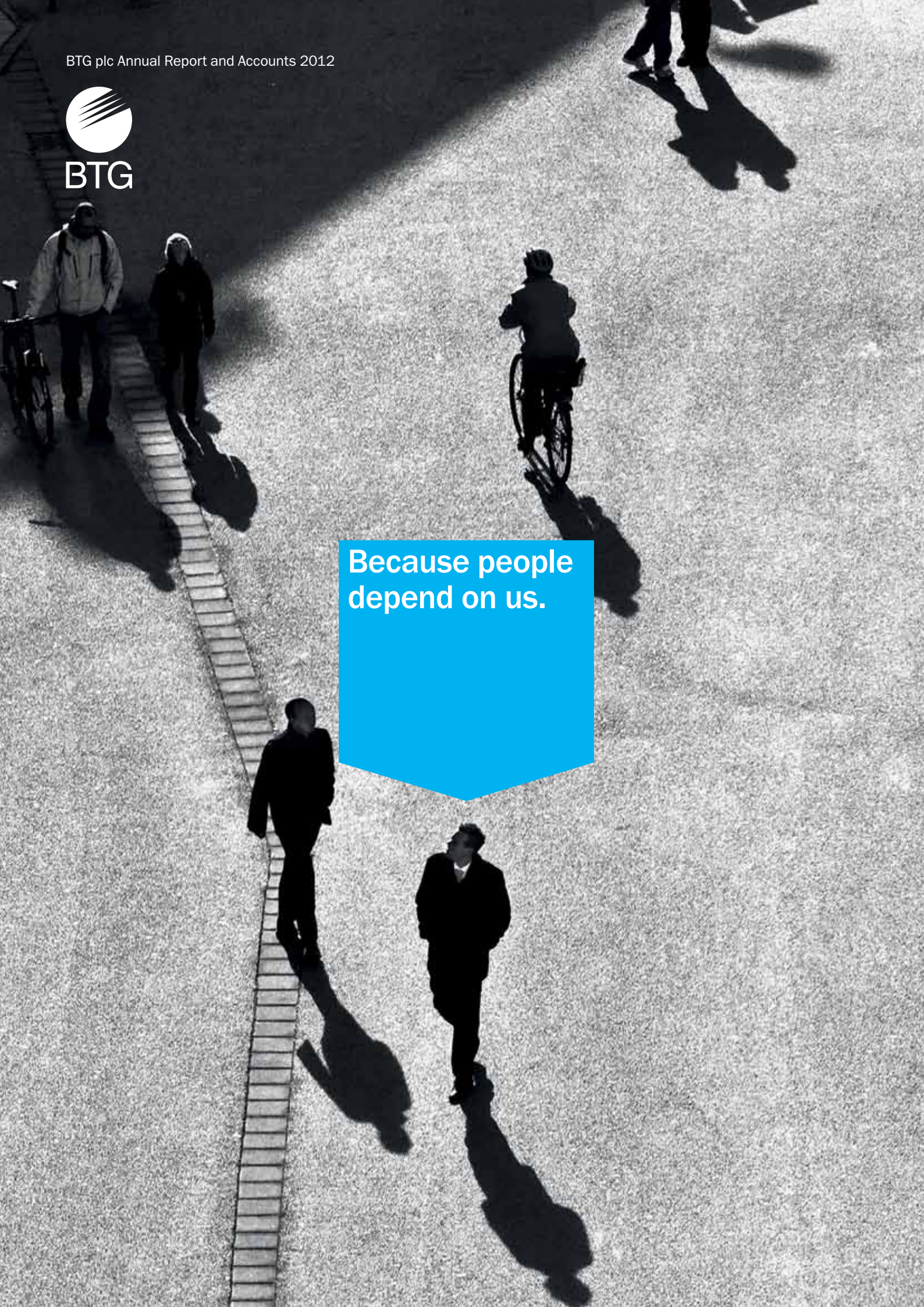
BTG plc Annual Report and Accounts 2012

BTG



Contents

Business review

02 At a glance
06 Chairman's statement
08 Chief Executive Officer's review
16 Business review
22 Financial review
26 Principal risks and uncertainties
30 Corporate responsibility report

Directors and governance

36 Board of directors
38 Directors' report
43 Corporate governance
54 Audit Committee report
59 Nomination Committee report
61 Remuneration Committee report
76 Statement of directors' responsibilities
77 Independent auditor's report to the members of BTG plc

Financials

80 Consolidated income statement
81 Consolidated statement of comprehensive income
82 Consolidated statement of financial position
83 Consolidated statement of cash flows
84 Consolidated statement of changes in equity
85 Notes to the consolidated financial statements
131 Company statement of financial position
132 Company statement of cash flows
133 Company statement of changes in equity
134 Notes to the Company financial statements
138 Appendix 1: Unaudited pro-forma consolidated income statement
139 Five-year financial record
141 Shareholder information
143 Cautionary statement
144 Trade marks

BTG is a growing international specialist healthcare company. Our mission is to bring to market medical products that meet the needs of specialist physicians and their patients.

We are focused on three business areas: Specialty Pharmaceuticals, Interventional Medicine and Licensing & Biotechnology.

Our products include a treatment for snakebites, antidotes to treat toxicity associated with medicines used for heart conditions and cancer, and interventional oncology products that are used to treat patients with liver or prostate tumours.

We develop our own products and we in-license or acquire them from others. We sell direct to our customers in the US and elsewhere principally through partners.

In everything we do, we are guided by our core values and our Code of Conduct. We believe that by doing the right thing every time, we will deliver enduring value to all our stakeholders.

Highlights

We have delivered a strong financial performance during the 2011/12 year. The increase in revenue reflects the transition to direct sales in the US of our Specialty Pharmaceuticals products and a full year of Biocompatibles sales. Revenues were also boosted by higher than expected royalties from BeneFIX® (Factor IX) and Zytiga® (abiraterone acetate).

Below we summarise the key financial metrics we use to monitor business performance.

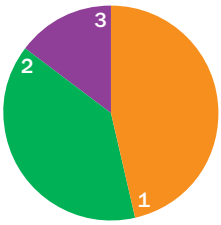
	11/12	10/11
Revenue	**£197.0m**	£111.4m
Gross profit	**£140.7m**	£77.3m
Underlying operating profit[1]	**£54.0m**	£1.7m
Profit/(loss) before tax for the year	**£23.0m**	(£10.8m)
Underlying basic earnings per share[1]	**11.4p**	1.0p
Cash and cash equivalents[2]	**£111.9m**	£73.9m

Total revenue

£197.0m

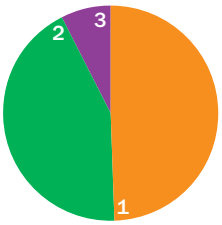
11/12	**£197.0m**
10/11	£111.4m
09/10	£98.5m
08/09	£84.8m
07/08	£75.0m

Total revenue by business area



1. Licensing & Biotechnology	**£91.6m**
2. Specialty Pharmaceuticals	**£76.7m**
3. Interventional Medicine	**£28.7m**

Contribution by business area



1. Licensing & Biotechnology	**£45.6m**
2. Specialty Pharmaceuticals	**£39.4m**
3. Interventional Medicine	**£6.8m**

Gross margin

71.4%

11/12	**71.4%**
10/11	69.4%
09/10	66.7%
08/09	56.3%
07/08	57.2%

Underlying operating profit[1]

£54.0m

11/12	**£54.0m**
10/11	£1.7m
09/10	£10.8m
08/09	£7.0m
07/08	£16.6m

Cash and cash equivalents[2]

£111.9m

11/12	**£111.9m**
10/11	£73.9m
09/10	£82.6m
08/09	£78.2m
07/08	£57.0m

1 Operating profit and EPS excluding acquisition adjustments and reorganisation costs.
2 Including held to maturity financial assets.

Focus areas

Specialty Pharmaceuticals
See page 8

The current focus within Specialty Pharmaceuticals is on antidote products that are used within hospitals. We market and sell our products directly in the US, and elsewhere we work with distribution partners.

Commercial sales

CroFab® (crotalidae polyvalent immune fab (ovine))
The only approved treatment for bites by North American pit vipers.

DigiFab® (digoxin immune fab (ovine))
The only available treatment for toxicity associated with the use of the heart medicine digoxin.

Voraxaze® (glucarpidase)
Approved in the US for treating life-threatening toxicity that can occur in cancer patients with renal impairment who are receiving high-dose methotrexate therapy.

Late-stage development

Uridine triacetate
Under development by Wellstat Therapeutics Corporation as a treatment for toxicity associated with use of the chemotherapeutic 5-fluorouracil. BTG has acquired US and EU commercial rights.

Growth strategy
We are seeking to in-license or acquire additional antidotes, as well as other products used by acute care and other specialist physicians.

Interventional Medicine
See page 11

Our key products are embolisation and drug-eluting beads used primarily to treat patients with liver tumours and brachytherapy products used mainly for early-stage prostate cancer. We assumed direct sales responsibility in the US for LC Bead™ in January 2012.

Commercial sales

LC Bead™, DC Bead® and Bead Block®
Embolisation and drug-eluting beads that are used to treat patients with hypervascularised tumours.

Brachytherapy implants
Low-dose radioactive seeds used primarily to treat early-stage prostate cancer.

Late-stage development

Varisolve® (polidocanol endovenous microfoam (PEM))
A non-surgical product that has completed Phase III development in the US as a potential comprehensive treatment to improve both the symptoms and appearance of varicose veins.

Growth strategy
We plan to continue investing in clinical development of the bead products to expand their indicated uses and geographic availability. We are also seeking to acquire additional products used by interventional radiologists, medical oncologists and vascular surgeons.

Licensing & Biotechnology
See page 13

This business area comprises licensed products and programmes and generates significant royalties for BTG. We out-license assets that we do not intend to market ourselves.

Commercial sales

Existing royalty streams include **Zytiga® (abiraterone acetate)**, a treatment for advanced prostate cancer marketed by the Janssen Pharmaceutical Companies of Johnson & Johnson, and the **Two-Part Hip Cup**, licensed to most major hip-replacement technology manufacturers.

Late-stage development

Lemtrada™ (alemtuzumab)
In Phase III development by Sanofi as a potential treatment for relapsing-remitting multiple sclerosis.

AZD9773 (CytoFab™)
In Phase IIb development by AstraZeneca as a potential treatment for severe sepsis and/or septic shock.

Growth strategy
We are currently assessing options for the CellMed platforms and early-stage programmes we acquired with Biocompatibles. We are not actively seeking to develop or acquire products for out-licensing.

Voraxaze® (glucarpidase)
Specialty Pharmaceuticals

Approved and launched in the US, this is the only drug which can break down methotrexate in the blood following cancer treatment. Hundreds of patients a year may benefit from this new treatment, many of whom are children with cancers such as lymphoma.

Varisolve® (polidocanol endovenous microfoam (PEM))
Interventional Medicine

A non-surgical experimental treatment for varicose veins, that has completed Phase III development in the US. If approved, PEM could potentially transform this underserved market as a comprehensive single-product treatment for symptomatic and/or visible varicose veins.

Chairman's statement

Garry Watts
Chairman

We are delivering on our strategy and are well placed to be increasingly cash-generative over the medium term.

Cash generated from operations

£47.2m

11/12	**£47.2m**
10/11	(£12.0m)
09/10	£5.8m
08/09	(£1.8m)
07/08	£13.4m

In this, my first statement to shareholders as Chairman, I am pleased to report that BTG is in a strong position and is delivering on its strategy and its objectives. We have made significant progress on a number of fronts over the last year and are at an exciting time in our development. We approach the future with confidence.

The Group's strategy of selling its own specialist products is working. In Specialty Pharmaceuticals, a strong performance from CroFab® and DigiFab® has been supplemented by cost-recovery and named patient sales of Voraxaze®, which was approved by the FDA in January 2012 and launched nationally in the US at the end of April 2012. Similarly, the creation of a dedicated sales function in Interventional Medicine has enabled us to bring in-house the US sales responsibility for our beads business.

Our Licensing & Biotechnology revenues benefited from significant post-patent-expiry royalties from Pfizer on BeneFIX® and first royalties from Johnson & Johnson on Zytiga®, which has had a strong start.

Product development has also progressed well during the year. In addition to the Voraxaze® approval, we have announced positive US Phase III results for PEM, a potential treatment for varicose veins, and we continue to progress our bead chemoembolisation studies.

I have been very impressed with the quality of the people at BTG; it has a high-calibre management group and a strong teamwork culture. I should like to acknowledge the excellent work of my predecessor, Dr John Brown, in overseeing this and in successfully steering the Group through its transformation. I would like formally to thank him on behalf of the Board and to wish him well for the future.

As we look to the future, our focus remains on our clearly articulated and deliverable strategy and objectives. We will also continue to be guided by our core values, which are embedded throughout the Group, and which we believe contribute to the generation of shareholder value.

We are well placed to become increasingly cash-generative over the medium term, driven by the transition to direct sales in the US, the US approval of Voraxaze®, underlying double-digit growth in our Interventional Medicine business and a continuing strong royalty stream from our Licensing & Biotechnology business.

The cash we generate is available to continue development of PEM and our bead products and to invest in acquiring or in-licensing new products and late-stage programmes. The Board believes that reinvesting shareholder funds in this way will generate most value over the longer term, and it does not recommend payment of a dividend.

BTG has made strong progress over the past year, and I look forward to working with my Board colleagues and our wider team to continue to develop BTG into a leading specialist healthcare business.

Zytiga® (abiraterone acetate)
Licensing & Biotechnology

Launched in the US and Europe by the Janssen Pharmaceutical Companies of Johnson & Johnson during the last year. Approved for the treatment of patients with late-stage prostate cancer. We benefit from a royalty on all global sales of this new oral, once-daily medication.

Louise Makin
Chief Executive Officer

We have the team, capabilities and financial resources to continue implementing our strategy to be a leading specialist healthcare business.

When we set out several years ago to transform our business from an early-stage development company into a specialist healthcare business selling its own products, we defined a set of core values that would guide us. These values continue to be fundamental to how we go about our business.

Ultimately, they are about building trust with all our stakeholders: customers, patients, payers, regulators, partners, shareholders and colleagues. We are proud to be part of a company whose products improve health and can save lives. We also recognise our corporate responsibilities, and we believe that always living our values will help us be a responsible business that is capable of delivering sustainable, profitable growth.

All of our values are equally important though one that stands out when reflecting on the past year is delivery. This is about doing what we say we will do at an individual, team, segmental and Group level. Thanks to the commitment and professionalism of our employees, we have had an excellent year and made strong progress towards delivering our key medium-term business goals.

The following section should be read in conjunction with the financial statements and related notes on pages 80 to 130.

Specialty Pharmaceuticals revenue

£76.7m 11/12
£35.4m 10/11

Specialty Pharmaceuticals contribution

£39.4m 11/12
£10.8m 10/11

Specialty Pharmaceuticals

Our Acute Care sales force performed well in its first full year selling CroFab® and DigiFab® directly in the US. Revenues of £76.7m resulted in a contribution of £39.4m. The team commenced selling Voraxaze® on 30 April 2012 following its US approval in January 2012.

The Acute Care sales team performed strongly, delivering 117% growth in revenues from CroFab®, DigiFab® and Voraxaze®. This resulted principally from the transition to direct sales in the US, and was further enhanced by increased end market volumes and price growth. The benefits of selling directly were also reflected in a substantial increase in profit contribution.

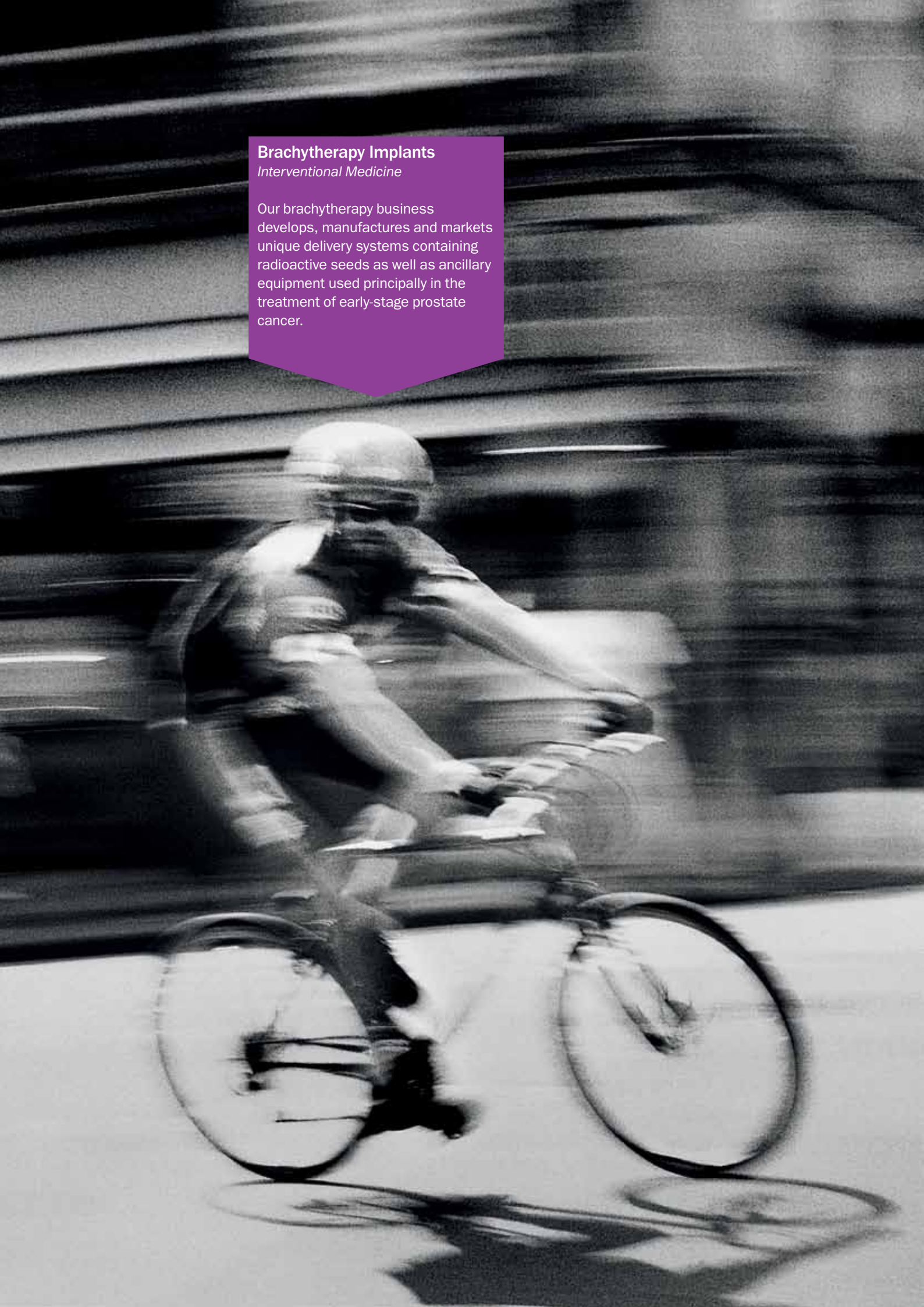
The reported revenues from Voraxaze® result from its availability under a treatment investigational new drug (IND) in the US and from named patient sales elsewhere. A key achievement during the year was the US approval of Voraxaze® in January 2012 following a priority review by the FDA. This product addresses a real unmet need: there is no other approved treatment for life-threatening high-dose methotrexate toxicity due to impaired renal function. Around half the patients who experience toxicity with high-dose methotrexate are children.

We estimate the US peak sales potential for Voraxaze® to be approximately $15m per annum, on the basis of commercial pricing rather than cost-recovery. Although modest, this unique product delivers a good margin and exemplifies our strategy of leveraging the investment we have made in creating a US commercial infrastructure. It will be sold by the existing Acute Care team so requires only modest incremental sales and marketing expenditure.

Our partner Wellstat Therapeutics Corporation continues to make good progress with the development of uridine triacetate (UTA), a potential antidote to toxicity associated with 5-fluorouracil (5-FU), a common chemotherapeutic. Wellstat anticipates submitting a US regulatory application during the second half of 2013. If approved, UTA would be sold by our Acute Care sales team. In May 2012, we also acquired rights to distribute UTA on a named patient supply basis in Europe for an upfront payment of $3.0m, together with an option to market UTA following EU regulatory approval, under pre-agreed financial terms including a multi-million dollar exercise fee and transfer pricing payments based on manufacturing costs and a significant percentage of net sales.

DigiFab® (digoxin immune fab (ovine))
Specialty Pharmaceuticals

Approved for sale in the US, Canada, UK and Switzerland for the treatment of digoxin toxicity and marketed in the US through our Acute Care team. The only available product for the treatment of digoxin toxicity.



Brachytherapy Implants
Interventional Medicine

Our brachytherapy business develops, manufactures and markets unique delivery systems containing radioactive seeds as well as ancillary equipment used principally in the treatment of early-stage prostate cancer.

Our strategy within Specialty Pharmaceuticals is to expand our portfolio of marketed products and late-stage programmes through in-licensing and acquisition. We have a growing antidote franchise and are looking for similar products that are used in emergency situations in hospitals and in other specialist centres. We are also exploring opportunities to expand our portfolio with products used by other specialist physicians within and outside the hospital setting.

Interventional Medicine

Revenues were £28.7m in the first full year following our acquisition of Biocompatibles, delivering a contribution of £6.8m. In January 2012, we commenced direct sales of our bead products in the US. The full financial impact of this transition will be evident in our 2012/13 results.

We estimate, based on our analysis of public information, that the global annual aggregate sales of loco-regional treatments for liver tumours grew from $87m at the end of 2008 to $193m at the end of 2011, with our market share growing from 20% to 27% during that period. We anticipate continued double-digit overall market growth through 2020, driven by expanding the approved uses of the products, geographic expansion and product innovation.

Our strategy to expand this business is to: sell directly in the US; expand geographically through working with partners; invest in clinical studies to expand the indicated uses of our products; develop line extensions; and acquire additional products used by interventional radiologists, clinical oncologists and oncology surgeons.

During the second half of 2011 we set up our second field force, an Interventional Medicine team of 24 Account Managers (AMs) and Medical Science Liaisons (MSLs).

As planned, the AMs assumed direct control of selling LC Bead™ in the US from January 2012, following expiry of the distribution contract with AngioDynamics, Inc.

The transition has gone well. We expect the financial benefits of selling directly to start this financial year. Less immediately obvious, but equally important, are the benefits of being able to get close to our customers. This helps us fully understand their needs and the pressures that they face, so that we can respond in terms of our product and service offering.

In Japan, where we are partnered with Eisai, the regulatory application for DC Bead® is being reviewed by the Japanese regulatory authorities. In China, our partner SciClone completed a 40-person study and is engaging with the Chinese regulator about the further steps required in order for them to accept a submission for review. In South Korea, qualified reimbursement was achieved and in Taiwan we are awaiting reimbursement approval.

Later this year we expect first results from the PARAGON exploratory studies, in which DC Bead® loaded with irinotecan is being investigated as a treatment for metastatic colorectal cancer (mCRC). These include PARAGON II, which is evaluating the safety and efficacy of the irinotecan bead used prior to surgical resection of metastatic liver tumours. A second study (PARAGON Louisville) is evaluating the effectiveness of chemoembolisation with LC Bead™ loaded with irinotecan, both with and without systemic chemotherapy, in the treatment of unresectable liver metastases in patients with colorectal cancer.

We plan to initiate a formal Phase II study in mCRC, the design of which will be informed by these exploratory studies. We are also exploring other indications such as metastatic ocular cancer and cholangiocarcinoma, orphan indications which may not require extensive studies to gain marketing approvals.

Interventional Medicine revenue

£28.7m	**11/12**
£5.6m[1]	10/11

Interventional Medicine contribution

£6.8m	**11/12**
£0.2m[1]	10/11

1 Includes approximately two months of trading following the Biocompatibles acquisition.

AZD9773 (CytoFab™)
Licensing & Biotechnology

In Phase IIb clinical development with partner AstraZeneca as a treatment for severe sepsis. Manufactured by BTG using the same polyclonal antibody manufacturing platform used to make our approved antidotes, CroFab® and DigiFab®.

At present, when DC Bead® is loaded with a chemotherapeutic, this is done in the pharmacy at the hospital where the procedure is to take place. We are developing the PRECISION Bead® and PARAGON Bead®, which are pre-loaded with drug and, if approved, would be a significant step forward for interventional medicine.

In January and April 2012, we reported positive results from VANISH-1 and VANISH-2 our two US pivotal Phase III trials of PEM, which are designed to support its approval as a comprehensive treatment to reduce the symptoms and improve the appearance of varicose veins. The primary endpoint was a reduction in symptoms, as measured by a novel patient-reported outcomes tool. Improvement in appearance, the secondary endpoint, was measured using novel patient and physician tools. PEM achieved all the study endpoints with a high degree of statistical significance. In a smaller study, VV017, patients were treated first with heat ablation of the great saphenous vein followed by PEM for the remaining visible varicosities. Statistical significance was reached for one of two co-primary endpoints, the blinded independent panel review of photographs, but not for the patient-reported measure.

We are completing manufacturing and chemistry, manufacturing and controls (CMC) activities and preparing our regulatory application, which we aim to submit at the end of 2012. If approved, we intend to market PEM ourselves in the US reimbursed sector. We estimate the global peak sales potential of PEM to be up to $500m per annum.

