directly or indirectly, in 3% or more of the Group's issued share capital.

	Shareholding	% holding
Invesco Perpetual Asset Management	73,047,572	18.90
Novo Holdings A/S	44,173,492	11.43
Woodford Investment Management	40,154,845	10.39
Schroder Investment Management	25,321,591	6.55
AXA Investment Managers	19,792,436	5.12
Black Creek Investment Management Inc	12,982,837	3.36

Articles of Association

The Board may exercise all the powers of the Company, subject to the provisions of relevant statutes, the Company's Articles of Association (the Articles) and any directions given by a special resolution of the shareholders.

The Articles are available on the Group's website at www.btgplc.com/responsibility/corporate-governance

Change of control

There are a number of agreements with third parties with terms that take effect after, or terminate upon, a change of control of the Group, such as commercial contracts, bank facility agreements, guarantees, property agreements and employee share plans. None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole. Furthermore, the directors are not aware of any agreements between the Group and its directors or employees that provide for compensation for loss of office or employment following a takeover of the Group.

Research and development

Research and development (R&D) is an important part of the Group's activities focusing on the areas of Interventional Medicine and Pharmaceuticals. The Group spent £165.5m (2016/7: £87.8m) on R&D during the year. R&D in 2017/18 includes intangible asset impairment charges of £68.7m.

Treasury management

The Group's policy on the use of financial instruments and the management of financial risks is set out in Note 21 to the accounts on pages 145 to 149.

Going concern

The Group's business activities together with the factors affecting its performance, position and future development are set out within the Strategic Report on pages 6 to 36.

The directors have reviewed the current and projected financial position of the Group, making reasonable assumptions about future performance and taking into account the Group's cash balances and available financial facilities. On the basis of this review and, after making due enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue to operate for the next 12 months. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Viability Statement

In accordance with the Code, directors are also required to provide a broader assessment of viability over a longer period. This statement, assessing the viability of the Group over the three-year period of that assessment can be found on page 33 of the Strategic Report.

Political donations

The Group did not make any political donations during the financial year (2016/17: nil).

Respecting diversity

Our employees come from a variety of cultures, experiences and backgrounds. They are valued for their varied perspectives and judged solely by their abilities, behaviour, performance and potential. As an Equal Opportunity Employer, we consider employees and applicants for employment without regard to race, colour, religion, sex, national origin, or protected status. And we will not discriminate on the basis of disability.

Data on gender

Number of females who are:	2017/18	2016/17
Employees	671 (51%)	678 (48%)
Senior Managers	75 (37%)	71 (34%)
Leadership Team Members	4 (33%)	4 (33%)
Board Directors	3 (27%)	2 (22%)

2018 Annual General Meeting

The AGM of the Company will be held at 10.30 am on 18 July 2018 at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH. Matters to be considered at the meeting include resolutions to receive the Annual Report and Accounts, to appoint the auditor and elect and re-elect the directors (other than Giles Kerr).

The Notice convening the meeting is distributed separately to shareholders at least 20 working days before the meeting. It is also available on the Group's website: www.btgplc.com/investors/reports-and-presentations. The letter accompanying the AGM Notice includes full details of the resolutions.

Members of the Company unable to attend the meeting may elect to vote electronically or using the proxy form accompanying the Notice. In order to vote electronically, members should log on to www.signalshares.com, the website of BTG plc's registrars, Link Asset Services (formerly Capita Asset Services), and follow the instructions on the screen. CREST members may send their proxy votes to the Company's registrars electronically.

Disclosure of information to the auditor

The directors who held office at the date of approval of this Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditor

Resolutions will be proposed at the forthcoming AGM to appoint Deloitte LLP as auditor and to authorise the directors to determine its remuneration.

By order of the Board

Dr Paul Mussenden
Company Secretary

14 May 2018

Statement of Directors' responsibilities

In respect of the Annual Report 2018 and the financial statements

The directors are responsible for preparing the Annual Report 2018 and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such Internal Control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The directors' report comprising pages 95 to 97, and including the sections of the Annual Report and Accounts referred to in these pages, has been approved by the Board and signed on its behalf by:

Dame Louise Makin
Chief Executive Officer

Duncan Kennedy
Chief Financial Officer

14 May 2018

Financials

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Independent auditor's report

to the members of BTG plc only

Opinions and conclusions arising from our audit

1. Our opinion is unmodified

We have audited the financial statements of BTG plc ("the Group") for the year ended 31 March 2018 which comprise the Consolidated income statement, Consolidated statement of comprehensive loss/income, Consolidated statement of financial position, Consolidated statement of cash flows, Consolidated statement of changes in equity, Company Statement of financial position, Company Statement of cash flows, Company Statement of changes in equity, and the related notes, including the accounting policies in note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

- We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We have been appointed as auditor by the directors since incorporation on 12 December 1991. The period of total uninterrupted engagement is for the 26 financial years ended 31 March 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: group financial statements as a whole	£5.5m (2017: £4.7m) 0.89% (2017: 0.82%) of Revenue	
Coverage	95% (2017: 95%) of Revenue	
Risks of material misstatement	**vs 2017**	
Recurring risks	Recoverability of other intangible assets	▲
	Recognition of deferred tax assets	◄►
Event driven	Litigation and contingent liabilities	▲
Recurring risk	Recoverability of parent company's investment in subsidiaries	◄►

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Recoverability of other intangible assets PneumRx® Coils: £34.9 million (2017: £208.6 million) Varithena®: £16.4 million (2017: £18.8 million) *Refer to page 58 (Audit Committee Report), page 117 (accounting policy), page 120 (critical accounting judgements and sources of estimation uncertainty) and page 132 (financial disclosures)*	**Forecast-based valuation** Past acquisitions have led to the recognition of intangible assets with a significant value where recovery of that value is dependent on the assets achieving forecast performance. Due to the challenges in expanding reimbursement coverage for PneumRx® Coils and Varithena® and the risk in obtaining required clinical outcomes and regulatory approval for PneumRx® Coils in the U.S., these assets remain relatively more sensitive to impairment. In the current year the pre-tax impairment charge of £143.2 million against the carrying value of the PneumRx® Coils assets results in those assets having nil headroom at the year end. There is a risk that the carrying amount of these assets should have been impaired (Varithena®), or further impaired (PneumRx® Coils), if financial performance or other events, such as regulatory approvals are not in line with expectation. The Group's estimated future cash flows for each asset are used to support their recoverability. The cash flow forecasts rely on a number of critical assumptions and estimates including likelihood of success of late stage development programs; regulatory approval; discount rates; future market share; associated pricing and terminal growth rates.	**Our procedures included:** – **Benchmarking assumptions:** Used our own valuation specialists to critically challenge the appropriateness of the discount rates used by the Group and benchmarked them to those used by an external peer group. – Critically challenged the assumed revenue projections by reference to external market data, where available, in terms of market size and expectations of market share. – **Historical comparisons:** Critically challenged the assumed revenue projections by reference to those achieved historically, in terms of market size and expectations of market share. – **Our sector experience:** Critically assessed the other assumptions used by the Group (as noted in 'the risk') using our own assessments, external market data and a comparison to recent performance where possible. We have specifically challenged the directors with respect to the probability of FDA approval of PneumRx® Coils; the probability of success of ELEVATE trials and the terminal decline rate of PneumRx® Coils for the period post-patent expiry. – In addition to this, we obtained additional representation from the directors regarding the key assumptions to further corroborate them due to their highly judgemental nature. – **Sensitivity analysis:** Performed breakeven analysis on the assumptions noted above. – **Assessing transparency:** Assessed whether the group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of the intangibles.

Independent auditor's report to the members of BTG plc continued

2. Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
	With respect to the PneumRx® Coils impairment the range of acceptable assumptions are such that the impairment charge could vary by an amount broader than our materiality.	**Our results** – We found the resulting estimate of the recoverable amount of PneumRx® Coils and Varithena® intangible assets to be acceptable (2017 result: acceptable).

	The risk	Our response
Recognition of deferred tax assets Tax losses asset within Deferred tax asset caption: £1.3 million (2017: £2.8 million) Tax losses asset within Deferred tax liability caption: £28.4 million (2017: £42.5 million) Gross tax losses not recognised: £84.2 million (2017: £96.8 million) *Refer to page 120 (accounting policy), page 122 (critical accounting judgements and sources of estimation uncertainty) and page 128 (financial disclosures)*	**Forecast-based valuation:** The Group has significant tax losses which have been acquired as part of business combinations or from past business performance. There is inherent uncertainty involved in forecasting future taxable profits, which determines the extent to which deferred tax assets are recognised. The risk exists that future taxable profits will not be sufficient to recover all or part of these deferred tax assets. **Subjective estimate** There is judgment involved in determining the extent to which the tax legislation permits the losses to be used to absorb those future profits.	**Our procedures included:** – **Our tax expertise:** With the assistance of our tax specialists, in relation to previous acquisitions, we considered previous assessments and conclusions for the continued appropriateness of deferred tax asset recognition. In relation to the Roxwood acquisition during the period, we critically assessed the Group's analysis of the historic losses taking into consideration Section 382 of the IRC. – **Our sector experience:** Evaluated the appropriateness of the Group's key assumptions and estimates, with the assistance of our tax specialists, in particular the likelihood of generating sufficient future taxable profits to support the recognition of deferred tax assets, with reference to recent product launches, performance trends and acquisitions. – **Assessing transparency:** Assessed the adequacy of the group's disclosures about the sensitivity of the recognition of deferred tax assets to changes in key assumptions reflected in the inherent risk. **Our results** – As a result of our work we found the level of deferred tax assets recognised to be acceptable (2017 result: acceptable).

	The risk	Our response
Litigation and contingent liabilities £53.9 million (2017: £nil) Refer to page 58 (Audit Committee Report), page 118 (accounting policy) and page 138 (financial disclosures)	**Omitted exposures** In the normal course of business, potential exposures may arise from litigation relating to the Group's Intellectual Property; contingent consideration arrangements or compliance with laws and regulations. **Dispute outcome** The amounts involved in relation to the damages levied in the Wellstat dispute are significant and the Group are appealing the calculation of the damages. The application of the accounting standards to determine the amount to provide is inherently subjective.	**Our procedures included:** – **Enquiry of legal counsel:** Having enquired of directors and in-house counsel on all significant legal cases, we made written enquiries of the Group's legal advisers to cross check the result of those enquiries and also to enquire whether they were aware of any matters relating to other litigation and claims. – **Test of detail:** Compared a selection of legal expenses incurred during the year against our list of external counsel for indications of previously unidentified litigation and claims. – **Independent reperformance:** Recalculated the Wellstat provision based on the damages and accrued interest pursuant to the final court order. – **Assessing transparency:** Assessing whether the group's disclosures detailing significant legal proceedings adequately disclose the potential liabilities of the group. **Our results** – The results of our testing were satisfactory and we considered the liability recognised to be acceptable.

	The risk	Our response
Recoverability of parent company's investment in subsidiaries £779.7 million (2017: £775.1 million) Refer to page 158 (accounting policy) and page 159 (financial disclosures)	**Low risk, high value** The carrying amount of the parent company's investments in subsidiaries represents 90.7% (2017: 91.7%) of the company's total assets, the majority of which relates to BTG International (Holdings) Limited. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	**Our procedures included:** – **Tests of detail:** Comparing the carrying amount of 100% of investments with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making. – **Our sector experience:** For the investments where the carrying amount exceeded the net asset value, comparing the carrying amount of the investment with the expected value of the business based on fair value less costs to sell. **Our results** – We found the Company's assessment of the recoverability of the investment in subsidiaries to be acceptable (2017 result: acceptable).

Independent auditor's report to the members of BTG plc only continued

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £5.5 million (2017: £4.7 million), determined with reference to a benchmark of Group revenue, of which it represents 0.89% (2017: 0.82%). We consider Group revenue to be the most appropriate benchmark as revenue remains the key performance indicator of the Group that is monitored by stakeholders.

Materiality for the parent company financial statements as a whole was set at £5 million (2017: £4.7 million), determined with reference to a benchmark of company total assets, of which it represents 0.58% (2017: 0.56%).

We reported to the Audit Committee any corrected or uncorrected misstatements identified exceeding £0.28 million (2017: £0.23 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

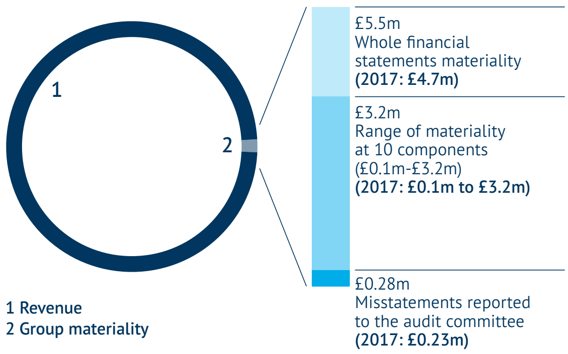
Of the Group's 28 (2017: 28) reporting components, we subjected 10 (2017: 9) to audits for Group reporting purposes and 0 (2017: 1) to specified risk-focused audit procedures on key working capital captions. In aggregate, the components within the scope of our work accounted for the following percentages of the group's results: 95% (2017: 95%) of total Group revenue; 86% (2017: 90%) of the total profits and losses that made up Group loss before taxation; and 90% (2017: 96%) of the Group's total assets. For the residual 18 components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The group team instructed component auditors as to the significant areas to be covered and the information to be reported back. The group team approved the component materialities, which ranged from £0.2 million to £3.2 million (2017: £0.1 million to £3.2 million), having regard to the mix of size and risk profile of the Group across the components. Of the 10 components noted above, two are based in the USA, one in Australia and five within sites in the UK (England and Wales), these were all audited by KPMG component teams. The work on the remaining two components, including the audit of the parent company, was performed by the group team.

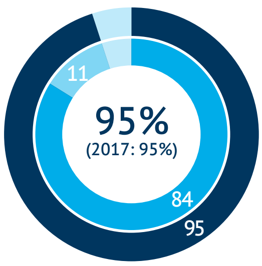
The group team visited one (2017: three) component locations in England and Wales (2017: and the USA). Video or telephone conference meetings were also held with the component auditors including those that were not physically visited by the group team (Australia and USA). At these visits and meetings, the findings reported to the group team were discussed in more detail, and any further work required by the group team was then performed by the component auditor.

Revenue
£620.5m (2017: £570.5m)

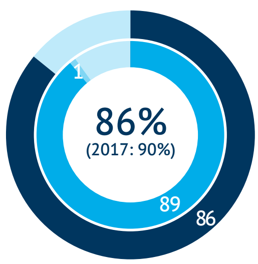
Group materiality
£5.5m (2017: £4.7m)



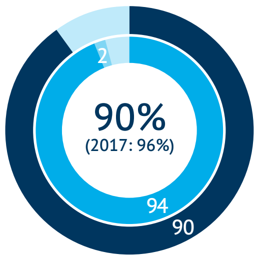
Group Revenue



Group profit before tax



Group total assets



- Full scope for group audit purposes 2018
- Full scope for group audit purposes 2017
- Specified risk-focused audit procedures 2017
- Residual components

4. We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 97 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the statement of viability on page 33 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the statement of viability of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the statement of viability. We have nothing to report in this respect.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

Independent auditor's report to the members of BTG plc only continued

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 98, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the group's regulatory and legal correspondence.

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

In addition we considered the impact of laws and regulations in the specific areas of health and safety, anti-bribery and employment law recognising the financial nature of the group's activities. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the directors and other management and inspection of regulatory and legal correspondence. We considered the effect of any known or possible non-compliance in these areas as part of our procedures on the related annual accounts items.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at group level, with a request to report on any indications of potential existence of non-compliance with relevant laws and regulations (irregularities) in these areas, or other areas directly identified by the component team.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations (irregularities), as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Broadbelt
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London E14 5GL
14 May 2018

Consolidated income statement

	Note	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Revenue	4	620.5	570.5
Cost of sales		(185.9)	(179.9)
Gross profit	4	434.6	390.6
Selling, general and administrative expenses[1]		(325.5)	(206.6)
Research and development[1]		(165.5)	(87.8)
Other operating (expense)/income		(1.3)	4.4
Amortisation of acquired intangible assets		(43.8)	(42.0)
Acquisition and reorganisation costs		(1.3)	(1.1)
Operating (loss)/profit	5	(102.8)	57.5
Financial income	7	41.5	3.3
Financial expense	7	(9.3)	(29.2)
(Loss)/profit before tax		(70.6)	31.6
Tax credit	8	83.3	2.0
Profit for the year		12.7	33.6
Attributable to non-controlling interests		(2.3)	–
Attributable to owners of the parent		15.0	33.6
Profit for the year		12.7	33.6
Basic earnings per share	9	3.9p	8.7p
Diluted earnings per share	9	3.9p	8.6p

1. Selling, general and administrative expenses includes intangible asset impairment charges of £82.4m (2017: £0.5m), and Research and development includes intangible asset impairment charges of £68.7m (2017: £nil).

All activities arose from continuing operations.

Consolidated statement of comprehensive loss/income

	Note	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Profit for the year		12.7	33.6
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss			
Foreign exchange translation differences	15	(89.9)	91.7
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain/(loss) on defined benefit pension scheme	19	1.9	(5.2)
Deferred tax (charge)/credit on defined benefit pension scheme asset		(0.4)	4.1
Other comprehensive (loss)/income for the year		(88.4)	90.6
Total comprehensive (loss)/income for the year		(75.7)	124.2
Attributable to non-controlling interests		(2.3)	–
Attributable to owners of the parent		(73.4)	124.2
Total comprehensive (loss)/income for the year		(75.7)	124.2

The notes on pages 113 to 153 form part of these financial statements.