Licensing & Biotechnology

Revenue of £91.6m delivered a contribution of £45.6m. Revenues benefited from higher than expected post-patent-expiry royalties on BeneFIX® and a strong start from Zytiga® following US and EU regulatory approvals during 2011.

This part of our business derives from BTG's history as an IP commercialisation organisation. It comprises licensed assets together with assets acquired with Protherics and Biocompatibles that we do not intend to take to market ourselves but which may have value to partners. We have retained the required IP and other commercial skills to commercialise these assets, as those skills remain core to our ongoing business activities.

Although not an active area of focus in terms of new opportunities, our Licensing & Biotechnology segment is expected to continue to provide a solid financial underpin for BTG for many years to come. While some licensed assets will cease to deliver revenues following patent expiries, others are starting to generate new revenue streams and have the potential to deliver royalties beyond 2020.

Following patent expiry in March 2011, revenues from BeneFIX®, for several years our largest individual royalty contributor, are expected to end during our 2012/13 year.

A new revenue stream emerged during the 2011/12 year with the US and EU approvals of Zytiga®, marketed by the Janssen Pharmaceutical Companies of Johnson & Johnson. This was approved to treat men with castration resistant prostate cancer (CRPC) who have previously received docataxel. The approvals resulted in two milestone payments and our first royalties.

Importantly, a second Phase III trial in men who had not yet received chemotherapy was unblinded after an interim analysis in March 2012 because of clear evidence of clinical benefits in men receiving Zytiga® compared with those receiving placebo. Johnson & Johnson intends to start submitting regulatory applications to extend the approved uses of Zytiga® into this chemo-naïve patient population. If approved, this could significantly expand the number of patients who may benefit from treatment with this product.

In April 2012, Sanofi presented positive Phase III data and indicated it would submit US and EU regulatory

Licensing & Biotechnology revenue

£91.6m **11/12**
£70.4m 10/11

Licensing & Biotechnology contribution

£45.6m **11/12**
£32.6m 10/11

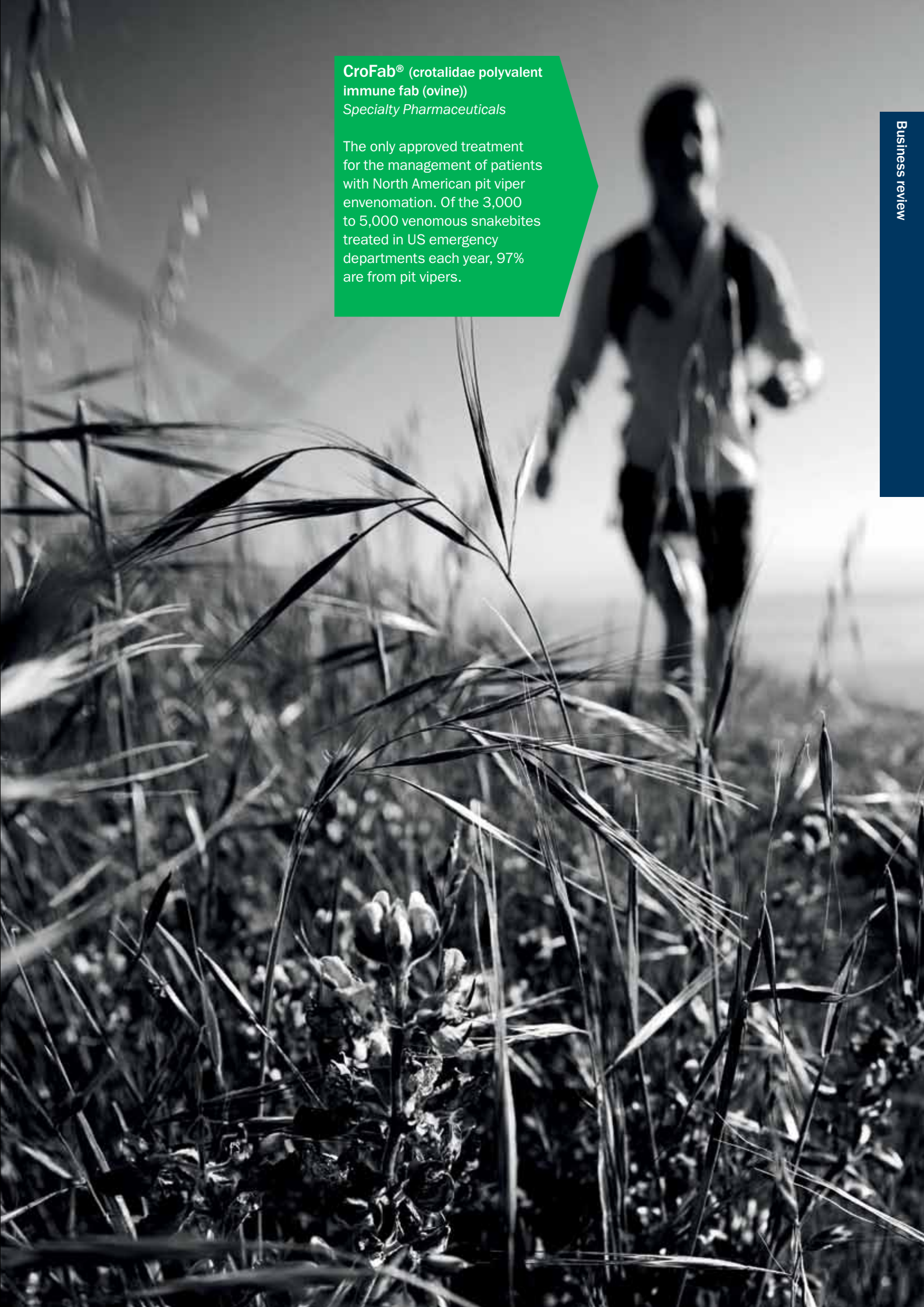
applications for the approval of alemtuzumab as a treatment for relapsing-remitting multiple sclerosis during the second quarter 2012. The application is expected to receive priority review in the US. If approved, this would result in another new revenue stream for BTG.

AstraZeneca's Phase IIb study of AZD9773 completed recruitment of around 300 patients with severe sepsis in March 2012. Top-line data are anticipated in the second half of 2012, together with a decision by AstraZeneca on whether to progress into Phase III development.

After disappointing data from a Phase IIa study in patients with relapsing-remitting multiple sclerosis, we discontinued development of BGC20-0134 and ceased commercial activities.

We are continuing to explore options for partnerships with CellMed, our German subsidiary acquired with Biocompatibles. CellMed has a number of early-stage programmes and platform technologies that are not in our core focus areas but may be of interest to other companies.

There is good momentum across our three business areas and we look forward to another busy year with confidence. We have the team, capabilities and financial resources to continue implementing our strategy to be a leading specialist healthcare business focused on Specialty Pharmaceuticals and Interventional Medicine.



CroFab® (crotalidae polyvalent immune fab (ovine))
Specialty Pharmaceuticals

The only approved treatment for the management of patients with North American pit viper envenomation. Of the 3,000 to 5,000 venomous snakebites treated in US emergency departments each year, 97% are from pit vipers.

16 Business review
22 Financial review
26 Principal risks and uncertainties
30 Corporate responsibility report

R&D expenditure

£39.7m

11/12	**£39.7m**
10/11	£32.1m
09/10	£27.0m
08/09	£21.6m
07/08	£12.9m

Overview and business model
BTG is a specialist healthcare company that is focused on bringing to market medical products that meet the needs of specialist physicians and their patients. We operate through three business areas: Specialty Pharmaceuticals, Interventional Medicine and Licensing & Biotechnology.

Our core activities are:

Sales and marketing: We sell our products directly in the US and primarily through partners in other countries. In the US we sell CroFab®, DigiFab® and Voraxaze® through our Acute Care sales force, and Bead Block®, LC Bead™ and our brachytherapy products through our Interventional Medicine sales force. DigiFab®, Voraxaze®, Bead Block® and DC Bead® are sold through distributors outside the US, where approved, and through named patient programmes where permitted.

Research and development: We conduct non-clinical and clinical studies to assess factors including the safety and efficacy of our pharmaceutical and medical device product candidates. We liaise with regulators over the development pathways for our products and their approvability. Current development programmes include PEM, a potential non-surgical treatment for varicose veins, and a number of exploratory studies using our drug-eluting beads to treat patients with primary and metastatic tumours in the liver. Our research and development personnel manage these activities and oversee the contract research organisations we utilise to conduct many of our studies.

Research and development activities are managed on a Group-wide basis. Revenues generated through successful commercialisation of programmes are included within the relevant operating segments.

Manufacturing: We manufacture the ovine polyclonal antibodies CroFab®, DigiFab® and AZD9773, which is partnered with AstraZeneca and is under development to treat severe sepsis. We also manufacture our embolisation and drug-eluting beads and our brachytherapy products. We will conduct the final manufacture of PEM at our Farnham facility.

Business development: We in-license or acquire products and late-stage programmes from other companies. We are seeking products and programmes that we can sell directly in the US through our existing commercial infrastructure. We are also opportunity-driven and consider products that may require separate sales forces to call on specialist physicians other than those who are currently our customers.

Our strategy
Our strategy to deliver long-term value is to be a focused, integrated, international specialist healthcare business. We focus on niche medical areas in which we can build a leading market position. By integrating our research and development, manufacturing, sales and marketing and business development activities, we can capture the full value of our marketed products. We operate internationally to expand the geographic use of our products, selling directly in the US and working elsewhere with local partners. We target the needs of specialist physicians and their patients, which means our sales forces are small and we can develop strong relationships with our customers.

During the year, BTG developed a new annual strategic planning cycle that commences with “horizon scanning” activities. These seek to understand trends in the global healthcare environment and changes in the competitive landscape, so that opportunities and challenges to our business can be identified. The Board and Leadership Team review corporate strategy and plans in light of this information. Strategic corporate priorities are defined for the short- and medium-term, which are cascaded into divisional, team and individual goals and used for budget development.

Our marketplace

We choose to operate in niche markets and selected geographies within the global healthcare market, which share certain characteristics:

- The physician customer groups are relatively small and can be serviced by small sales forces and support functions.
- Market sizes for particular specialisms are generally modest and competition is often more limited.
- Products often address relatively small patient populations; hence the size and cost of clinical trials to gain approval are manageable for a company of BTG's scale and resources.
- Reimbursement can usually be achieved as the products often address unmet needs.

Our current focus areas are Specialty Pharmaceuticals, principally antidote products, and Interventional Medicine, principally interventional oncology products for treating patients with tumours in the liver and prostate.

Within Specialty Pharmaceuticals, we have three marketed products: CroFab®, which is the only approved treatment for bites from North American pit viper snakes; DigiFab®, which is the only approved and available product for treating life-threatening toxicity resulting from treatment with digoxin; and Voraxaze®, which is the only approved treatment for life-threatening toxicity due to renal impairment resulting from treatment with high-dose methotrexate.

The market opportunity for these products relates to the number of incidents that occur – the number of snakebites for CroFab® and the number of toxic events associated with digoxin and high-dose methotrexate use. Annual revenue growth is anticipated to be in the mid to high single digit range. Higher growth in this franchise would result from the addition of new approved products. A potential future product addition is uridine triacetate (UTA). This is under development for treating toxicity associated with use of the chemotherapeutic 5-FU. There is no currently approved product in this indication.

BTG has acquired US and EU commercial rights from Wellstat Therapeutics Corporation, which is developing UTA.

Within Interventional Medicine, our marketed products are: Bead Block® and LC Bead™, both used for embolising hypervascularised tumours and arteriovenous malformations; DC Bead®, used for chemoembolisation of hypervascularised tumours; and brachytherapy products, primarily implantable seeds used to deliver low-dose radiation to localised prostate tumours.

We estimate, based on our own sales and published data from other manufacturers of interventional oncology products, that the global annual aggregate sales of these products have experienced double-digit growth between 2007 and 2011 and reached about $193m at the end of 2011. We believe the global market has the potential to reach $400m to $800m by 2020, with growth driven by: clinical data leading to extended approved uses for the products; geographic expansion, in particular into important Asian markets where penetration rates are currently very low; and product innovations that increase their usefulness to interventional radiologists.

BTG seeks to differentiate itself from competitors in the implantable oncology device market in a number of ways. We have designed our beads to have technical advantages over competing products. For example, we are developing beads that are pre-loaded with chemotherapeutic agents that will eliminate the need for the pharmacist to load the beads *in situ*. We recognise that data from high-quality clinical studies is important to the physicians who manage patients with liver tumours, so we are continuing to invest in such studies to generate data and to expand the approved indications for our products. We also aim to provide the best customer service and follow-up in our sector.

BTG bead revenues

£20.4m	**11/12**
£4.3m[1]	10/11

BTG brachytherapy revenues

£8.3m	**11/12**
£1.3m[1]	10/11

1 Includes approximately two months of trading following the Biocompatibles acquisition.

The US remains one of the world's largest markets for healthcare products and go-to-market costs are lower than in other fragmented markets such as Europe. Around 85% of BTG's total revenues are currently denominated in US dollars, making it our most important geographic market (although a proportion of our dollar-denominated revenues, for example royalties on BeneFIX® and Zytiga®, derive from worldwide sales, these are presented to BTG in dollars by a US-based licensee).

For these reasons our strategy is to sell our products directly in the US, where we now have sales forces in Specialty Pharmaceuticals and Interventional Medicine. Elsewhere, we currently sell through distributors, but we will review this as we build our product portfolio and our revenues outside of the US increase.

While CroFab® is used only in the US, DigiFab® and Voraxaze® have the potential for worldwide sales. We have recently gained approval for DigiFab® in Canada, Switzerland and the UK and following the US approval of Voraxaze®, we will work with other regulators to seek to make Voraxaze® available in a range of territories.

We believe there is significant scope to expand the geographic use of our bead products. In Asia, the underlying incidence of primary liver cancer is seven times higher than in Western countries, reflecting the higher incidence in Asia of hepatitis B and C, a major cause of liver cancer. Penetration of beads into Asian markets is currently very low.

BTG is working with partners in key Asian markets to gain approvals and reimbursement. In Japan, we are partnered with Eisai and a marketing application is currently under review by the Japanese regulator. In China our partner is SciClone; a 40-patient study using the DC Bead® loaded with doxorubicin has been completed, and we are in discussion with the Chinese regulator about additional requirements before we can submit a marketing authorisation application. In South Korea, limited reimbursement has been achieved and in Taiwan we are seeking reimbursement approval.

Our relationships

We operate in a highly regulated environment and are required to adhere to specific regulations in addition to the legal and regulatory frameworks that apply to most businesses. Some of these relate to our relationships with stakeholders in the medical supply chain including doctors, government officials and agencies, patients, trade bodies, suppliers and the worldwide media.

BTG's policy is straightforward in that we will uphold the law and all regulations in territories where we work, and we will act with transparency and integrity in our dealings with all our stakeholders. Our Code of Conduct describes our approach in detail.

Our people

BTG's success relies on attracting and retaining talented people. It is as important for us to employ people who adhere to our values as it is that they have the right technical skills and experience. We aim to foster a high-performance culture and have built performance monitoring systems and reward programmes to support that goal.

We employ around 525 people in the UK, US, Australia and Germany, the majority of whom are engaged in sales and marketing, research and development, manufacturing, corporate and support roles. 52% of our employees are female.

For more information on our human resources policies see our corporate responsibility report on pages 30 to 34 and our remuneration report on pages 61 to 75.

Sustainability

We are building a business that we believe is capable of delivering sustainable, profitable growth. Our strategy for this is to continue to develop our business as a specialist healthcare company focused on leadership in Specialty Pharmaceuticals and Interventional Medicine.

Sustainability is being achieved through: strategic planning, so we can respond to opportunities and challenges; research and development, to bring new products to market and to expand the use of

existing products; business development, to acquire or in-license new products and programmes; financial discipline, to make efficient use of our resources to drive profitable growth and deliver shareholder value; and strong governance, so we conduct all our affairs in a responsible way.

Performance in 2011/12

We use financial and non-financial indicators to monitor company performance. The key financial indicators are: revenue; gross margin; underlying operating profit; and cash management. Similar financial indicators are used in the Group's annual bonus scheme (see the Remuneration report on pages 61 to 75).

Each year the Board sets a number of corporate objectives which are cascaded into divisional, team and individual goals for the year.

Our progress against the objectives set for 2011/12 is as follows.

2011/12 objectives	Performance
Financial management	
— Achieve revenue, gross margin, profit and cash targets	— Delivered revenue of £197.0m (10/11: £111.4m); gross margin of 71.4% (10/11: 69.4%); underlying operating profit of £54.0m (10/11: £1.7m); closing cash and equivalents £111.9m (10/11: £73.9m)
— Deliver acquisition synergies	— Delivered acquisition synergies of £3.0m
Specialty Pharmaceuticals	
— Deliver production, revenue and profit targets	— Achieved overall; contribution of £39.4m
— Submit Voraxaze® BLA	— Voraxaze® US BLA submitted in June 2011 and approved in January 2012
Interventional Medicine	
— Deliver production, revenue and profit targets for beads and brachytherapy products	— Achieved overall; contribution of £6.8m
— Ensure readiness to sell LC Bead™ directly in the US from 2012	— Achieved; commenced selling LC Bead™ directly in the US in January 2012
— Progress beads expansion in Asian markets	— Partially achieved; 40-person study completed in China; limited reimbursement achieved in South Korea
— Complete all treatments in PEM Phase III trials	— Achieved; all studies completed
Licensing & Biotechnology	
— Deliver targets from sale/out-licensing of pipeline assets	— Not achieved
— Develop CellMed R&D/partnering plans	— Ongoing
— Meet R&D programme timelines	— Achieved
Corporate	
— Audit quality systems	— Achieved
— Audit global health and safety and environmental policies and procedures	— Achieved
— Grow company through product acquisitions	— Achieved; UTA licensed from Wellstat

Revenue

£197.0m 11/12
£111.4m 10/11

Gross profit

£140.7m 11/12
£77.3m 10/11

Corporate priorities

BTG's corporate medium-term goals are grouped into four categories: financial; delivering products for our customers and other stakeholders; enhancing internal processes and capabilities; learning and growth. Many of the objectives span a number of annual reporting periods. We will report progress against each goal annually.

Corporate objectives
Financial management
— Achieve revenue, gross margin, profit and cash targets
Delivering products for our key stakeholders
— Submit PEM NDA and prepare for commercial launch
— Build a leading position in the interventional oncology space
— Maintain leadership in antidote/rescue therapies and expand Specialty Pharmaceuticals business
— Identify and acquire new products to complement existing franchises
Internal processes/capabilities
— Focus R&D activities to best support growth in Interventional Medicine and Specialty Pharmaceuticals businesses
— Be an excellent corporate citizen by embedding Compliance, Quality and Environment, Health and Safety (EHS) in all activities
Learning and growth
— Enhance capabilities and capacity to support growth plans
— Define and implement global manufacturing strategy to support current business efficiently and deliver on growth strategy

Uridine triacetate

Specialty Pharmaceuticals

This antidote is in clinical development for the treatment of accidental overexposure to 5-fluorouracil (5-FU). We have acquired US and EU commercial rights from Wellstat Therapeutics Corporation.

Rolf Soderstrom
Chief Financial Officer

Our strong financial position enables us to continue to invest in the business to drive further profitable growth.

This has been another transformative year for BTG operationally and the step-change in the financial results reflect this. Revenue has grown by 77% to £197.0m as a result of direct selling CroFab® and DigiFab®, the acquisition of Biocompatibles in January 2011 and a strong performance from the Group's royalty revenue streams. Gross margin, at 71%, is slightly ahead of prior year, generating gross profit of £140.7m in the period, £63.4m higher than in the prior year.

Operating profit of £19.9m compares to an operating loss of £13.8m in the prior year. Operating profit before acquisition adjustments and reorganisation costs has grown to £54.0m compared to £1.7m in the prior year.

The Group generated £38.0m of cash, resulting in cash and deposits of £111.9m at 31 March 2012 (31 March 2011: £73.9m).

Specialty Pharmaceuticals

Revenue of £76.7m is more than twice the prior year comparative of £35.4m. This reflects the impact of the first full year of BTG direct sales of CroFab® and DigiFab® in the US. In the prior year these products were sold through a distributor for the first six months of the financial year, with BTG direct sales effective from 1 October 2010. Underlying sales volumes into the end market have also shown growth over the prior year.

Gross margin at 76% (10/11: 75%) is in line with expectations for this operating segment, generating £58.0m gross profit (10/11: £26.6m). After deducting selling, general and administrative expenses (SG&A) of £18.6m (10/11: £15.8m) this segment generated a profit contribution of £39.4m (10/11: £10.8m) reflecting a 51% operating margin (10/11: 31%).

Interventional Medicine

The Interventional Medicine segment represents the portfolio of beads and brachytherapy products acquired with Biocompatibles. The acquisition of Biocompatibles was completed at the end of January 2011, meaning that the year to 31 March 2012 was the first full year of ownership. The prior year comparative figures for Interventional Medicine include only two months of post-acquisition trading from this business.

Revenue of £28.7m (10/11: £5.6m) generated gross profit of £20.1m (10/11: £2.7m), representing a gross margin of 70% (10/11: 48%). Cost of sales includes the final release of a fair value uplift adjustment to inventory recognised upon acquisition of £2.1m (10/11: £1.7m). Excluding this adjustment, gross margin is 77% (10/11: 79%).

SG&A of £13.3m (10/11: £2.5m) includes some set-up costs and around half a year of direct sales force costs in relation to the sale of LC Bead™ in the US. The full run-rate of sales force costs will be reflected in the results of the current financial year.

Overall profit contribution margin from this segment was 24% (31% excluding fair value acquisition adjustments) and our expectation is that a full year benefit of direct sales in the US should see this increase in the current financial year.

Licensing & Biotechnology

The Licensing & Biotechnology operating segment includes revenues from BTG's licensed portfolio of intellectual property as well as income from the acquired Biocompatibles business.

Revenue of £91.6m is £21.2m ahead of last year. Revenue consists of recurring royalties of £79.2m (10/11: £60.3m), milestones and one-offs of £11.1m (10/11: £9.9m) and sales of CellMed products of £1.3m (10/11: £0.2m).

The principal contributors to recurring royalties are: BeneFIX® at £29.4m (10/11: £28.7m), the Two-Part Hip Cup at £13.0m (10/11: £12.4m) and for the first time this financial year, Zytiga® at £18.6m (10/11: nil).

The final Factor IX patent expired in March 2011 and BTG continues to

receive royalties on sales of inventory held by Pfizer at the patent expiry date. Further receipts in 2012/13 are yet to be confirmed by Pfizer, but BTG expects that it has now received the majority of royalties due.

The approval of Zytiga® triggered two milestone payments. Other contributors within milestones include the continued release of AZD9773 deferred income and the final release of deferred income in relation to the GLP-1 licence that was terminated by AstraZeneca in May 2011. In the prior year, the main contributors to milestones were a patent settlement over the MLC technology, the release of deferred income on AZD9773 and a milestone on submission of the US regulatory application for Zytiga®.

The gross margin of 68% (10/11: 68%) reflects the mix of licences contributing to revenue, as each of the royalty streams has its own onward obligation to the original inventors. This is expected to reduce in the current financial year as income from the BeneFIX® patents falls away.

SG&A includes the overheads specific to the management of the royalty business but also most centrally managed support functions and corporate costs. This has shown an increase of £1.6m to £17.0m in the period, principally reflecting the addition of the CellMed business.

Overall, this segment generated a profit contribution of £45.6m (10/11: £32.6m), reflecting a contribution margin of 50% (10/11: 46%).

Research and development

Expenditure on research and development increased to £39.7m (10/11: £32.1m). This increase principally reflects a full year of investment in the Biocompatibles R&D portfolio. The other major components of expenditure in the period were the PEM US Phase III trials and associated CMC and product development expenditures, the Voraxaze® BLA submission and associated work streams, the BGC20-0134 Phase IIa study and continued work in support of AZD9773.

Operating profit

Before acquisition adjustments and reorganisation costs

The Group achieved an underlying operating profit of £54.0m (10/11: £1.7m), reflecting additional profit contributions from the three operating segments offset by the increased investment in R&D. Foreign exchange gains of £2.6m were recorded in the year compared to losses of £2.0m in the prior year. An impairment charge of £3.0m has also been taken against the property, plant and equipment associated with the Novabel® product.

Acquisition adjustments and reorganisation costs

Costs of £34.1m (10/11: £15.5m) were recorded in the period, including amortisation and impairment of acquired intangible assets of £30.7m (10/11: £10.0m). Impairment charges totalling £12.4m (10/11: nil) are included in the total £30.7m (10/11: £10.0m). These were taken against the Group's carrying values of GLP-1 and Novabel® – two assets acquired with Biocompatibles.

In the prior year, acquisition and reorganisation costs of £3.8m were incurred in relation to the acquisition of Biocompatibles.

Net financial income

Net financial income of £3.1m (10/11: £3.0m) includes the write-back of two financial liabilities in the period. A loan of £2.8m from Merz in relation to Novabel® manufacturing fixed assets has been written back as the directors have no current expectation of repaying it, based on an agreement termination letter received from Merz. Also included within net financial income is £1.1m in relation to the Contingent Value Note issued to certain Biocompatibles shareholders upon acquisition. This is included in the acquisition adjustments and reorganisation costs column. The termination by AstraZeneca of their interest in the GLP-1 asset means that the directors have no current expectation of this amount being paid.

Underlying operating profit

£54.0m	**11/12**
£1.7m	10/11

Profit/(loss) before tax

£23.0m	**11/12**
(£10.8m)	10/11

The mark-to-market of foreign exchange forward contracts has resulted in a loss of £1.5m (10/11: profit of £2.7m) being recorded in the period.

Profit before tax
Group profit before tax has increased to £23.0m from a loss of £10.8m in the prior year. The principal drivers of this increase are the improved operating performance of the business segments offset by increased investment in R&D and asset impairments.

Tax
A tax charge of £8.4m has been included in the accounts (10/11: £20.0m credit). This reflects an effective tax rate of 37%. Current tax is £3.9m (10/11: £1.6m). Deferred tax is £4.5m (10/11: credit of £21.6m). The prior year's figure includes a one-off credit of £18.6m in relation to the recognition of a deferred tax asset in the US following a corporate restructuring that provided us with increased certainty over the future utilisation of these losses. The utilisation of the losses results in a deferred tax charge in each year that they are utilised.

Earnings per share
Basic earnings per share was 4.5p (10/11: 3.4p) on profit after tax of £14.6m (10/11: £9.2m). Adjusting for acquisition adjustments, restructuring costs and the one-off deferred tax credit recognised in the prior year, underlying EPS increased by 10.4p to 11.4p.

Balance sheet
Non-current assets have reduced from £358.9m at 31 March 2011 to £331.5m at 31 March 2012. The principal movements are amortisation, impairments and depreciation of £38.1m, and additions of £10.5m, including £5.4m in respect of distribution rights to Wellstat's uridine triacetate (UTA) development asset of which £0.7m is contingent consideration.

The Group's defined benefit pension fund liability, as measured under IAS19 – Employee Benefits, has reduced from a liability of £2.0m at 31 March 2011 to a liability of £0.1m at 31 March 2012. The principal movements are total contributions by the Company of £5.2m offset by actuarial losses of £2.9m and an income statement charge of £0.4m. The actuarial deficit at 31 March 2010, the date of the last formal valuation and measured in accordance with guidelines set by the Pensions Regulator, was £13.9m.

Current assets have increased by £44.7m since 31 March 2011 to £174.3m at 31 March 2012. The principal movements relate to cash and deposits (increase of £38.0m) and an increase in receivables of £7.4m reflecting accrued royalties on Zytiga® and direct sales of bead products for which there was no prior year comparative.

Current and non-current liabilities, at £99.6m are broadly in line with the position as at 31 March 2011. The principal movements relate to an increase of £4.5m in deferred tax liability following utilisation of losses recognised as a deferred tax asset, a net increase of £3.1m in trade and other payables offset by reductions in provisions of £1.2m, borrowings of £2.9m and pension liability of £1.9m.

Cash flow
The Group's cash and deposits have increased by £38.0m from £73.9m at 31 March 2011 to £111.9m at 31 March 2012.

Operating profit of £19.9m (10/11: operating loss of £13.8m) has generated £48.3m of operating cash flow (10/11: operating cash outflow of £10.7m). Non-cash charges for depreciation, amortisation, impairments and share-based payments of £40.7m (10/11: £25.9m) have been offset by contributions to the Group's defined benefit pension fund of £4.8m (10/11: £3.3m) and an increase in working capital of £7.5m (10/11: £17.1m). The increase in working capital is a result of a number of factors. We have taken the decision as part of our risk management strategy to build Specialty Pharmaceuticals inventory; new royalty accruals in relation to Zytiga® increase receivables and direct selling of

LC Bead™ in the US results in an increase in receivables as we retain 100% of revenue whereas the balance at 31 March 2011 was only that due from our distributor.

The Group's investing activities include the purchase of US commercial rights to Wellstat's UTA for an initial payment of US$7.5m and capital expenditure around the Group's manufacturing sites of £3.7m. Capital expenditure includes initial work at the Farnham site to which we have transferred PEM development and CMC activities.

Tax payments of £1.1m have been made, principally in the UK, as profits in this jurisdiction have arisen in statutory entities with insufficient tax losses.

Overall, the Group ends the year in a very strong financial position, with £111.9m of cash and deposits.

Summary and outlook

This has been another successful year for BTG. Operational progress has continued at pace, with the first full year of direct CroFab® and DigiFab® sales generating increases in end-market volumes; the launch of our second direct field force on 1 January 2012 for LC Bead™ in the US; the approval from the FDA of Voraxaze® and positive results from the PEM Phase III clinical trials.

Biocompatibles has been successfully integrated and we have met our cost savings and earnings enhancement commitments in the first full year of acquisition.

Looking ahead, the Specialty Pharmaceuticals operating segment is expected to see benefits from the commercial launch of Voraxaze® in the current financial year as we look to leverage the existing infrastructure to support this potentially life-saving product.

The Interventional Medicine business will benefit from the first full year of direct sales of LC Bead™ in the US.

Within the Licensing & Biotechnology portfolio, the commercial launch of Zytiga® is expected to result in a significant new royalty stream that will partially replace the BeneFIX® income stream from which BTG has benefited over the past 15 years.

Overall, we anticipate that revenue for the year ended 31 March 2013 will be in the range £180m to £190m.

Investments in our R&D portfolio will continue at a similar level, focusing on the development of PEM and studies designed to explore additional uses for our bead products.

BTG has entered the new financial year in a strong position, confident of continuing to deliver further profitable growth in the medium term.

Profit after tax

£14.6m	**11/12**
£9.2m	10/11

Basic underlying earnings per share

11.4p	**11/12**
1.0p	10/11

Principal risks and uncertainties

Our performance and prospects may be affected by risks and uncertainties relating to our business and operating environment. Our internal controls include a risk management process to identify key risks and, where possible, manage the risks through systems and processes and by implementing specific mitigation strategies.

The most significant risks identified in an annual update of the Group's risk register that could materially affect the Group's ability to achieve its financial and operating objectives are summarised in this section. Other risks are unknown or deemed less material.

Interruption to product supply

Risk:
BTG relies on third-party contractors for the supply of many key materials and services, such as filling and freeze-drying of end products. These processes carry risks of failure and loss of product. Problems at contractors' facilities may lead to delays and disruptions in supplies. Some materials and services may be available from one source only and regulatory requirements make substitution costly, time-consuming or commercially unviable. BTG's polyclonal antibody products rely on serum produced from our sheep flocks in Australia, which could be subject to disease outbreaks or fire. BTG relies on its single site in Wales for supply of manufactured antibody products, with the consequent possibilities for disruption to supplies.

BTG manufactures its own bead and brachytherapy products at single sites in Farnham, UK, and Oxford, CT, USA, respectively, with the consequent possibilities for disruption to supplies. BTG plans to undertake the manufacture of PEM at its Farnham site, requiring the establishment of new manufacturing facilities to meet the requirements of Good Manufacturing Practice. This site will require regulatory approval and a licence to support the commercialisation of PEM. Any delay in establishing this facility or obtaining the necessary manufacturing licences may result in a delay in the approval of PEM reducing future earning potential. The continuity of potential PEM revenues will also be subject to single source risk.

Controls and mitigating actions:
Rigorous monitoring of suppliers; dual sourcing implemented where practicable; inventories maintained and monitored through sales and operational planning process and production changes implemented where needed to ensure continued product supply; rigorous quality control procedures in place; regular checks made on sheep flock health; disaster recovery plans under regular review.

Patent invalidity, patent infringement litigation and changes in patent laws

Risk:
BTG can be subject to patent challenge at any time. Challenges can relate to the validity of BTG's patents or to alleged infringement by BTG of intellectual property rights of others, which might result in litigation costs and/or loss of earnings. BTG might be obliged to sue third parties for their infringement of its patents in order to protect revenue streams. Failure by BTG to maintain or renew key patents might lead to losses of earnings and liabilities to licensees or licensors. BTG may not be able to secure the necessary intellectual property rights in relation to products in development, limiting the potential to generate value from these products. Changes in patent laws and other intellectual property regulations in territories where BTG or its licensees conduct business that make it more difficult or time-consuming to prosecute patents, or which reduce the term of granted patents or periods of market exclusivity protection, could adversely impact the Group's financial performance. BTG's patent portfolio is currently subject to several challenges.

Controls and mitigating actions:
Dedicated internal resource supplemented by external expertise monitors patent portfolios, third-party patent applications and intellectual property rights; development and implemention filing, defence and enforcement IP strategies; robust processes in place to automate patent renewals; internal controls established to avoid disclosure of patentable material prior to filing patent applications.

Patent expiry, competition may reduce current revenues

Risk:
BTG's key current royalty-generating products are expected to continue to provide royalty revenues until their patents or licence agreements expire. Any unforeseen patent loss, supply, safety or compliance issues with these products could result in premature cessation of the revenues.

BTG earns revenues from sales of its acute care products CroFab®, DigiFab® and Voraxaze®. CroFab® is patent protected but DigiFab® and Voraxaze® have no patent protection at this time; CroFab® and DigiFab® are protected by significant know-how and complex manufacturing processes and BTG expects revenues to continue regardless of patent protection. However, future competition cannot be ruled out and competing products could materially adversely impact BTG's financial results.

Instituto Bioclon have announced the completion of a Phase III clinical trial of a potential competitor product to CroFab®.

BTG also earns revenues from sales of its bead and brachytherapy products, all of which are subject to competition. While these medical devices benefit from patent protection certain patents are subject to challenge.

Controls and mitigating actions:
New royalty streams may emerge. For example, regulatory approval in the US and elsewhere of Zytiga® as a treatment for men with advanced prostate cancer has resulted in new revenues during 2011/12; additional future royalty streams would result if alemtuzumab is approved to treat multiple sclerosis and from AZD9773 if approved to treat severe sepsis. BTG acquired US commercial rights to uridine triacetate from Wellstat Therapeutics Corporation in July 2011, and EU named patient supply rights in May 2012 which may lead to a new revenue stream if approved. Mitigations with respect to the bead products include product development, geographic expansion, appropriate IP lifecycle management and the conduct of clinical studies to expand their indicated uses and sales.

Failure to comply with regulations may result in product delays, failures, regulatory actions and financial penalties

Risk:
The pharmaceutical industry is highly regulated and the Group must comply with a broad range of regulations relating to the development, approval, manufacturing and marketing of its products. This is particularly true in the US, from which the Group derives most of its revenues and where the Group has established its own sales and marketing operations. Specific requirements relating to quality assurance apply to the Group's manufacture of products, particularly in the pharmaceutical area. Regulatory regimes are complex and dynamic, and alterations to the regulations may result in delays in product development, approval or withdrawal. Ensuring compliance with such regulations necessitates allocation of significant financial and operating resources.

Failure to comply with certain rules, laws and regulations may result in criminal and civil proceedings against the Group. Significant breaches could result in large financial penalties, which could materially adversely impact the Group's financial performance and prospects. Moreover, failure by BTG or a BTG partner company to comply with regulations may result in a product being withdrawn from the market with a subsequent loss of revenues.

Controls and mitigating actions:
A Code of Conduct has been established, supported by a mandatory training programme; robust compliance systems are in place to ensure sales and marketing activities comply with regulations in the US and other territories; standard operating procedures are in place to ensure compliance with good clinical and manufacturing practice and to manage pharmacovigilance requirements, monitored through quality control systems. Internal expertise is maintained to manage these risks.

Product liability and other key risks may not be capable of being adequately insured

Risk:
The manufacturing, testing, marketing and sale of BTG's products involve significant product liability and business interruption risks. As the developer, manufacturer and/or seller of certain products, BTG may be held liable for death or personal injury to persons receiving the products during development or after the product is approved.

Controls and mitigating actions:
BTG maintains product liability insurance and operates quality systems relating to the manufacture of its products and a pharmacovigilance system to monitor safety events arising with respect to products sold. It may not be commercially viable to adequately insure against the occurrence of other key risks.

Inability to access new products and programmes may limit future growth

Risk:
BTG conducts limited fundamental research to generate its own development programmes but instead seeks to acquire new products and late-stage development programmes from other organisations. There is significant competition from other companies also seeking to acquire new products and programmes who may have greater financial resources and sales and marketing reach than BTG. BTG may not be able to acquire suitable products and programmes, which will materially adversely impact the Group's financial future performance and growth prospects.

Controls and mitigating actions:
Dedicated product acquisition team in place; strategy is to focus on niche opportunities that leverage BTG's US commercial operations and those that may be a better fit with BTG than with other organisations. Development teams working to develop follow-on products from existing technology platforms such as embolisation beads.

The success of development activities and market acceptance is uncertain

Risk:
The development of medical products is inherently uncertain and the timelines and costs to approval may vary significantly from budget or expectation. The product may not demonstrate the expected safety and efficacy benefits and may not be approved by regulatory bodies, such as the US Food and Drug Administration. Manufacturing difficulties or patent litigation may cause programmes to be delayed or halted or products withdrawn. Failure of a late-stage programme such as PEM would materially adversely impact the Group's financial prospects. Regulatory approval requirements may change, resulting in further uncertainty. Even if a product is approved that is no assurance of commercial success.

Controls and mitigating actions:
Experienced development team in place; focus is on acquiring late-stage programmes that have already demonstrated proof of concept and potentially have lower-risk development pathways; development programmes monitored to identify risks and challenges and recommend mitigating and corrective actions. Certain products are licensed to other companies who may have greater resources to support product development. Regulatory team in place, consultation undertaken with applicable regulatory authorities.

Competition may erode revenues

Risk:
The Group operates in competitive markets. The products on which BTG currently earns revenues, or from which it anticipates earning revenues once on the market, face competition from other products that are already approved or in development. Competing products may have superior efficacy and side effect profiles, cost less to produce or be offered at a lower price than BTG's products; such competition could materially adversely impact Group revenues.

Controls and mitigating actions:
BTG focuses on niche opportunities addressing specialist markets where there is limited competition and high barriers to entry; CroFab® and DigiFab® have no current competitors; both products are complex to manufacture. We differentiate the embolisation and drug-eluting bead products from competitors by supporting a range of clinical studies to generate safety and efficacy data to expand their indicated uses.

Pricing and reimbursement pressures are increasing

Risk:
There is increasing pressure on healthcare budgets causing payers to demand increasing treatment and economic benefits before agreeing to reimburse product suppliers at all or at appropriate prices. In March 2010, healthcare reform legislation was adopted in the US, requiring manufacturers to increase the rebates or discounts they give on products reimbursed or paid for by public payers including Medicaid and Medicare. The purpose of the reform is to increase healthcare coverage in the US population and to manage treatment of chronic conditions efficiently and cost effectively. Management of acute conditions is generally not affected. BTG's acute care and implantable oncology products treat serious medical conditions and the impact of existing healthcare reform on current Group revenues is not expected to be material to the Group's financial position. Approval and commencement of sales in the US of PEM, a potential treatment for varicose veins, may result in the Group increasing the discounts or rebates given on its other reimbursed products in the US. If BTG acquires products in future that are more impacted by healthcare reforms, revenue expectations could be lower. Failure of a product to qualify for government or health insurance reimbursement or the failure to achieve an appropriate sales price could adversely impact the Group's financial performance. Future healthcare reforms may become more onerous and may have a negative impact on Group revenues.

Controls and mitigating actions:
BTG focuses primarily on niche products that address serious unmet needs; early on in a product's development, the Group conducts pricing and reimbursement studies; the assessments of potential new products will include an assessment of healthcare reforms on pricing and reimbursement.

Currency and treasury effects can adversely impact results

Risk:
Many of BTG's revenues and receipts are denominated in US dollars and movements in foreign exchange rates could adversely impact results.

Controls and mitigating actions:
BTG actively manages its exchange risks where feasible, using short-term hedging transactions guided by market expectations and economic forecasts to seek to match actual receipts and payments over a rolling 12-month period to those forecast. This policy can result in both exchange gains and losses but provides a level of certainty over cash receipts.

Our business can only be a success if we implement our strategy, behave ethically, care for the environment, and foster stronger relationships in the communities where we operate. This makes good business sense, building reputation and trust with our customers and driving more efficient business processes.

BTG is a member of the FTSE4Good index series, designed to measure objectively the performance of companies that meet globally recognised corporate responsibility standards.

BTG is also a constituent of the Kempen SNS SRI Universe, which indicates that we have passed stringent criteria and can be considered a company that demonstrates a clear strategy towards corporate responsibility.

Our strategy is to grow our business both organically and by acquisition, retaining our focus on serving the needs of specialist healthcare physicians operating in niche markets.

Our corporate responsibility (CR) reporting criteria, listed below, have been chosen as the most relevant to us and our stakeholders, following a review of our business impacts and a comparison with those of our peers.

1. Business ethics
2. Research and development
3. Suppliers and customers
4. Community
5. Environment

In this report we focus on the key activities during the last year. A comprehensive report on all of our ongoing CR activities, together with key policies and procedures, is accessible in the Responsibility section of our corporate website at www.btgplc.com.

1. Business ethics

Code of Conduct

Our Code of Conduct describes the principles, policies and procedures that we have developed to promote the ethical behaviours that we expect from all our employees globally. The core principle is that every one of us must take individual responsibility for behaving ethically and compliantly and that we are each accountable for our actions. It is regularly updated to reflect changes in legislation and best practice and Code of Conduct training is a mandatory requirement for all employees.

Anti-bribery and corruption

In July 2011 the UK Bribery Act came into effect. Our expanding commercial activities sometimes mean that we find ourselves operating in parts of the world where bribery and corruption are more prevalent. We take a zero-tolerance approach to illegal activity and we are committed to implementing and enforcing effective systems to counter it. We recently engaged the services of an agency to assist us with global anti-bribery compliance assessments. We have also launched a new anti-bribery and anti-corruption policy and provided training for all of our employees.

Human rights and anti-slavery

In January 2012, the "California Transparency in Supply Chain Act" came into effect requiring companies doing business in the state of California, and having annual worldwide gross receipts in excess of $100m, to disclose their efforts to eradicate slavery and human trafficking from their direct supply chain. BTG recognises numerous international standards including the United Nations Universal Declaration of Human Rights and its subsequent changes. We are developing a human rights policy, defining a companywide standard for human rights, that is consistent with internationally recognised standards. We are also in the process of developing a business partner Code of Conduct founded upon the Pharmaceutical Supply Chain Initiative's (PSCI) Principles, the United Nations Global Compact Principles, our Code of Conduct and Values. We aim to finalise these key initiatives within the 2012/13 financial year.

Employee well-being

We operate a number of programmes designed to protect and enhance employee satisfaction, mental and physical health. This contributes both to retention and productivity of our employees. In early 2012 we launched a number of independent and confidential Employee Assistance Programmes (EAP) in all countries where we have operations. These free services provide employees and their families with practical information and advice concerning a range of topics affecting health, family, money matters and work.

Training and development

Continuous learning is one of our core company values. We recently launched an annual learning and development plan for all employees, encompassing a range of core skills and mandatory training, IT training, Environment, Health and Safety (EHS) training, and management development. Employees also receive annual values training to help them recognise the importance our

values play in building a strong business. We incentivise and reward values-based behaviour by including a values-based assessment as part of our annual employee appraisal process.

Status of targets for 2011/12
- Complete compliance training for our new colleagues at former Biocompatibles sites and roll out a compliance certification process for all employees. **Completed**.
- Complete Horizons 2, the second companywide leadership training programme. **Completed**.

Targets for 2012/13
- Responsible and ethical commercialisation: Further standardise and embed the processes we use to review and approve promotional materials and external requests for financial support.
- Transparency of business practices: Provide visibility of our interactions with healthcare professionals and utilise robust monitoring and auditing techniques to identify areas of non-compliance with our policies.
- Ensuring our business partners share our values, fighting corruption: Continue to complete due diligence, per our policies, on third-parties who conduct business on behalf of BTG.

2. Research and development

We completed a number of clinical trials during the last year including some pivotal Phase III trials of PEM in development as a treatment for varicose veins. We perform our clinical trials in accordance with the applicable directives/laws and the global standards of good practice, full details of which are on our website. During the last year, we launched online annual Good Clinical Practices (GCP) certification training for relevant employees and we aim to expand this training during next year.

We obtain written informed consent from trial subjects by providing fair and balanced information to help them understand the potential risks and benefits associated with participation in a given trial. The rights, safety and well-being of trial subjects are paramount and prevail over any commercial or business interests. We always protect the confidentiality of trial subjects and abide by data protection laws. We have set in place procedures to monitor and report any adverse events during trials to the relevant regulatory authorities and we regularly update and reissue these to reflect changes in legislation and best practice and provide training for all relevant employees.

Status of targets for 2011/12
- Launch online annual Good Clinical Practices (GCP) certification training companywide. **Completed**.
- Launch a new process to invite, evaluate, approve and implement independent programmes (grants, investigator-initiated studies, continuing medical education, etc.) that deserve our support. **Ongoing**. A new policy on investigator-initiated studies is due to be launched shortly.

Targets for 2012/13
- Ensure we continue to meet our ethical obligations to clinical trial subjects: Update and relaunch our internal procedures to evaluate and respond to any serious adverse events in our clinical trials.
- Launch and complete mandatory training for all relevant employees on Good Practices (GxP), including Good Laboratory Practices (GLP), Good Clinical Practices (GCP) and Good Manufacturing Practices (GMP).
- Enhance processes for responding to investigator-initiated studies: Finalise new investigator-initiated study policy and standard operating procedure, and provide improved transparency on grant support process.

3. Suppliers and customers

Suppliers

This year, as part of a new screening process conducted when selecting new suppliers of services or materials used in the manufacture of our products, we have started to complete an ethical assessment. We aim to make this a requirement over the longer term. The results of the assessment are used by us to help identify slavery-related human rights concerns, and to inform the business partner selection process.

"Our business is all about people, the business partners we execute deals with, the colleagues with whom we work every day, and the investors who support our growth. Most of all, it's about our customers, the patients who are treated with our medicines and the specialist healthcare physicians who serve them.

All of these people depend on us and we recognise our responsibility to them."

Louise Makin
Chief Executive Officer

Employees from our Nashville office, together with family members, participated in Light the Night Walk, the Leukemia and Lymphoma Society's annual fundraising walk to raise funds for life-saving research and patient services.

Charitable contributions made by the Group during the year

£5,989	**11/12**
£12,921[1]	10/11

1 Included a €10,000 donation to the Red Cross Japanese tsunami appeal.

We provide information, instruction and training to our employees directly involved in the selection of new suppliers and ongoing management of existing suppliers. This training covers responsibilities for ensuring ethical business practices. Our business partner contracts ensure that all work conducted by business partners on our behalf is in accordance with all applicable laws, regulations, governmental requirements and industry guidelines.

Customers

Sales and marketing compliance is essential for all companies working in the healthcare industry and mandatory compliance training is given annually to all employees. We also recognise our obligation to ensure that all adverse events are reported, so during the year we harmonised pharmacovigilance procedures across the Company for our marketed and named patient products.

We pride ourselves on the close relationships we forge with the specialist physicians who prescribe our products. During the last year we completed a number of educational initiatives aimed at supporting their treatment of patients. We commissioned an educational video on the management of North American pit viper envenomation and a treatment protocol to provide guidance on using CroFab®.

During the year our brachytherapy business provided over 4,200 kits (including the loading service) to patients in North America, Europe and Australia for the treatment of early-stage prostate cancer. This business also operates an indigent patient programme to decrease the burden poorer patients may bear in the cost of their treatment. In certain circumstances, we provide financial assistance to patients who have no insurance coverage and no other source of reimbursement.

Status against targets for 2011/12

— Consolidate our different supplier questionnaires incorporating CR questions to provide evidence of the level of ethical, quality and compliance practices of BTG's contractors. **Not completed**. BTG has separate supplier questionnaires/processes in place for ethics/compliance and quality. Each has different objectives so after a review the CR team decided that consolidation was not merited.

— Launch the new quality policy manual and provide training and development for UK employees to emphasise the importance of quality throughout the organisation. **Completed**.

Targets for 2012/13

— Taking responsibility for our supply chain: Formation of a responsible supply chain policy, including written supplier requirements.

— Ensuring patients have fair access to our products: Finalise standard operating procedure to make unlicensed medicinal products available for compassionate use in the situation where there is no distributor in place.

4. Community

Charitable giving

Our global Charitable Giving Policy, launched in early 2012 aims to ensure that our approach to charitable giving is fair and in line with our company values. We give to charities which principally either support diseases or conditions in which we are therapeutically focused as a business or that benefit the local communities in which we operate. In addition, we encourage employees to support events to raise money for their chosen charities and we may match individual donations up to a cap of £250.

In the UK we operate a Give As You Earn scheme. This enables employees to donate efficiently, so money that would normally be given in tax goes to their chosen charity instead.

In October 2011 a number of employees from our Nashville office, together with family members, participated in Light the Night Walk, the Leukemia and Lymphoma Society's annual fundraising walk to raise funds for life-saving research and patient services and bring hope to people battling cancer. This is particularly relevant to BTG as in early 2012 we received US regulatory approval of Voraxaze®, used in the treatment of methotrexate toxicity. Methotrexate chemotherapy is often used as a treatment for lymphoma.