Consolidated statement of financial position

	Note	31 March 2018 £m	31 March 2017 £m
ASSETS			
Non-current assets			
Goodwill	10	**223.1**	225.6
Intangible assets	11	**463.7**	678.9
Property, plant and equipment	12	**40.7**	40.1
Deferred tax assets	8	**3.6**	5.3
Employee benefits	19	**21.9**	17.2
Other non-current assets		**1.7**	1.7
		754.7	968.8
Current assets			
Inventories	13	**61.0**	58.4
Trade and other receivables	14	**134.0**	125.7
Other current assets		**3.0**	2.7
Cash and cash equivalents		**210.0**	155.5
		408.0	342.3
Total assets		**1,162.7**	1,311.1
EQUITY			
Share capital	15	**38.6**	38.5
Share premium		**437.7**	435.4
Merger reserve		**317.8**	317.8
Other reserves	15	**29.9**	119.8
Retained earnings		**90.7**	68.4
Attributable to owners of the parent		**914.7**	979.9
Attributable to non-controlling interests		**(1.9)**	–
Total equity		**912.8**	979.9
LIABILITIES			
Non-current liabilities			
Trade and other payables	16	**5.1**	8.5
Deferred tax liabilities	8	**49.7**	157.2
Corporation tax payable	8	**5.0**	–
		59.8	165.7
Current liabilities			
Trade and other payables	16	**127.9**	152.0
Provisions	18	**54.8**	0.5
Derivative financial instruments	17	**0.6**	7.9
Corporation tax payable	8	**6.8**	5.1
		190.1	165.5
Total liabilities		**249.9**	331.2
Total equity and liabilities		**1,162.7**	1,311.1

The notes on pages 113 to 153 form part of these financial statements.

The financial statements were approved by the Board on 14 May 2018 and were signed on its behalf by:

Dame Louise Makin
Chief Executive Officer

Duncan Kennedy
Chief Financial Officer

Registered No: 2670500

Consolidated statement of cash flows

	Note	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Profit after tax for the year		12.7	33.6
Tax credit	8	(83.3)	(2.0)
Financial income	7	(41.5)	(3.3)
Financial expense	7	9.3	29.2
Operating (loss)/profit		(102.8)	57.5
Adjustments for:			
Amortisation and impairment of intangible assets	11	198.4	46.7
Depreciation and impairment of property, plant and equipment	12	9.0	6.6
Share-based payments		6.5	8.5
Pension scheme funding	19	(2.8)	(2.9)
Other non-cash items		0.4	0.9
Cash from operations before movements in working capital		108.7	117.3
Increase in inventories		(2.6)	(9.3)
Increase in trade and other receivables		(8.3)	(8.5)
(Decrease)/increase in trade and other payables		(15.2)	2.1
Increase in provisions		54.4	0.1
Cash generated from operations		137.0	101.7
Settlement of foreign exchange forward contracts		(1.3)	(17.1)
Corporation tax paid		(15.0)	(10.4)
Net cash inflow from operating activities		120.7	74.2
Cash flows from investing activities			
Purchases of intangible assets	11	(1.0)	(0.6)
Purchases of property, plant and equipment	12	(10.4)	(8.9)
Acquisition of businesses net of cash acquired	25	(45.5)	(36.2)
Other investing activities		0.5	0.4
Net cash outflow from investing activities		(56.4)	(45.3)
Cash flows from financing activities			
Repayment of debt acquired on business combination	25	–	(18.9)
Proceeds of share issues		2.4	0.8
Other financing activities		(3.4)	(1.6)
Net cash outflow from financing activities		(1.0)	(19.7)
Increase in cash and cash equivalents		63.3	9.2
Cash and cash equivalents at start of year		155.5	140.4
Effect of exchange rate fluctuations on cash held		(8.8)	5.9
Cash and cash equivalents at end of year		210.0	155.5

The notes on pages 113 to 153 form part of these financial statements.

Consolidated statement of changes in equity

	Share capital £m	Share premium £m	Merger reserve[1] £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 April 2016	38.3	434.8	317.8	28.1	28.7	847.7
Profit for the year	–	–	–	–	33.6	33.6
Foreign exchange translation differences	–	–	–	91.7	–	91.7
Remeasurements of the net defined benefit pension scheme asset	–	–	–	–	(5.2)	(5.2)
Deferred tax on defined benefit pension scheme asset	–	–	–	–	4.1	4.1
Total comprehensive income for the year	–	–	–	91.7	32.5	124.2
Transactions with owners:						
Issue of BTG plc ordinary shares	0.2	0.6	–	–	–	0.8
Movement in shares held by the Employee Share Ownership Trust	–	–	–	–	(1.3)	(1.3)
Share-based payments	–	–	–	–	8.5	8.5
At 31 March 2017	**38.5**	**435.4**	**317.8**	**119.8**	**68.4**	**979.9**

	Share capital £m	Share premium £m	Merger reserve[1] £m	Other reserves £m	Retained earnings £m	Attributable to owners of the parent £m	Attributable to non-controlling interests £m	Total equity £m
At 1 April 2017	38.5	435.4	317.8	119.8	68.4	979.9	–	979.9
Profit/(loss) for the year	–	–	–	–	15.0	15.0	(2.3)	12.7
Foreign exchange translation differences	–	–	–	(89.9)	–	(89.9)	–	(89.9)
Remeasurements of the net defined benefit pension scheme asset	–	–	–	–	1.9	1.9	–	1.9
Deferred tax on defined benefit pension scheme asset	–	–	–	–	(0.4)	(0.4)	–	(0.4)
Total comprehensive (loss)/income for the year	–	–	–	(89.9)	16.5	(73.4)	(2.3)	(75.7)
Transactions with owners:								
Issue of BTG plc ordinary shares	0.1	2.3	–	–	–	2.4	–	2.4
Equity contributions by non-controlling interests	–	–	–	–	–	–	0.4	0.4
Movement in shares held by the Employee Share Ownership Trust	–	–	–	–	(0.7)	(0.7)	–	(0.7)
Share-based payments	–	–	–	–	6.5	6.5	–	6.5
At 31 March 2018	**38.6**	**437.7**	**317.8**	**29.9**	**90.7**	**914.7**	**(1.9)**	**912.8**

1. For further details on the merger reserve see note 2(b).

The notes on pages 113 to 153 form part of these financial statements.

Notes to the consolidated financial statements

1. General information

BTG plc (the 'Company') is a company incorporated and domiciled in the United Kingdom and listed on the London Stock Exchange. The consolidated financial statements of the Company for the year ended 31 March 2018 comprise the results of the Company and its subsidiary undertakings (together referred to as the 'Group').

The financial statements were approved for issue by the Board on 14 May 2018.

The financial statements have been prepared in accordance with the Group's accounting policies as approved by the Board and described below.

Accounting standards adopted in the year

No standards and interpretations issued by the EU adopted in the year had a significant impact on the Group.

Accounting standards issued but not effective as at 31 March 2018

IFRS 15, 'Revenue from contracts with customers', was issued by the IASB in May 2014 and has been implemented by the Group from 1 April 2018. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised, and also contains new requirements related to presentation and disclosures. The core principle in that framework is that revenue should be recognised dependent on the transfer of promised goods or services to the customer for an amount that reflects the consideration which should be received in exchange for those goods or services. The objective of the standard is to provide a five-step approach to revenue recognition that includes identifying contracts with customers, identifying performance obligations, determining transaction prices, allocating transaction prices to performance obligations, and recognising revenue when or as performance obligations are satisfied.

The new standard replaces IAS 18 Revenues and related interpretations. The new standard is not expected to have a material impact on the amount or timing of recognition of reported revenue. In its financial statements for the year ending 31 March 2019, the Group will adopt IFRS 15 applying the retrospective approach, with a cumulative adjustment to decrease equity at 1 April 2018, the amount of which will be immaterial. As permitted by IFRS 15, prior year results will not be restated under the retrospective approach.

IFRS 9 'Financial instruments' was issued in its final form in July 2014 and has been implemented by the Group from 1 April 2018. The standard replaces the majority of IAS 39 and covers the classification, measurement and de-recognition of financial assets and financial liabilities, introduces a new impairment model for financial assets based on expected losses rather than incurred losses. The new standard is not expected to have a material impact on reported results. In its financial statements for the year ending 31 March 2019, the Group will adopt IFRS 9 retrospectively, but with certain permitted exceptions. Accordingly, prior year results will not be restated, but there will be an immaterial cumulative adjustment to equity at 1 April 2018.

IFRS 16 'Leases' is effective for accounting periods beginning on or after 1 January 2019 and will replace IAS 17 'Leases'. It will eliminate the classification of leases as either operating leases or finance leases and, instead, introduce a single lessee accounting model. The standard was endorsed by the EU on 31 October 2017. The adoption of IFRS 16 will result in the Group recognising lease liabilities, and corresponding 'right to use' assets, for agreements that are currently classified as operating leases. The Group is currently assessing the full impact of IFRS 16 on the Group's consolidated financial statements. See Note 22 for further details on operating leases currently held.

IFRIC 23 'Uncertainty over income tax treatments' was issued in June 2017 and will be implemented by the Group from 1 April 2019. The Interpretation clarifies that if it is considered probable that a tax authority will accept an uncertain tax treatment, the tax charge should be calculated on that basis. If it is not considered probable, the effect of the uncertainty should be estimated and reflected in the tax charge. In assessing the uncertainty, it is assumed that the tax authority will have full knowledge of all information related to the matter. The Group is currently assessing the impact of the new Interpretation on the Group's consolidated financial statements.

Going concern basis

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the next 12 months. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Notes to the consolidated financial statements continued

1. General information continued

Going concern basis continued

This conclusion has been reached having considered the effect of liquidity risk on the Group's ability to operate effectively. Currently, liquidity risk is not considered a significant business risk to the Group given its level of net cash and cash equivalents, together with its cash flow projections. The Group does not currently require significant levels of debt financing to operate its business. Further details of the Group's policies and objectives around liquidity risk are given in Note 21 and are discussed in the Strategic Report on pages 6 to 36. The key liquidity risks faced by the Group are considered to be the failure of banks where funds are deposited and the failure of key licensees, distribution partners, wholesalers or insurers.

In addition to the liquidity risks considered above, the directors have also considered the following factors when reaching the conclusion to continue to adopt the going concern basis:

- A signficiant proportion of the Group's sales are from products which are life-saving in nature, providing some protection against an uncertain economic outlook;
- The Group's principal licensees are global industry leaders in their respective fields; and
- On 7 November 2017, the Group refinanced its multi-currency revolving credit facility ('RCF') which was otherwise due to expire in November 2018. Following the refinancing, BTG has a £150m multi-currency RCF, with an option to increase the RCF by a further £150m. The RCF has a three-year term which expires in November 2020, although the Group has the option to extend the term of the RCF for up to an additional two years. The RCF currently remains undrawn.

Seasonality of the business

Revenues from the Group's marketed products are dependent on both the timing of shipments of product to the Group's distributors and the underlying demand for the products. CroFab®, in particular, demonstrates seasonality since the main snakebite season in the US, when the product is in highest demand, runs from March to October.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

(a) Basis of accounting and preparation of financial statements

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs').

The Group's consolidated financial statements are presented in Sterling, all values are rounded to the nearest £0.1m except where otherwise indicated, and these financial statements have been prepared on the historical cost basis modified to include revaluation to fair value of certain financial instruments and the recognition of assets acquired and liabilities and contingent liabilities assumed through business combinations at their fair value.

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Judgements made by the directors in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in future periods are discussed in Note 3 'Critical accounting judgements and key sources of estimation uncertainty'.

(b) Basis of consolidation

Subsidiary undertakings

Subsidiary undertakings are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiary undertakings are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Acquisition accounting

The purchase method is used to account for the acquisition of businesses by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values on the date of acquisition, irrespective of the extent of any non-controlling interest. Where the consideration transferred, together with the non-controlling interest exceeds the fair value of the net assets, liabilities and contingent liabilities acquired, the excess is recorded as goodwill.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies into line with the Group's accounting policies.

Merger reserve

A merger reserve is used where more than 90% of the shares in a subsidiary are acquired and the consideration includes the issue of new shares by the Company, thereby attracting merger relief under s612 and s613 of the Companies Act 2006.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations into the Group's presentational currency.

Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Non-controlling interests

Where not all of the equity of a subsidiary is acquired, the non-controlling interest is recognised either at fair value or at the non-controlling interest's share of the net assets of the subsidiary, on a case-by-case basis.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive loss/income, statement of changes in equity and statement of financial position respectively.

(c) Operating segments

An operating segment is defined as a component of the Group (i) that engages in business activities from which it may earn revenues and incur expenses; (ii) whose operating results are regularly reviewed by the Group's chief operating decision-maker (identified as the leadership team) to make resource allocation decisions and monitor its performance; and (iii) for which discrete financial information is available.

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation of monetary assets and liabilities are recognised in the income statement.

Non-monetary assets and liabilities that are measured at historical cost or stated at fair value are translated using the exchange rate ruling at the date of transaction or the date the fair value was determined. Exchange gains/losses on retranslation of foreign currency transactions are recognised in the income statement within 'Other operating (expense)/income'.

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations are translated into Sterling at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated into Sterling at rates approximating to the exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation of foreign operations are recognised directly in the currency translation reserve presented in other reserves.

(e) Derivative financial instruments

Derivative financial instruments, being forward foreign exchange contracts, are recorded in the balance sheet at their fair value, and changes from subsequent remeasurement to fair value at each balance sheet date are recognised immediately in the income statement through 'Financial income' (fair value gains) or 'Financial expense' (fair value losses) as appropriate.

The fair value of forward exchange contracts is derived from observable inputs from active markets at the balance sheet date.

Notes to the consolidated financial statements continued

2. Significant accounting policies continued

(f) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on the acquisition of subsidiary undertakings. In respect of business combinations that have occurred since 1 April 2004, goodwill represents the excess between the consideration paid and the fair value of the assets acquired and liabilities and contingent liabilities assumed.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is deemed to have an indefinite useful life and is allocated to groups of cash-generating units, being the Group's operating segments. Goodwill is tested at least annually for impairment (see Note 2(l)).

(g) Intangible assets

(i) Initial recognition

Intangible assets acquired as a result of a business combination are initially recognised at their fair value.

Other intangible assets are initially recognised at cost.

(ii) Amortisation

Intangible assets are amortised on a straight-line basis, over the useful economic life of the asset. In determining the appropriate useful economic life of the asset, consideration is given to the expected useful economic life of the asset or remaining patent life if different.

The useful economic life of each class of asset is determined as follows:

- Developed technology: expected useful economic life, taking into account specific product and market characteristics for each developed technology;
- Contractual relationships: period to expiry of the relevant contractual relationship;
- In-process research and development ('IPR&D'): amortisation is not charged until the asset is generating an economic return, at which point it is amortised over its expected useful economic life;
- Computer software: the shorter of the licence period and three years;
- Patents: period to patent expiry; and
- Purchase of contractual rights: period to expiry of the relevant contractual right.

The following useful economic lives are applied:

Developed technology	2 to 25 years
Contractual relationships	2 to 15 years
Other computer software	3 years
Patents	up to 20 years
Purchase of contractual rights	2 to 10 years

(iii) Income statement disclosure

Amortisation relating to intangible assets acquired through business combinations is presented within 'Amortisation of acquired intangible assets'. Other amortisation is shown within 'Cost of sales', 'Selling, general and administrative' expenses or 'Research and development' dependent on the function to which the related intangible asset relates.

(iv) Subsequent expenditure

Expenditure subsequent to the initial acquisition of intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(v) Impairment

If an intangible asset is considered to have suffered impairment in value it is written down to its estimated recoverable amount in accordance with the Group's policy on impairment (see Note 2(l)).

(h) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(l)).

(ii) Depreciation

Depreciation is charged to the income statement on a straight-line basis to write assets down to their residual value over the following useful economic lives:

Buildings and improvements	10 to 20 years
Leasehold improvements	2 to 10 years
Plant and machinery	3 to 15 years
Furniture and equipment	2 to 15 years
Motor vehicles	5 years
Computer hardware	3 to 5 years

Depreciation is not charged until the asset is brought into use. The residual value of property, plant and equipment is reassessed annually.

(iii) Income statement disclosure
Depreciation and impairment of property, plant and equipment is included within 'Cost of sales', 'Selling, general and administrative' expenses or 'Research and development' dependent on the function to which the related property, plant and equipment relates.

Profits/(losses) on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the relevant property, plant and equipment, and are included in Other operating (expense)/income.

(iv) Subsequent expenditure
Expenditure subsequent to the initial acquisition of property, plant and equipment is capitalised only when it is probable that the Group will realise future economic benefits from the asset.

(v) Impairment
If property, plant and equipment is considered to have suffered impairment in value it is written down to its estimated recoverable amount in accordance with the Group's policy on impairment (see Note 2(l)).

(i) Inventories
Inventories are valued at the lower of cost and net realisable value, using the first in, first out method. Cost comprises materials, direct labour and a share of production overheads appropriate to the relevant stage of production. Provision is made for obsolete, slow-moving or defective items where appropriate. Net realisable value is determined at the balance sheet date on commercially saleable products based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Inventories relating to research and development projects are expensed to the income statement unless the Group considers it highly probable it will realise economic value from their sale or use.

If the circumstances that previously caused these inventories to be written down below cost subsequently change and there is clear evidence of an increase in realisable value, the write down is reversed.

(j) Trade and other receivables
Trade and other receivables do not carry interest and are stated at amortised cost net of any provisions.

(k) Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management and for which the Group has a legal right of set-off are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Cash deposits with a maturity of greater than three months are classified as held to maturity financial assets.

(l) Impairment
All assets are reviewed for impairment when there is an indicator of impairment. In addition, goodwill and unamortised intangible assets (principally IPR&D) are reviewed for impairment at least annually. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The Group reviews its assets for impairment as follows:

(i) Property, plant and equipment
Property, plant and equipment are reviewed for impairment whenever there are events that indicate that an impairment may have occurred. An impairment loss is recognised if an asset's carrying amount exceeds the greater of its value in use and fair value less costs to sell. Impairment losses are recognised within Cost of sales, Selling, general and administrative expenses or Research and development dependent on the function to which the relevant property, plant and equipment relates.