Our London office organised Hunt Your London during the year, a team based treasure hunt around the City of London. This was a fun team-building exercise and also raised money for one of our corporate charities, Contact the Elderly.

During the last year we made donations to a number of charities and more information on these is available on our corporate website.

Status of targets for 2011/12

— Launch a new global Charitable Giving Policy to provide guidance to our employees and to ensure we are fair in our approach to giving and do so in line with our company values. **Completed**.
— Organise community/charitable activities at each site to raise money for our local corporate charities. **Ongoing**. Activities took place in some but not all sites. To be rolled out fully for the next financial year.

Targets for 2012/13

— Organise community/charitable activities and initiatives at each of our sites to raise money for our local corporate charities.
— Review equivalent options to extend our Give As You Earn scheme to other territories.

5. Environment

Health and safety

In November 2011, we launched an updated global Environment, Health and Safety policy and provided training for all employees. It states that in line with our values we are committed to taking all reasonable measures to implement the following fundamental principles throughout all aspects of our business and in all regions where we operate:

— We will protect the health and safety of all employees, customers and others who come into contact with us through our business activities.
— We will protect the environment and our communities by minimising any potential adverse effects of our operations.
— We will seek to support the long-term growth of our business by reducing our environmental impacts and increasing our use of renewable resources.

An internal monitoring and auditing system for all sites commenced in 2012. Audits will be undertaken periodically, against this Health and Safety policy and the underpinning standards.

This year we have started to report a lost time accident rate for our employees, the number of lost days per 100,000 hours worked and average length of time off during the year.

Sustainability

We recognise that managing our resources is an essential part of our commitment to becoming more sustainable. We have always monitored and measured water consumption at each of our production sites and this year we have started reporting the figure publicly. Water has always been a valuable resource in Australia and it has become a valuable resource at all of our production sites in recent years as global demand increases.

We recycle as much of our waste as we can. This year we have started reporting landfill from each of our production sites as a quantitative reflection of our non-recyclable waste.

Lost time accident rate 2011/12

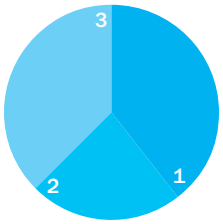
1.29 days
per 100,000 hours worked[1]

1 This includes all accidents where one or more days are lost. UK companies usually only report when three or more days are lost.

Water consumption at production sites 2011/12

21,430m³

Waste from each of our production sites 2011/12



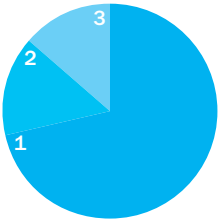
1. Recycled **345t (40%)**
2. Hazardous waste (incineration) **200t (23%)**
3. Landfill **327t (37%)**

Electricity consumed during 2011/12

6,441 MWh[1]

1 Data from all operational sites with more than 20 employees, excludes transport.

CO_2 equivalent emissions generated during 2011/12[1]



1. Purchased electricity	**3,274t (72%)**
2. Oil heating	**676t (14%)**
3. Gas heating	**623t (14%)**

1 Conversion factors used:
UK electricity, Gas & Oil UK Environment Agency 2009.
Australia & Germany Electricity EA 2008.
US Electricity 2007.

Energy efficiency

We regularly assess the environmental impact of our business to ensure that we are taking advantage of all opportunities to improve our performance and efficiency.

We operate an international supply chain for the manufacture of our acute care products which involves international transportation over long distances. We aim to transport in bulk where possible and use the most efficient transportation to save money for the Company and reduce our carbon emissions. We have a number of initiatives underway to evaluate whether there are any manufacturing cost savings or other efficiencies to be made and aim to report progress during the coming financial year.

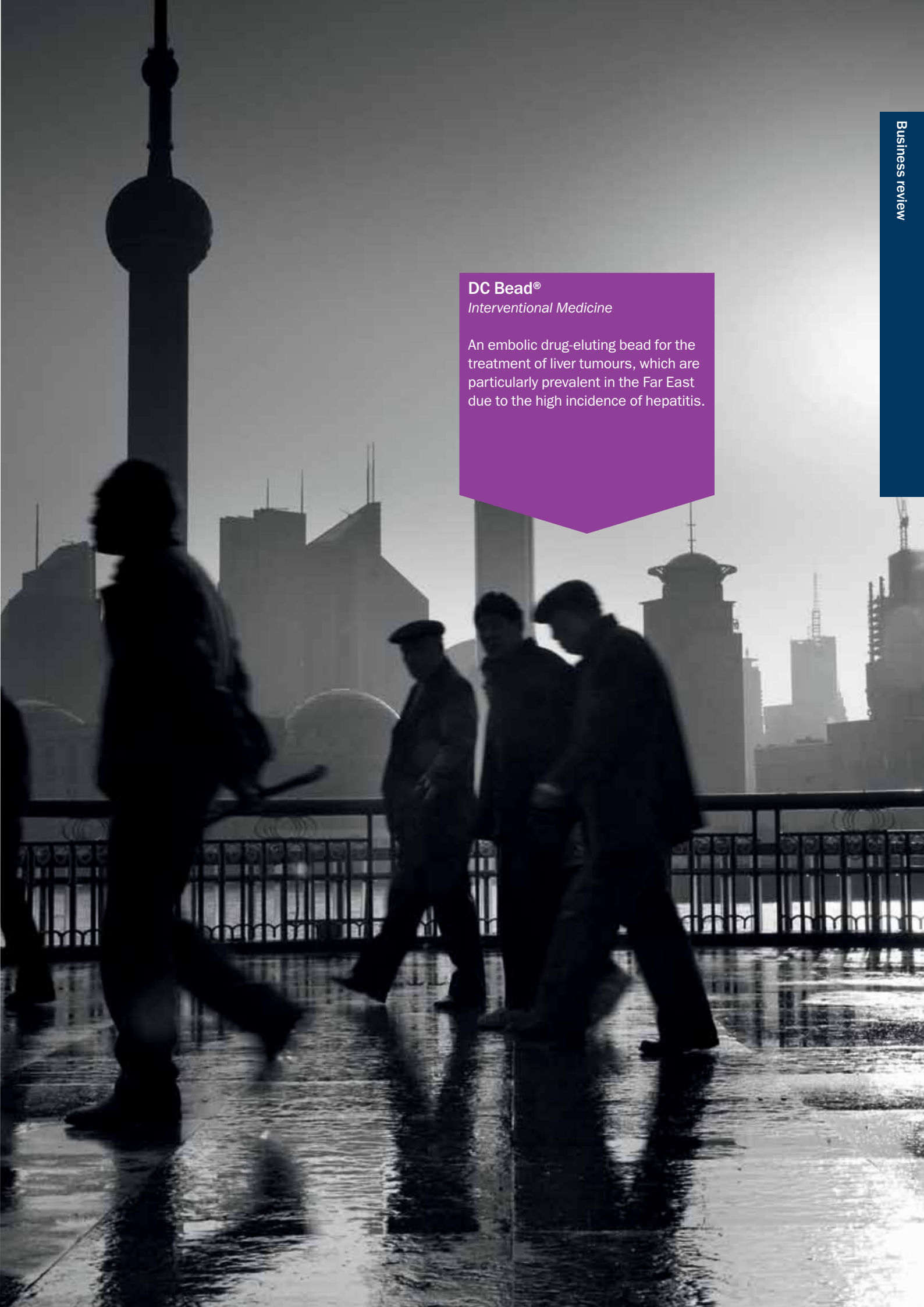
We monitor electricity and gas consumption at manufacturing sites and offices which employ more than 20 people, and we try to reduce carbon emissions and increase energy efficiency wherever possible. This year we have rebased our reported figures providing a new base year for comparison going forwards. We participate in the Carbon Disclosure Project. We currently fall below the threshold for participation in the UK government's Carbon Reduction Commitment Energy Efficiency Scheme.

Status of targets for 2011/12

- Review and restructure Environment, Health and Safety policies across all sites, ensuring common policies are in place and in use. **Completed**.
- Drive use of common metrics and reporting standards across all sites. **Completed**.

Targets for 2012/13

- Build a global environmental management system.
- Apply an appropriate intensity metric to our energy consumption figures for 2012/13.
- Evaluate and set quantative environmental targets for 2012/13.



DC Bead®
Interventional Medicine

An embolic drug-eluting bead for the treatment of liver tumours, which are particularly prevalent in the Far East due to the high incidence of hepatitis.

Directors and governance

36 Board of directors
38 Directors' report
43 Corporate governance
54 Audit Committee report
59 Nomination Committee report
61 Remuneration Committee report
76 Statement of directors' responsibilities
77 Independent auditor's report to the members of BTG plc

Board of directors

Garry Watts
Chairman ● [1]
Garry Watts, FCA, MBE, joined the Board of BTG as non-executive Chairman in January 2012.

Garry is Chairman of Spire Healthcare and of The GADA® Group. He is the senior independent director of Stagecoach Group plc and a non-executive director of Coca-Cola Enterprises, Inc. Until December 2010, he was for seven years CEO of SSL International plc and before that CFO. Garry is a former partner at KPMG. He was previously an executive director of Celltech plc and of Medeva plc and a non-executive director of Protherics PLC. Other roles have included 17 years as a member of the UK Medicines and Healthcare Products Regulatory Agency Supervisory Board.

Louise Makin
Chief Executive Officer
Louise Makin, MA, PhD (Cantab), MBA, joined BTG as Chief Executive Officer in October 2004 and she is a non-executive director of Premier Foods plc.

From 2001, she was President, Biopharmaceuticals Europe of Baxter Healthcare, where she was responsible for Europe, Africa and the Middle East. Louise joined Baxter Healthcare in 2000 as Vice President, Strategy & Business Development Europe. Before joining Baxter, she was Director of Global Ceramics at English China Clay and prior to that she held a variety of roles at ICI between 1985 and 1998.

Rolf Soderstrom
Chief Financial Officer
Rolf Soderstrom, BA, ACA, joined BTG as Chief Financial Officer in December 2008 from Protherics PLC, where he was Finance Director from August 2007.

From 2004, he was a Divisional Finance Director of Cobham plc, managing a portfolio of businesses across Europe and the USA. From 2000 he was a Director of Corporate Finance at Cable & Wireless plc. Prior to this, he worked in the Corporate Recovery and Corporate Finance Department of PricewaterhouseCoopers after qualifying as a Chartered Accountant.

Peter Chambré ■ ●
Non-executive director
Peter Chambré joined BTG as a non-executive director in September 2006. Peter is Chairman of Xellia Pharmaceuticals AS, OneMed AB, Cancer Research Technology Ltd and 7TM Pharma A/S. He is also a non-executive director of Spectris plc, the precision instrumentation and controls company.

Peter was Chief Executive Officer of Cambridge Antibody Technology Group plc from 2002 until its acquisition by AstraZeneca plc in 2006. Previously he was Chief Operating Officer of Celera Genomics Group and Chief Executive of Bespak plc.

Giles Kerr ■[1]▲●
Non-executive director
Giles Kerr, FCA, joined BTG as a non-executive director in October 2007 and is the Company's Senior Independent Director.

Giles is currently the Director of Finance with the University of Oxford, UK. He is also a non-executive director of Victrex plc, Elan Corporation plc and Isis Innovation Ltd. Previously Giles was the Group Finance Director and Chief Financial Officer of Amersham plc, acquired by GE Healthcare in 2004. Prior to his role at Amersham, he was a partner with Arthur Andersen in the UK. He is a graduate of the University of York.

Melanie Lee ▲
Non-executive director
Melanie Lee, PhD, CBE, FMedSci, DSc (Hons), joined BTG as a non-executive director in November 2010.

Melanie is the Chief Executive Officer of Syntaxin Limited, a Founder and director of the pharmaceutical consultancy Think10, and a non-executive director of H Lundbeck A/S. Melanie was previously the Chair of Cancer Research Technology and a Trustee and Deputy-Chair of Cancer Research UK. During her career Melanie has held a number of positions at Glaxo, GlaxoWellcome, Celltech and UCB. In 2008, Melanie was honoured with a CBE for her services to Medical Science.

Key to Committees
- ■ Audit Committee
- ▲ Remuneration Committee
- ● Nomination Committee
- [1] Committee chairman

Ian Much ■▲[1]●
Non-executive director
Ian Much joined BTG as a non-executive director in August 2010.

Ian is currently a non-executive director and the senior independent director of Chemring Group PLC and Senior plc. Ian was Chief Executive of De La Rue plc between 1998 and 2004 and Chief Executive of T&N plc between 1996 and 1998. Previous non-executive director appointments include Manchester United plc, Camelot plc and Admiral plc.

Jim O'Shea ●
Non-executive director
Jim O'Shea joined BTG as a non-executive director in April 2009. He is a director of Zalicus Inc., Trevi Therapeutics, Inc. and MAP Pharmaceuticals, Inc. and 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.

The directors present their report together with the financial statements and the independent auditor's report for the year ended 31 March 2012.

Principal activities and business review

The principal activity of the Group is as an international specialist healthcare company, focusing on three business areas: Specialty Pharmaceuticals, Interventional Medicine and Licensing & Biotechnology. The mission of the Group is to bring to market medical products that meet the needs of specialist physicians and their patients. The results of the Group are set out in detail on pages 80 to 84 and the accompanying notes.

The Company 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 Company during the year and at the year end and a description of the principal risks and uncertainties it faces. This information is contained in the following statements and reports, which are incorporated into this report by reference:

- The Chairman's statement on page 6, the Chief Executive Officer's review on pages 8 to 14 and the business review on pages 16 to 20 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 and uncertainties facing the Group are set out on pages 26 to 29.
- Information relating to the environment, employees and stakeholders is set out in the corporate responsibility report on pages 30 to 34.

This information is prepared solely to assist shareholders to assess the Company's strategies and the potential for those strategies to succeed. The directors' report should not be relied upon by any other party or for any other purpose. Forward-looking statements 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 inherent uncertainties, including economic and business risk factors.

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

Results and dividends

The results for the year and the financial position at 31 March 2012 are shown in the consolidated income statement on page 80 and the consolidated statement of financial position on page 82. The directors do not recommend the payment of a dividend for the year (10/11: nil). The results of the Group for the year are explained further on pages 22 to 25.

Directors and their powers and interests

The directors of the Company at the date of this report, together with their biographical details and dates of appointment, are shown on pages 36 and 37. The Board confirms that each of the directors who served during the year, with the exception of the Chairman, have been formally appraised during the period and that they continue to demonstrate commitment to the Group, the Board and to their role.

John Brown, who joined the Board in January 2008 and became Chairman in March 2008, retired from the Board on 31 December 2011. Garry Watts, who joined the Board on 1 January 2012, was appointed Chairman in his place as from that date. As Garry Watts had only recently joined the Company, it was considered too early to undertake a formal appraisal process. His performance will be appraised in the coming year.

In accordance with the UK Corporate Governance Code, all directors of the Company will stand for election or re-election annually. The Board is proposing the election of Garry Watts, who has been appointed to the Board since the last AGM, and the re-election of all the other directors.

In accordance with the Company's articles of association, throughout the year the Company has maintained cover for its directors and officers and those of its subsidiary companies under a directors' and officers' liability insurance policy as permitted by sections 232 to 235 of the Companies Act 2006. The Company has entered into separate Deeds of Indemnity in favour each of its directors to the extent permitted by law. Neither the insurance nor the indemnities provide cover where the relevant director or officer has acted fraudulently or intentionally breached the law.

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 remuneration report on pages 61 to 75. 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 can be found on pages 43 to 53.

Corporate responsibility
Information on the Company's social, environmental, health and safety and ethical considerations, charitable donations and policies regarding its employees may be found in the corporate responsibility report on pages 30 to 34.

Share capital and shareholders
As at 31 March 2012 the issued share capital of the Company was £32,729,287, divided into 327,292,865 shares of 10p each. During the year the share capital increased by 566,959 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 21 to the financial statements on page 111. At 31 March 2012, the Company had 10,727 shareholders (10/11: 12,080). Further details of shareholdings and Company reporting dates may be found on page 141.

Under the terms of the acquisition of the Biocompatibles Group in January 2011, shareholders were entitled to receive 1.6733 new shares in the Company and either 10p cash or a Contingent Value Note (CVN). The CVN entitled the recipient to participate in value that potentially could have been achieved from Biocompatibles' programme to develop a GLP-1 analogue product known as CM-3 in the area of diabetes, which it had partnered with AstraZeneca. If that programme had been successful, the holder would have been entitled to receive the sterling equivalent of €0.56 in cash for each CVN held.

The Company announced on 13 May 2011 that AstraZeneca had terminated the development and option agreement relating to CM-3. As a result of AstraZeneca's decision, the Company believes it is highly unlikely that any payment will be made in relation to the CVNs. The payment obligation would only now arise if the Group entered into another form of licence, sale or other disposal of the CM-3 asset to the AstraZeneca Group prior to 31 December 2012. In light of AstraZeneca's decision to terminate the development and option agreement, the BTG Board does not believe that there is any realistic possibility that this will occur.

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. Further details of the Trust are set out in note 27 to the financial statements on page 120.

Details of outstanding share options and awards are set out in note 26 to the financial statements on pages 116 to 120.

As at 31 March 2012, and at the date of this report, the Company had been notified of the following interests held, directly or indirectly, in 3% or more of the Company's issued share capital.

	Shareholding	% holding
Invesco Asset Management	96,330,688	29.4
M&G Investment Management Ltd	44,089,248	13.5
AXA Framlington Investment Management Ltd	13,606,525	4.2
Standard Life Investments Ltd	12,190,096	3.7
Legal & General Investment Management Ltd	11,255,782	3.4
Aviva Investors	11,154,064	3.4

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, for instance, contain certain specific provisions and restrictions regarding the Company's power to borrow money. Powers relating to the issuing and buying back of shares are included in the Articles and are subject to such authorities being approved annually by shareholders at the Annual General Meeting (AGM). There is no current intention of requesting the authority to buy back shares of the Company. The rules for the election and re-election of directors are set out in the Articles however, as reported on page 48 of the corporate governance report, the directors will stand for annual re-election at the AGM, in accordance with the UK Corporate Governance Code.

Change of control

There are a number of agreements that take effect after, or terminate upon, a change of control of the Company, 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 Company and its directors or employees that provide for compensation for loss of office or employment following a takeover of the Company.

Research and development
Research and development (R&D) is an important part of the Group's activities. The Group focuses in the areas of Specialty Pharmaceuticals and Interventional Medicine and developing and bringing new products to market is a very important part of the Group's business. The Group spent £39.7m (10/11: £32.1m) on R&D during the year. See pages 16 and 23 for more information on the Group's R&D activities and areas of focus.

Policy on payment of creditors
It is the Group's policy to abide by the terms of payment agreed with suppliers. In many cases, the terms of payment are as stated in the supplier's own literature. In other cases, the terms of payment are determined by specific written or oral agreement.

At 31 March 2012 the total owed to trade creditors by the Group was equivalent to 38 days average purchases (10/11: 33 days). The Company had no trade creditors at that date (10/11: nil).

Treasury management
The Group's policy on the use of financial instruments and the management of financial risks is set out in note 29 to the accounts on pages 121 to 126.

Going concern
The Group's business activities and the factors affecting its performance, position and future development are set out in the Chief Executive's review on pages 8 to 14 and the business review on pages 16 to 20.

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. On the basis of this review, and after making due enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue to operate for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Annual General Meeting
The Annual General Meeting of the Company will be held at 2.00pm on 17 July 2012 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 re-appoint the auditor and elect or re-elect the directors.

The Notice convening the meeting, together with the special business to be considered and explanatory notes for each resolution, is distributed separately to shareholders. It is also available on the Company's website: www.btgplc.com, where a copy can be viewed or downloaded in 'PDF' format by following the link to Investor Relations and then Report and Accounts.

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 Company'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 Company's auditor is aware of that information.

Auditor
Resolutions will be proposed at the forthcoming Annual General Meeting, to re-appoint KPMG Audit Plc as auditor and to authorise the directors to determine its remuneration.

By order of the Board

Dr Paul Mussenden
Company Secretary

18 May 2012

Corporate governance

Dear Shareholder

I am pleased to present the corporate governance report on behalf of the Board.

The corporate governance landscape continues to evolve and the financial crisis in 2008/09 triggered a widespread reappraisal of corporate governance systems. Following the Walker report issued last year recommending changes to the governance of financial institutions, the Financial Reporting Council (FRC) produced an updated code relating to governance in other listed companies.

The new UK Corporate Governance Code (the Code) came into force for accounting periods beginning on or after 29 June 2010 and we comply with the Code from this year's reporting period although we implemented some provisions early, in particular those relating to the annual re-election of directors.

Significant changes brought in by the Code include an emphasis on the role of the Chairman, his responsibility for leadership of the Board and ensuring its effectiveness; the annual re-election of directors and an emphasis on the diversity of the Board, particularly in relation to gender diversity; the time commitment required from directors; the requirement for external evaluation of boards at least every three years; and an emphasis on the responsibility of boards for identifying and monitoring risk.

Following the Davies Report recommendation that FTSE 350 companies should set out the percentage of women they aim to have on their Boards in 2013 and 2015, my predecessor, John Brown, issued a statement at last year's AGM stating that we already meet the recommended target (albeit for FTSE 100 boards) of 25% of the members of the Board being women. We will continue to monitor the position to ensure we have an appropriately diverse board, not just by way of gender but also in a wider sense, to ensure the Board continues to be fit for purpose.

The Board believes that it is important to maintain an open dialogue with our shareholders. During the year Louise Makin, our CEO, held over 30 meetings with institutional investors and Rolf Soderstrom, our CFO, met with over 20 institutional investors. In addition Louise Makin gave presentations at a number of conferences which were attended by existing and potential shareholders as well as industry representatives. My predecessor, John Brown and I both believe that it is important for the Chairman to meet investors, along with other members of the Board, and so have always sought to make ourselves available to meet any who wish to see us.

At the Company's AGM on 17 July, all directors will attend and be available to meet investors as usual for face-to-face discussions.

The following pages explain in detail how the Company applies the Code in its day-to-day operations.

Garry Watts
Chairman

The Board believes it is important that the Company does not just follow the new Code as a mechanical exercise but that it actively embeds an appropriate governance culture throughout the organisation in order to continually improve standards and build a successful company. This report explains how the Company applies the principles of the Code. More information on the Code can be found on the FRC website, www.frc.org.uk.

Board composition, responsibilities and balance

Board composition

The Board comprises six non-executive directors, including the Chairman, and two executive directors. The Board was chaired by John Brown until his resignation on 31 December 2011. He was succeeded by Garry Watts, who joined the Board as non-executive Chairman on 1 January 2012. The Chairman is responsible for leading the Board and ensuring the effectiveness on all aspects of its role. The Chief Executive Officer, Louise Makin, is primarily responsible for the running of the Group. Rolf Soderstrom, Chief Financial Officer, is responsible for all financial reporting, tax and financial control aspects of the Group, providing support to the CEO and the wider business activities of the Group.

Giles Kerr has been the Company's Senior Independent Director (SID) since July 2008. His principal role as SID is to support the Chairman in his role; to work with the Chairman and other directors to resolve any significant issues that may arise; to lead non-executive directors in the oversight of the Chairman and to ensure there is a clear division of responsibility between the Chairman and Chief Executive Officer. He is also available to shareholders to express concerns which the normal channels have failed to resolve or which would be inappropriate.

The names and brief biographical details of all the directors are set out on pages 36 to 37. The table below details the composition of the Board, its Committees, together with their attendance at meetings since the last annual report and the Company's assessment of the independence of the directors. Following the appointment of Garry Watts, Committee membership was reviewed and various changes were made, as shown in the table below.

Board and committee composition and attendance	Committee memberships to 31 December 2011	Committee memberships from 1 January 2012	Independent	Board meetings	Nomination Committee	Audit Committee	Remuneration Committee
Total number of meetings				9	3	3	5
Executive directors							
Louise Makin (CEO)			No	9/9	N/A	N/A	N/A
Rolf Soderstrom (CFO)			No	8/9	N/A	N/A	N/A
Non-executive directors							
John Brown[1]	Nom[4]	N/A	No[3]	4/5	0/2	N/A	N/A
Garry Watts[2]	N/A	Nom[4]	No[3]	4/4	1/1	N/A	N/A
Peter Chambré	Aud, Rem, Nom	Aud, Nom	Yes	9/9	3/3	3/3	2/2
Giles Kerr	Aud[4], Rem, Nom	Aud[4], Rem, Nom	Yes	9/9	3/3	3/3	5/5
Melanie Lee	Rem	Rem	Yes	9/9	N/A	N/A	3/5
Ian Much	Aud, Rem[4]	Aud, Rem[4], Nom	Yes	9/9	2/2	3/3	5/5
James O'Shea	Rem, Nom	Nom	Yes	9/9	2/3	N/A	2/2

1 John Brown resigned from the Board and Nomination Committee with effect from 31 December 2011.
2 Garry Watts joined the Board on 1 January 2012 as Chairman of the Company and Chairman of the Nomination Committee.
3 John Brown and Garry Watts are excluded from the determination of independence by virtue of their role as Chairman of the Company.
4 Committee Chairman.
5 Following the rescheduling of one of the Remuneration Committee meetings, Melanie Lee was unable to attend due to a pre-existing commitment that could not be changed. John Brown, Garrry Watts and Rolf Soderstrom did not attend meetings where their own position was being discussed. James O'Shea did not attend one meeting of the Nomination Committee, being a selection sub-committee of which he was not a member, being US-based.
6 Directors who are not committee members may attend meetings by invitation. Details are not included in the table.
7 The external auditor usually attends the Audit Committee meetings and the remuneration advisers usually attend the Remuneration Committee meetings.
8 Table shows, for each director, number of meetings attended/number of meetings eligible to attend.