(ii) Amortised intangible assets
Amortised intangible assets are tested for impairment whenever there are indications that their carrying value may not be recoverable. For the purpose of impairment testing, intangible assets are grouped at the lowest levels for which there are separately identifiable cash flows. An impairment loss is recognised if an asset's carrying amount exceeds the greater of its value in use and fair value less costs to sell. Impairment losses are recognised within Cost of sales, Selling, general and administrative expenses, or Research and development dependent on the function to which the relevant intangible asset relates.

Notes to the consolidated financial statements continued

2. Significant accounting policies continued

(m) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred. Payments made to state-managed retirement benefit schemes are dealt with in the same manner as payments to defined contribution plans where the Group's obligations under the plans are equivalent to a defined contribution retirement benefit plan. The funds of the schemes are independent of the Group's finances.

(ii) Defined benefit plan

For the Group's defined benefit pension plan, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. The assumptions used to determine the valuation are shown in Note 19. Actuarial gains and losses are recognised in full in the period in which they occur, and are presented in the consolidated statement of comprehensive loss/income.

Administrative costs of running the scheme are expensed directly in the Income Statement. Past service cost is recognised immediately through the Income Statement. Assets of the pension scheme are held separately from the Group's assets.

(iii) Share-based payments

The share option programme allows Group employees to acquire shares of the Company, subject to certain criteria. The fair value of options granted is recognised as an expense of employment in the income statement with a corresponding increase in equity. The fair value is measured at the date of grant and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black-Scholes or alternative valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense in any year is adjusted to reflect the actual number of share options that are expected to vest. However, if share options fail to vest due to the Company's total shareholder's return not achieving the designated performance threshold for vesting, no such adjustment takes place.

(n) Trade and other payables

Trade and other payables, except for contingent consideration liabilities, are not interest bearing and are stated at amortised cost.

Contingent consideration liabilities are initially recognised at their fair value. The fair value of contingent consideration liabilities are reassessed at each subsequent balance sheet date, with any change in fair value being immediately reflected in the income statement.

A contingent liability is disclosed in the notes to the accounts, but not recognised on the statement of financial position, if a material outflow of economic benefits is expected to be required to settle a legal or constructive obligation as a result of a past event, where the probability of such an outflow is less than probable but more than remote or the liability cannot be reliably estimated.

(o) Provisions

A provision is recognised on the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the relevant liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

A charge for reorganisation costs is taken to the income statement when the Group has approved a detailed and formal reorganisation plan, and the reorganisation has either commenced or the Group has a constructive obligation, for example having made an announcement publicly to the employees or the Group as a whole.

(p) Revenue recognition

Revenue represents amounts received or receivable in respect of the sale of products to customers during the year, net of trade discounts given, rebates and returns, and value added tax, and in respect of royalty arrangements:

(i) Products

The Group recognises revenue for product sales when each condition of IAS 18, paragraph 14 is wholly-satisfied. Where sales arrangements specify a second element of revenue contingent upon a specified event, this revenue is not recognised until this event has occurred and it is certain that the economic benefit triggered by this event will flow to the Group. In cases where product is sold to a customer with a right of replacement, the Group views the transaction as a multi-element arrangement and a portion of the value from the sale is deferred and allocated to the replacement right based on the fair value of the replacement right.

(ii) Royalties

Revenues from the Group's licensed programmes are generated following the grant of a licence to a third party to undertake additional development and commercialisation of a Research and development programme or other intellectual property rights.

In addition to an upfront payment, BTG may be entitled to additional revenues such as milestone payments or royalties on revenues generated by the licensee. Revenues associated with royalty arrangements may in turn be linked to additional obligations on BTG.

Royalty income is generated by sales of products incorporating the Group's proprietary technology. Royalty revenues are recognised once the amounts due can be reliably estimated based on the sale of underlying products and recoverability is probable. Where there is insufficient historical data on sales and returns to fulfil these requirements, for example in the case of a new product, the royalty revenue will not be recognised until the Group can reliably estimate the underlying sales.

(q) Cost of sales

Cost of sales includes the direct costs incurred in manufacturing and bringing products to sale in the market, revenue sharing costs, and amortisation of other intangible assets.

Revenue sharing costs represent amounts due under royalty arrangements to licensors or assignees of technology and similar directly attributable items. Amounts due to licensors are recognised on an accruals basis in accordance with the individual agreements relating to the relevant technology, in line with revenue recognition for the related royalties.

(r) Research and development

Research expenditure is charged to the income statement in the period in which it is incurred.

Expenditure incurred on development projects (relating to the design and testing of new or improved products) is recognised as an intangible asset when it is probable that the project will generate future economic benefit, considering factors including its commercial and technological feasibility, status of regulatory approval, and the ability to measure costs reliably. Other development expenditures are recognised as an expense as incurred. Development expenditure previously recognised as an expense is not recognised as an asset in a subsequent period. Development expenditure that has a finite useful life and which has been capitalised is amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit. No development expenditure has been capitalised in either the current or prior year.

Property, plant and equipment used for research and development is depreciated in accordance with the Group's policy and the cost is included within 'Research and development' in the income statement.

(s) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease within the appropriate functional expenditure heading.

(t) Financial income

Financial income comprises interest income receivable during the year, calculated using the effective interest rate method, gains on settlement of foreign exchange forward contracts, and gains from re-measuring at fair value foreign exchange forward contracts and contingent consideration liabilities.

(u) Financial expense

Financial expense comprises interest payable during the year, calculated using the effective interest rate method, losses on settlement of foreign exchange forward contracts, losses from re-measuring at fair value foreign exchange forward contracts and contingent consideration liabilities, and other financing and borrowing costs.

Notes to the consolidated financial statements continued

2. Significant accounting policies continued

(v) Tax

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case the related tax effect is recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying value of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and taxable temporary differences associated with investments in subsidiaries and associates, where it is probable that the temporary differences will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying value of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(w) BTG Employee Share Ownership Trust

Included within the Group's financial results are the financial statements of the BTG Employee Share Ownership Trust, the costs of which are expensed within the financial statements of the Trust as incurred.

In the consolidated financial statements, the cost of BTG plc ordinary shares held by the BTG Employee Share Ownership Trust is treated as a deduction from shareholders' funds.

3. Critical accounting judgements and key sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenses during the reporting period and the disclosures of contingent assets and liabilities. As these estimates involve judgement, actual amounts and results could differ from those estimates. Judgements include matters such as assessing the likelihood of financial loss arising from contingent liabilities and the appropriate unit of account at which separate intangible assets should be recognised in business combinations, while estimates focus on areas such as recoverable values of assets, their estimated useful lives, and the measurement of contingent consideration liabilities. The following are considered to be the Group's critical accounting judgements and key sources of estimation uncertainty:

(i) Recoverability of goodwill and other intangible assets

The Group has significant goodwill and intangible assets resulting from historical business combinations. As at 31 March 2018, goodwill was £223.1m (2017: £225.6m) and other intangible assets was £463.7m (2017: £678.9m).

Goodwill is deemed to have an indefinite life and is tested at least annually for impairment, or more frequently if events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. The recoverable amount of the Group's goodwill is assessed based on the fair value less costs to sell of the relevant cash generating unit to which goodwill has been allocated. Determining the relevant cash generating units to which goodwill is allocated requires the application of significant judgement and determining fair value less costs to sell represents an area of significant estimation uncertainty, particularly in the estimation of forecast future cash flows, the terminal growth rate for each relevant cash generating unit and the discount rate used to determine the present value of forecast future cash flows. Further details regarding the estimates and assumptions used in determining the recoverable amount of cash generating units to which goodwill has been allocated are included in Note 10 to the financial statements.

It is not deemed reasonably possible that changes to key assumptions would lead to a material impairment of goodwill in the next twelve months.

As definite lived intangible assets are tested for recoverability only when impairment indicators are deemed to exist, determining if there are indicators of impairment represents a critical accounting judgement. Assessing the recoverability of indefinite lived intangible assets (IPR&D) and those definite lived intangible assets which management has determined are subject to impairment indicators represents an area of significant estimation uncertainty. The recoverable amount of these intangible assets is based on the higher of their value-in-use and fair value less costs to sell.

The Group first applies a value in use approach to determine whether the recoverable amount is higher than the carrying value of its developed technology and IPR&D intangible assets. The determination of value in use utilises risk-adjusted cash flow forecasts over the useful economic lives of the relevant assets, with the present value of these forecasts calculated by use of a discount rate using the Group's post-tax WACC (9%), adjusted if necessary to reflect the specific risk profile of the relevant asset.

Key assumptions used to estimate value in use include sales growth rates, anticipated profit margins, estimated tax rates, terminal growth rates and discount rates. Sales growth rates are derived from internal forecasts based on both internal and external market information, whilst anticipated profit margins reflect past experience, adjusted for expected future changes. These forecasts are inherently judgemental and are based on outputs from the Group's planning cycle, with assumptions based on past experience and future expectations.

If the value in use approach indicates the recoverable amount of the asset is less than its carrying amount, the Group then applies a fair value less costs to sell approach. Fair value less costs to sell, in the absence of a market price for the asset, represents a source of significant estimation uncertainty as it involves the estimation of risk-adjusted, discounted cash flows similar to determining value-in-use and also requires the application of judgement regarding whether a market participant's assessment of cash flows would be different to those of the Group. The estimates and assumptions on which fair value less costs to sell and value-in-use are based are inherently judgemental. Future events could therefore lead to changes in assumptions used in these recoverability assessments. It is therefore possible a change in any such assumption could lead to future impairment charges, which, if recognised, could significantly impact the Group's financial results.

Further details of the estimates and assumptions used in determining the recoverable amounts of the Group's intangible assets are included in Note 11 to the financial statements.

(ii) Contingent consideration liabilities

The fair value of the Group's contingent liabilities as of 31 March 2018 was £5.0m (2017: £32.1m).

Contingent consideration liabilities represent the fair value of those future milestones, included in deferred payment arrangements from historical business combinations, which the Company may be required to pay if certain development, regulatory or sales milestone events occur. The determination of the fair value of contingent consideration liabilities requires the application of significant judgement, including the probability of the relevant event triggering the milestone occurring, and significant estimation uncertainty, including the estimated timing of such relevant events and the discount rate used to determine the present value of the risk adjusted milestone payments.

As at 31 March 2018 the Group's principal contingent consideration liabilities relate to development milestones arising from the acquisition of Galil Medical in 2016, see Note 21 for further details. The estimates and assumptions used in determining the fair value of these and other contingent consideration liabilities are inherently judgemental. Future events could lead to changes in assumptions used to determine the fair value of contingent consideration liabilities. It is therefore possible that a change in any such assumption could lead to a material fair value charge or credit which, if recognised, could significantly impact the Group's financial results.

Notes to the consolidated financial statements continued

3. Critical accounting judgements and key sources of estimation uncertainty continued

(iii) Deferred tax

At 31 March 2018, the Group's deferred tax assets amounted to £3.6m (2017: £5.3m) and the Group's deferred tax liabilities amounted to £49.7m (2017: £157.2m).

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised, based on management's assumptions relating both to the amount and timing of future taxable profits. In recognising deferred tax assets, management has taken into account expected changes in tax rates in each relevant jurisdiction.

Inherent uncertainties exist as management is required to exercise judgement in determining whether it is more likely than not that it would realise these deferred tax assets. Forecasting the amount and timing of future taxable profits is a source of significant estimation uncertainty. In addition, where deferred tax assets are recognised following an acquisition, management has to exercise judgement to assess the validity of acquired tax losses and the impact of change of control provisions. If actual events differ from management's estimates, or to the extent that estimates of future taxable profits are adjusted in the future, it is therefore possible that any such change in assumption could lead to a material charge or credit, which if recognised could significantly impact the Group's financial results.

(iv) Business combinations

In conjuction with IFRS 3 Business Combinations, the Group has recognised intangible assets in respect of acquired developed technology and in-process research and development intangible assets during the year of £45.6m and £2.2m respectively.

Significant judgement is required in determining the unit of account at which separate intangible assets should be recognised, and the fair values of the identifiable intangible assets as of the acquisition date. Determining the market participant fair value of acquired intangible assets represents a source of significant estimation uncertainty, including estimates of risk adjusted forecast future cash flows, determination of market participant or buyer specific synergies, the relevant discount rate to determine the present value of forecast future cash flows and the tax amortisation benefit related to the individual intangible asset.

The estimates and assumptions used to determine the fair value of acquired intangible assets are inherently uncertain, and the adoption of different assumptions and estimates could result in the assignment of a different fair value for acquired intangible assets than has been recognised by the Group.

4. Operating segments

Operating segments are determined based on the financial information provided to the Group's chief operating decision-making body, being the Leadership Team. The Group has three reportable segments, being Interventional Medicine, Pharmaceuticals and Licensing.

In assessing performance and making resource allocation decisions, the Leadership Team reviews contribution by segment. Contribution is defined as being gross profit less directly attributable selling, general and administrative ('SG&A') expenses. The Licensing operating segment includes SG&A relating to the Group's centrally managed support functions and corporate overheads. The Group's reportable segments reflects the management structure and stewardship of the business. No allocation of central overheads is made across the Pharmaceuticals or Interventional Medicine operating segments. Research and development continues to be managed on a global basis, with investment decisions being made by the Leadership Team as a whole. Research and development is not managed by reference to the Group's operating segments, though each programme within the pipeline would ultimately provide revenues for one of the operating segments if successful.

There are no inter-segment transactions that are required to be eliminated on consolidation.

	Year ended 31 March 2018			
	Interventional Medicine £m	Pharmaceuticals £m	Licensing £m	Total £m
Revenue	242.9	180.9	196.7	620.5
Cost of sales[1]	(71.6)	(17.9)	(96.4)	(185.9)
Gross profit	171.3	163.0	100.3	434.6
Selling, general and administrative expenses[2]	(204.7)	(95.5)	(25.3)	(325.5)
Contribution	(33.4)	67.5	75.0	109.1
Research and development				(165.5)
Other operating expense				(1.3)
Amortisation of acquired intangible assets				(43.8)
Acquisition and reorganisation costs				(1.3)
Operating loss				(102.8)
Financial income				41.5
Financial expense				(9.3)
Loss before tax				(70.6)
Tax credit				83.3
Profit for the year				12.7
Total assets[3]				1,162.7

1. Cost of sales in the Interventional Medicine segment includes a £0.2m release of a fair value adjustment to PP&E acquired with Galil Medical in June 2016 and a £0.2m release of a fair value adjustment to inventory acquired with Roxwood Medical in October 2017. The release represents the reversal of a fair value uplift applied to inventory purchased on acquisition recognised through the income statement as the product is sold and incremental depreciation related to acquired PP&E.
2. SG&A expenses within Pharmaceuticals includes a charge of £57.7m reflecting amounts provided in respect of the litigation with Wellstat and an impairment charge of £5.5m relating to the Vistogard® intangible asset. SG&A expenses within Interventional Medicine includes a charge of £76.6m reflecting an impairment charge relating to the PneumRx® developed technology intangible asset.
3. The Group does not allocate assets to operating segments with the exception of Goodwill.

Notes to the consolidated financial statements continued

4. Operating segments continued

	Year ended 31 March 2017			
	Interventional Medicine £m	Pharmaceuticals £m	Licensing £m	Total £m
Revenue	216.2	171.1	183.2	570.5
Cost of sales[1]	(61.9)	(16.7)	(101.3)	(179.9)
Gross profit	154.3	154.4	81.9	390.6
Selling, general and administrative expenses[2]	(119.5)	(33.3)	(53.8)	(206.6)
Contribution	34.8	121.1	28.1	184.0
Research and development				(87.8)
Other operating income				4.4
Amortisation of acquired intangible assets				(42.0)
Acquisition and reorganisation costs				(1.1)
Operating profit				57.5
Financial income				3.3
Financial expense				(29.2)
Profit before tax				31.6
Tax credit				2.0
Profit for the year				33.6
Total assets[3]				1,311.1

1. Cost of sales in the Interventional Medicine segment includes a £1.0m release of a fair value adjustment to inventory and PP&E acquired with Galil Medical in June 2016. The release represents the reversal of a fair value uplift applied to inventory purchased on acquisition recognised through the income statement as the product is sold and incremental depreciation related to acquired PP&E.
2. SG&A expenses within Licensing includes a charge of £28.0m relating to the Group's settlement with the US government in relation to the Department of Justice investigation into the historic marketing of LC Bead®
3. The Group does not allocate assets to operating segments with the exception of Goodwill disclosed in note 10.

Revenue analysis

Analysis of revenue, based on the geographical location of customers and the source of revenue is provided below:

Geographical analysis

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
USA	**557.5**	513.7
Europe	**45.1**	41.1
Other regions	**17.9**	15.7
	620.5	570.5

Revenue from major products and services

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Product sales	**423.8**	387.3
Royalties	**196.7**	183.2
	620.5	570.5

Major customers

The Group's products are sold both directly and through distribution agreements in the USA, Europe and Asia Pacific region. No individual customer generated income in excess of 10% of the Group revenue during the year ended 31 March 2018 or 31 March 2017.

Products that utilise the Group's intellectual property rights are sold by licensees. Royalty income is derived from over 35 licences. One licence individually generated royalty income in excess of 10% of Group revenue of £155.4m (2017: one license individually generated £123.2m).

5. Operating (loss)/profit

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

	Note	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Depreciation and impairment of property, plant and equipment	12	9.0	6.6
Amortisation and impairment of intangible assets (excl. PneumRx® impairments)	11	55.2	46.7
PneumRx® intangible asset impairments	11	143.2	–
Net foreign exchange losses/(gains)		1.1	(4.3)
Research and development (excluding impairment charges)		95.3	87.8
Expense relating to settlement of DOJ investigation		–	28.0
Expense relating to provision for costs of Wellstat litigation	18	57.7	–
Staff costs	6	179.2	164.0
Operating lease rentals payable on property		4.5	3.0
Acquisition and reorganisation costs		1.3	1.1

Expense relating to the settlement of DOJ investigation

In October 2016, Biocompatibles, a wholly-owned subsidiary of BTG reached a settlement with the US government in relation to the Department of Justice's investigation of the historic marketing of LC Bead®. The investigation focused on the period pre-dating BTG's acquisition of Biocompatibles in January 2011. Biocompatibles agreed to settle all allegations and consequently paid a total penalty of US$36m. BTG was not required to enter into a Corporate Integrity Agreement as part of the settlement. In the year to 31 March 2017, the Group recognised a charge of £28.0m relating to this settlement within 'Selling, general & administrative expenses'.

Notes to the consolidated financial statements continued

5. Operating (loss)/profit continued

Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Fees payable to the Company's auditor for the audit of the Group and Company's annual accounts:	**310**	200
Fees payable to the Company's auditor and its associates for other services:		
Audit of the Company's subsidiaries pursuant to legislation	**355**	345
Audit of pension scheme trust	**12**	11
Other audit related assurance services	**61**	60
Taxation compliance services	**4**	424
	742	1,040

For information on how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor, see the Audit Committee Report on pages 54 to 61.

6. Staff costs

Staff costs (including directors' emoluments and reorganisation costs) are as follows:

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Salaries	**151.9**	135.5
Social security costs	**12.8**	12.9
Defined contribution pension costs	**7.2**	6.7
Defined benefit pension costs	**0.8**	0.4
Equity-settled transactions	**6.5**	8.5
	179.2	164.0

Key management personnel are considered to be the directors and their remuneration is disclosed within the Remuneration Report on pages 69 to 94. In addition to the disclosures in the Remuneration Report, the charge to income in respect of equity-settled transactions of key management personnel, in accordance with IFRS 2, was £1.9m (2017: £2.6m).

The average number of persons employed by the Group during the year (including executive directors), analysed by category, was as follows:

	Year ended 31 March 2018 Number	Year ended 31 March 2017 Number
Management	**104**	99
Research and production	**791**	703
Sales, administration and business support	**617**	553
	1,512	1,355

7. Financial income and expense

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Interest receivable on money-market and bank deposits	**0.5**	0.3
Fair value movements and realised gains from foreign exchange forward contracts	**14.5**	–
Fair value movements on contingent consideration liabilities	**26.5**	3.0
Financial income	**41.5**	3.3
Fair value movements and realised losses from foreign exchange forward contracts	**5.7**	25.2
Fair value movements on contingent consideration liabilities	**1.6**	2.3
Other financial expense	**2.0**	1.7
Financial expense	**9.3**	29.2

In the year to 31 March 2018, the Group recognised a fair value credit of £26.5m (2016/17: £3.0m credit) related to the contingent consideration from the PneumRx® acquisition and a fair value charge of £1.6m (2016/17: £2.3m charge) related to the contingent consideration from the Galil Medical acquisition.

Realised gains and gains on the re-measurement of the fair value of the Group's forward foreign exchange contracts totalled £14.5m for the year to 31 March 2018 and are recorded within Financial income. Realised losses and losses on the re-measurement of the fair value of the Group's forward foreign exchange contracts totalled £5.7m and are recorded within Financial expense.

The change in fair value and realised losses on the Group's forward foreign exchange contracts of £25.2m for the year to 31 March 2017 is recorded within Financial expense. The loss of £25.2m included realised losses of £17.1m on settlement of forward contracts and unrealised losses of £8.1m on remeasurement of the Group's outstanding forward contracts to their fair value.

8. Tax

An analysis of the tax credit in the income statement for the year, all relating to current operations, is as follows:

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Current tax		
UK corporation tax charge	**6.9**	–
Overseas corporate tax charge	**14.6**	11.8
Adjustments in respect of prior years	**3.1**	(1.7)
Total current taxation	**24.6**	10.1
Deferred taxation		
Deferred tax credit	**(105.9)**	(13.0)
Adjustment to tax rates	**(2.0)**	0.9
Total deferred taxation	**(107.9)**	(12.1)
Total tax credit for the year	**(83.3)**	(2.0)

Notes to the consolidated financial statements continued

8. Tax continued

The credit for the year can be reconciled to the profit shown in the income statement as follows.

Reconciliation of the effective tax rate:

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
(Loss)/Profit before tax	(70.6)	31.6
Tax using UK corporation tax rate of 19% (2017: 20%)	(13.4)	6.3
Effect of overseas tax rates[1]	(23.6)	1.4
Effect of US tax reform[2]	(36.2)	–
Recognition of tax losses	(3.5)	(6.7)
Movement in unrecognised deferred tax asset	(0.1)	(1.2)
Non-taxable income	(4.7)	–
Non-deductible expenses	1.8	4.5
Effect of UK patent box deduction	(7.0)	(5.5)
Adjustment to tax rates	0.3	0.9
Adjustments in respect of prior years	3.1	(1.7)
	(83.3)	(2.0)

1. The effect of overseas tax rates includes a deferred tax credit of £21.8m in relation to the impairment of PneumRx® intangible assets.
2. On 22 December 2017 the Tax Cuts and Jobs Act was enacted in the US which included a reduction in the US corporate federal tax rate from 35% to 21% from 1 January 2018. US tax reform increased the overall tax credit for the year by £36.2m, representing a net deferred tax credit on revaluation of deferred tax liabilities on acquired intangibles, tax losses and short-term timing differences (£41.8m) less a current tax charge in respect of deemed repatriation (£5.6m).

In addition to the amount credited to the income statement, a tax charge of £0.4m (2017: £4.1m credit) has been recognised in other comprehensive income.

An analysis of amounts included in the Consolidated statement of financial position in respect of income taxes is shown below:

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Current assets		
UK corporation tax receivable	–	2.6
Overseas corporation tax receivable	0.1	0.1
	0.1	2.7
Current liabilities		
UK Corporation tax payable	1.7	–
Overseas corporation tax payable	5.1	5.1
	6.8	5.1
Non-current liabilities		
Overseas corporation tax payable	5.0	–
	5.0	–

Non-current corporation tax payable relates to the portion of the deemed repatriation charge following US tax reform which will be payable in more than 12 months' time.

Deferred taxation

The movements in the deferred tax asset and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the year are shown below. Deferred tax asset and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balance net.

Deferred tax asset

	Tax losses £m	Short-term timing differences £m	Net deferred tax asset £m
At 1 April 2016	6.1	0.7	6.8
Adjustment in respect of prior years	0.1	0.1	0.2
Income statement (charge)/credit	(3.4)	1.9	(1.5)
Rate change	–	(0.1)	(0.1)
Foreign exchange differences	–	(0.1)	(0.1)
At 31 March 2017	2.8	2.5	5.3
Adjustment in respect of prior years	0.5	–	0.5
Income statement charge	(2.0)	–	(2.0)
R&D tax credit	–	(0.1)	(0.1)
Foreign exchange differences	–	(0.1)	(0.1)
At 31 March 2018	**1.3**	**2.3**	**3.6**

The deferred tax asset relates to short-term timing differences in Australia and the UK and tax losses in the UK.

The deferred tax asset has been recognised because the directors are of the opinion, based on recent and forecast trading, that the level of profits in Australia and the UK in forthcoming years will lead to the realisation of these assets.

Deferred tax liability

	Liabilities Acquired intangibles £m	Liabilities Pension fund surplus £m	Liabilities Short-term timing differences £m	Assets Tax losses £m	Assets Short-term timing differences £m	Net deferred tax liability £m
At 1 April 2016	(180.2)	(6.7)	0.1	30.7	9.1	(147.0)
Acquisition	(17.0)	–	–	10.9	–	(6.1)
Income statement credit/(charge)	12.9	(0.7)	(0.1)	(2.6)	4.8	14.3
Current year credit to comprehensive income	–	4.1	–	–	–	4.1
R&D tax credit	–	–	–	–	0.1	0.1
Rate change	–	–	–	(0.8)	–	(0.8)
Foreign exchange differences	(27.3)	–	–	4.3	1.2	(21.8)
At 31 March 2017	(211.6)	(3.3)	–	42.5	15.2	(157.2)
Acquisition	(18.1)	–	–	4.1	(0.1)	(14.1)
Income statement credit/(charge)[1]	77.1	(0.5)	–	(9.9)	(0.9)	65.8
Current year charge to comprehensive income	–	(0.4)	–	–	–	(0.4)
R&D tax credit	–	–	–	–	0.2	0.2
US tax reform	51.6	–	–	(5.3)	(4.5)	41.8
Rate change	2.4	–	–	(0.4)	–	2.0
Adjustment to prior year	–	–	–	(0.2)	–	(0.2)
Foreign exchange differences	15.4	–	–	(2.4)	(0.6)	12.4
At 31 March 2018	**(83.2)**	**(4.2)**	**–**	**28.4**	**9.3**	**(49.7)**

1. Of the net income statement credit, £49.7m relates to the impairment of PneumRx® intangible assets.

The deferred tax liability of £49.7m (2017: £157.2m) represents the net position after taking into account the offset of deferred tax assets against deferred tax liabilities in each jurisdiction.

The UK tax rate fell from 20% to 19% on 1 April 2017 and will fall to 17% on 1 April 2020. This has been reflected in the deferred tax assets and liabilities and deferred tax has been recognised at the tax rate at which timing differences and tax losses are expected to be used.

Notes to the consolidated financial statements continued

8. Tax continued

The US federal tax rate fell from 35% to 21% on 1 January 2018. The decrease to 21% has been reflected in the deferred tax assets and liabilities and deferred tax has been recognised at the tax rate at which timing differences and tax losses are expected to be used.

Unrecognised tax losses

In addition to the losses on which a deferred tax asset has been recognised, the Group has additional tax losses which have arisen principally as a result of research and development expenditure incurred. These losses are shown below. UK tax losses can be carried forward indefinitely. The US tax losses can be carried forward for 20 years and the first year in which they expire is 2019.

A deferred tax asset has not been recognised in respect of the losses shown below as there is uncertainty as to whether these losses will be used.

The total amount of tax losses and timing differences not recognised is shown below:

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
UK tax losses	**49.0**	50.1
US tax losses	**15.2**	23.1
Other regions tax losses	**20.0**	23.6
Deductible temporary differences	**–**	31.0
	84.2	127.8

9. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Profit for the year attributable to owners of the parent (£m)	**15.0**	33.6
Earnings per share (p)		
Basic	**3.9**	8.7
Diluted	**3.9**	8.6
Number of shares (m)		
Weighted average number of shares – basic	**386.1**	384.4
Effect of share options in issue	**3.1**	5.6
Weighted average number of shares – diluted	**389.2**	390.0

10. Goodwill

	Note	£m
At 1 April 2016		187.9
Acquisitions		16.4
Foreign exchange differences		21.3
At 31 March 2017		225.6
Acquisitions	25	16.0
Foreign exchange differences		(18.5)
At 31 March 2018		**223.1**
Accumulated impairment losses		
At 1 April 2016, 31 March 2017 and 31 March 2018		–
Net book value at 31 March 2018		**223.1**
Net book value at 31 March 2017		225.6
Net book value at 1 April 2016		187.9

Goodwill has been allocated to cash generating units, being the Group's operating segments (see Note 4), in proportion to the anticipated benefits of goodwill on the relevant operating segment, having regard for the assets and liabilities acquired. The carrying value of goodwill has been allocated to the following operating segments:

	31 March 2018 £m	31 March 2017 £m
Interventional Medicine	**186.6**	189.1
Pharmaceuticals	**16.4**	16.4
Licensing	**20.1**	20.1

In the year ended 31 March 2018, the recoverable amounts of these cash generating units has been determined using a fair value less costs to sell approach. Fair value less costs to sell is calculated using a discounted cash flow approach, with a post-tax discount rate applied to forecast future post-tax cash flows and terminal values. This valuation methodology uses significant inputs which are not based on observable market data, therefore this valuation technique is classified as level 3 in the fair value hierarchy. Details relating to the discounted cash flow approach used in assessing the recoverability of the Group's cash generating units are as follows:

Key assumptions	Sales growth rates Profit margins Tax rates Terminal growth rates Market discount rates		
Basis for assumptions	Sales growth rates are internal forecasts based on both internal and external information Profit margins and tax rates reflect past experience, adjusted for expected changes Terminal growth rates based on management's estimate of future long-term average growth rates taking into account both future competition and new product launches Market discount rates based on an estimate of the Group WACC		
Period of specific projected cash flows	Five years		
Terminal growth and discount rate		Terminal growth rate	Discount rate
	Interventional Medicine	2.75%	9%
	Pharmaceuticals	0.5%	9%
	Licensing	0%	9%

In each case the valuation of each cash generating unit indicated sufficient headroom such that a reasonably possible change to key assumptions is currently unlikely to result in an impairment to the related goodwill.

Notes to the consolidated financial statements continued

11. Intangible assets

Group	Developed technology £m	Contractual relationships £m	In-process research and development £m	Computer software £m	Patents £m	Purchase of contractual rights £m	Total £m
Cost							
At 31 March 2016	592.6	42.1	109.0	1.8	18.2	31.7	795.4
Acquisitions	47.3	–	–	0.4	–	–	47.7
Additions	–	–	–	0.5	0.2	–	0.7
Disposals	–	–	–	–	(0.8)	(1.8)	(2.6)
Foreign exchange differences	78.4	5.0	15.5	0.2	–	0.9	100.0
At 31 March 2017	718.3	47.1	124.5	2.9	17.6	30.8	941.2
Acquisitions	45.6	–	2.2	–	–	–	47.8
Additions	–	–	–	0.8	0.2	–	1.0
Disposals	(0.5)	–	–	–	–	(6.3)	(6.8)
Foreign exchange differences	(68.7)	(4.4)	(13.6)	(0.2)	–	(0.7)	(87.6)
At 31 March 2018	**694.7**	**42.7**	**113.1**	**3.5**	**17.8**	**23.8**	**895.6**
Amortisation							
At 31 March 2016	129.3	42.1	5.8	1.0	14.7	3.3	196.2
Amortisation charged	42.0	–	–	0.8	0.5	2.9	46.2
Impairments	–	–	–	–	0.5	–	0.5
Disposals	–	–	–	–	(0.1)	(0.5)	(0.6)
Foreign exchange differences	14.9	5.0	–	0.1	–	–	20.0
At 31 March 2017	186.2	47.1	5.8	1.9	15.6	5.7	262.3
Amortisation charged	43.8	–	–	0.6	0.4	2.5	47.3
Impairments	76.6	–	68.7	0.1	0.2	5.5	151.1
Disposals	(0.5)	–	–	–	–	(6.3)	(6.8)
Foreign exchange differences	(17.0)	(4.4)	–	(0.2)	–	(0.4)	(22.0)
At 31 March 2018	**289.1**	**42.7**	**74.5**	**2.4**	**16.2**	**7.0**	**431.9**
Net book value							
At 31 March 2018	**405.6**	**–**	**38.6**	**1.1**	**1.6**	**16.8**	**463.7**
At 31 March 2017	532.1	–	118.7	1.0	2.0	25.1	678.9
At 31 March 2016	463.3	–	103.2	0.8	3.5	28.4	599.2

Amortisation relating to intangible assets acquired through business combinations of £43.8m (2017: £42.0m) is recorded within Amortisation of acquired intangible assets. All other intangible asset amortisation is recorded within Cost of sales, Selling, general and administrative expenses or Research and development.

Developed technology

Developed technology represents intangible assets for products acquired through business combinations. The carrying value of individually significant cash generating units ('CGUs') which contain developed technology is:

	31 March 2018 £m	31 March 2017 £m	Remaining amortisation period at 31 March 2018
EkoSonic® (EKOS)	**90.4**	111.4	10 years
TheraSphere®	**77.3**	95.1	10 years
CroFab®	**59.9**	71.6	16 years
DC Bead® and LC Bead®	**55.7**	62.8	8 years
Galil Medical® (Galil™ cryoablation technology)	**41.7**	50.4	13 years
Roxwood Medical (BTG Crossing Devices)	**41.1**	–	11 years
DigiFab®	**19.4**	23.1	16 years
PneumRx® Coil (ROW)	**15.2**	111.8	12 years

In-process research and development ('IPR&D')

IPR&D represents intangible assets for products acquired through business combinations which have not yet obtained regulatory approval. The carrying value of individually significant cash generating units ('CGUs') which contain IPR&D is:

	31 March 2018 £m	31 March 2017 £m
PneumRx® Coil (US)	**19.7**	96.8
Targeted Therapies Assets	**18.9**	21.2

Purchase of contractual rights

The carrying value of individually significant CGUs within Purchase of contractual rights are outlined below:

	31 March 2018 £m	31 March 2017 £m
Varithena®	**16.4**	18.8

Impairment of PneumRx® Coils intangible assets

In the year ended 31 March 2018 the Group has recognised impairment charges of £143.2m in relation to the PneumRx® Coils. These impairment charges are split between Developed technology (£76.6m) and IPR&D intangible assets (£66.6m), and have been recorded within SG&A and R&D expenses, respectively. Following these impairment charges, the carrying amount of the PneumRx® Coils intangible assets is £34.9m, of which £15.2m relates to Developed technology and £19.7m relates to IPR&D assets.

While management have concluded that there continues to be a significant long-term opportunity for the PneumRx® Coils, current sales are lower than originally anticipated, reflecting that market development, including securing appropriate levels of reimbursement, is taking longer than expected. Third-party market research and feedback from payers received in the second half of the year has corroborated that there is a need for more clinical data in order to expand reimbursement and support market adoption both in Europe and the US. As a result, resources have been focused on key activities to build long-term value. As a consequence of this, and of prioritising European patients for the ELEVATE study, we do not expect material revenues from this product over the next two years. Accordingly the recoverability of the PneumRx® Coils Developed technology and IPR&D assets was re-assessed in the year ended 31 March 2018.