The Board applies a rigorous process in order to satisfy itself that its non-executive directors remain independent. The Board reviews the independence of the non-executive directors 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. In line with the recommendations of the Code, at least half the Board, excluding the Chairman, are independent non-executive directors. Both John Brown and Garry Watts were considered to be independent at the time of their appointment although, in accordance with the Code, they are excluded from the determination of whether at least half the Board are independent non-executive directors thereafter.

Board responsibilities and balance

The Board has a number of matters specifically reserved for its decision or approval. These include the approval of the interim and annual financial statements, the interim management statements and major public announcements, setting strategic direction, budgets and long-term plans. Other areas include the approval of major investments and disposals, major capital expenditure, decisions relating to major litigation, significant financing, dividend policy and senior executive remuneration and appointments.

The Board as a whole monitors operating performance, the performance of management, succession planning, health, safety and environmental performance and standards of ethical and social behaviour. It is also responsible for developing robust corporate governance, legal compliance and risk management procedures aimed at safeguarding the Company's reputation and assets and the integrity of its financial information and business conduct.

While the executive and non-executive directors are collectively responsible for the success of the Company and have fiduciary duties towards shareholders, their roles are strictly delineated. The executive directors have direct responsibility for the business operations of the Company, the non-executive directors have a responsibility to bring independent and objective judgement to Board decisions and the Chairman's primary responsibility is for the effective running of the Board. The non-executive directors' duties include helping to develop the Company's strategy and constructively challenging the executive directors where they consider it appropriate.

Roles and responsibilities

The Board

The Board is collectively responsible for the success of the Company and specifically to:

- Set the Company's strategic objectives.
- Ensure the necessary financial and human resources are in place to support strategy.
- Determine the significant risks that the Company is willing to take to achieve its strategic aims and ensuring effective risk management controls are in place.
- Review management and Company performance.
- Monitoring and review of financial reporting.
- Ensure the proper discharge of the Company's statutory and other legal and regulatory responsibilities.

The Chairman

The Chairman is responsible for creating conditions for overall Board and individual director effectiveness and for ensuring the following:

- The Board devotes adequate time to the right agenda issues such as its role in shaping strategy.
- Appropriate high-quality information is made available to the Board in a timely manner.
- The Board discharges its responsibilities with respect to risk management.
- Board Committees are properly structured with appropriate terms of reference.
- Necessary relationships of mutual respect and open communication are fostered between the executive and non-executive directors, providing support and advice while respecting the executive responsibility.
- Effective communication with shareholders and other stakeholders.

The Senior Independent Director

The Senior Independent Director is responsible for:

- Supporting the Chairman's delivery of objectives, and leading his evaluation.
- Working with the Chairman, other directors and shareholders at times of conflict or stress to resolve significant issues.

Executive directors

The executive directors are responsible for leading, overseeing and managing the whole business, they are also responsible for:

- Communicating to the Board their views on business issues to improve the standard of Board discussion and, prior to final decision on an issue, explain in a balanced way any divergence of view in the executive team.
- Encouraging the non-executive directors to thoroughly test proposals put forward to the Board in the light of their wider experience.
- Providing input to the strategy formulation process 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 operation which bear on its strategy.
- 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, e.g. on remuneration and investments.

Directors' conflicts of interest

To address the effect of Section 175 of the Companies Act 2006 (directors' conflicts of interest), the Company's Articles enable the Board to authorise situations that might give rise to directors' conflicts of interest. Directors complete a declaration form in order to determine whether any actual or potential conflicts need authorisation. The forms are reviewed annually to ensure that the information provided is up to date and includes any disclosures made during the past year.

At the March 2012 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 have arisen. Board members are reminded at regular intervals to disclose any conflicts should they arise.

All 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 should report this to the Chairman in the first instance, who may consult the Nomination Committee and report their findings to the Board.

There is an agreed procedure for directors to take independent professional advice, if necessary, at the Company's expense. Directors have direct access to the advice and the services of the Company Secretary who is responsible for ensuring that Board procedures are followed. The Company arranges appropriate directors' and officers' liability insurance. The removal of a director or of the Company Secretary is a matter for the Board as a whole.

Information and training, performance evaluation and re-election of directors

Information and training

The directors are sent an agenda and a full set of papers for each item to be discussed, in advance of each Board or Committee meeting. Additional information is provided as appropriate and senior executives regularly make presentations at Board meetings on the results and strategies in their areas of responsibility. Board meetings are sometimes held at different office locations enabling non-executive directors an additional opportunity to visit other Company sites.

Upon joining the Company, each director receives a comprehensive induction package, including written information and opportunities to meet key and relevant members of staff. All directors refresh their knowledge regularly through publications and conferences and through information provided by the Company and its advisers.

Performance evaluation

The CEO is responsible for appraising 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 and following input from the executive directors, normally evaluate the performance of the Chairman each year. However, as Garry Watts only joined the Company in January 2012 it was considered too early to perform a formal evaluation. This will take place during the current year. The Committees also reviewed their performance and reported the results to the Chairman and the Board as a whole. The non-executive directors meet at least once a year without the executive directors in order to discuss the performance of the executive directors and any concerns over their management of the Company's affairs.

In previous years, the Board has carried out an annual evaluation of its own effectiveness and that of its Committees, both through measuring performance against annual objectives and through an individual appraisal process. With the requirement introduced by the Code for an external evaluation at least every three years, it was decided to appoint external consultants, SCT Consultants Ltd, to assist with the review. This was considered a valuable exercise particularly in light of the continued growth of the business.

The process confirmed that the Board provided effective leadership of the Group and proposed a number of recommendations for the coming year, including:

- To increase the strategic focus and content of Board discussions to contribute to the ongoing transformation of the Group.
- To re-evaluate the membership and operation of the Board Committees to streamline activities and allow additional focus where needed.
- To enhance the risk management process to ensure sound management controls are in place.
- To ensure the information flows from the Board down through the organisation, to give clarity, accountability and oversight of the effective implementation of key decisions.
- To focus on the development needs of the organisation as a whole, having regard to the capacity and capabilities needed in order for the organisation to deliver on its existing objectives and future strategic objectives.
- To develop a stakeholder management plan which would define the basis of communication and increase Board interaction with all stakeholders.

Board membership and election of directors

The Board reviews its constitution regularly and continues to refresh its members. John Brown retired from the Board as non-executive Chairman on 31 December 2011, having served since 2008 and Garry Watts joined the Board as non-executive Chairman on 1 January 2012. Following this change the Board comprised a non-executive Chairman, five independent non-executive directors and two executive directors. As reported in the Nomination Committee report on pages 59 and 60, the Committee reviews the composition of the Board on a regular basis to ensure that, as the business evolves, the Board continues to have the necessary skills to support the development of the business.

Amongst the provisions in the Code is a proposal that the directors of all FTSE 350 companies should stand for election every year rather than every third year as required previously. Along with many of other FTSE 350 companies, the Board adopted that proposal last year.

Garry Watts, having been appointed to the Board since the last AGM is standing for election for the first time while all the other directors are standing for re-election at this year's AGM. Having served three years on the Board, James O'Shea's appointment has been extended for a further three years, subject to re-election at the AGM. Following a formal evaluation process, the Chairman is satisfied that each of the directors continues to perform effectively and demonstrates commitment to their role, including commitment of time for Board and Committee meetings and their other duties.

Further information on the directors is shown in their biographies on pages 36 to 37.

Financial reporting and internal control

The statement of directors' responsibilities in relation to the preparation of the financial statements is set out on page 76 and the auditor's statement on the respective responsibilities of directors and the auditor is included within its report set out on pages 77 and 78.

Communications with shareholders, be they results announcements, interim reports, annual reports or AGM and trading updates, are reviewed carefully and approved by the Board, or a sub-committee thereof, in order to ensure they are transparent and balanced in the view they give of the Company's progress and prospects.

The Board has overall responsibility for ensuring that the Group maintains an adequate system of internal control and risk management and for reviewing its effectiveness. The Audit Committee, on behalf of the Board, undertakes the detailed monitoring of the controls, at least annually, and reports to the Board on its findings. The Board has reviewed the system of internal controls including financial controls for the year under review and up to the date of approval of this Annual Report and Accounts. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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 whilst ensuring that risks are properly identified and managed. The controls are regularly reviewed to ensure that they enable the proper management of business risks without so restricting efficiency and entrepreneurial nature that they inhibit proper running of the business.

As a result of the increasing complexity of the Group, a dedicated full-time internal auditor has been appointed to strengthen the control framework of the business. Further information can be found in the Audit Committee report on pages 54 to 58.

Structure and reporting

The Group has a management structure with clear lines of responsibility and accountability, staffed by appropriate personnel.

The Board is responsible for setting the overall strategy and reviewing the performance of the Group.

The Company's Leadership Team, chaired by the CEO, is responsible for the day-to-day running of Group operations. Other team members include the CFO and senior staff members from the business. The team is also responsible for making recommendations to the Board on the Company's strategy and subsequent implementation. Other responsibilities include ensuring that appropriate internal controls are in place to manage and assess risk, and that they are fully complied with. The fundamental elements of the Group's internal control and risk management framework are described below.

The Group has well defined management structures and processes for the acquisition, assessment and evaluation of business opportunities, and development and execution of commercialisation strategies. A number of committees that monitor various parts of the business report to the Leadership Team on a regular basis:

- Development Leadership Team: Evaluates new technology opportunities, and is intimately involved in the definition and execution of development strategies.
- Operational Leadership Team: Responsible for ensuring that the manufacturing and supply chain are tightly controlled and their operations are optimised, (as far as practicable), meeting all regulatory requirements.
- Performance Management Review: Monthly meeting of the Leadership Team and senior staff to review progress against business plans and targets, both financial and operational.
- Risk Committee: Responsible for monitoring risks throughout the organisation and reporting findings to the Audit Committee twice yearly.
- Compliance Committee: Responsible for maintaining a complete compliance system to ensure that the Group is fully compliant with all applicable laws (including US Federal and State requirements) that relate to the commercial operations of the Group, including its US sales and marketing teams. This Committee reports to the Audit Committee at least twice yearly.

— Corporate Responsibility Committee: Ensures the Group maintains high standards in this area.
— Integration Committee: Following the acquisition of the Biocompatibles group in January 2011, the Company set up an Integration Committee to manage all aspects of bringing the two businesses together. The Committee completed its work during the year.

The Leadership Team meets formally at least once each month to review business performance measured against annual budgets, longer-term plans, an agreed set of objectives and performance criteria for each business unit. 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. 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 of the Risk and Compliance Committees and reported its findings to the whole Board. For further details see the Audit Committee report on pages 54 to 58. 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 issued by the Code.

The Group has a system for supporting the protection and maintenance of patents and other intellectual property rights. The Group also actively monitors its royalty revenue streams and from time-to-time audits its major licensees to ensure compliance with the terms of the relevant agreements.

Approval procedures

The Group has delegated authority structures that 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, legal or reputational impact for the Group to be approved by the Board.

Corporate policies, values and compliance

Last year a new Code of Conduct was issued and all employees within the Group received appropriate training on its key requirements. The Code of Conduct covers all aspects of ethics, business practices and compliance, including an updated whistle-blowing policy, an anti-bribery and corruption policy and policies related to the ethical conduct of research and development and interactions with doctors and other healthcare professionals. Relevant employees meet regularly to discuss external changes in the regulatory, legal and financial environments in which the Group operates to ensure it remains fully compliant with new legislation and best practice. The Group also runs periodic ‘lunch and learn’ sessions updating staff on key issues affecting the business.

The Board, through the Audit Committee, has reviewed the effectiveness of the internal controls of the Group. The controls described above operate and are embedded within the day-to-day business. There is an ongoing process for identifying, evaluating and managing significant risks faced by the Group. A reporting structure has been in place throughout the year, up to the date of approval of the financial statements and is regularly reviewed by the directors in accordance with the Code. Further information is given in the Audit Committee report on pages 54 to 58.

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. Directors declare interests in other businesses on appointment to the Board and thereafter complete an annual self-certification. 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.

Giles Kerr, a non-executive director of the Board, is also the Director of Finance for Oxford University and a director of Isis Innovations Limited, a wholly-owned subsidiary of Oxford University. Wholly-owned subsidiaries of the Company 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 Isis Innovations, 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. Because he 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 BTG Group is not compromised.

Within the BTG Group, 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.

The Board has considered, and is satisfied with, this separation of duties.
See note 32 on page 127 for additional related party disclosures.

Market abuse directive

The Company has a Disclosure Committee, as required by the Market Abuse Directive, comprising the CEO, CFO and the Director of Investor Relations. The Committee reviews all significant items of business within the Group regularly, and on an ad hoc basis if required, and maintains an Insider List recording both those employed within the Group and at external advisers who may have access to inside information. Whenever individuals are placed on or removed from the List they are notified accordingly and advised of their responsibilities.

Relations with shareholders and constructive use of the AGM

Relations with shareholders

The Group endeavours to maintain good communications with shareholders through formal and informal dialogue. The Company formally reports its results twice a year with full year results announced in May and interim results in November. The CEO and CFO give presentations of these results to the Company's institutional shareholders, analysts and the media. The presentations are broadcast live on the internet for the information of all shareholders. The presentations are available, thereafter, as an archive on the Company's website and a webcast of the event remains on the website for approximately a year. In addition, the Company prepares interim management statements in January and July that are released to a regulatory news service and are available on the Company's website.

The CEO and CFO meet regularly with institutional investors with support from the Investor Relations department. The Chairman, Senior Independent Director and other directors are available to meet with major shareholders on request. As part of his role as the Senior Independent Director, Giles Kerr is available to shareholders when contact with the executive directors or the Chairman may not be appropriate. No requests have been received from major shareholders to meet with the Chairman, Senior Independent Director or other non-executive directors during the year. The Investor Relations department acts as a contact point for investors throughout the year.

The directors receive a report from the Investor Relations department at each Board meeting giving information on the changes in shareholdings and any feedback from the Company's brokers and investors. Following the twice-yearly results announcements and any subsequent shareholder meetings held by management, detailed feedback from external advisers and brokers is provided to the Board, outlining the views and reactions of investors and analysts. This enables the Board to develop an understanding of the issues and concerns of major shareholders.

The Annual Report contains a full business review and the Interim Report, which is available on the Company's website, gives an update at the half year. Extensive information, including annual and interim reports, interim management statements and all press releases, is published on the Group's website (www.btgplc.com) for access by all shareholders. In addition, through the website, individuals can register to receive electronic copies of all Company announcements on the day they are issued.

Annual General Meeting

The AGM is the principal opportunity for private shareholders to meet and discuss the Group's business with the directors and other senior management. A full business presentation is given and there is an open question and answer session during which shareholders may ask questions both about the resolutions being proposed and the business in general. The directors are available after the meeting for an informal discussion with shareholders.

The AGM will be held at 2.00pm on 17 July 2012, at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH. The Notice convening the meeting is distributed separately to shareholders at least 20 working days before the meeting. It is also available on the Company's website: www.btgplc.com, where a copy can be viewed or downloaded in 'PDF' format by following the link to Investor Relations and then Report and Accounts. The letter accompanying the AGM Notice includes details of the resolutions and explanatory notes thereon.

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 Capita Registrar's website (www.capitashareportal.com) and follow the instructions on the screen. Crest members may send their proxy votes to the Company's registrars electronically.

At the AGM the number of proxy votes cast in favour, against and withheld in respect of each resolution will be disclosed and subsequently published in a market announcement and on the Company's website. The Chairmen of the Audit, Remuneration and Nomination Committees will be present at the AGM to answer shareholders' questions.

Audit Committee and auditor
The Company has an established Audit Committee with the principal responsibilities of overseeing financial reporting and internal control matters and maintaining appropriate relations with the Company's auditor. A report on the work of the Committee is set out on pages 54 to 58.

Appointments to the Board
The Company has a Nomination Committee with responsibilities that include reviewing the size and composition of the Board; making recommendations to the Board on the appointment of executive and non-executive directors, and the re-appointment of non-executive directors when their terms of appointment expire; and for ensuring that succession planning is in place. The Committee also advises the Board on matters generally relating to Board appointments and meets as required but at least twice a year. A report on the work of the Committee is set out on pages 59 and 60.

Compliance with the provisions of the UK Corporate Governance Code (the Code)
The Board considers that the Company complied in full with the principles set out in the Code throughout the year ended 31 March 2012. Details of directors' remuneration, as required by the Code and Schedule 8 to the Large- and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008, are set out in the remuneration report on pages 61 to 75.

The Company's auditor, KPMG Audit Plc, is required to review whether this corporate governance statement reflects the Company's compliance with nine of the Code's provisions as specified in the Listing Rules of the FSA, relating to Accountability and Audit. Having conducted such a review KPMG is obliged to report if it considers this statement of corporate governance does not reflect such compliance. The Company confirms that no such report has been made.

Audit Committee report

Dear Shareholder

The role of the Audit Committee is to monitor and enhance the integrity of the Group's internal controls and financial reporting. The increasing complexity of the business and the current economic climate presents continuing challenges to the Committee which it is required to address.

A major part of the Committee's time is spent reviewing the financial reports, internal controls and risks to the Group. Another area of particular focus during the year was the impact of the UK anti-bribery legislation and the procedures being put in place to ensure compliance throughout the Group and third-parties with which the Group interacts. As reported last year, with the increasing size and complexity of the business a dedicated full time internal auditor has been appointed which has strengthened the internal control framework of the business.

The following report sets out the activities of the Committee over the past year and how it has discharged its functions.

Giles Kerr
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 and management of risk. The Committee's full terms of reference, reviewed and updated during the year, are available on the Company's website, or from the Company on request, and are summarised below:

Summary of the Committee's terms of reference

- Reviewing the effectiveness of the Group's financial reporting, internal control policies and procedures for the identification, assessment and reporting of risk.
- Monitoring the integrity of the Group's financial statements.
- Reviewing significant financial reporting issues and judgements.
- Monitoring the role and effectiveness of the internal audit function.
- Approving an annual programme of internal audit work.
- Considering and making recommendations to the Board on the appointment of the auditor.
- Agreeing the scope of the auditor's annual audit programme and reviewing the output.
- Keeping the relationship with the auditor under review, including terms of engagement, fees, their independence and expertise, resources and qualifications; and assessing the effectiveness of the audit process.
- Developing and implementing a policy on the engagement of the auditor to supply non-audit services.

Members

Members	Committee member since
Giles Kerr (Committee Chairman)	6 November 2007
Peter Chambré	1 November 2010
Ian Much	1 November 2010

Details of attendance at meetings are shown in the table on page 44.

Committee members' qualifications
Giles Kerr is a Fellow of the Institute of Chartered Accountants and Director of Finance at Oxford University. He is considered by the Board to have the necessary significant recent and relevant financial experience to qualify him to be the Chairman of the Committee. He receives additional remuneration to compensate him for his additional responsibilities, as set out on page 69. Other members bring substantial experience in the pharmaceutical and international business areas as well as financial expertise to the deliberations of the Committee. For further information, see the directors' biographies on pages 36 and 37.

Other attendees at Audit Committee meetings
The Chief Executive Officer, Chief Financial Officer, Group Director of Finance, Group Financial Controller and Internal Auditor normally attend meetings. The external auditor usually attends the meetings.

The Company Secretary or his deputy serves as secretary to the Committee.

Activities
A summary of matters considered at the Committee since the last Annual Report and actions taken is shown below:
- Review of the Group's half-year results to 30 September 2011 and full-year results to 31 March 2012.
- Review of the reports from the external auditor on the half-year and full-year results.
- Review of Internal Auditor's work plan and results of site visits.
- Consideration of accounting issues, changes in accounting standards and their impact on Group reporting.
- Review of the scope, nature, resource planning and fee estimate for the full-year audit.
- Review of trading updates issued by the Group and amendments thereto.
- Assessment of the going concern basis.
- Review of risk management systems, internal controls and fraud procedures.
- Review of the Group's compliance systems and policies and the results of internal compliance monitoring and auditing.
- Review of the Group's whistle-blowing policy.
- Review of the impact of the UK Bribery Act on the operations of the Group and adoption of a new anti-bribery and anti-corruption policy.
- Review of the disclosures relating to material risks in the business review.
- Review and amendment of Committee terms of reference.
- Completion of an effectiveness review.

Financial results review
A key role of the Committee is to undertake detailed monitoring of the interim and annual financial statements. As part of this review it discusses the audit findings and auditor's report with management and the external auditor and considers significant judgements and issues contained in them, whether the financial statements comply fully with the relevant statutes and accounting standards and if they present a balanced assessment of the Company's financial position and prospects. Following this discussion the Chairman of the Committee reports the results of its review to the full Board. The external auditor meets with the non-executive directors in the absence of management at the time when the half- and full-year results are discussed.

Internal control and risk review

The Board has overall responsibility for ensuring that the Group maintains an adequate system of internal control and risk management and for reviewing its effectiveness. The Committee, on behalf of the Board, undertakes the detailed monitoring of the controls and reports to the Board on its findings twice-yearly. The Committee has reviewed the system of internal controls including financial, operational, compliance and risk for the year under review and up to the date of approval of this Annual Report and Accounts. Such a system is designed to appropriately manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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. The controls are regularly reviewed to ensure that they enable the proper management of business risks without so restricting efficiency and entrepreneurial nature that they inhibit proper running of the business.

The Committee has reviewed the effectiveness of the material controls of the Group, which are embedded within the day-to-day business. The Committee with the Board has an ongoing process for identifying, evaluating and managing significant risks faced by the Group. A 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 Risk Committee, chaired by the CFO and including staff from all sections of the business, reviews the risks throughout the business and identifies and evaluates risks which may impact on the Group's strategic and business objectives. The Risk Committee maintains a risk management plan that identifies and evaluates the key risks. The plan is designed to assess the probability of those risks occurring, the impact should they occur, how such risks may be mitigated and monitored and the actions and individuals responsible for managing the risks and delivering the mitigations. The Committee continues to monitor all areas of risk and the progress of actions designed to mitigate such risks, including a consideration of what comprises an acceptable level of risk in key areas and the optimal mitigation strategy, having regard to the costs, timelines and likelihood of success of the mitigation options. The Committee reports its findings twice-yearly through the Audit Committee to the Board.

The Audit Committee received the latest report at its May 2012 meeting, and was satisfied with actions being taken to control and mitigate risks identified. The Group also has a Compliance Committee, which is responsible for maintaining a compliance system to ensure that the Group is compliant with all applicable laws (such as US Federal and State requirements) that relate to the commercial operations of the Group including its US sales and marketing teams. The results are reported to the Audit Committee alongside the twice-yearly risk management report. For details of principal risks and uncertainties that may affect the business, see pages 26 to 29 in the business review.

Following the decision last year to establish an internal audit function in the Group, a full-time auditor has been appointed and an external consultant has also been employed to provide additional guidance and insight in the formation of the department. The Internal Auditor has direct access to the Chairman of the Audit Committee, in addition to a reporting line within the Head Office finance function.

In the initial period the Internal Auditor is concentrating on internal financial reviews and visits to all major sites are taking place. This work is in addition to the responsibility of each local finance function for internal control compliance in their part of the organisation. The Committee approved the proposed work plan of the Internal Auditor and received reports on the results of work carried out during the year. The Committee noted that the work carried out by the Internal Auditor did not identify any material weaknesses in internal control but approved proposals to enhance control procedures. The Committee proposed that the internal audit work plan should be expanded to increase the focus on key control risks and sales compliance audit in the coming year in addition to the current work on financial controls.

Whistle-blowing

The Committee is responsible for ensuring that arrangements under which employees may, in confidence, raise concerns about possible improprieties in matters of financial performance or other matters are operating effectively and that appropriate follow-up action takes place. Included within the Code of Conduct are details of the Group's whistle-blowing policy and there are posters and pamphlets prominently displayed at each site giving details of what employees should do if they have concerns regarding any aspect of the business. Employees are encouraged to report any concerns without fear of recrimination and an independent telephone line is available should staff wish to use it. The arrangements were reviewed by the Committee during the year.

UK Bribery Act

The UK Bribery Act, 2010 (Act) came into force on 1 July 2011, introducing significant changes in UK anti-bribery and anti-corruption law. In response to the Act, the Group has implemented enhanced policies and procedures to seek to prevent bribery and corruption, both within the Group and by third parties with which it works. The Group's response to the Act is consistent with its corporate values and is intended to be proportionate and practical yet ensure a significant reduction in the risk of potential liabilities under the Act. The Group's revised policies and procedures take into account the guidance issued by the UK Ministry of Justice with respect to what would constitute 'adequate procedures' for the purposes of establishing a defence to the strict liability provisions of the Act in the event of the occurrence of bribery or corruption within the Group or by third-party companies acting on its behalf. These procedures, which are embedded in the delegated authority process, require the Group to categorise the risk ('high', 'medium' or 'low') associated with certain activities, relationships or territories, and apply more rigorous procedures where there is a perception of increased risk. This process includes the conduct of appropriate due diligence on third parties that will act on behalf of the Group, especially in countries, or with respect to activities that are perceived to have a higher bribery and corruption risk.

Review of external auditor

The Committee reviews the overall performance of the auditor annually and approves its terms of engagement and remuneration. The Committee discussed the auditor's proposed work plan prior to the commencement of the audit of the results for the year to 31 March 2012 and also reviews the non-audit work carried out by the Company's auditor, KPMG Audit Plc (KPMG), to ensure that such services do not impair its independence or objectivity. The Committee agreed a new process 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. Areas where prior approval is not required include audit-related services as specified in the APB Ethical Standards for Auditors and other services, that are routine in nature, where the fee is not significant in the context of the audit fee and where the conduct of such services will not adversely impact auditor independence or objectivity. The Committee will receive a written annual report describing the fees paid to the auditors for non-audit work and whether such services were pre-approved or specifically approved by the Committee.

The auditor was employed to carry out the following non-audit work during the year:

Audit Committee approval	Task	Fees £'000
Pre-approval required	Preparation of corporate tax returns for overseas Group undertakings	46

Total fees paid to the Company's auditor, KPMG, are shown in note 8 on page 99. The Committee believes that the use of KPMG was appropriate and efficient in the circumstances and that independence was preserved as a partner other than the audit partner was responsible for the work and the fees paid were insignificant in the context of the size of KPMG as a whole.

The auditor is appointed by the shareholders at the AGM to ensure its independence. The Committee regularly discusses the independence of the auditor and whether there should be a need to rotate audit firms. Given the relative size of the Group to that of KPMG and that the lead audit partner is changed on a regular basis (at least every five years), the Committee is presently satisfied that KPMG is independent in its reporting on the audit of the Group and rotation of firms is not necessary. The current lead audit partner took over the audit as from the year ended 31 March 2009. The Group has noted the proposals relating to the rotation of auditors included in proposed EU legislation and will take the appropriate action once any legislation has been passed.

As part of corporate governance, the Committee also carried out a review of its effectiveness and reported the results and its recommendations for improvement to the Board.

Nomination Committee report

The Committee, established by the Board, is responsible for appointments and reviewing the structure of the Board and its Committees. The Committee's full terms of reference, updated during the year, are available on the Company's website, or from the Company on request, and are summarised below:

The Committee and its membership

Summary of the Committee's terms of reference

- To review regularly the structure, size and composition of the Board and make recommendations to the Board on any appropriate changes.
- To identify and nominate, for the Board's approval, suitable candidates to fill any vacancies for non-executive directors and, with the assistance of the Chief Executive Officer, executive directors.
- To plan for the orderly succession of directors to the Board.
- To recommend to the Board the membership and chairmanship of the Audit and Remuneration committees.

Members

Members	Committee member since
John Brown (Committee Chairman)[1]	17 March 2008
Garry Watts (Committee Chairman)	1 January 2012
Peter Chambré	22 May 2007
Giles Kerr	16 July 2008
Ian Much	1 January 2012
James O'Shea	13 May 2009

1 John Brown resigned from the Committee and the Board on 31 December 2011 and was succeeded as Chairman of the Committee and the Board by Garry Watts.
2 Details of attendance at meetings are shown in the table on page 44.

Other attendees at Nomination Committee meetings

- The Chief Executive Officer may attend meetings by invitation.
- The Company Secretary or his deputy serves as secretary to the Committee.

Activities

The principal activities during the year related to the recruitment of a new Chairman and the commencement of a search for a new Chief Financial Officer, as outlined below.

At the start of the process for appointing new directors, the Committee prepares a full description of the role, desired skills and capabilities required for the appointment. External search consultants are usually appointed to assist with finding suitable candidates. The Committee interviews candidates and then produces a shortlist for a subsequent interview by all Board members. In assessing candidates for board roles, the Committee has regard to the objective of ensuring appropriate diversity (including gender diversity) of Board composition.

Following the decision of John Brown to resign, the Committee commenced a search for a new Chairman led by Giles Kerr, Senior Independent Director. The Committee instructed Zygos LLP to find suitable candidates for interview. The Committee carried out a rigorous interview and selection process and their shortlisted candidates were also interviewed by the other non-executive directors and the Chief Executive Officer. The Committee, taking into account the views of the other directors, then recommended to the Board that Garry Watts be appointed to succeed John Brown as Chairman. The Board accepted the recommendation and Garry Watts was appointed to the Board with effect from 1 January 2012.

Following the announcement of the intended resignation of Rolf Soderstrom as Executive Director and Chief Financial Officer on 1 November 2011, the Committee commenced the search for a replacement by engaging Egon Zehnder. This search was terminated following agreement that Rolf Soderstrom would stay with the Company and continue in his current role.

Following the appointment of new non-executive directors, the Committee ensures that they receive a full induction programme. As part of the induction process the new director is given a full briefing on the financial history of the Company and details of its strategy, operating plans, budgets and forecasts for future years. Arrangements are also made for the new director to meet with the heads of the various business units and functions for an in-depth briefing on the areas in which the Company is involved. A briefing on corporate governance and directors' responsibilities may also be given and the opportunity to attend external courses is also available.

The Committee reviews succession plans and plans for emergency cover of key managers and directors on a regular basis.

As part of corporate governance, the Committee also carried out a review of its effectiveness and reported the results and its recommendations for improvement to the Board.

Garry Watts
Chairman of the Nomination Committee

Remuneration Committee report

Dear Shareholder

The Committee has made few changes to the remuneration arrangements for the Executive Directors during the 2011/12 financial year. When making salary increases for 2012/13 the Committee has been mindful of the prevailing economic environment. While Rolf Soderstrom, CFO has received a one-off uplift in salary as from 1 April 2012, the salary increase for the Chief Executive Officer is in line with those for the wider workforce.

The Company performed very well against the targets set for the 2011/12 annual bonus, which reflected the Company's focus on delivering a balance between profitability, growth and cash flow while ensuring the Company is laying the foundations for longer term success. Reflecting this, the bonuses awarded to executive directors in respect of 2011/12 were near the maximum levels.

During 2012/13 the Committee intends to undertake a detailed review of its remuneration policy for the executive directors, to ensure that it remains appropriate as the Company develops. If the Committee proposes to make substantive changes to the executive director remuneration policy it will, as part of the review process, consult with shareholders. Any changes to the policy will be explained to shareholders in next year's report.

Ian Much
Chairman of the Remuneration Committee

Introduction and compliance

This report has been prepared by the Remuneration Committee on behalf of the Board in accordance with the requirements of Schedule 8 to the Large- and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (Regulations), and explains how the Company has applied the principles of the UK Corporate Governance Code (the Code) in respect of directors' remuneration. The report has been divided into two sections: Part A, which describes the Company's policy for the remuneration of executive and non-executive directors for the coming year and which is not subject to audit; and Part B, subject to audit, which provides details of the directors' emoluments, shareholdings, long-term incentive awards and pensions.

In accordance with the Regulations, a resolution inviting shareholders to approve the report will be put to the Annual General Meeting (AGM) on 17 July 2012.

Part A: 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 Company's website or from the Company on request, and are summarised below:

Summary of the Committee's terms of reference

- To make recommendations to, and determine on behalf of the Board, remuneration packages for each of the executive directors in accordance with current best practice.
- To give advice and make recommendations on the framework and broad policy for all aspects of the remuneration of senior management and on the overall policy for total compensation for all other employees.
- To determine policy and advise on equity participation schemes, employee share trust matters, pensions and other benefits.

Members

Members	Committee member since
Ian Much (Chairman)	28 September 2010
Peter Chambré[1]	26 September 2006
Giles Kerr	3 November 2009
Melanie Lee	23 March 2011
James O'Shea[2]	13 May 2009

1 Peter Chambré resigned from the Committee on 31 December 2011.
2 James O'Shea resigned from the Committee on 31 December 2011.
3 Details of attendance at meetings are shown in the table on page 44.

Other attendees at Remuneration Committee meetings
The Chairman, Chief Executive Officer, Chief Financial Officer and Head of HR & IT may attend meetings by invitation, other than when their own remuneration is being considered.

The Company Secretary or his deputy serves as secretary to the Committee.

Committee advisers
The Committee appoints its own advisers as it sees fit and has appointed New Bridge Street (NBS) (a brand of Aon Hewitt Limited, part of Aon plc) to act as advisers to the Committee and a representative usually attends the meetings. NBS advises the Committee on all remuneration issues including the vesting of long-term incentive arrangements.

The Group continues to use NBS to advise on other matters including remuneration matters in general. The firm 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 Company with advice on matters specific to the US employment market. The Group also uses Mercer Ltd and PricewaterhouseCoopers to advise on remuneration issues, particularly in relation to pension schemes.

Remuneration policy
The policy for remuneration for executive directors is to enable the Company to offer a package of rewards that:
- Is sufficiently competitive to enable the Company to attract and retain the management talent it needs to ensure the Group is successful;
- Supports the achievement of the Company's strategy by providing the potential to receive significant rewards linked to the long-term performance of the Company;
- Aligns executives with shareholders and helps to retain them by delivering a significant element of remuneration in shares; and
- Is flexible enough to cope with the Company's changing needs as it grows and the strategy evolves.

The Committee believes that the bonus opportunity aligned with the deferral into shares and forfeiture provisions, together with other elements of the long-term incentive plans, provides a balanced market-competitive package for the executive team. However the Committee keeps such targets under regular review in order to ensure they remain appropriate.

The Committee's specific policy for each element of remuneration is as follows:

Element	Policy
Fixed pay	— Provides market competitive fixed remuneration that takes account of individual responsibilities.
Base salary	— Set at a broadly mid-market level and reviewed annually taking account of the incumbent's responsibilities and performance. — Remuneration levels for executive directors are benchmarked using data from NBS on levels of remuneration among two comparator groups as well as on level of salary increases in the wider economy. — The two comparator groups used comprise a general industry group of companies selected on the basis of market capitalisation and a sector group of companies within the pharmaceutical and biotechnology sectors. — Increases are determined by the Committee taking account of planned increases and bonus levels for the rest of the Group.
Benefits	— Chiefly comprise medical benefits and permanent health insurance.
Pension	— Louise Makin is a member of the Company's contributory defined benefit pension scheme under which she receives benefits up to the HMRC Earnings Cap. In addition, she makes additional pension contributions to a separate defined contribution Executive Pension Scheme. — Following changes to pension legislation, the Company ceased making employer contributions to Louise Makin's defined contribution scheme. Additional cash payments were made to her to compensate her for the loss of employer pension contributions. See the table on page 69 for further information. — The Company makes a contribution to a defined contribution pension scheme on behalf of Rolf Soderstrom equal to 20% of base salary. Following changes to pension legislation, part of the Company's contribution was made in the form of an additional cash payment to him as set out in the table on page 69.
Variable pay	— Enables significant rewards to be earned for achieving the Company's short- and long-term aims. — Intended to be a significant proportion of overall remuneration with a greater emphasis on long-term rather than short-term remuneration. — Subject to demanding performance conditions and the intention is that around 50% of executive directors' remuneration should be fixed and 50% variable.
Annual bonus	— **Purpose:** link reward to the Company's short-term aims. — All employees including the executive directors participate. — Maximum of 100% of salary for executive directors with 50% payable for on-target performance.[1] — Performance targets for the executive directors for 2012/13 focus on growth in revenue, trading profit, operating cash and individual objectives.
Deferred Share Bonus Plan (DSBP)	— **Purpose:** deferral of part of bonus provides an element of lock-in and alignment with shareholders. — 50% of any bonus paid is deferred under the Company's DSBP. Once the director has achieved a shareholding in excess of 100% of salary, executives will normally only be required to defer any bonus earned above the target bonus level.[1] A lower percentage may be deferred for those senior staff who also participate. — DSBP awards are structured as conditional awards over shares, to be held for three years. — Other than in 'good leaver' circumstances, awards will normally lapse should the recipient leave the Company during the deferral period.

1 Amended as from 2011/12 bonus year.

Element	Policy
Long-term incentives	— **Purpose:** support the strategy to transition the business from an R&D-focused specialty pharma company to an earnings-driven international specialist healthcare company and ensure that packages for the executive directors include a strong emphasis on the absolute growth in shareholder value (by the use of share option grants) and also reward the delivery of superior shareholder returns and sustained financial performance. As such, long-term incentive awards to executive directors are granted as a mix of awards under the Executive Share Option Plan (ESOP) and the Performance Share Plan (PSP), the vesting of which are subject to the achievement of relative TSR and cumulative profit targets. — Maximum PSP award of 100% of salary. — Maximum ESOP award of 100% of salary (150% in exceptional circumstances). — Performance measured over three years. — 2012/13 performance conditions are as follows: — 50% of awards: TSR versus companies in a specific FTSE 250 index (described in more detail later). Measured over the three years from grant by NBS. — 50% of awards: cumulative trading profit over the three financial years from the most recent year ending prior to the grant of awards. — The Company believes that broad-based employee participation in share schemes is an important tool in delivering value for shareholders. Other senior staff are also able to receive awards of long-term incentives at a lower maximum percentage of salary. In addition, BTG operates all-employee share arrangements in which all other employees can participate.
Shareholding guidelines	— Executive directors are required to build significant shareholdings of 100% of base salary in the Company to increase alignment with shareholders.
Clawback	— For all awards granted post 1 July 2011, awards made under the DSBP, PSP and ESOP are subject to clawback in the event of a material misstatement of the financial results of the Company for the financial year to which an award relates is discovered, an error in the calculation of performance for an award or individual misconduct resulting in dismissal.
Alterations to plans and takeover situations	— No changes may be made to plans by the Committee without shareholder approval, other than for minor alterations to benefit the administration of plans or changes to performance conditions which will, in the opinion of the Committee, be no less materially difficult to satisfy than those they replace. — In the event of a takeover of the Company, performance conditions will continue to apply to the release of share awards and the extent to which they have been achieved will be decided by the Committee on such reasonable basis as it decides.
Risk	— In line with the Association of British Insurers' Guidelines on Responsible Investment Disclosure, the Committee will ensure that the incentive structure for executive directors and senior management will not raise environmental, social or governance (ESG) risks by inadvertently motivating irresponsible behaviour. More generally, the Committee will ensure that the overall remuneration policy does not encourage inappropriate operational risk-taking. NBS reports to the Committee towards the end of each year on risks associated with the executive directors' remuneration policy.

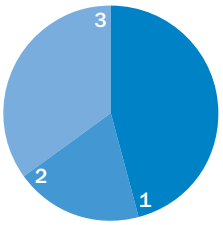
Summary of each executive director's package for 2012/13

	Louise Makin	Rolf Soderstrom
Base salary as at 1 April 2012	£472,032	£350,000
Base salary as at 1 April 2011	£458,275	£297,879
Percentage increase in salary[1]	3%	17.5%
On-target bonus (% of salary)	50%	50%
Maximum bonus (% of salary)	100%	100%
PSP award (% of salary)	100%	100%
ESOP award (% of salary)	100%	100%
Shareholding guidelines – target (% of salary)	100%	100%
Value of current shareholding at 31 March 2012 (% of salary)	348%	102%
Contract	12-month rolling contract	12-month rolling contract

1 The increase for Louise Makin is broadly in line with the level of increases awarded in the rest of the Group, which were generally in the range of 3 to 5% on average. Rolf Soderstrom's salary was rebased to £350,000, effective from 1 April 2012, following his decision to withdraw his resignation. The Company's search for a replacement Chief Financial Officer had established that a salary of £350,000 represented the market rate for this role.

The balance of fixed and variable remuneration is illustrated below for the two executive directors. The chart is a theoretical model showing the on-target value of annual bonus and the fair value of PSP and ESOP awards (assuming PSP awards have a fair value of 60% of salary and ESOP awards have a fair value of 30% of salary):

On-target mix of pay for executive directors



1. Fixed	**46%**
2. Annual bonus	**19%**
3. LTI	**35%**

Annual bonus for the year to 31 March 2012

For the year ended 31 March 2012 bonuses were subject to a maximum of 100% 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 certain objectives. These were the achievement of targets for a trading profit measure, cash generation and growth in the business. The Committee set threshold, intermediate and stretch levels for the various targets. The bonus is calculated on base salary with a percentage pay out of between 20% and 100% dependent on performance levels attained. Pay out between these levels is calculated on a straight line basis.

The trading profit measure, used for both bonuses and long-term incentives, is a normalised measure relating to earnings before amortisation of intangibles, restructuring and acquisition costs, group foreign exchange movements and movements in derivatives. They are calculated as follows:

	Trading profit £m	Cash flow £m
Profit before tax/cash flow	23.0	43.1
Adjustments:		
Forward exchange contracts and derivatives	1.5	–
Amortisation of business intangibles	30.7	–
Restructuring and other acquisition costs	2.3	–
Reduction in long-term bank deposits	–	(5.2)
Trading profit/cash flow for bonus purposes	57.5	37.9

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

	Weighting (% of total bonus)	Threshold (£m)	Stretch (£m)	Actual (£m)	Pay out (% of maximum)
Trading profit	35%	9.3	25.0	57.5	35%
Operating cash (outflow)/inflow	35%	(2.1)	10.2	37.9	35%
Growth in the business	30%	N/A	N/A	N/A	25%
Total					95%

1 The above table shows the financial targets set for the threshold and stretch levels.

Long-term incentive performance targets for 2011/12

Trading profit targets for the awards made during 2011/12 were based on cumulative targets measured over a three-year period with a range of performance levels between threshold and stretch. Trading profit will be measured on a normalised basis over the three-year period.

Cumulative trading profit	Percentage of trading profit element that vests
Less than £56.8m	0%
£56.8m	20%
£66.8m	50%
£76.8m	80%
£96.8m	100%
	Pay outs for performance between each point calculated on a straight line basis

Long-term incentive performance targets for 2012/13

Executive directors and senior managers, together with all other employees, are eligible to participate in the Company's share schemes as operated from time to time.

The Committee's current policy for executive directors is that awards of long-term incentives should be made annually and consist of a mix of performance shares and share options. These are granted under the Performance Share Plan 2006 (PSP) and the Executive Share Option Plan 2009 (ESOP), respectively. The executive directors will receive awards under each of the plans equal to 100% of salary. Members of the Leadership Team will also receive awards under either one or both of the plans equal to 100% of salary in total.

Vesting of the awards granted in 2012/13 will be subject to achievement of performance conditions based on a combination of a trading profit target (as described on page 65) (50%) and total shareholder return (TSR) (50%) measured over three financial years.

The Company's TSR will be compared with that of a peer group comprising FTSE 250 companies excluding investment trusts, companies in the financial services sector (banks, life and non-life insurance, equity and non-equity investment trusts, financial services, real estate investment and services, and real estate investment trusts etc.) and companies in the consumer discretionary sector (general retailers, media, travel and leisure, and leisure goods) with opening and closing TSR values averaged over three months prior to the start and end of the performance period. The performance scale for this award is shown in the table opposite.

TSR performance against the comparators	Percentage of TSR element that vests
Below median	0%
Median	25%
Between median and upper quartile	25% – 100% on a straight line basis
Above upper quartile	100%

Other share plans

The Company operates other shares plans as follows:

- An HMRC-approved save-as-you-earn scheme, open to all eligible employees (including executive directors), with a 36 month savings period enabling UK employees to acquire shares at a price not less than 80% of the market value of the shares at the date of grant. The Scheme provides an international section to allow for the participation of Australian and German employees;
- A US Internal Revenue Service 423 Plan with a 24 month savings period under which its US employees are able to acquire shares at not less than 85% of the market value of the shares at the date of grant; and
- A new Senior Management Performance Share Plan was approved by the Board during the year in order to award nil paid shares to certain senior employees below board level where it is not appropriate to make awards under the PSP. Awards under this plan can be made over market purchase shares only and are normally subject to different performance criteria to awards made under the PSP.

External appointments

The Board believes that it may be beneficial to the Company 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 payable. Louise Makin received fees from her position at Premier Foods plc of £67,500 during the year to 31 March 2012 (10/11: £67,500). Rolf Soderstrom does not currently hold any outside directorships.

Service contracts

The Company's policy on directors' service contracts is that, in line with the best practice provisions of the Code, they should be terminable by the Company on a maximum of one year's notice, and contracts do not provide for predetermined compensation in the event of termination or provision for enhanced payments in the event of a takeover of the Company. The Company may terminate the contracts of the executive directors with immediate effect by making a payment in lieu of notice. Any payments made would be determined by reference to normal contractual principles with mitigation being applied as wherever relevant or appropriate. The directors' contracts do not provide for automatic entitlement to bonus or share-based payments.

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.

	Date of appointment	Notice period	Date of expiry of current contract
Executive			
Louise Makin	19 October 2004	12 months	N/A
Rolf Soderstrom	4 December 2008	12 months	N/A
Non-executive			
Garry Watts	1 January 2012	6 months	31 December 2014
Peter Chambré	26 September 2006	3 months	25 September 2012
Giles Kerr	1 October 2007	3 months	30 September 2013
Ian Much	1 August 2010	3 months	31 July 2013
Melanie Lee	29 November 2010	3 months	28 November 2013
James O'Shea	2 April 2009	3 months	1 April 2015[1]

1 Having served three years on the Board, James O'Shea's appointment has been extended for a further three years, subject to re-election at the AGM.

Non-executive directors' fees

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 appropriate fee levels supplied by NBS. In proposing such fees, account is also taken of the time commitments of the Company'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. Non-executive directors do not receive benefits or pension contributions from the Group and do not participate in any Group incentive scheme.

Set out in the table below are the annual fees for the year ended 31 March 2012 and proposed fees for the year ended 31 March 2013.

Director	As from 1 April 2012 £	Year ended 31 March 2012 £
Chairman[1]	**175,000**	175,000
Non-executive director	**39,264**	38,110
Senior independent director fee	**3,000**	3,000
Audit Committee chairmanship fee	**6,000**	6,000
Remuneration Committee chairmanship fee	**6,000**	6,000

1 The Chairman's fee relates to Garry Watts who receives a fee of £175,000 pa as from the date of his appointment on 1 January 2012. John Brown received a fee of £115,000 pa for the period from 1 April 2011 to his resignation on 31 December 2011.

The increase in the Chairman's fee followed a review of the scope of the role as part of the recruitment process and reflects the increasing complexity of the business and the amount of time Garry Watts is expected to devote to the Company. The fee is fixed for the first three years of his appointment. Fees for the other non-executive directors were increased by 3% from 1 April 2012.

Part B (audited): Directors' emoluments, shareholdings and long-term incentive awards

Directors' emoluments

	Salary/ fees £'000	Bonus paid in cash £'000	Bonus deferred in shares[1] £'000	Cash in lieu of pension[2] £'000	Benefits[9] £'000	**2012 Total £'000**	2011 Total £'000	**2012 DC pension contributions £'000**	2011 DC pension contributions £'000
Executive directors									
Louise Makin[3]	458	229	206	66	2	**961**	765	**–**	42
Rolf Soderstrom[4]	298	149	134	24	2	**607**	484	**43**	57
Non-executive directors									
Garry Watts[5]	44	–	–	–	–	**44**	–	**–**	–
Peter Chambré	38	–	–	–	–	**38**	37	**–**	–
Giles Kerr	47	–	–	–	–	**47**	46	**–**	–
Melanie Lee	38	–	–	–	–	**38**	13	**–**	–
Ian Much	44	–	–	–	–	**44**	26	**–**	–
James O'Shea	38	–	–	–	–	**38**	37	**–**	–
Ex-directors									
John Brown[6]	144	–	–	–	–	**144**	100	**–**	–
Colin Blakemore[7]	–	–	–	–	–	**–**	18	**–**	–
William Jenkins[8]	–	–	–	–	–	**–**	43		
	1,149	378	340	90	4	**1,961**	1,569	**43**	99

1 Element of bonus deferred into the DSBP.
2 The additional payments represent a cash supplement in lieu of employer pension contributions following the changes to pension legislation.
3 Pension contributions shown for Louise Makin represent amounts paid to an Executive Pension Plan for her benefit.
4 Pension contributions shown for Rolf Soderstrom represent amounts paid to a defined contribution pension scheme for his benefit.
5 Fees were paid to Garry Watts for the period from his appointment to the Board on 1 January 2012.
6 Fees were paid to John Brown for the period to his retirement from the Board on 31 December 2011. Included in his fees for 2011/12 was an additional sum of £57,500 paid in lieu of notice.
7 Fees were paid to Colin Blakemore for the period to his retirement from the Board on 13 July 2010.
8 Fees were paid to William Jenkins for the period to his retirement from the Board on 4 February 2011.
9 Benefits shown above for Louise Makin and Rolf Soderstrom relate principally to the provision of life assurance and medical benefits.
10 All directors' fees, salaries and bonuses are subject to UK income tax.
11 As disclosed last year, in 2010/11 an administrative error was found in respect of payments made under the defined benefit pension fund to Rusi Kathoke, a former director. The overpayment of benefits for 2011/12 was £5,993. The additional payments will cease when he attains 65 years in December 2012. The additional payments are covered by contributions to the fund by the Company.