Notes to the consolidated financial statements continued

11. Intangible assets continued

The recoverable amount of the PneumRx® Coils intangible assets has been determined under a fair value less cost to sell approach, which utilises risk-adjusted discounted cash flows over a 10-year period and a terminal decline in growth thereafter. The key assumptions on which fair value less costs to sell has been determined, and the sensitivity of the valuation to changes in these key assumptions are are as follows:

Key Assumption	Utilised in valuation	Sensitivity factor	Reduction in recoverable value of the developed technology asset	Reduction in recoverable value of the IPR&D asset
Discount rate	13%	1% increase	£2.7m	£2.9m
Sales forecasts	Management projections of market penetration and pricing	5% decrease in sales price	£6.5m	£3.8m
		5% decrease in peak penetration[1]	£4.5m	£3.5m
Terminal growth rate	-15%	5% faster decline	£2.7m	£2.3m

1. Penetration represents the percentage of total addressable patient population which management estimates will be treated by PnuemRx® Coils.

In addition to the above assumptions:

- the recoverable value of the IPR&D asset reflects the probability of approval by the FDA. If approval is not granted, the recoverable value of the IPR&D asset would likely be fully impaired, conversely if FDA approval is granted a reversal of some or all of the previously recorded impairment charge is likely.
- the recoverable value of both the developed technology and IPR&D assets reflects the probability of success of the ELEVATE trial. Depending on the outcome of the ELEVATE trial, the recoverable value of both assets may be increased or further reduced.

Reasonably possible changes in the future recoverability of assets

Following the impairments of the PneumRx® coils intangible assets, there is now no headroom between the carrying values of these assets and their recoverable amounts. Accordingly, it is reasonably possible that changes to any of the key assumptions in future periods could result in future impairments, or reversals of previously recorded impairment charges.

More generally, the recoverability of intangible assets for Developed Technology and Purchased contractual rights is potentially at risk if pricing, reimbursement and/or market penetration are at lower levels than the Group's current assumptions. In particular, while the introduction of new reimbursement codes for Varithena® in the US in January 2018 has led to renewed physician interest in the product, it will take time to see the impact of the codes on physician and insurer practice. The Group expects to have a better understanding of physician ordering patterns and insurer practice by the end of 2018. If the effect of the new reimbursement codes on Varithena® performance is significantly less than management anticipates, it is reasonably possible that the carrying value of the Varithena® intangible asset (£16.4m) could be impaired.

Additionally, IPR&D assets (including the Targeted Therapies IPR&D asset for TheraSphere®) carry inherent development and regulatory risks, such that these assets are particularly at risk of impairment in full if the relevant development programmes do not obtain the requisite regulatory approval or reach commercialisation, and there is no alternative use for these assets. Given their nature, impairment charges which may be triggered by future events that have yet to occur could significantly impact the Group's financial results.

12. Property, plant and equipment

Group	Leasehold improvements £m	Freehold land and buildings £m	Plant and machinery Furniture and equipment £m	Assets in the course of construction £m	Total £m
Cost or valuation					
At 31 March 2016	10.5	16.1	24.2	7.0	57.8
Acquisitions	–	–	1.0	–	1.0
Additions	1.2	0.1	3.4	4.2	8.9
Disposals	(0.2)	–	(2.0)	–	(2.2)
Transfers	1.8	0.1	3.8	(5.7)	–
Foreign exchange differences	0.6	1.6	2.5	0.4	5.1
At 31 March 2017	13.9	17.9	32.9	5.9	70.6
Acquisitions	0.1	–	0.1	–	0.2
Additions	2.7	–	5.2	2.5	10.4
Disposals	(0.4)	(0.1)	(4.5)	(0.2)	(5.2)
Transfers	0.5	0.3	2.1	(2.9)	–
Foreign exchange differences	(0.6)	(1.4)	(1.5)	–	(3.5)
At 31 March 2018	**16.2**	**16.7**	**34.3**	**5.3**	**72.5**
Depreciation					
At 31 March 2016	2.9	3.7	15.4	0.1	22.1
Depreciation charged	1.4	0.5	4.7	–	6.6
Impairment charge	–	–	–	–	–
Disposals	(0.2)	–	(1.9)	–	(2.1)
Foreign exchange differences	0.2	0.5	3.2	–	3.9
At 31 March 2017	4.3	4.7	21.4	0.1	30.5
Depreciation charged	1.7	0.6	6.0	–	8.3
Impairment charge	–	–	0.6	0.1	0.7
Disposals	(0.3)	(0.1)	(4.3)	–	(4.7)
Foreign exchange differences	(0.3)	(0.4)	(2.3)	–	(3.0)
At 31 March 2018	**5.4**	**4.8**	**21.4**	**0.2**	**31.8**
Net book value at 31 March 2018	**10.8**	**11.9**	**12.9**	**5.1**	**40.7**
Net book value at 31 March 2017	9.6	13.2	11.5	5.8	40.1
Net book value at 31 March 2016	7.6	12.4	8.8	6.9	35.7

13. Inventories

	31 March 2018 £m	31 March 2017 £m
Raw materials and consumables	**24.9**	23.5
Work in progress	**27.6**	20.6
Finished goods	**8.5**	14.3
	61.0	58.4

Inventory to the value of £1.1m (2017: £1.8m) was written off through Cost of sales.

Notes to the consolidated financial statements continued

14. Trade and other receivables

	31 March 2018 £m	31 March 2017 £m
Due within one year		
Trade receivables, net of provisions for bad and doubtful debts	64.6	61.1
Other receivables	10.9	13.5
Prepayments and accrued income	58.5	51.1
	134.0	125.7

The ageing of these amounts was as follows:

£m	2018 Gross	2018 Provision	2017 Gross	2017 Provision
Not past due	52.3	–	49.2	–
0-30 days	7.3	–	7.5	–
31-90 days	3.2	–	2.5	–
> 90 days	2.0	(0.2)	2.2	(0.3)
Total	64.8	(0.2)	61.4	(0.3)

Provisions for bad and doubtful debts of £0.2m (2017: £0.3m) write down the value of receivables to their estimated recoverable amounts. The charge for the year to 31 March 2018 in respect of provisions for bad and doubtful debts was less than £0.1m (2017: £0.2m).

15. Equity

The issued and fully paid share capital of the Company is shown below:

Ordinary shares of 10p each	Number	2018 £m	Number	2017 £m
At 1 April	385,127,525	38.5	382,991,577	38.3
Issued for cash	1,365,050	0.1	2,135,948	0.2
At 31 March	386,492,575	38.6	385,127,525	38.5

The shares issued during the year ended 31 March 2018 were as a result of the exercise of share options.

Other reserves are analysed as follows:

	Translation reserve £m	Fair value reserve £m	Total other reserves £m
At 31 March 2016	28.0	0.1	28.1
Total recognised income and expense	91.7	–	91.7
At 31 March 2017	119.7	0.1	119.8
Total recognised income and expense	(89.9)	–	(89.9)
At 31 March 2018	29.8	0.1	29.9

Share options

Details of outstanding share options are set out in Note 20.

16. Trade and other payables

	Note	31 March 2018 £m	31 March 2017 £m
Amounts falling due within one year			
Trade payables		**20.3**	14.2
Accruals and deferred income		**98.5**	105.1
Contingent consideration liabilities	21	**5.0**	28.2
Other creditors		**4.0**	4.5
Corporation tax payable		**0.1**	–
		127.9	152.0
Amounts falling due after more than one year			
Accruals and deferred income		**2.4**	2.0
Contingent consideration liabilities	21	**–**	3.9
Provisions		**2.7**	2.6
		5.1	8.5

17. Derivative financial instruments

	31 March 2018 £m	31 March 2017 £m
Contracts in an asset position:		
Forward foreign exchange contracts due within one year	**2.9**	0.1
Derivative assets	**2.9**	0.1
Contracts in a liability position:		
Forward foreign exchange contracts due within one year	**0.6**	7.9
Forward foreign exchange contracts due after more than one year	**0.1**	–
Derivative liabilities	**0.7**	7.9

The Group utilises foreign currency derivatives to economically hedge significant future transactions and cash flows. The Group does not currently utilise hedge accounting for outstanding foreign exchange derivatives.

At 31 March 2018 the Group had forward contracts to sell US$121.6m in the period to June 2019 at a weighted average rate of £1:US$1.38. The fair value of these derivative financial instruments at 31 March 2018 was an asset of £2.2m (31 March 2017: £7.8m liability).

The unrealised gain of £10.1m (2017: £8.1m unrealised loss) for the year associated with the remeasurement of forward contracts to their fair value was included within Financial income (2017: Financial expense).

A 5% strengthening of the US dollar against Sterling as at 31 March 2018 would result in an incremental charge of £4.8m within 'Financial Expense' in the income statement and a derivative liability of £2.6m. Correspondingly a 5% weakening of the US dollar against Sterling would result in a £3.7m credit within 'Financial Expense' and an increase of the derivative asset to £5.9m.

Notes to the consolidated financial statements continued

18. Provisions

On 2 November 2017 a Final Order and Judgment was issued by the Court of Chancery of Delaware ruling against BTG in its litigation with Wellstat Therapeutics Corporation concerning the commercialisation of Vistogard®. The Court found that BTG has breached the distribution agreement and that Wellstat is entitled to damages plus interest and costs, and requiring that BTG return the US distribution rights for Vistogard® to Wellstat, which took place in February 2018 after a transition period.

In the year to 31 March 2018, BTG has recorded a provision for £57.7m expensed within SG&A, with the amount of this provision based on the damages awarded and pre- and post-judgement interest calculated pursuant to the Final Order. At 31 March 2018, the amount provided in the Group's balance sheet, after foreign exchange translation, was £53.9m. BTG has appealed the quantum of damages. Whilst the appeal is ongoing, BTG has entered into a supersedeas bond which guarantees the payment of damages plus interest and costs as per the Final Order issued.

19. Retirement benefit schemes

Defined benefit scheme

For eligible UK employees the Group operates a funded pension plan providing benefits based on final pensionable emoluments. The plan was closed to new entrants as of 1 June 2004. The plan is a registered scheme under the provisions of Schedule 36 of the Finance Act 2004 and the assets are held in a legally separate, trustee-administered fund. The trustees are required by law to act in the best interest of the plan participants and are responsible for setting the plan's investment and governance policies.

The results of the formal valuation of the plan as at 31 March 2016 were updated to the accounting date by an independent qualified actuary in accordance with IAS19.

The plan exposes the Group to a number of risks:

Risk	Detail
Uncertainty in benefit payments	The value of the Group's liabilities for post-retirement benefits will ultimately depend on the amount of benefits paid out. This in turn will depend on the level of future pay increases, the level of inflation (for those benefits that are subject to some form of inflation protection) and how long individuals live.
Volatility in asset values	The Group is exposed to future movements in the values of assets held in the plan to meet future benefit payments.
Uncertainty in cash funding	Movements in the values of the obligations or assets may result in the Group being required to provide higher levels of cash funding, although changes in the level of cash required can often be spread over a number of years. In addition the Group is also exposed to adverse changes in pension regulation.

The Group is not exposed to any unusual, entity specific or plan specific risks. The plan has a history of granting increases to pensions in line with price inflation, and these increases are reflected in the measurement of the obligation.

In July 2010, the government announced its intention that future statutory minimum pension indexation would be measured by the Consumer Prices Index, rather than the Retail Prices Index ('RPI'). The Group continues to value its pension fund liability on the basis of RPI.

The IAS19 position of the plan is generally expected to be different to the triennial funding valuation assessment. The two main drivers of this difference are the requirement for prudence in the funding basis (compared to the IAS19 best-estimate principle), and the IAS19 requirements to use a discount rate based on high quality corporate bonds (compared to a prudent expectation of actual asset returns for funding). This can sometimes lead to a situation where the IAS19 measure shows a surplus while the funding measure shows a deficit, with associated deficit recovery contributions payable by the Group.

In particular, the latest triennial funding valuation as at 31 March 2016 showed a deficit of £4.3m, whereas the accounting position at the same date was a surplus of £19.3m. Deficit contributions of £1.2m every six months from April 2016 to April 2018, inclusive, and a final contribution of £0.4m by 31 October 2018, were agreed.

The estimated amount of total employer contributions expected to be paid to the plan during 2018/19 is £2.0m (2017/18 actual: £2.8m). Contributions are set based upon funding valuations carried out every three years with the next valuation is due to be carried out as at 31 March 2019.

The Group has taken professional advice and concluded that it has no requirement to adjust the balance sheet in respect of either a current surplus or a minimum funding requirement under IFRIC14. This is on the basis that the Group has an unconditional right to a refund of a current or projected future surplus at some point in the future.

The following table sets out the key IAS 19 assumptions used for the plan:

	31 March 2018	31 March 2017	31 March 2016
Retail price inflation	**3.4% p.a.**	3.4% p.a.	3.0% p.a.
Discount rate	**2.6% p.a.**	2.5% p.a.	3.4% p.a.
Life expectancy at age 60 of a male age 60 at the accounting date	**88.2**	89.0	88.7
Life expectancy at age 60 of a male age 40 at the accounting date	**90.4**	91.8	91.1

The discount rate as at 31 March 2018 has been set in line with a 'single-agency' approach, whereby bonds are included in deriving the discount rate if they are rated AA by one or more of the main rating agencies (2017: bonds are included if their average rating across the agencies was AA).

Assumptions regarding future mortality experience are set based on actuarial advice and in accordance with published statistics. The mortality tables used at year-end 2018 were the S2NA tables based on year of birth, with a multiplicative adjustment factor to reflect the Group's assessment of the average current mortality rates of the plan members relative to the tables. Amongst the UK population, there is a continuing trend for a generation to live longer than the preceding generation, and this has been reflected in the longevity assumption by adopting CMI core projections and also incorporating a minimum long-term rate of improvement in longevity of 1.75%/1.5% for males and females respectively. These are the same assumptions adopted at year-end 2017, with the exception of the CMI core projections, which have been updated to reflect the latest available.

The following table sets out related IAS 19 assumptions used:

	31 March 2018	31 March 2017	31 March 2016
Pension increases in deferment – RPI inflation	**3.4% p.a.**	3.4% p.a.	3.0% p.a.
Pension increases in payment – RPI inflation	**3.4% p.a.**	3.4% p.a.	3.0% p.a.
Pension increases in payment – inflation capped at 2.5%	**2.1% p.a.**	2.1% p.a.	2.0% p.a.
General salary increases	**3.4% p.a.**	3.4% p.a.	3.0% p.a.

The amount included in the statement of financial position arising from the Group's obligations in respect of the plan is as follows:

	31 March 2018 £m	31 March 2017 £m	31 March 2016 £m
Present value of defined benefit obligation	**(128.4)**	(142.1)	(119.0)
Fair value of scheme assets	**150.3**	159.3	138.3
Net asset recognised in the statement of financial position	**21.9**	17.2	19.3

A net asset is presented in the statement of financial position within non-current assets.

The IAS 19 expense is made up of the current service cost, plan administrative expenses, interest cost on the defined benefit obligation, and interest income on plan assets, all of which are shown in the change in defined benefit obligation and assets tables below. The expense has been included in 'Operating expenses: Selling, general and administrative expenses'.

Notes to the consolidated financial statements continued

19. Retirement benefit schemes continued

The allocation of the plan's assets is as follows:

	31 March 2018	31 March 2017	31 March 2016
Equity instruments	**0%**	4%	10%
Diversified growth funds	**5%**	6%	9%
Liability driven investment	**18%**	23%	31%
Absolute return bonds	**0%**	8%	19%
Illiquid inflation assets	**17%**	16%	16%
Insurance Policy	**27%**	0%	0%
Cash and short-term marketable securities	**33%**	43%	15%

There are no direct investments in the Group's own shares or property occupied by any member of the Group.

In October 2017, the Trustees of the plan entered into a 'buy-in' to secure some of the larger pensioner liabilities with an insurer, resulting in a reduction in longevity and other risks.

At 31 March 2018, all asset classes are traded in active markets, with the exception of the illiquid inflation assets which are priced and traded on a monthly basis (2017: same), and the buy-in insurance policy (which does not have a redemption value, but fully matches the liabilities of certain pensioners and is valued equal to the IAS 19 liabilities for these members).

Part of the investment objective of the plan is to minimise fluctuations in the plan's funding levels due to changes in the value of the liabilities. This is primarily achieved through the use of 'liability driven investments' (LDI), whose main goal is to hedge movements in the liabilities due to changes in interest rate and inflation expectations. Currently, the plan targets hedging of around 100% to both interest rate and inflation expectation changes.

LDI primarily involves the use of government bonds (including re-purchase agreements) and derivatives such as interest rate and inflation swaps. There are no annuities or longevity swaps. These LDI instruments are typically priced and collateralised daily by the plan's LDI manager and/or central clearing houses. Given that the purpose of LDI is to hedge corresponding liability exposures, the main risk is that the investments held move differently to the liability exposures. This risk is managed by the Trustees, their advisers and the plan's LDI manager, who regularly assess the position.

In setting the investment strategy the trustees considered the views of the Group, their assessment of the Group's covenant supporting the actuarial risks faced by the plan, the risks and rewards of a number of possible asset allocation options, the suitability of a wide-range of asset classes within each strategy across and within asset classes, and the need for appropriate diversification amongst different asset classes.

Changes in the present value of the defined benefit obligation, the fair value of the plan assets and the net asset/liability over the year ending 31 March 2018 are as follows:

Year ended 31 March 2018	Obligation £m	Plan assets £m	Net asset/ (liability) £m
Beginning of the year	**(142.1)**	**159.3**	**17.2**
Employer's part of the current service cost	(0.5)	–	**(0.5)**
Interest (cost)/income	(3.4)	3.9	**0.5**
Administrative costs	–	–	**–**
Contributions by the employer	–	2.8	**2.8**
Contributions from plan members	(0.1)	0.1	**–**
Actuarial gain/(loss) – experience	1.3	(8.6)	**(7.3)**
Actuarial gain – financial assumptions	4.2	–	**4.2**
Actuarial gain – demographic assumptions	5.0	–	**5.0**
Benefits paid	7.2	(7.2)	**–**
End of the Year	**(128.4)**	**150.3**	**21.9**

Changes in the present value of the defined benefit obligation, the fair value of the plan assets and the net asset/liability over the year ending 31 March 2017 are as follows:

Year ended 31 March 2017	Obligation £m	Plan assets £m	Net asset/ (liability) £m
Beginning of the year	**(119.0)**	**138.3**	**19.3**
Employer's part of the current service cost	(0.4)	–	**(0.4)**
Interest (cost)/income	(4.0)	4.7	**0.7**
Administrative costs	–	–	**–**
Contributions by the employer	–	2.8	**2.8**
Contributions from plan members	(0.1)	0.1	**–**
Actuarial gain – experience	0.2	18.5	**18.7**
Actuarial gain – financial assumptions	(24.5)	–	**(24.5)**
Actuarial loss – demographic assumptions	0.6	–	**0.6**
Benefits paid	5.1	(5.1)	**–**
End of the Year	**(142.1)**	**159.3**	**17.2**

The actual return on the plan's assets over 2017/18 was a loss of £4.7m (2016/17: gain of £23.2m).

The weighted average duration of the defined benefit obligation at the end of the reporting period is around 16 years (2017: 16 years).

The administrative costs shown above are nil as they are paid directly by the Group and are expensed separately outside IAS19.

The sensitivities regarding the principal assumptions used to measure the plan obligations are:

		Increase in obligation		Increase in plan assets		Increase in net liability	
	Change in assumption	**31 March 2018 £m**	31 March 2017 £m	**31 March 2018 £m**	31 March 2017 £m	**31 March 2018 £m**	31 March 2017 £m
Discount rate	Decrease 0.1%	**1.9**	2.4	**2.0**	2.4	**(0.1)**	–
RPI inflation	Increase 0.1%	**1.7**	2.1	**1.8**	2.0	**(0.1)**	0.1
Life expectancy	Increase 1 year	**4.2**	4.7	**1.3**	–	**2.9**	4.7

The sensitivity information has been derived using projected cash flows valued using the relevant assumptions as at 31 March 2018. The sensitivity methodology has not changed from prior years. Extrapolation of these results beyond the sensitivity figures shown may not be appropriate.

Defined contribution schemes

The Group offers defined contribution pension schemes for its employees. The total income statement charge in relation to these schemes was £7.2m (2017: £6.7m).

The Group's defined contribution schemes are operated by external providers. The only obligation of the Group with respect to these schemes is to make the specified contributions.

20. Share based payments

Share options

The Group makes awards under an equity-settled share option plan that entitles employees to purchase shares in the Company. In accordance with the rules of the plan, options are granted at the market price of the shares on the date of grant with a vesting period of generally three years. They may only be exercised upon the attainment of service, market and non-market criteria. If the performance criteria are not met by the date specified at the time of grant, the options do not vest and will lapse. Furthermore, options are forfeited if the employee leaves the Group before the options vest unless the conditions under which they leave are such that they are considered to be a 'good leaver'. In this case their options remain exercisable for a limited period of time. For further details of current awards, see the Remuneration Report on pages 69 to 94.

Notes to the consolidated financial statements continued

20. Share based payments continued

The Group also operates savings related share option schemes, whereby options are granted to employees to acquire shares in the Company at a discounted price.

Option pricing

For the purposes of valuing options to arrive at the share-based compensation charge, a Black-Scholes or alternate valuation model has been used. The assumptions used in the model are as follows:

	31 March 2018	31 March 2017
Risk-free interest rate	0.1% – 0.3%	0.1% – 0.4%
Dividend yield	Nil	Nil
Volatility	28% – 30%	28% – 30%
Expected lives of options and awards granted under:		
– Share option plan	3 years	3 years
– Sharesave plan	3.37 years	3.37 years
– US Stock purchase plan	2.12 years	2.12 years
– Performance share plan	2-3 years	2-3 years
– Deferred share bonus plan	3 years	3 years
Weighted average fair value for share option plan grants in the year	131.5p	133.0p
Weighted average fair value for sharesave grants in the year	186.2p	215.0p
Weighted average fair value for stock purchase plan grants in the year	164.2p	160.6p
Weighted average fair value for performance share awards in the year	571.1p	549.8p
Weighted average fair value for deferred share bonus awards in the year	674.5p	673.5p

The expected volatility is based on the historical volatility (calculated based on the weighted average remaining life of the share options, restricted or performance shares), adjusted for any expected changes to future volatility due to publicly-available information.

Share options and performance shares are granted under a service condition, a non-market condition and a market condition. Service and non-market conditions are not taken into account in calculating the fair value measurement of the services received.

Since 2009, awards of share options and performance share awards have a market condition based on a Total Shareholder Return ('TSR') measure. From 2009 the 2012 the TSR measure was calculated using the FTSE 250 companies excluding investment trusts, companies in the financial services sector (banks, life & non-life insurance, equity & non-equity investment trusts, financial services, real estate investment & services and real estate investment trusts etc.) and companies in the consumer discretionary sector (general retailers, media, travel & leisure, and leisure goods). Since 2013 the Total Shareholder Return is measured against the FTSE 250 index as a whole. If the Company's TSR at least matches the performance of the relevant index over the vesting period, the market-based performance condition will be considered to have been achieved. The fair value of an award of shares under the share option and performance share plans have been adjusted to take into account this market-based performance condition using a pricing model based on expectations about volatility and the correlation of TSR in the relevant index and which incorporates into the valuation the interdependency between TSR and index performance. See the Remuneration Report on pages 69 to 94 for further information.

Details of options and awards under the Group's share plans are shown in the tables below.

	2018 Number of share options (000)	2018 Weighted average exercise price (p)	2017 Number of share options (000)	2017 Weighted average exercise price (p)
Share options				
Outstanding at 1 April	**1,323**	**329.6**	1,311	322.4
Granted during year	**8**	**672.5**	55	665.3
Lapsed during year	**(45)**	**662.6**	(25)	644.3
Exercised during year	**(443)**	**275.1**	(18)	395.1
Outstanding at 31 March	**843**	**343.9**	1,323	329.6
Exercisable at 31 March	**662**	**251.8**	1,085	254.4
Sharesave plan				
Outstanding at 1 April	**546**	**505.8**	617	442.9
Granted during year	**286**	**565.1**	193	520.5
Lapsed during year	**(83)**	**530.3**	(98)	491.8
Exercised during year	**(213)**	**496.1**	(166)	297.6
Outstanding at 31 March	**536**	**537.3**	546	505.8
Exercisable at 31 March	**–**	**–**	3	289.5
US Stock purchase plan				
Outstanding at 1 April	**221**	**559.2**	229	543.3
Granted during year	**142**	**525.6**	174	573.3
Lapsed during year	**(95)**	**568.6**	(168)	538.1
Exercised during year	**(21)**	**617.0**	(14)	530.0
Outstanding at 31 March	**247**	**531.5**	221	571.1
Exercisable at 31 March	**–**	**–**	–	–

Options outstanding at 31 March 2018:

	Number (000)	Weighted exercise price (p)	Latest exercise date year ended 31 March
Share options granted in year ended 31 March			
2010	187	179.3	2020
2011	199	201.3	2021
2012	153	298.9	2022
2013	123	386.0	2023
2016	125	688.5	2019
2017	48	663.3	2020
2018	8	672.5	2021
	843		
Sharesave plan options granted in year ended 31 March			
2016	144	504.4	2019
2017	137	520.5	2020
2018	255	565.1	2021
	536		
US Stock purchase plan options granted in year ended 31 March			
2017	130	536.7	2019
2018	117	525.6	2020
	247		

Notes to the consolidated financial statements continued

20. Share based payments continued

Performance share awards

Following approval of the Performance Share Plan by shareholders at the 2006 AGM, the Company has made awards to the executive directors and other employees with a vesting period of three years. In 2013, amendments to the rules of the Plan and the terms of new performance conditions were approved at the AGM. These included the opportunity for executive directors only to voluntarily elect to carry-forward and put at risk for a further two years shares that would have vested under the core award after three years into a multiplier award. In 2016, a new Performance Share Plan was approved at the AGM for executive directors and other employees, with a vesting period of three years. No multiplier awards were attached to this scheme.

A Senior Management Performance Share Plan was approved by the Board in 2012 in order to award shares to certain senior employees below board level. The shares will vest on the second anniversary of the grant date or any other date determined by the Remuneration Committee at the time of grant.

Movement in the number of performance share awards is as follows:

	2018 Number of share awards (000)	2017 Number of share awards (000)
Performance share awards		
Outstanding at 1 April	4,760	5,639
Granted during year	1,783	1,560
Lapsed during year	(1,634)	(502)
Exercised during year	(688)	(1,937)
Outstanding at 31 March	4,221	4,760
Exercisable at 31 March	–	–
Senior Management Performance Share Plan		
Outstanding at 1 April	163	112
Granted during year	–	51
Lapsed during year	(68)	–
Exercised during year	(56)	–
Outstanding at 31 March	39	163
Exercisable at 31 March	–	–

Deferred share bonus plan

The Company operates a deferred share bonus plan pursuant to which executive directors, members of the leadership team and certain other senior staff have part of their bonus awarded in shares. The shares will vest on the third anniversary of the grant date.

Movement in the number of deferred bonus shares awarded is as follows:

	2018 Number of share awards (000)	2017 Number of share awards (000)
Outstanding at 1 April	124	259
Granted during year	122	37
Lapsed during year	–	–
Exercised during year	(39)	(172)
Outstanding at 31 March	207	124
Exercisable at 31 March	–	–

Performance share awards and deferred share bonus plan awards are forfeited if the director or other employee leaves the Group before the awards vest, unless the conditions under which they leave are such that they are considered to be a 'good leaver'. If the Remuneration Committee decide that a departing beneficiary of an award is a 'good leaver', the number of share awards outstanding will typically be subject to proration for time and ultimate vesting will remain subject to the achievement of the performance conditions set out at the time of the granting of the award, at the discretion of the Committee. Under exceptional circumstances, the Remuneration Committee can elect to release the award early. For further details see the Remuneration Report on pages 69 to 94.

21. Financial risk management objectives and policies

Overview

The Group has exposure to credit, liquidity and market risks from its use of financial instruments. This note sets out the Group's key policies and processes for managing these risks.

Credit risk

Credit risk is the risk of financial loss to the Group if a licensee fails to meet its contractual obligations or a customer fails to pay for goods received. The Group's primary objective with respect to credit risk is to minimise the risk of default by licensees or customers.

A substantial element of the Group's revenue is derived from royalties which are only payable if a licensee is generating income from sales of licensed products. In such instances the Group's exposure to credit risk is considered to be inherently low, although is influenced by the unique characteristics of individual licensees. The Group's policy is to provide against bad debts on a specific licence by licence basis.

Product revenues are generated from direct sales as well as sales to several key wholesalers. Management maintains regular communication with the customers and monitors both sales to and payments from customers to minimise the credit risk exposure.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group has substantial cash balances to fund its operations. On 7 November 2017, the Group refinanced its multi-currency revolving credit facility ('RCF') which was otherwise due to expire in November 2018. Following the refinancing, BTG has a £150m multi-currency RCF, with an option to increase the RCF by a further £150m. The RCF has a three-year term which expires in November 2020, although the Group has the option to extend the term of the RCF for up to an additional two years. The RCF currently remains undrawn.

The Group's policy is to place surplus cash resources on short- and medium-term fixed interest deposits, to the extent that cash flow can be reasonably predicted. Term deposits are denominated in Sterling with institutions rated as A or higher by both Moody's and Standard & Poor's.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings in financial instruments. The Group has little exposure to interest rate risk other than that returns on short-term fixed interest deposits will vary with movements in underlying bank interest rates. The Group's principal market risk exposure is to movements in foreign exchange rates.

Notes to the consolidated financial statements continued

21. Financial risk management objectives and policies continued

Foreign currency risk

The Group's principal foreign currency exposure is to US dollar, as the majority of the Group's revenues and operating costs are denominated in US dollar (although a significant proportion of the Group's operating costs remain denominated in Sterling). The Group is also exposed, albeit to a lesser extent, to the Euro, Canadian dollars and Australian dollars. As a result the Group's Sterling income statement, balance sheet and cash flows may be affected by movements in Sterling exchange rates with these currencies.

The Group's primary objective with respect to managing foreign exchange risk is to provide an appropriate level of certainty over the value of future cash flows. Where possible, anticipated foreign currency operating expenses are matched to foreign currency revenues. The Group economically hedges sufficient US dollar to cover anticipated Sterling's net operating cash outflows.

Sensitivity analysis

Excluding the impact of foreign exchange forward contracts, a 5% weakening of the US dollar would have resulted in the following decrease in profit before tax:

	31 March 2018 £m	31 March 2017 £m
Decrease in profit before tax	3.2	4.4

Interest rate risk

The Group does not consider the impact of interest rate risk to be material to its results or operations and accordingly no sensitivity analysis is shown.

Capital management

The Group defines the capital that it manages as the Group's total equity. The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern;
- To provide an adequate return to investors based on the level of risk undertaken;
- To have available the necessary financial resources to allow the Group to invest in areas that may deliver future benefits for inventive sources and returns to investors; and
- To maintain sufficient financial resources to mitigate against risks and unforeseen events.

The Group believes it has sufficient ongoing cash and cash equivalents to meet its stated capital management objectives. The Group's capital and equity ratio are shown in the table below.

	31 March 2018 £m	31 March 2017 £m
Total equity – capital and reserves attributable to BTG shareholders	914.7	979.9
Total assets	1,162.7	1,311.1
Equity ratio	78.7%	74.7%

The Group is not subject to regulatory capital adequacy requirements as known in the financial services industry.

Financial instruments

The Group's financial instruments comprise cash, short- and medium-term deposits, foreign currency forward contracts, contingent consideration liabilities and various items such as trade debtors and creditors which arise directly from operations.

Fair values

The fair values of the Group's financial assets and liabilities, together with the carrying values shown in the statement of financial position, are as follows:

	Fair value through profit and loss £m	Amortised cost £m	Total carrying value £m	Fair value[1] £m
31 March 2018				
Cash and cash equivalents	–	210.0	210.0	–
Forward contracts	2.2	–	2.2	2.2
Trade and other receivables	–	118.2	118.2	–
Trade and other payables (excluding contingent consideration liabilities)	–	(116.8)	(116.8)	–
Contingent consideration liabilities	(5.0)	–	(5.0)	(5.0)
31 March 2017				
Cash and cash equivalents	–	155.5	155.5	–
Forward contracts	(7.8)	–	(7.8)	(7.8)
Trade and other receivables	–	125.7	125.7	–
Trade and other payables (excluding contingent consideration liabilities)	–	(125.8)	(125.8)	–
Contingent consideration liabilities	(32.1)	–	(32.1)	(32.1)

1. The Group has not disclosed the fair values for financial instruments such as trade receivables and trade payables because their carrying amounts are a reasonable approximation of their fair value.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 – quoted prices in active markets for identical assets and liabilities

Level 2 – observable inputs other than quoted prices in active markets for identical assets and liabilities

Level 3 – unobservable inputs

Fair value hierarchy of financial assets and liabilities

At 31 March 2018	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets recognised at fair value				
Forward foreign exchange contracts	–	2.9	–	2.9
Financial liabilities recognised at fair value				
Forward foreign exchange contracts	–	(0.7)	–	(0.7)
Fair value of contingent consideration liabilities	–	–	(5.0)	(5.0)

At 31 March 2017				
Financial assets recognised at fair value				
Forward foreign exchange contracts	–	0.1	–	0.1
Financial liabilities recognised at fair value				
Forward foreign exchange contracts	–	(7.9)	–	(7.9)
Fair value of contingent consideration liabilities	–	–	(32.1)	(32.1)

Level 2 financial assets and liabilities represent forward foreign exchange contracts to sell US dollars which are remeasued to their fair value at each balance sheet date.

Notes to the consolidated financial statements continued

21. Financial risk management objectives and policies continued

Details of the movement of Level 3 fair value financial liabilities are set out below:

	Note	2018 £m	2017 £m
At 1 April		**(32.1)**	(27.2)
Acquisitions		**–**	(1.6)
Change in fair value	7	**24.9**	0.7
Foreign exchange differences		**2.2**	(4.0)
At 31 March		**(5.0)**	(32.1)

Level 3 financial liabilities predominantly represent contingent consideration liabilities. The Group is party to certain contingent consideration arrangements arising from business combinations, which include milestones which are potentially payable on the achievement of certain development, regulatory and revenue targets. The fair values of these contingent consideration liabilities are determined by assessing the probability of expected future payments and discounting these risk adjusted payments to their present value. As at 31 March 2018, the fair value of all contigent consideration milestones are nil other than those explained below.

PneumRx®

The PneumRx® contingent consideration liability at 31 March 2017 related to a $60m regulatory milestone which was payable if FDA approval for PneumRx® Coils was received by 31 December 2017. During the year, the Group recognised a credit of £26.5m relating to the full release of the PneumRx® contingent consideration liability as the FDA approval for PneumRx® Coils was not received by 31 December 2017.

Galil Medical

The Galil contingent consideration liability of £5.0m (2017: £3.9m) relates to two regulatory milestones. The first regulatory milestone of $10m is payable to former shareholders of Galil Medical if FDA approval for lung metastases is received by 31 December 2018. The second regulatory milestone of $5m is payable to former shareholders of Galil Medical if FDA approval for bone metastases is received by 31 December 2018.