Louise Makin is a member of the BTG Pension Fund. The Fund is a contracted-out 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. 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 pension to be payable equal to two-thirds of the deceased member's pension. 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 £9,072 (10/11: £8,652) to the Fund, representing 7% of her salary up to the earnings cap and the Company contributed £26,827 (10/11: £21,136). In addition, she made contributions of £11,000 to a separate defined contribution Executive Pension Scheme to which the Company did not contribute during the year (10/11: £41,713).

Details of the value of her individual pension entitlement and information relating to defined benefits available as required under the Regulations and the Listing Rules, are shown below:

	Accrued pension at 31 March 2012[1] £	**Increase in accrued pension during year ended 31 March 2012 (including inflation)[2] £**	**Transfer value of accrued benefits at 31 March 2012 £**	Transfer value of accrued benefits at 31 March 2011 £	**Increase in transfer value less directors' contributions[3] £**	**Increase in accrued pension during year ended 31 March 2012 (excluding RPI inflation) £**	**Transfer value of the increase in accrued pension (excluding RPI inflation) at 31 March 2012 less director's contributions £**
Louise Makin	**15,526 p.a.**	**2,522 p.a.**	**300,671**	207,968	**83,631**	**1,793 p.a.**	**24,140 p.a.**

1 The accrued pension at 31 March 2012 is the leaving service benefit to which Louise Makin would have been entitled to if she had left the BTG Pension Fund at that date.
2 This equals the accrued pension as at 31st March 2012 less the equivalent pension as at 31st March 2011 disclosed in the 2011 Annual Report.
3 This is the transfer value as at 31 March 2012 less the transfer value as at 31 March 2011 less the contributions paid by the director in the year.

Directors' share awards

The directors have the following interests in BTG plc shares under the Company's various plans. Full details of their holdings at the start and end of the financial year and at 21 May 2012 are set out below.

Louise Makin

Date of grant/award	Exercise price (p)/market price on date of award (p)	At 1 April 2011	Granted in year	Exercised	Lapsed	**At 31 March 2012**	Exercise period/ vesting date	Share price on exercise (p)
Share options								
11 Nov 2004[1]	92.00	32,608	–	32,608	–	**–**	11 Nov 2007 – 10 Nov 2014	274.65
31 Jul 2009[2]	179.25	233,974	–	–	–	**233,974**	31 Jul 2012 – 30 Jul 2019	
13 Jul 2010	201.30	216,816		–	–	**216,816**	13 Jul 2013 – 12 Jul 2017	
6 Jul 2011	298.90	–	163,356	–	–	**163,356**	6 Jul 2014 – 5 Jul 2021	
Sharesave								
15 Jul 2008[3]	129.20	1,455	–	1,455	–	**–**	1 Sep 2011 – 28 Feb 2012	265.00
2 Sep 2009	146.70	2,474	–	–	–	**2,474**	1 Oct 2012 – 31 Mar 2013	
1 Sep 2010	146.67	2,454		–	–	**2,454**	1 Sep 2013 – 1 Mar 2014	
4 Jul 2011	219.52	–	822	–	–	**822**	1 Sep 2014 – 1 Mar 2015	
Total option awards						**619,896**		
Performance share awards								
28 May 2008[1]	121.25	316,824	–	281,973	34,851	**–**	28 May 2011	274.65
22 Jul 2009[2]	174.00	246,633	–	–	–	**246,633**	22 Jul 2012	
13 Jul 2010	201.30	218,751		–	–	**218,751**	13 Jul 2013	
6 Jul 2011	286.60	–	149,831	–	–	**149,831**	6 Jul 2014	
Deferred share awards								
28 May 2008[1]	121.25	85,185	–	85,185	–	**–**	28 May 2011	274.65
22 Jul 2009	174.00	105,808	–	–	–	**105,808**	22 Jul 2012	
13 Jul 2010	201.30	98,386	–	–	–	**98,386**	13 Jul 2013	
22 Jul 2011	286.60	–	53,288	–	–	**53,288**	22 Jul 2014	
Total other awards						**872,697**		
Total awards						**1,492,593**		

1 PSP awards made prior to March 2009 are subject to cumulative pre-tax profit and relative TSR performance conditions with each determining the vesting of 50% of an award. The total gain on the exercise or vesting of share options and PSP awards in the year was £833,997.
2 Following measurement of the TSR performance condition by NBS (which placed BTG in the 4th decile against the comparators) and the measurement of the performance against the profit measure, the Committee approved the exercise or vesting of 187,179 shares to Louise Makin under the 2009 ESOP award and 197,306 under the 2009 PSP award, the balance of 96,122 shares will lapse. The shares are due to vest on 22 July 2012.
3 The aggregate gain on the exercise of sharesave options in the year was £1,976.
4 See table on page 73 for details of performance conditions for share awards.

Rolf Soderstrom

Date of grant/award	Exercise price (p)/market price on date of award (p)	At 1 April 2011	Granted in year	Exercised	Lapsed	**At 31 March 2012**	Exercise period/ vesting date	Share price on exercise (p)
Share option awards								
31 Jul 2009[1]	179.25	145,048	–	–	–	**145,048**	31 Jul 2012 – 30 Jul 2019	
13 Jul 2010	201.30	140,930	–	–	–	**140,930**	13 Jul 2013 – 12 Jul 2020	
6 Jul 2011	298.90	–	99,658	–	–	**99,658**	6 Jul 2014 – 6 Jul 2021	
Total option awards						**385,636**		
Performance share awards								
22 Jul 2009[1]	174.00	152,896	–	–	–	**152,896**	22 Jul 2012	
13 Jul 2010	201.30	142,188		–	–	**142,188**	13 Jul 2013	
6 Jul 2011	286.60	–	103,913	–	–	**103,913**	6 Jul 2014	
Special award under LR9.4.2 R								
22 Jul 2009[2]	174.00	76,448	–	22,934	53,514	**–**	22 Jul 2011	291.60
Deferred share awards								
22 Jul 2009	174.00	45,476	–	–	–	**45,476**	22 Jul 2012	
13 Jul 2010[3]	201.30	60,954	–	–	–	**60,954**	13 Jul 2013	
22 Jul 2011	286.60	–	34,637	–	–	**34,637**	22 Jul 2014	
Total other awards						**540,064**		
Total awards						**925,700**		

1 Following measurement of the TSR performance condition by NBS (which placed BTG in the 4th decile against the comparators) from NBS on the TSR performance and the measurement of the performance against the profit measure, the Committee approved the release of 116,037 shares under the 2009 ESOP award and 122,316 shares under the 2009 PSP award, the balance of 59,593 shares will lapse. The shares are due to vest on 22 July 2012.
2 The total gain on the release of the special award in the year was £66,875.
3 See table opposite for details of performance conditions for share awards.

Performance conditions for share awards

Plan	Date of award	Performance measure	Percentage	Parameters
PSP	28 May 2008	Cumulative pre-tax profit	40%	Three-year normalised pre-tax profit period between threshold and stretch; range £54m–£88m.
		TSR (FTSE Small Cap)	60%	Three-year comparison with index between median and 30% outperformance of index.
Option PSP	31 July 2009 22 July 2009	EBITDA and TSR	Combined matrix measure	Three-year normalised EBITDA period between threshold and stretch; range £38m–£76m and TSR range between 1st and 10th decile.
Special	22 July 2009	EBITDA and TSR	Combined matrix measure	Two-year normalised EBITDA period between threshold and stretch; range £24m–£41m and TSR range between 1st and 10th decile.
Option PSP	13 July 2010 13 July 2010	Cumulative trading profit	50%	Three-year normalised trading profit period between threshold and stretch; range £24m–£60m.
		TSR	50%	Three-year comparison with index between median and upper quartile.
Option PSP	6 July 2011 6 July 2011	Cumulative trading profit	50%	Three-year normalised trading profit period between threshold and stretch; range £56m–£97m.
		TSR	50%	Three-year comparison with index between median and upper quartile.

Unless otherwise stated the Company's TSR will be compared with that of a peer group comprising FTSE 250 companies excluding investment trusts, companies in the financial services sector (banks, life and non-life insurance, equity and non-equity investment trusts, financial services, real estate investment and services, and real estate investment trusts etc.) and companies in the consumer discretionary sector (general retailers, media, travel and leisure, and leisure goods.

Share options and performance shares were granted for nil consideration. The price used for calculating the number of shares awarded under the PSP and DSBP was based on 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 other than DSBP awards are normally satisfied using new issue shares. The Company's share plans comply with recommended guidelines on dilution limits and the Company has always operated within these limits. Assuming none of the extant options lapse and will be exercised and, having included all exercised options, the Company has utilised 3.6% of the 10% in ten years and 3.3% of the 5% in ten years in accordance with the Association of British Insurers (ABI) guidance on dilution limits.

The Committee, with advice from NBS, is responsible for assessing whether the relevant performance conditions have been achieved.

Directors' shareholdings

The directors' beneficial interests, including interests of connected persons, in the shares of the Company at the end of the financial year and at 18 May 2012 are shown below. None of the directors had any non-beneficial interest at any time in the period 1 April 2011 to 18 May 2012. None of the directors who held office at the end of the financial period had any beneficial interest in the shares of other Group companies.

	Interest at 31 March 2012 Ordinary shares 10p	Interest at 31 March 2011 Ordinary shares 10p
Louise Makin	**478,308**	376,853
Rolf Soderstrom	**90,823**	79,857
Peter Chambré	**3,000**	3,000

The executive directors have a beneficial interest in ordinary shares of the Company by direct holdings and by virtue of their entitlements in the Company's employee share option schemes. As employees of the Group, all executive directors also have an interest in any unallocated shares held on behalf of all employees in the BTG Employee Share Trust, which at 31 March 2012 amounted to 715,129 ordinary shares in the Company. The non-executive directors are not entitled to participate in any of the Company's employee share schemes.

Alignment with shareholders

The Committee operates shareholding guidelines requiring executives to build and maintain a holding of Company shares worth at least 100% of salary.

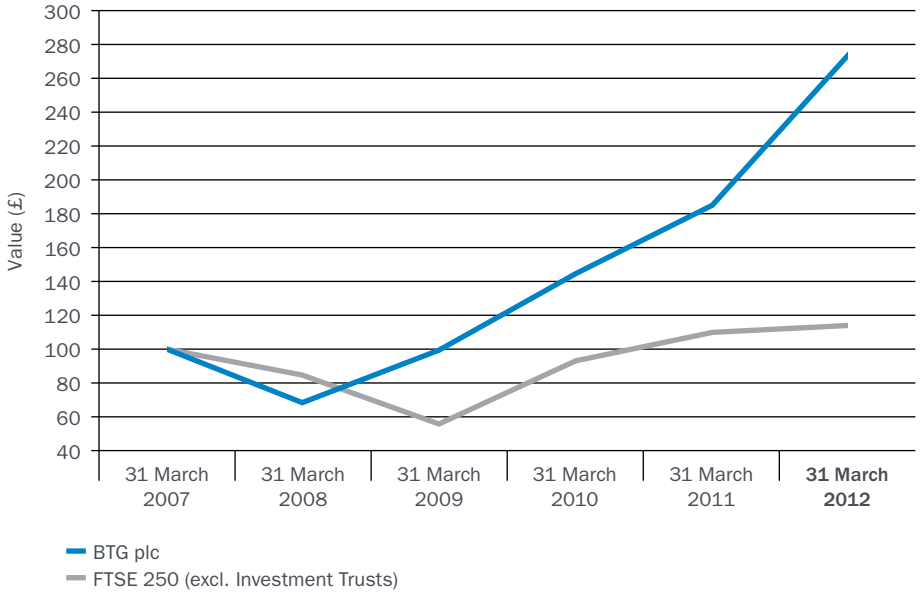
Based on the shares, share options and awards held at 31 March 2012 (assuming full vesting and having taken account of any relevant exercise costs), the following table illustrates the value each executive director has at risk and how this has fluctuated during the year, using the lowest, highest and closing share prices for the year of 217.1p, 372.4p and 333.8p respectively, for illustrative purposes.

Executive director	Type of holding	Number	Lowest 217.1p £'000	Highest 372.4p £'000	Closing 333.8p £'000
Louise Makin	Shareholding	478,308	1,038	1,781	1,597
	Options/awards	1,492,593	2,021	4,206	3,629
		1,970,901	3,059	5,987	5,226
Rolf Soderstrom	Shareholding	90,823	197	338	303
	Options/awards	925,700	1,250	2,606	2,248
		1,016,523	1,447	2,944	2,551

The Committee has approved the introduction of a trading plan to enable the executive directors to sell shares from their holdings from time-to-time. Provided that executive directors have achieved and continue to maintain the minimum level of holding required under the shareholding guidelines of 100% of basic salary, executive directors will be permitted to sell shares in addition to those required to meet their tax liabilities within a 30 day period from the announcement of the Company's results and completion of investor roadshows for any period or on vesting if later.

Total shareholder return

The performance of the Company's ordinary shares compared with the FTSE 250 (excluding Investment Trusts) (the Index) for the five-year period ended on 31 March 2012 is shown in the graph below.



Source: Thomson Reuters

This graph shows the value at 31 March 2012 of £100 invested in BTG plc on 31 March 2007 compared with £100 invested in the Index. The other points plotted are the values at intervening financial year-ends.

The Company has chosen the Index as a comparator as it believes that it gives shareholders a reasonable comparison with the total shareholder return (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 2012 was 333.8p. During the year the share price ranged from a low of 217.1p to a high of 372.4p.

Directors' interests in contracts

Except as described in note 32 on page 127 to the financial statements, 'Related party transactions', during or at the end of the financial year no director or connected person had any material interest in any contract of significance in relation to the Group's business with a third party.

This report was approved by the Board on 18 May 2012 and signed on its behalf by

Ian Much

Chairman of the Remuneration Committee

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

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

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the 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 Company and of their profit or loss for that period. In preparing each of the Group and 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 prudent;
- State whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They 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 compliant directors' report, directors' remuneration report and corporate governance statement. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Directors' responsibility statement pursuant to DTR4

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 Company and the undertakings included in the consolidation taken as a whole; and
- The directors' report includes a fair review of the development and performance of the business of the Group 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.

By order of the Board

Dr Louise Makin
Chief Executive Officer

Rolf Soderstrom
Chief Financial Officer

18 May 2012

Independent auditor's report to the members of BTG plc

We have audited the financial statements of BTG plc for the year ended 31 March 2012 set out on pages 80 to 137. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 76, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

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 2012 and of the Group's profit for the year then ended;
- The Group financial statements have been properly prepared in accordance with 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- The part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- Information given in the corporate governance statement set out on pages 43 to 53 in BTG plc's Annual Report and Accounts 2012 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Independent auditor's report to the members of BTG plc

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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; or
- A corporate governance statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- The directors' statement, set out on page 41, in relation to going concern;
- The part of the corporate governance statement on pages 43 to 53 in BTG plc's Annual Report and Accounts 2012 relating to the Company's compliance with the nine provisions of the June 2010 UK Corporate Governance Code specified for our review; and
- Certain elements of the report to shareholders by the Board on directors' remuneration.

David Bills
(Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc,
Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

18 May 2012

Financials

80 Consolidated income statement
81 Consolidated statement of comprehensive income
82 Consolidated statement of financial position
83 Consolidated statement of cash flows
84 Consolidated statement of changes in equity
85 Notes to the consolidated financial statements
131 Company statement of financial position
132 Company statement of cash flows
133 Company statement of changes in equity
134 Notes to the Company financial statements
138 Appendix 1: Unaudited pro-forma consolidated income statement
139 Five-year financial record
141 Shareholder information
143 Cautionary statement
144 Trade marks

Consolidated income statement

	Note	Year ended 31 March 2012 Results before acquisition adjustments and reorganisation costs £m	Year ended 31 March 2012 Acquisition adjustments and reorganisation costs £m	Year ended 31 March 2012 Total £m	Year ended 31 March 2011 Results before acquisition adjustments and reorganisation costs £m	Year ended 31 March 2011 Acquisition adjustments and reorganisation costs £m	Year ended 31 March 2011 Total £m
Revenue	4	**197.2**	**(0.2)**	**197.0**	111.4	–	111.4
Cost of sales		**(54.2)**	**(2.1)**	**(56.3)**	(32.4)	(1.7)	(34.1)
Gross profit	4	**143.0**	**(2.3)**	**140.7**	79.0	(1.7)	77.3
Operating expenses:							
Amortisation and impairment of acquired intangible assets		**–**	**(30.7)**	**(30.7)**	–	(10.0)	(10.0)
Amortisation of purchase of contractual rights	15	**–**	**–**	**–**	(9.6)	–	(9.6)
Foreign exchange gains/(losses)		**2.6**	**–**	**2.6**	(2.0)	–	(2.0)
Selling, general and administrative expenses		**(48.9)**	**–**	**(48.9)**	(33.7)	–	(33.7)
Operating expenses: total		**(46.3)**	**(30.7)**	**(77.0)**	(45.3)	(10.0)	(55.3)
Research and development		**(39.7)**	**–**	**(39.7)**	(32.1)	–	(32.1)
Profit on disposal of intangible assets and investments	5	**0.2**	**–**	**0.2**	1.5	–	1.5
Amounts written off property, plant and equipment	16	**(3.0)**	**–**	**(3.0)**	–	–	–
Acquisition and reorganisation costs	6	**–**	**(1.1)**	**(1.1)**	–	(3.8)	(3.8)
Amounts written off investments	7	**(0.2)**	**–**	**(0.2)**	(1.4)	–	(1.4)
Operating profit/(loss)	8	**54.0**	**(34.1)**	**19.9**	1.7	(15.5)	(13.8)
Financial income	10	**3.6**	**1.1**	**4.7**	3.1	–	3.1
Financial expense	11	**(1.6)**	**–**	**(1.6)**	(0.1)	–	(0.1)
Profit/(loss) before tax				**23.0**			(10.8)
Tax (charge/credit)	12			**(8.4)**			20.0
Profit for the year				**14.6**			9.2
Basic earnings per share	13			**4.5p**			3.4p
Diluted earnings per share	13			**4.4p**			3.4p

All activity arose from continuing operations.

The notes on pages 85 to 130 form part of these financial statements.

Consolidated statement of comprehensive income

	Note	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Profit for the year		**14.6**	9.2
Other comprehensive income			
Foreign exchange translation differences	21	**(0.3)**	(2.7)
Actuarial (loss)/gain on defined benefit pension plan	25	**(2.9)**	3.9
Change in fair value of equity securities available-for-sale	21	**–**	(0.1)
Other comprehensive income for the year		**(3.2)**	1.1
Total comprehensive income for the year		**11.4**	10.3

The notes on pages 85 to 130 form part of these financial statements.

Consolidated statement of financial position

	Note	31 March 2012 £m	31 March 2011 £m
ASSETS			
Non-current assets			
Goodwill	14	**59.2**	59.2
Intangible assets	15	**246.0**	271.0
Property, plant and equipment	16	**22.0**	24.8
Other investments	17	**3.0**	2.7
Deferred tax asset	12	**1.0**	0.9
Biological assets		**0.3**	0.3
		331.5	358.9
Current assets			
Inventories	18	**21.8**	20.0
Trade and other receivables	19	**40.1**	32.7
Taxation	12	**–**	1.0
Derivative instruments	23	**0.5**	2.0
Held to maturity financial assets	20	**5.0**	10.2
Cash and cash equivalents	20	**106.9**	63.7
		174.3	129.6
Total assets		**505.8**	488.5
EQUITY			
Share capital		**32.7**	32.7
Share premium account		**188.3**	188.2
Merger reserve		**317.8**	317.8
Other reserves	21	**(4.0)**	(3.7)
Retained earnings		**(128.6)**	(142.7)
Total equity attributable to equity holders of the parent		**406.2**	392.3
LIABILITIES			
Non-current liabilities			
Trade and other payables	22	**5.0**	7.1
Borrowings	24	**–**	2.9
Employee benefits	25	**0.1**	2.0
Deferred taxation	12	**35.2**	30.7
Provisions	28	**1.0**	1.2
		41.3	43.9
Current liabilities			
Trade and other payables	22	**55.4**	50.2
Taxation	12	**2.1**	0.3
Provisions	28	**0.8**	1.8
		58.3	52.3
Total liabilities		**99.6**	96.2
Total equity and liabilities		**505.8**	488.5

The notes on pages 85 to 130 form part of these financial statements.

The financial statements were approved by the Board on 18 May 2012 and were signed on its behalf by:

Dr Louise Makin **Rolf Soderstrom**
Chief Executive Officer Chief Financial Officer Registered No: 2670500

Consolidated statement of cash flows

	Note	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Profit after tax for the year		**14.6**	9.2
Tax		**8.4**	(20.0)
Financial income		**(4.7)**	(3.1)
Financial expense		**1.6**	0.1
Operating profit/(loss)		**19.9**	(13.8)
Adjustments for:			
Profit on disposal of intangible assets and investments		**(0.2)**	(1.5)
Amounts written off investments		**0.2**	1.4
Amortisation and impairment of intangible assets	15	**31.9**	21.5
Amounts written off property, plant and equipment	16	**3.0**	–
Depreciation on property, plant and equipment	16	**3.2**	2.4
Share-based payments		**2.4**	0.6
Pension plan funding		**(4.8)**	(3.3)
Costs of acquisition recognised in equity		**–**	(0.6)
Other		**0.2**	(0.3)
Cash from operations before movements in working capital		**55.8**	6.4
Increase in inventories		**(1.8)**	(5.4)
Increase in trade and other receivables		**(7.5)**	(6.7)
Increase/(decrease) in trade and other payables		**3.0**	(5.0)
Decrease in provisions		**(1.2)**	–
Cash from operations		**48.3**	(10.7)
Taxation paid		**(1.1)**	(1.3)
Net cash inflow/(outflow) from operating activities		**47.2**	(12.0)
Investing activities			
Interest received		**0.8**	0.4
Purchases of intangible assets		**(6.0)**	(10.1)
Purchases of property, plant and equipment		**(3.7)**	(11.2)
Net proceeds from disposal of investments and intangible assets		**0.3**	1.5
Net expenditure on investments		**(0.5)**	(0.5)
Net cash acquired from acquisition of Biocompatibles International plc	34	**–**	14.4
Net inflow from held to maturity financial assets	20	**5.2**	–
Net cash outflow from investing activities		**(3.9)**	(5.5)
Cash flows from financing activities			
Repayment of finance leases		**(0.3)**	(0.7)
Proceeds of share issues		**0.1**	0.1
Net cash from financing activities		**(0.2)**	(0.6)
Increase/(decrease) in cash and cash equivalents		**43.1**	(18.1)
Cash and cash equivalents at start of year		**63.7**	82.6
Effect of exchange rate fluctuations on cash held		**0.1**	(0.8)
Cash and cash equivalents at end of year	20	**106.9**	63.7

The notes on pages 85 to 130 form part of these financial statements.

Consolidated statement of changes in equity

	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 April 2010	25.8	188.1	158.1	(0.9)	(155.9)	215.2
Profit for the year	–	–	–	–	9.2	9.2
Foreign exchange translation differences	–	–	–	(2.7)	–	(2.7)
Actuarial gain on defined benefit pension scheme	–	–	–	–	3.9	3.9
Change in fair value of equity securities available-for-sale	–	–	–	(0.1)	–	(0.1)
Total comprehensive income for the year	–	–	–	(2.8)	13.1	10.3
Transactions with owners:						
Issue of BTG plc ordinary shares	–	0.1	–	–	–	0.1
Issued on acquisition of Biocompatibles International plc	6.9	–	159.7	–	–	166.6
Movement in shares held by the Trust	–	–	–	–	(0.5)	(0.5)
Share-based payments	–	–	–	–	0.6	0.6
At 31 March 2011	32.7	188.2	317.8	(3.7)	(142.7)	392.3

	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 April 2011	32.7	188.2	317.8	(3.7)	(142.7)	392.3
Profit for the year	–	–	–	–	14.6	14.6
Foreign exchange translation differences	–	–	–	(0.3)	–	(0.3)
Actuarial loss on defined benefit pension scheme	–	–	–	–	(2.9)	(2.9)
Total comprehensive income for the year	–	–	–	(0.3)	11.7	11.4
Transactions with owners:						
Issue of BTG plc ordinary shares	–	0.1	–	–	–	0.1
Share-based payments	–	–	–	–	2.4	2.4
At 31 March 2012	**32.7**	**188.3**	**317.8**	**(4.0)**	**(128.6)**	**406.2**

The notes on pages 85 to 130 form part of these 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 2012 comprise the results of the Company and its subsidiary undertakings (together referred to as the Group) and the Group's interest in associates.

The financial statements were approved for issue by the Board on 18 May 2012.

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 accounting standards adopted in the year have had a significant effect on the financial statements. Other amendments and standards have been adopted, but have had no significant effect on the reported results or financial position of the Group.

Accounting standards issued but not yet effective
The Group does not consider that any of the other standards or interpretations issued but as yet not effective will have a significant impact on the 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 foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

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 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 29 and are discussed in the business review on pages 16 to 20. 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:
— The Group's principal licensees are global industry leaders in their respective fields and the Group's royalty-generating intellectual property consists of a broad portfolio of both licensees and industries;
— The Group's marketed products are life-saving in nature, providing some protection against an uncertain economic outlook; and
— The Group remains in a cash generative position for the year with cash, cash equivalents and held to maturity financial assets totalling £111.9m as at 31 March 2012.