The Group recognised a charge of £1.6m relating to the fair value of the Galil contingent consideration liabilities in the year to 31 March 2018, reflecting the Group's latest expectations over the probability and timing of achieving these regulatory milestones within the earn-out period.

Contractual maturity analysis of financial assets/(liabilities)

Forward foreign exchange contracts that mature within:	31 March 2018 £m	31 March 2017 £m
0-3 months	**0.9**	(3.5)
3-6 months	**1.2**	(1.6)
6-12 months	**0.2**	(2.7)
>12 months	**(0.1)**	–
Total	**2.2**	(7.8)

Net gains and losses on financial assets and liabilities

Foreign exchange losses of £1.1m (2017: gains of £4.3m) were recognised within operating profit.

The Group recognised a net gain of £8.8m relating to forward foreign exchange contracts with financial income in the year to 31 March 2018. This gain comprises a reversal of unrealised losses from the prior year of £7.9m, net unrealised gains of £2.2m and net realised losses of £1.3m.

For the year to 31 March 2017, the Group recognised a loss of £25.2m relating to forward foreign exchange contracts with financial expense in the year to 31 March 2018. This loss comprises realised FX losses of £17.1m and unrealised FX losses of £8.1m.

Estimation of fair values

The following summarises the methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Trade receivables, trade payables and cash and cash equivalents

Trade payables and receivables have a remaining life of less than one year, such that carrying value is considered to be a reasonable approximation of fair value.

Contingent consideration liabilities

Contingent consideration liabilities are re-measured to fair value at each reporting period, to reflect changes in assumptions underlying the fair value of these liabilities, which includes the probability of technical success, any timing risk to achieving the relevant milestones and the appropriate discount rate.

22. Operating leases

Total non-cancellable operating lease rentals are due in the following periods:

	31 March 2018 Property £m	31 March 2017 Property £m
Within one year	3.7	3.8
Between two and five years	11.9	7.2
Greater than five years	8.8	6.1
	24.4	17.1

Operating lease payments represent rentals payable for certain of its office properties under non-cancellable operating lease agreements. The Group leases a number of offices and facilities primarily in the UK, the US, Canada, Germany, Asia-Pacific and Australia. The leases contain options to extend for further periods. In the event of renewal, the lease contracts contain market review clauses. None of the property leases provide the Group with an option to purchase the leased asset at the expiry of the lease period.

23. Related parties

Identity of related parties

In relation to the related party relationship identified on page 53 concerning Giles Kerr, payments made by BTG to Oxford University and Oxford University Innovation Limited under the relevant licence agreements were £18,000 for the year ended 31 March 2018 (£19,000 for the year ended 31 March 2017). There are no amounts still outstanding and payable by BTG under these agreements as at 31 March 2018 (2017: nil).

Key management personnel are considered to be the directors and their remuneration is disclosed within the Remuneration Report on pages 69 to 94.

Notes to the consolidated financial statements continued

24. Group entities

The subsidiary undertakings of BTG plc at 31 March 2018 are all wholly owned with the exception of Oncoverse LLC and Vetex Medical Limited, incorporated in the United Kingdom and registered in England and Wales, unless shown otherwise. All subsidiary undertakings operate in their country of incorporation and are consolidated in the Group's financial statements.

	Registered Office	Class of capital	Principal activity
BTG International (Holdings) Ltd *	5 Fleet Place, London EC4M 7RD	Ordinary	Investment in IPR management companies
Provensis Ltd *	5 Fleet Place, London EC4M 7RD	Ordinary	Development and commercialisation of IPR
BTG International Ltd	5 Fleet Place, London EC4M 7RD	Ordinary	Development, management and commercialisation of IPR
BTG Management Services Ltd	5 Fleet Place, London EC4M 7RD	Ordinary	Investment and management of Group companies
Protherics Medicines Development Ltd	5 Fleet Place, London EC4M 7RD	Ordinary	Development, management and commercialisation of IPR
BTG International Inc. Delaware, USA	300 Four Falls Corporate Center, 300 Conshohocken State Road, Suite 300, West Conshohocken, PA 19428-2998, United States	Common stock	Research, development and sale of Pharmaceuticals products
Protherics UK Ltd	Blaenwaun Ffostrasol, Llandysul, Ceredigion, Wales SA44 5JT	Ordinary	Research, development, manufacture and sale of Pharmaceuticals products
BTG Australasia Pty Ltd Australia	Turretfield Research Centre, 129 Holland Road, Rosedale SA 5350, Australia	Ordinary	Manufacture and sale of Pharmaceuticals products
Biocompatibles International Ltd*	Chapman House, Farnham Business Park, Weydon Lane, Farnham, Surrey GU9 8QL	Ordinary	Investment and management of Group companies
Biocompatibles UK Ltd	Chapman House, Farnham Business Park, Weydon Lane, Farnham, Surrey GU9 8QL	Ordinary	Development, management and commercialisation of IPR
Biocompatibles, Inc. Delaware, USA	300 Four Falls Corporate Center, 300 Conshohocken State Road, Suite 300, West Conshohocken, PA 19428-2998, United States	Common stock	Distribution of Bead products, TheraSphere® and Varithena®
BTG International Germany GmbH Germany	Hansaallee 101, 40549, Düsseldorf, Germany	No par value shares	Research and development
BTG International Canada Inc. Canada	11 Hines Road, Suite 200, Ottawa ON K2K 2X1, Canada	Common shares	Support of Interventional Medicine business
BTG International Asia Limited Hong Kong, China	Room 2905, 29/Floor, Chubb Tower, Windsor House, 311 Gloucester Road, Causeway Bay, Hong Kong	Ordinary	Sales support for the Interventional Medicine business
EKOS Corporation Delaware, USA	11911 N. Creek Parkway S., Bothell WA 98011, United States	Common stock	Manufacture and commercialisation of therapeutic ultrasound devices
PneumRx, Inc. Delaware, USA	4255 Burton Drive, Santa Clara, CA 95054, United States	Common stock	Development, manufacture and commercialisation of the PneumRx® Coil System
PneumRx Ltd	5 Fleet Place, London EC4M 7RD	Ordinary	Commercialisation and sale of the PneumRx® Coil System
PneumRx GmbH Germany	Hansaallee 101, 40549, Düsseldorf, Germany	No par value shares	Commercialisation and sale of the PneumRx® Coil System
BTG International Healthcare Ltd	5 Fleet Place, London EC4M 7RD	Ordinary	Group financing
BTG International Healthcare Inc. Delaware, USA	300 Four Falls Corporate Center, 300 Conshohocken State Road, Suite 300, West Conshohocken, PA 19428-2998, United States	Common stock	Group financing
BTG International Healthcare LLC Delaware, USA	300 Four Falls Corporate Center, 300 Conshohocken State Road, Suite 300, West Conshohocken, PA 19428-2998, United States	Ordinary	Group financing
IO2 Limited	5 Fleet Place, London EC4M 7RD	Ordinary	Dormant company

	Registered Office	Class of capital	Principal activity
BTG IM Holdings Ltd Israel	Tavor Building 1, Yokneam Illit Industrial Park, PO Box 224, Yokneam, 2069203, Israel	Ordinary	Investment in Galil companies
Galil Medical Inc. Delaware, USA	4364 Round Lake Road, Arden Hills MN 55112, United States	Common Stock	Manufacture, commercialisation and sale of the GALIL™ System
Galil Medical Ltd Israel	Tavor Building 1, Yokneam Illit Industrial Park, PO Box 224, Yokneam, 2069203, Israel	Ordinary Series A-1 Preferred Shares Series A-2 Preferred Shares Series B Preferred Shares	Manufacture, commercialisation and sale of the GALIL™ System
Galil Medical UK Ltd	5 Fleet Place, London EC4M 7RD	Ordinary	Distribution of the GALIL™ System
Oncoverse LLC Delaware, USA	600 California St, 11th Floor, Suite 12-040, San Francisco, CA 94108, United States	Preferred Stock	Collaboration and notification of information for medical experts
BTG Medikal Ltd. Ştí Turkey	Barbaros Mah, Çiğdem Sok, MY Ofis Apt, No: 1/50, Ataşehir, Istanbul 34746, Turkey	Ordinary	Commercialisation and sale of TheraSphere® and Beads
Roxwood Medical, Inc. Delaware, USA	400 Seaport Court, Suite 103, Redwood City, CA 94063, United States	Common Stock	Manufacture, commercialisation and sale of the Roxwood System
Vetex Medical Limited Ireland	Unit 218 Business Innovation Centre, NUI Galway, Ireland	N/A: see Note 25	Development of venous thrombus management devices

* Indicates direct subsidiary of BTG plc.

25. Business combinations

Acquisitions during the year ended 31 March 2018

Roxwood Medical Inc. ('Roxwood Medical') acquisition

On 5 October 2017 BTG completed the acquisition of 100% of Roxwood Medical for an aggregate cash consideration of $64.9m, subject to customary closing adjustments, and contingent consideration of up to $15m which may be payable based on the achievement of specified sales based milestones.

The total consideration for the acquisition of Roxwood Medical was £44.7m ($58.9m), representing the up-front cash consideration paid after customary closing adjustments. The acquisition date fair value of the contingent consideration payables was assessed as nil.

Roxwood Medical's results of operations have been consolidated from 5 October 2017, and the preliminary fair value of assets acquired and liabilities assumed have been determined as of that date. The final determination of these fair values will be completed as soon as possible but no later than one year from acquisition date.

Roxwood Medical is an innovative provider of advanced cardiovascular specialty catheters used in the treatment of patients with severe coronary and peripheral artery disease. The acquisition continues to build BTG's strength in the vascular space, further expanding BTG's portfolio of differentiated minimally invasive vascular technologies.

Intangible assets of £45.6m relate to Roxwood's developed technology. An estimated useful life of 12 years has been assigned to this developed technology, and associated amortisation expense will be recorded on a straight-line basis. Goodwill arising of £14.9m ($19.6m), which is not deductible for tax purposes, has been assigned to the Interventional Medicine operating segment. Goodwill represents the value of Roxwood's workforce which has not been reflected as a separate intangible asset, together with the recognition for accounting purposes of a deferred tax liability of £17.3m ($22.9m) relating to the developed technology.

Notes to the consolidated financial statements continued

25. Business combinations continued

	Book value £m	Fair value adjustment £m	Fair value £m
ASSETS			
Non-current assets			
Deferred tax asset	–	4.2	4.2
Intangible assets	–	45.6	45.6
Goodwill	–	14.9	14.9
Property, plant and equipment	0.1	–	0.1
Current assets			
Inventories	0.7	0.2	0.9
Trade and other receivables	1.2	–	1.2
Cash and cash equivalents	1.1	–	1.1
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	–	(17.3)	(17.3)
Current liabilities			
Trade and other payables	(6.0)	–	(6.0)
Book value and fair value of assets and liabilities acquired	**(2.9)**	**47.6**	**44.7**
Cash consideration			44.7
Total consideration			**44.7**

During the period ended 31 March 2018, sales of Roxwood Medical products totalled £0.8m and an operating loss (including acquired intangible asset amortisation of £1.8m) of £3.8m has been recognised in the period since acquisition.

Oncoverse LLC (‘Oncoverse’) acquisition

On 20 April 2017, BTG acquired a 55% equity stake in Oncoverse, a US company, for cash consideration of £1.9m ($2.5m). Oncoverse is developing a digital health platform designed to allow cancer patients’ care teams to collaborate and allow clinicians across all disciplines to work together to determine the most effective treatment plan for their patients. Oncoverse’s results of operations have been consolidated from 20 April 2017, with that portion attributable to the 45% of Oncoverse equity not owned by BTG recorded within ‘Non-controlling interests’.

The impact of Oncoverse’s operations on the Group’s income statement is immaterial. The fair values of assets acquired and liabilities assumed have also been determined as of 20 April 2017. As at 31 March 2018 the Group and the non-controlling interest have agreed to cease commercialisaton of the Oncoverse technology and are assessing the future of the business. Accordingly an impairment charge of £2.1m has been recorded within ‘Research and development’ within the income statement.

Consolidation of Vetex Medical Limited (‘Vetex’)

On 17 July 2017 BTG provided Vetex, a development-stage medical device company based in Ireland, with £2.0m ($2.7m) cash in exchange for a convertible loan note and a call option over 100% of Vetex’s share capital. As a result of these transactions, it is deemed that BTG has the current ability (irrespective of intent) to exercise power over Vetex’s primary value generating activities. Accordingly, the results of Vetex have been consolidated from 17 July 2017, with that portion attributable to the 100% of Vetex equity not owned by BTG recorded within ‘Non-controlling interests’.

The impact of Vetex on the Group’s income statement is immaterial. The fair values of assets acquired and liabilities assumed have also been determined as of 17 July 2017. The final determination of these fair values will be completed as soon as possible but no later than one year from the date of acquisition.

Acquisitions during the year ended 31 March 2017

Galil Medical acquisition

On 15 June 2016 BTG completed the acquisition of 100% of Galil Medical for an aggregate consideration of $84.5m, subject to adjustment for cash and debt assumed at acquisition. Contingent consideration of up to $25.5m may also be payable in future periods based upon the achievement of regulatory and sales based milestones.

The total equity consideration for the acquisition of Galil Medical was £39.1m ($55.1m), representing up-front cash consideration of £37.5m ($52.9m) and the fair value of contingent consideration of £1.6m ($2.2m). The remainder of the aggregate consideration was used to settle debt and other obligations assumed on acquisition.

Galil Medical's results of operations have been consolidated from 15 June 2016, and the fair value of acquired assets and liabilities has been determined as of that date.

In the US, Galil Medical's products are indicated for the treatment and palliative care of kidney and other cancers, in addition to a number of other uses, including in urology. Galil Medical is also conducting two clinical studies assessing safety and efficacy of these products for the treatment of lung and bone metastases. The acquisition complements BTG's Interventional Medicine platform, building on the Group's Interventional Oncology business area.

Intangible assets of £47.7m relate to developed cryoablation technology. An estimated useful life of 15 years has been assigned to this developed technology, and associated amortisation expense is being recorded on a straight-line basis. Goodwill arising of £16.4m, which is not deductible for tax purposes, has been assigned to the Interventional Medicine operating segment. Goodwill represents future developments to the cryoablation technology and the value of Galil's workforce which have not been reflected as separate intangible assets, together with the recognition for accounting purposes of a deferred tax liability of £17.0m relating to recognised developed technology.

	Book value £m	Fair value adjustment £m	Fair value £m
ASSETS			
Non-current assets			
Intangible assets	0.4	47.3	47.7
Goodwill	–	16.4	16.4
Property, plant and equipment	0.4	0.6	1.0
Current assets			
Inventories	2.6	0.8	3.4
Trade and other receivables	3.7	–	3.7
Cash and cash equivalents	1.3	–	1.3
LIABILITIES			
Non-current liabilities			
Net deferred tax liabilities	–	(6.1)	(6.1)
Current liabilities			
Trade and other payables	(9.4)	–	(9.4)
Debt obligations	(18.9)	–	(18.9)
Book value and fair value of assets and liabilities acquired	**(19.9)**	**59.0**	**39.1**
Cash consideration			37.5
Fair value of contingent consideration			1.6
Total consideration			**39.1**

Company financial statements
Statement of financial position

	Note	31 March 2018 £m	31 March 2017 £m
ASSETS			
Non-current assets			
Investment in subsidiaries	4	**779.7**	775.1
Deferred tax asset		**0.5**	–
		780.2	775.1
Current assets			
Trade and other receivables	5	**78.6**	69.2
Cash and cash equivalents		**0.5**	0.5
		79.1	69.7
Total assets		**859.3**	844.8
EQUITY			
Share capital	6	**38.6**	38.5
Share premium	6	**437.7**	435.4
Merger reserve	6	**317.8**	317.8
Retained earnings	6	**62.1**	37.6
Total equity	6	**856.2**	829.3
LIABILITIES			
Current liabilities			
Trade and other payables	7	**3.1**	15.5
Total liabilities		**3.1**	15.5
Total equity and liabilities		**859.3**	844.8

The notes on pages 157 to 160 form part of these financial statements.

The financial statements were approved by the Board on 14 May 2018 and were signed on its behalf by:

Dame Louise Makin
Chief Executive Officer

Duncan Kennedy
Chief Financial Officer

Registered No: 2670500

Statement of cash flows

	Note	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Profit/(loss) after tax for the year	2	18.7	(11.1)
(Increase) in trade and other receivables	5	(9.4)	(0.1)
(Decrease)/Increase in trade and other payables	7	(12.4)	9.6
Other		0.7	0.8
Net cash outflow from operating activities		(2.4)	(0.8)
Investing activities			
Increase of investment in subsidiary companies		–	–
Net cash outflow from investing activities		–	–
Cash flows from financing activities			
Proceeds of share issues	6	2.4	0.8
Net cash inflow from financing activities		2.4	0.8
Increase in cash and cash equivalents		–	–
Cash and cash equivalents at start of year		0.5	0.5
Cash and cash equivalents at end of year		0.5	0.5

The notes on pages 157 to 160 form part of these financial statements.

Statement of changes in equity

	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total equity £m
At 1 April 2016	38.3	434.8	317.8	41.5	832.4
Loss for the year	–	–	–	(11.1)	(11.1)
Other comprehensive income	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	(11.1)	(11.1)
Transactions with owners:					
Issue of BTG plc ordinary shares	0.2	0.6	–	–	0.8
Movement in shares held by the Employee Share Ownership Trust	–	–	–	(1.3)	(1.3)
Share-based payments	–	–	–	8.5	8.5
At 31 March 2017	38.5	435.4	317.8	37.6	829.3

	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total equity £m
At 1 April 2017	38.5	435.4	317.8	37.6	829.3
Profit for the year	–	–	–	18.7	18.7
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the year	–	–	–	18.7	18.7
Transactions with owners:					
Issue of BTG plc ordinary shares	0.1	2.3	–	–	2.4
Movement in shares held by the Employee Share Ownership Trust	–	–	–	(0.7)	(0.7)
Share-based payments	–	–	–	6.5	6.5
At 31 March 2018	38.6	437.7	317.8	62.1	856.2

The notes on pages 157 to 160 form part of these financial statements.

Notes to the Company financial statements

1. Accounting policies

The accounting policies adopted in the preparation of these Company financial statements are the same as those set out in Note 2 to the Group financial statements with the addition of the following:

Investments

Investments in subsidiaries are stated at cost less provision for impairment.

Accounting for transactions under common control

Where the Company acquires or disposes of shares in another Group company either in a share for share exchange or as an acquisition or disposal of part of the business, the cost or proceeds are determined by reference to the fair value of the consideration received (i.e. the fair value of the company in which shares have been received) at the date of transfer.

If the Company receives shares following the sale of its subsidiary or part of its business, any gain or loss is credited or charged to the income statement. Where the Company issues shares following the acquisition of a subsidiary or part of another business, any gain or loss is credited or charged to reserves.

Share-based payments

The Company has elected to apply IFRS 2 to all share-based awards and options granted post 7 November 2002 that had not vested by 1 January 2005. The carrying amount of an investment in a subsidiary is increased to the extent that share-based payments relate to employees of that subsidiary. Share-based payment expenses relating to employees of the Company are expensed within the income statement.

These policies have been applied consistently to the periods presented.

The functional currency of the Company is Sterling and all values are rounded to the nearest £0.1m except where otherwise indicated.

2. Profit/(loss) for the year

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own income statement for the year. The profit after tax of the Company amounted to £18.7m (2017: loss of £11.1m) which includes dividend income of £30.0m (2017: nil).

The analysis of the auditor's remuneration is as follows:

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
The auditing of accounts of the Company	130	128
Audit related assurance services	61	60

3. Staff costs

The employees are based in the United Kingdom.

Disclosures of individual director's remuneration and associated costs required by the Companies Act 2006 and specified by the Financial Conduct Authority are on pages 69 to 94 within the Remuneration Report and form part of these audited accounts.

The employees of the Company are members of the Group pension schemes as detailed in Note 19 of the Group financial statements.

Notes to the Company financial statements continued

4. Investment in subsidiary undertakings

	£m
Cost	
At 1 April 2016	768.7
Increase of investments in subsidiary companies	–
Share based payments	6.4
At 1 April 2017	775.1
Increase of investments in subsidiary companies	–
Share based payments	4.6
At 31 March 2018	**779.7**

A list of the Company's principal subsidiary undertakings is shown in Note 24 to the Group financial statements.

5. Trade and other receivables

	31 March 2018 £m	31 March 2017 £m
Due within one year		
Prepayments	**1.3**	0.6
Other debtors	**0.4**	–
Amounts owed by subsidiary undertakings	**76.9**	68.6
	78.6	69.2

6. Capital and reserves

Details of Company share capital are disclosed in Note 15 to the Group financial statements. Details of share options granted by the Company are set out in Note 20 to the Group financial statements. Details of shares in the Company held by subsidiaries are shown in Note 24 to the Group financial statements.

7. Trade and other payables

	31 March 2018 £m	31 March 2017 £m
Due within one year		
Accruals and deferred income	**3.1**	3.9
Amounts owed to subsidiary undertakings	**–**	11.6
	3.1	15.5

The directors consider the fair value of trade and other payables to be equal to their book value.

8. Financial assets and liabilities

	Amortised cost £m	Total carrying value £m
31 March 2017		
Cash and cash equivalents	0.5	0.5
Trade and other receivables	69.2	69.2
Trade and other payables	(15.5)	(15.5)
31 March 2018		
Cash and cash equivalents	**0.5**	**0.5**
Trade and other receivables	**77.3**	**77.3**
Trade and other payables	**3.1**	**3.1**

The Company considers that the carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables are a reasonable approximation of their fair value.

Credit risk

The Company's credit risk relates to the risk that one of its subsidiaries is unable to repay intercompany amounts owing. The recoverability of the Company's intercompany receivable is considered at each balance sheet date.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company does not hold significant cash balances as cash is managed centrally within its subsidiaries. Accordingly the Company is funded by its subsidiaries as its liabilities fall due. On 7 November 2017, the Group refinanced its multi-currency revolving credit facility ('RCF') which was otherwise due to expire in November 2018. Following the refinancing, BTG has a £150m multi-currency RCF, with an option to increase the RCF by a further £150m. The RCF has a three-year term which expires in November 2020, although the Group has the option to extend the term of the RCF for up to an additional two years. The RCF currently remains undrawn.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings in financial instruments. As the holding company of the BTG Group, the Company does not have significant exposure to movements in market prices and accordingly no additional disclosure is provided. There are no foreign currency balances within the Company's statement of financial position.

Capital Management

Details of the Company's objectives with respect to managing capital are disclosed in Note 21 to the Group financial statements.

9. Guarantees and contingent liabilities

The Company has provided a Guarantee to certain subsidiary undertakings in respect of the BTG Pension Fund up to a maximum amount equal to the lowest non-negative amount which, when added to the assets of the Fund, would result in the Fund being at least 105% funded on the date on which any liability arose, calculated on the basis set out in section 179 of the Pensions Act 2004, were a valuation to be conducted as at that date. The Company has additionally guaranteed the payment obligations of BTG International Limited in respect of its obligations in relation to the fund, up to a maximum of £12m.

Notes to the Company financial statements continued

10. Related party transactions

The Company has a related-party relationship with its subsidiary undertakings and its directors.

In relation to the related party relationship identified on page 53 concerning Giles Kerr, payments made by BTG to Oxford University and Oxford University Innovation Limited under the relevant licence agreements were £18,000 for the year ended 31 March 2018 (£19,000 for the year ended 31 March 2017). There are no amounts still outstanding and payable by BTG under these agreements as at 31 March 2018 (2017: nil).

Key management personnel are considered to be the directors and their remuneration is disclosed within the Remuneration Report on pages 69 to94.

11. Pensions

Certain employees of the Company participate in the Group's defined benefit plan. Further information on the defined benefit plan can be found in Note 19 of the Group financial statements.

Five-year financial record – GBP presentational currency

For the years ended 31 March

Consolidated income statement

	2018[1] £m	2017[2] £m	2016 £m	2015[3] £m	2014[4] £m
Revenue	**620.5**	570.5	447.5	367.8	290.5
Cost of sales	**(185.9)**	(179.9)	(140.8)	(114.7)	(95.0)
Gross profit	**434.6**	390.6	306.7	253.1	195.5
Selling, general and administrative expenses	**(325.5)**	(206.6)	(141.4)	(124.8)	(84.0)
Research and development	**(165.5)**	(87.8)	(77.2)	(68.3)	(47.2)
Other operating (expense)/income	**(1.3)**	4.4	3.4	7.0	(3.9)
Amortisation of acquired intangible assets	**(43.8)**	(42.0)	(35.0)	(28.4)	(23.3)
Acquisition and reorganisation costs	**(1.3)**	(1.1)	–	(3.7)	(9.8)
Operating (loss)/profit	**(102.8)**	57.5	56.5	34.9	27.3
Financial income	**41.5**	3.3	4.4	0.1	8.2
Financial expense	**(9.3)**	(29.2)	(3.4)	(8.3)	(2.2)
(Loss)/profit before tax	**(70.6)**	31.6	57.5	26.7	33.3
Tax credit/(charge)	**83.3**	2.0	3.0	6.9	(9.0)
Profit for the year	**12.7**	33.6	60.5	33.6	24.3
Attributable to non-controlling interests	**(2.3)**	–	–	–	–
Attributable to owners of the parent	**15.0**	33.6	60.5	33.6	24.3
Profit for the year	**12.7**	33.6	60.5	33.6	24.3
Earnings per share					
Basic	**3.9p**	8.7p	15.8p	9.1p	6.8p
Diluted	**3.9p**	8.6p	15.6p	9.0p	6.7p

1. The results for the year ended 31 March 2018 include the results of Roxwood Medical from the date of acquisition, being 5 October 2017.
2. The results for the year ended 31 March 2017 include the results of Galil Medical from the date of acquisition, being 15 June 2016.
3. The results for the year ended 31 March 2015 include the results of PneumRx, Inc. from the date of acquisition, being 7 January 2015.
4. The results for the year ended 31 March 2014 include the results of EKOS Corporation and the Targeted Therapies Division of Nordion Inc. from the date of acquisition, being 5 July 2013 and 13 July 2013 respectively.

Five-year financial record – GBP presentational currency For the years ended 31 March continued

Consolidated statement of financial position

	2018[1] £m	2017[2] £m	2016 £m	2015[3] £m	2014[4] £m
Goodwill	**223.1**	225.6	187.9	183.8	123.6
Intangible assets	**463.7**	678.9	599.2	597.9	397.9
Property, plant and equipment	**40.7**	40.1	35.7	35.5	31.3
Other non-current assets	**1.7**	1.7	1.4	3.0	3.0
Deferred tax asset	**3.6**	5.3	6.8	4.9	0.8
Employee benefits	**21.9**	17.2	19.3	13.2	8.0
Derivative financial instruments	**–**	–	1.0	–	0.9
Total non-current assets	**754.7**	968.8	851.3	838.3	565.5
Current assets	**408.0**	342.3	297.5	207.6	146.2
Total assets	**1,162.7**	1,311.1	1,148.8	1,045.9	711.7
Equity					
Share capital	**38.6**	38.5	38.3	38.2	36.1
Share premium	**437.7**	435.4	434.8	433.8	288.7
Merger reserve	**317.8**	317.8	317.8	317.8	317.8
Reserves	**29.9**	119.8	28.1	9.4	(32.2)
Retained earnings	**90.7**	68.4	28.7	(40.6)	(80.0)
Attributable to owners of the parent	**914.7**	979.9	847.7	758.6	530.4
Attributable to non-controlling interests	**(1.9)**	–	–	–	–
Total equity	**912.8**	979.9	847.7	758.6	530.4
Total non-current liabilities	**59.8**	165.7	176.1	171.7	93.5
Total current liabilities	**190.1**	165.5	125.0	115.6	87.8
Total liabilities	**249.9**	331.2	301.1	287.3	181.3
Total equity and liabilities	**1,162.7**	1,311.1	1,148.8	1,045.9	711.7

1. The statement of financial position for 31 March 2018 includes the assets and liabilities acquired from Roxwood Medical during the year.
2. The statement of financial position for 31 March 2017 includes the assets and liabilities acquired from Galil Medical during the year.
3. The statement of financial position for 31 March 2015 includes the assets and liabilities acquired from PneumRx, Inc. during the year.
4. The statement of financial position for 31 March 2014 includes the assets and liabilities acquired from EKOS Corporation and the Targeted Therapies Division of Nordion Inc. during the year.

Consolidated cash flow statement

	2018[1] £m	2017[2] £m	2016 £m	2015[3] £m	2014[4] £m
Net cash from operating activities	**120.7**	74.2	95.6	47.5	48.5
Net cash used in investing activities	**(56.4)**	(45.3)	(29.9)	(158.9)	(269.4)
Net cash from/(used in) financing activities	**(1.0)**	(19.7)	–	146.2	102.7
Increase/(decrease) in cash and cash equivalents	**63.3**	9.2	65.7	34.8	(118.2)
Effect of exchange rate fluctuations on cash held	**(8.8)**	5.9	0.9	0.8	(2.3)
Cash and cash equivalents at start of year	**155.5**	140.4	73.8	38.2	158.7
Cash and cash equivalents at end of year	**210.0**	155.5	140.4	73.8	38.2

1. The results for the year ended 31 March 2018 include the results of Roxwood Medical from the date of acquisition, being 5 October 2017.
2. The results for the year ended 31 March 2017 include the results of Galil Medical from the date of acquisition, being 15 June 2016.
3. The results for the year ended 31 March 2015 include the results of PneumRx, Inc. from the date of acquisition, being 7 January 2015.
4. The results for the year ended 31 March 2014 include the results of EKOS Corporation and the Targeted Therapies Division of Nordion Inc. from the date of acquisition, being 5 July 2013 and 13 July 2013 respectively.

Five-year financial record – US dollar presentational currency

Starting with the 2018/19 financial year, BTG will change its presentational currency to US dollar. This change is reflective of the majority of the Group's revenues and a significant proportion of its operating costs now being denominated in US dollar.

This change to report financial information in US dollar will take effect from 1 April 2018.

Historical income statements for the last five full years have been restated into US dollar below.

For the years ended 31 March.

Consolidated income statement (unaudited)

	2018[1] $m	2017[2] $m	2016 $m	2015[3] $m	2014[4] $m
Revenue	**822.8**	743.8	673.8	591.0	462.0
Cost of sales	**(246.3)**	(235.2)	(212.3)	(185.0)	(151.1)
Gross profit	**576.5**	508.6	461.5	406.0	310.9
Selling, general and administrative expenses	**(437.9)**	(270.1)	(213.2)	(201.2)	(133.6)
Research and development	**(224.7)**	(114.8)	(116.4)	(110.1)	(75.1)
Other operating income/(expense)	**(1.9)**	5.8	5.1	11.3	(6.2)
Amortisation of acquired intangible assets	**(58.2)**	(54.9)	(52.8)	(45.8)	(37.1)
Acquisition and reorganisation costs	**(1.8)**	(1.4)	–	(6.0)	(15.6)
Operating (loss)/profit	**(148.0)**	73.2	84.2	54.2	43.3
Financial income	**55.3**	4.3	6.6	0.2	13.0
Financial expense	**(12.4)**	(38.2)	(5.1)	(13.4)	(3.5)
(Loss)/profit before tax	**(105.1)**	39.3	85.7	41.0	52.8
Tax credit/(charge)	**118.0**	2.7	4.6	11.1	(14.2)
Profit for the year	**12.9**	42.0	90.3	52.1	38.6
(Loss)/profit					
Attributable to non-controlling interests	**(3.1)**	–	–	–	–
Attributable to the owners of the parent	**16.0**	42.0	90.3	52.1	38.6
Profit for the year	**12.9**	42.0	90.3	52.1	38.6
Earnings per share					
Basic	**4.1c**	10.9c	23.6c	14.2c	10.9c
Diluted	**4.1c**	10.8c	23.3c	13.9c	10.7c

1. The results for the year ended 31 March 2018 include the results of Roxwood Medical from the date of acquisition, being 5 October 2017.
2. The results for the year ended 31 March 2017 include the results of Galil Medical from the date of acquisition, being 15 June 2016.
3. The results for the year ended 31 March 2015 include the results of PneumRx, Inc. from the date of acquisition, being 7 January 2015.
4. The results for the year ended 31 March 2014 include the results of EKOS Corporation and the Targeted Therapies Division of Nordion Inc. from the date of acquisition, being 5 July 2013 and 13 July 2013 respectively.

Shareholder information

Financial calendar

Circulation of annual report for the year ended 31 March 2018	15 June 2018
Annual General Meeting	18 July 2018
Announcement of interim results for the six months ended 30 September 2018	November 2018
Preliminary announcement of annual results for the year ended 31 March 2019	May 2019

Shareholders

At 31 March 2018 there were 8,147 holders of ordinary shares in the Company. Their shareholdings are analysed as follows:

Size of shareholding	Number of shareholders	Percentage of total number of shareholders	Number of ordinary shares	Percentage of ordinary shares
1 – 5,000	7,415	91.0	4,872,504	1.2
5,001 – 50,000	471	5.8	7,271,119	1.9
50,001 – 100,000	65	0.8	4,654,534	1.2
100,001 – 500,000	107	1.3	25,811,886	6.7
Over 500,000	89	1.1	343,882,532	89.0
Total	**8,147**	**100.0**	**386,492,575**	**100.0**

Shareholders are further analysed as follows:

Type of owner	Number of shareholders	Percentage of total number of shareholders	Number of ordinary shares	Percentage of ordinary shares
Bank and nominee companies	948	11.6	376,776,336	97.5
Private shareholders	7,015	86.1	8,511,011	2.2
Limited companies	47	0.6	320,621	0.1
BTG Employee Share Trust	1	–	66,053	–
Insurance companies and pension funds	136	1.7	818,554	0.2
	8,147	**100.0**	**386,492,575**	**100.0**

Mutual funds and other institutions, and private shareholders holding their shares within PEPs and ISAs, are included within 'Bank and nominee companies'.

Link share dealing services

A quick and easy share dealing service is available from Link Asset Services, 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 0371 664 0445 (telephone dealing – calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable international rate. Lines are open between 8.00am to 4.30pm, Monday to Friday excluding public holidays in England and Wales). Full terms, conditions and risks apply and are available on request or by visiting www.linksharedeal.com.

This is not a recommendation to buy or sell shares. The price of shares can go down as well as up, and you are not guaranteed to get back the amount that you originally invested.

Shareholder change of address

The Company offers the facility, in conjunction with LinkAsset Services, 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 Link, at their address shown below, where the register is held.

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Cautionary note regarding forward-looking statements

This Annual Report and Accounts contains certain forward-looking statements with respect to BTG's business, performance and prospects. Statements and other information included in this report that are not historical facts are forward-looking statements. Words such as 'expects', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates' and 'potential', variations of these words and similar expressions are intended to identify forward-looking statements. These statements are based on current expectations and involve risk and uncertainty because they relate to events and depend upon circumstances which may or may not occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Current principal risks and uncertainties are described on pages 62 to 67 of this report. Any of the assumptions underlying these forward-looking statements could prove inaccurate or incorrect and therefore any results contemplated in the forward-looking statements may not actually be achieved. BTG undertakes no obligation to update publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

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