Acquisition adjustments and reorganisation costs
The consolidated income statement includes a separate column to disclose significant acquisition adjustments and reorganisation costs arising on corporate acquisitions. Adjustments relate to the acquisitions of:
— Biocompatibles International plc on 27 January 2011; and
— Protherics PLC on 4 December 2008.

The costs relate to the following:
— The release of the fair value uplift of inventory acquired;
— Amortisation and impairment arising on intangible assets acquired;
— Transaction costs incurred with professional advisers in relation to the completion of the acquisition;
— Reorganisation costs comprising acquisition related redundancy programmes, property costs, and asset impairments; and
— Fair value adjustments to contingent consideration on corporate acquisitions.

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 consolidated financial statements also comply fully with IFRSs as issued by the International Accounting Standards Board.

The Group financial statements are presented in Sterling and all values are rounded to the nearest £0.1m except where otherwise indicated and have been prepared on the historical cost basis modified to include revaluation to fair value of certain financial instruments and business combination assets as set out below.

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 significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

(b) Basis of consolidation

(i) Subsidiary undertakings

Subsidiary undertakings are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. 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.

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's proportionate share of the total recognised gains and losses of associates on an equity-accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying value of its interest in an associate, the Group's carrying amount is reduced to nil and no further losses are recognised except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

(iii) Acquisition accounting

The purchase method is used to account for the acquisition of subsidiaries 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 minority interest. The excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets, including intangible assets acquired, is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

(iv) 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.

(v) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Company.

(vi) Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments. If an investment suffers impairment due to a prolonged or significant decline in the fair value below acquisition cost, its share of the reserve is recycled to the income statement and any further declines in fair value of that investment are no longer charged to the reserve but immediately taken to the income statement.

(vii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(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 (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 are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined. Exchange gains/losses on retranslation of foreign currency transactions and balances within trading intercompany balances are recognised in the income statement within 'Operating expenses'.

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, 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 are recognised directly in the translation reserve.

(iii) Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations are taken to the translation reserve. They are released into the income statement upon disposal of the investment.

(e) Derivative financial instruments

Derivative financial instruments are recognised at fair value and are designated as being measured at fair value through the income statement on inception. The gain or loss on remeasurement to fair value is recognised immediately in the income statement through 'Financial income' or 'Financial expense' as appropriate.

The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

(f) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on the acquisition of subsidiary undertakings and associates. In respect of business combinations that have occurred since 1 April 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the identifiable assets, including intangible assets, liabilities and contingent liabilities acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see 2(m)). In respect of associates, the carrying value of goodwill is included in the carrying value of the investment in the associate.

2 Significant accounting policies continued

(g) Intangible assets

(i) Initial recognition

Intangible assets acquired as a result of a business combination are initially recognised at their fair value in accordance with IFRS3 – 'Business Combinations'.

Other intangible assets are initially recognised at cost. Cost includes the cost of obtaining patent protection for intellectual property rights, the cost of acquisition of patents and the costs of the internal patent attorney specific to obtaining the initial grant of a patent. Income from patents is derived through licensing and other agreements.

(ii) Amortisation

Intangible assets are amortised in a manner calculated to write off the cost, on a straight-line basis, over the effective life of the asset. In determining the appropriate life of the asset, consideration is given to the expected cash generating life of the asset or remaining patent life if different.

The effective life of each class of asset is determined as follows:

- Developed technology: expected cash generating life, taking into account specific product and market characteristics for each developed technology;
- Contractual relationships: period to expiry of the contract;
- In-process research and development: amortisation is not charged until the asset is generating an economic return, at which point the effective life is assessed by reference to the remaining patent 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 contract.

In the event that an intangible asset is no longer used or a patent is abandoned, the balance of unamortised expenditure is written off immediately.

The following useful economic lives are applied:

Developed technology	2 to 25 years
Contractual relationships	2 to 15 years
In-process research and development	12 to 25 years
Computer software	3 years
Patents	20 years
Purchase of contractual rights	2 to 10 years

(iii) Income statement disclosure

Amortisation and impairment of intangible assets is included within Operating expenses in the income statement.

(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(m)).

(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(m)).

2 Significant accounting policies continued

(ii) Depreciation

Depreciation is charged to the income statement on a straight-line basis to write assets down to their residual value using the following useful economics 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 is reassessed annually.

(iii) Income statement disclosure

Depreciation and impairment of property, plant and equipment is included within Operating expenses in the income statement.

Profits and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit/(loss) on sale of property, plant and equipment in the income statement.

(iv) Subsequent expenditure

Expenditure subsequent to the initial acquisition of a property, plant and equipment asset is capitalised only when it is probable that the Group will realise future economic benefits from the asset.

(v) Impairment

If a property, plant and equipment 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(m)).

(i) Investments

Investments in debt and equity securities held by the Group, classified as being available-for-sale, are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses which are taken to the income statement. When these investments are no longer recognised as assets, the cumulative gain or loss previously recognised directly in equity is recognised in the income statement. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value. The first in, first out method of valuation is used. 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 fully written down in the income statement unless the Group considers it probable to 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.

(k) Trade and other receivables

Trade and other receivables do not carry interest and are stated at amortised cost less impairment losses (see 2(m)).

2 Significant accounting policies continued

(l) 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.

(m) Impairment
Impairment testing is performed for all assets when there is an indicator of impairment.

In addition, for goodwill and unamortised intangible assets, impairment testing is performed both in the year of acquisition and annually at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Other specific categories of asset are treated as follows:

(i) Equity investments
Impairment is deemed to arise when there is a significant or prolonged decline in the fair value of the equity instrument. Impairment losses are recognised in the income statement.

(ii) Property, plant and equipment
Property, plant and equipment is subject to impairment testing at each balance sheet date and 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 Operating expenses in the income statement.

(iii) Amortised intangible assets
Amortised intangible assets are also tested for impairment whenever there are indications that the carrying value may not be recoverable. Intangible assets are grouped at the lowest level for which there are separately identifiable cash flows. Any impairment losses are recognised immediately in the income statement. When assessing the recoverable amount of an intangible asset the Group uses a risk adjusted discounted cash flow model.

(iv) Available-for-sale assets
When a decline in the fair value of an available-for-sale asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in the income statement. The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the income statement.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through the income statement. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss shall be reversed, with the amount of the reversal recognised in the income statement.

(n) Government grants
Government grants towards staff retraining costs are recognised as income over the periods in which the related costs are incurred and are deducted in reporting the related expense.

Government grants relating to property, plant and equipment are treated as deferred income and released to the income statement over the useful lives of the assets concerned.

(o) 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. Allowance is made in the assessment of the defined benefit obligation for future costs of administering the scheme. The assumptions used to determine the valuation are shown in note 25. Actuarial gains and losses are recognised in full in the period in which they occur. Actuarial gains and losses are recognised outside the income statement and presented in the consolidated statement of comprehensive income.

Past service cost is recognised immediately to the extent that the benefits have already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation, reduced by the fair value of plan assets. The retirement benefit obligation includes an allowance for future administrative costs of running the plan. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Assets of the pension plan are held separately from the Group's assets.

(iii) Share-based payments

In accordance with the transition provisions of IFRS1 (First-time Adoption of International Financial Reporting Standards), IFRS2 (Share-based Payments) has been applied to all share-based grants made to employees after 7 November 2002 that had not vested as of 1 January 2005.

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 binomial lattice 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 vest. However if share options fail to vest due to share prices not achieving the designated performance threshold for vesting, no such adjustment takes place.

(p) Provisions

A provision is recognised in the balance sheet 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 rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the 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 employee or the Group as a whole.

2 Significant accounting policies continued

(q) Trade and other payables
Trade and other payables are not interest bearing and are stated at amortised cost except for the contingent value note and other contingent considerations which are recognised at fair value.

(r) Revenue recognition
Revenue represents amounts received or receivable in respect of the sale of marketed products to customers during the year, net of trade discounts given and value added tax, and in respect of royalty arrangements.

A description of the various elements of revenue and the associated accounting policies is given below:

(i) Marketed products
The Group recognises revenue for marketed product sales when each condition of IAS18, 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. Revenue is recognised net of any trade discounts that may be given from time-to-time.

(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. These revenues are accounted for in line with IAS18 as follows:

Upfront and milestone payments
Non-refundable upfront and milestone payments are recognised as the earnings process is completed. This may result in full recognition in the year in which the income is received. However, where the Group has ongoing performance obligations such as the delivery of products or services, upfront payments are deferred over the period in which these obligations are satisfied. Associated costs of performance obligations are expensed in the period to which they relate. In determining the performance obligations under the contract, consideration is given as to whether elements of the obligations meet the criteria for separate accounting. The Group applies the substantive milestone method in accounting for subsequent milestone payments. Milestone payments that are considered substantive are recognised into income in the year in which they are received. Milestones that do not satisfy the criteria to be considered as substantive are amortised over the remaining period in which the Group expects to fulfil its performance obligations under the agreement. The Group considers the following when assessing whether a milestone is considered substantive:

- Are the milestone payments non-refundable?
- Does the achievement of the milestone involve a degree of risk that was not reasonably assured at the inception of the arrangement?
- Is substantive effort involved in achieving the milestone?
- Is the amount of the milestone payment reasonable in relation to the effort expended or the risk associated with the achievement of the milestone?
- How does the time that passes between the payments compare to the effort required to reach the milestone?

Outlicensed product royalties
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 assured. 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.

2 Significant accounting policies continued

(iii) Sales/assignments of IPR

Outright sales or assignments of IPR are treated as disposals of non-current assets.

(iv) Revenues received in relation to development programmes

Revenue received in relation to development programmes is recognised based on the percentage of completion of the programme. Where payments may be earned in such programmes based on the achievement of uncertain milestones, revenue is restricted to the cumulative cash receivable for the programme.

(s) Research and development

Research and development 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 intangible assets 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.

(t) Cost of sales

Cost of sales includes the direct costs incurred in manufacturing and bringing products to sale in the market and revenue sharing costs.

Revenue sharing costs represent amounts due under royalty arrangements to licensors or assignees of technology and similar directly attributable items. Amounts are recognised upon recognition by the Group of amounts due from a licensee. They are recognised on an accruals basis in accordance with the individual agreements relating to the relevant technology, in line with revenue recognition.

(u) 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.

Assets held under finance leases are initially recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Such assets are depreciated over the shorter of their estimated useful lives or the length of the lease. Assets purchased under hire purchase agreements are accounted for similarly, except that these assets are depreciated over their estimated useful lives.

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.

(v) Net financial income

Net financial income comprises interest income less interest payable during the year, calculated using the effective interest rate method, and fair value adjustments relating to foreign exchange forward contracts, contingent considerations payable upon corporate and non-corporate acquisitions and borrowings.

2 Significant accounting policies continued

(w) Income tax
Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised 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 in respect of 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.

(x) BTG Employee Share Trust
Included within the Group's financial results are those of the BTG Employee Share Trust, the costs of which are expensed within the financial statements of the Trust as incurred.

In the Company accounts, the cost of BTG shares held by the Trust is deducted from shareholders' funds.

(y) Financial guarantees
Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contracts as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(z) Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate.

(aa) Biological assets
Biological assets are recognised when the asset is controlled by the Group and it is probable future economic benefit will arise from activities associated with the asset. Biological assets are measured at fair value less estimated point-of-sale costs. Any gains or losses in fair value are recognised in the income statement.

3 Critical accounting judgements and key sources of estimation uncertainty

Critical accounting judgements
In the process of applying the Group's accounting policies, described in note 2, management and the Audit Committee discussed and agreed the selection, application and disclosure of the Group's critical accounting policies and the estimates used in the preparation of the accounts.

3 Critical accounting judgements and key sources of estimation uncertainty continued

Revenue recognition

As described in note 2, it is the Group's policy to recognise non-refundable upfront payments over the period in which any performance obligations are satisfied. On 4 December 2008, the Group acquired Protherics which had received £16.3m from AstraZeneca UK Ltd in a Patent and know-how Licence Agreement for AZD9773 (CytoFab™). The Group considers that its obligations under the licence agreement consist of the licence, provision of development services, regulatory support and steering committee participation. The Group considers that the development services and the regulatory support it can supply will cease with the approval of AZD9773 (CytoFab™) by the FDA and while the steering committee continues to operate after product approval by the FDA, the Group has received confirmation that its participation after this date would become voluntary. Based on the clinical development plan to be undertaken by AstraZeneca, the Group currently estimates that its performance under the agreement will be completed over the period to 31 December 2015 and, therefore, is recognising the £16.3m on a straight-line basis, over the estimated performance period.

In determining the revenue recognition period, management considered the detailed criteria for the recognition of revenue per IAS18, Revenue, and is satisfied that all requirements have been met by the Group.

Acquisitions

Judgements have been made in respect of the identification of intangible assets made on acquisitions based on pre-acquisition forecasts, analysis and negotiations. In addition to the judgements and estimates made in establishing the intangible assets acquired and their value, in certain instances these assets are in development and are only amortised once the development phase has been completed, although these assets are subjected to impairment review in accordance with the accounting policy described in note 2(m).

In addition to significant fair value adjustments in relation to intangible assets, the Group has recognised other fair value adjustments on assets and liabilities acquired. Each adjustment has been calculated in line with the requirements of IFRS3 (revised). The most significant of these relate to:

- Inventory; where inventory acquired has been uplifted in value to be held at estimated selling price less costs to complete, costs of disposal and a reasonable profit allowance; and
- Deferred tax; where estimates of deferred tax liabilities arising on acquired intangible assets have been recognised. Where appropriate an associated deferred tax asset, representing management's estimation of the value of tax losses that would be available to the Group to offset the deferred tax liability (see below), has also been recognised.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill and other intangibles

Determining whether goodwill and other intangibles are impaired requires an estimation of the value in use of the cash-generating units to which goodwill or other intangible assets have been allocated. The value in use calculation requires estimation of future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. There is a risk of a material adverse impact on the income statement should an impairment adjustment be required to be reflected in the financial statements. See note 2(m) for further details.

Fair value of listed and unlisted investments

Note 17 explains the basis for estimating the fair value of listed and unlisted investments.

Pension assumptions

Note 25 details the key actuarial assumptions used to establish the pension funding position. These represent management's best estimates and are chosen based on historic experience and future expectations. Should the discount rate used to establish scheme liabilities or the long-term expected rate of return on investment vary significantly then the pension fund valuation would be impacted.

3 Critical accounting judgements and key sources of estimation uncertainty continued

Deferred tax

The Group has significant deferred tax assets principally in relation to losses in the US and the UK. The assets have been recognised on the basis that management estimates demonstrate that it is more likely than not that future taxable profit will arise in the jurisdictions in which the losses are available. If actual events differ from management's estimates or the estimates are changed in the future, this could have a significant effect on the balance sheet net asset position of the Group. In recognising deferred tax assets and liabilities, management has taken into account expected changes in tax rates in each relevant jurisdiction.

4 Operating segments

Following the acquisition of Biocompatibles International plc on 27 January 2011, subsequent integration activities have resulted in a change to the Group's reportable segments, effective from 1 April 2011. The Group has aligned behind three reportable segments, being Specialty Pharmaceuticals, Interventional Medicine and Licensing & Biotechnology.

In assessing performance and making resource allocation decisions, the Leadership Team (which is BTG's chief operating decision-making body) reviews contribution by segment. Contribution is defined as being gross profit less directly attributable selling, general and administrative costs (SG&A). The Licensing & Biotechnology operating segment includes SG&A relating to the Group's centrally managed support functions and corporate overheads. This reflects the management structure and stewardship of the business. No allocation of central overheads is made across the Specialty 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. It 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.

Prior period comparative numbers are presented in accordance with the new segmental reporting.

	Year ended 31 March 2012			
	Specialty Pharmaceuticals £m	Interventional Medicine £m	Licensing & Biotechnology £m	Total £m
Revenue	**76.7**	**28.7**	**91.6**	**197.0**
Cost of sales[1]	**(18.7)**	**(8.6)**	**(29.0)**	**(56.3)**
Gross profit	**58.0**	**20.1**	**62.6**	**140.7**
Selling, general and administrative expenses	**(18.6)**	**(13.3)**	**(17.0)**	**(48.9)**
Contribution	**39.4**	**6.8**	**45.6**	**91.8**
Amortisation and impairment of acquired intangibles				**(30.7)**
Foreign exchange gains				**2.6**
Research and development				**(39.7)**
Amounts written off property, plant and equipment				**(3.0)**
Profit on disposal of intangible assets and investments				**0.2**
Acquisition and reorganisation costs				**(1.1)**
Amounts written off investments				**(0.2)**
Operating profit				**19.9**
Financial income				**4.7**
Financial expense				**(1.6)**
Profit before tax				**23.0**
Tax				**(8.4)**
Profit for the year				**14.6**
Unallocated assets				**505.8**

4 Operating segments continued

	Year ended 31 March 2011			
	Specialty Pharmaceuticals £m	Interventional Medicine £m	Licensing & Biotechnology £m	Total £m
Revenue	35.4	5.6	70.4	111.4
Cost of sales[1]	(8.8)	(2.9)	(22.4)	(34.1)
Gross profit	26.6	2.7	48.0	77.3
Selling, general and administrative expenses	(15.8)	(2.5)	(15.4)	(33.7)
Contribution	10.8	0.2	32.6	43.6
Amortisation and impairment of acquired intangibles				(10.0)
Amortisation of repurchase of contractual rights				(9.6)
Foreign exchange losses				(2.0)
Research and development				(32.1)
Profit on disposal of intangible assets and investments				1.5
Acquisition and reorganisation costs				(3.8)
Amounts written off investments				(1.4)
Operating loss				(13.8)
Financial income				3.1
Financial expense				(0.1)
Loss before tax				(10.8)
Tax				20.0
Profit for the year				9.2
Unallocated assets				488.5

1 2012 includes a £2.1m (10/11: £1.7m) release of the fair value uplift of inventory purchased on the acquisition of Biocompatibles International plc on 27 January 2011 within the Interventional Medicine segment representing the reversal of a fair value uplift of inventory purchased on acquisition recognised through the income statement when the product was sold.

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 2012 £m	Year ended 31 March 2011 £m
USA	**168.1**	96.2
UK	**10.0**	9.3
Europe (excluding UK)	**15.1**	5.0
Other regions	**3.8**	0.9
	197.0	111.4

4 Operating segments continued

Revenue from major products and services

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Product sales	**106.7**	41.2
Royalties	**79.2**	60.3
Other	**11.1**	9.9
	197.0	111.4

Major customers

Products that utilise the Group's intellectual property rights are sold by licensees. Royalty income is derived from over 70 licences. Two licences individually generated royalty income in excess of 10% of Group revenue, being £29.4m and £24.4m respectively (10/11: Two licences generated £28.7m and £12.4m respectively).

The Group's marketed products are sold both directly and through several distribution agreements in the USA, Europe and Asia Pacific region. Two wholesalers individually generated income in excess of 10% of Group revenue, being £22.3m and £21.9m respectively (10/11: One distribution agreement generated £12.4m).

5 Profit on disposal of intangible assets and investments

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Profit on disposal of patents[1]	**0.2**	1.5

1 The prior year profit is shown net of £1.8m to be shared with the inventive source.

Loss relief has absorbed the tax due in respect of the profit on disposals.

6 Acquisition and reorganisation costs

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
BTG plc and Biocompatibles International plc costs	**1.1**	3.8

The Group considers 'Acquisition and reorganisation costs' to include transaction costs of completing the acquisition and those costs resulting directly from decisions to rationalise both operating sites and business operations. In the prior year transaction costs of £3.0m were expensed in relation to the acquisition of Biocompatibles International plc.

7 Amounts written off investments

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Amounts written off investments	**0.2**	1.4

In the prior year an impairment charge of £1.4m was recognised in the consolidated income statement in relation to one of the Group's equity investments in an unlisted drug development company.

8 Operating profit/(loss)

	Year ended 31 March 2012			Year ended 31 March 2011		
	Existing operations £m	**Acquisitions £m**	**Continuing operations £m**	Existing operations £m	Acquisitions £m	Continuing operations £m
Revenue	**197.0**	**–**	**197.0**	105.4	6.0	111.4
Cost of sales[1]	**(56.3)**	**–**	**(56.3)**	(31.1)	(3.0)	(34.1)
Gross profit	**140.7**	**–**	**140.7**	74.3	3.0	77.3
Operating expenses	**(77.0)**	**–**	**(77.0)**	(52.8)	(2.5)	(55.3)
Research and development	**(39.7)**	**–**	**(39.7)**	(30.6)	(1.5)	(32.1)
Profit on disposal of assets and investments	**0.2**	**–**	**0.2**	1.5	–	1.5
Amounts written off property, plant and equipment	**(3.0)**	**–**	**(3.0)**	–	–	–
Acquisition and reorganisation costs	**(1.1)**	**–**	**(1.1)**	(3.8)	–	(3.8)
Amounts written off investments	**(0.2)**	**–**	**(0.2)**	(1.4)	–	(1.4)
Operating profit/(loss)	**19.9**	**–**	**19.9**	(12.8)	(1.0)	(13.8)

1 In accordance with IFRS3 Revised, Business Combinations, inventory acquired upon corporate acquisitions has been adjusted to fair value to reflect the profit earned based on the stage of manufacture at the date of acquisition (see note 34). During the year £2.1m (10/11: £1.7m) of fair value adjustments was incorporated within the cost of sales as the inventory was sold to customers.

Operating profit/(loss) has been arrived at after charging/(crediting):

	Note	**Year ended 31 March 2012 £m**	Year ended 31 March 2011 £m
Depreciation and other amounts written off property, plant and equipment	16	**6.2**	2.4
Amortisation and impairment of intangible assets	15	**31.9**	21.5
Amounts written off investments	7	**0.2**	1.4
Net foreign exchange (gains)/losses		**(2.6)**	2.0
Research and development expenses		**39.7**	32.1
Staff costs	9	**40.6**	26.8
Operating lease rentals payable on property		**1.9**	1.3
Operating lease rentals receivable on property		**–**	(0.3)
Reorganisation costs, including release of onerous lease provision	6	**1.1**	3.8

The analysis of the auditor's remuneration is as follows:

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
The auditing of accounts of any associate of the company	**418**	448
Audit related assurance services	**50**	433
Taxation compliance services	**46**	47
All services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Company or any of its associates	**–**	380
All other non audit services	**–**	21

A description of the work of the Audit Committee is set out on pages 54 to 58 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

9 Staff costs

Staff costs (including directors' emoluments and reorganisation costs) are as follows:

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Salaries	**32.8**	21.6
Social security costs	**3.3**	2.1
Defined contribution pension costs	**1.7**	1.3
Defined benefit pension costs	**0.4**	0.7
Equity-settled transactions	**2.4**	1.1
	40.6	26.8

Staff costs in the year ended 31 March 2011 include those relating to Biocompatibles International plc for the period from acquisition to the end of the financial year, being approximately 2 months.

Key management personnel are considered to be the directors and their remuneration is disclosed within the Remuneration Report on pages 61 to 75. 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 IFRS2, was £0.9m (10/11: £0.6m).

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 2012 Number	Year ended 31 March 2011 Number
Management	**50**	36
Research and production	**312**	213
Administration and business support	**136**	82
	498	331

Staff numbers in the year ended 31 March 2011 include those relating to Biocompatibles International plc for the period from acquisition to the end of the financial year, being approximately 2 months.

10 Financial income

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Interest receivable on money-market and bank deposits	**0.7**	0.4
Fair value changes on Contingent Value Notes[1]	**1.1**	–
Fair value changes of borrowings[2]	**2.9**	–
Fair value changes of foreign exchange forward contracts	**–**	2.7
	4.7	3.1

1 Contingent Value Notes

As part of BTG's acquisition of Biocompatibles on 27 January 2011, 487 Biocompatibles shareholders elected to receive in aggregate 10,722,465 Contingent Value Notes (CVNs) providing a right to a payment of the Sterling equivalent of €0.56 per Biocompatibles share if AstraZeneca exercised its option to enter into a licence agreement relating to CM-3 on the pre-agreed terms. As a result of AstraZeneca's decision to terminate the development and option agreement (see note 15), it is highly unlikely that any payment will be made in relation to the CVNs. The payment obligation would only now arise if BTG enters into another form of licence, sale or other disposal of the GLP-1 asset to AstraZeneca prior to 31 December 2012. The BTG Board does not believe that there is any realistic possibility that this will occur. Accordingly, the Group has derecognised a liability of £1.1m in relation to the CVN through the income statement in financial income in the acquisition adjustments and reorganisation costs column.

10 Financial income continued

2 Borrowings

Following the withdrawal of the Novabel® product from the market, termination of the supply agreement with Merz and subsequent impairments recognised within property, plant and equipment and intangible assets, the Group has derecognised a £2.8m loan from Merz as there is no obligation for this to be repaid. The loan was received to fund the purchase of property, plant and equipment for use in the manufacture of Novabel® and was repayable out of revenues.

11 Financial expense

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Interest payable on finance lease and hire purchase borrowings	–	0.1
Fair value changes of foreign exchange forward contracts	1.5	–
Others	0.1	–
	1.6	0.1

12 Tax

An analysis of the tax charge/(credit) for the year, all relating to current operations, is as follows:

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Current tax		
UK corporation tax charge	2.8	–
Overseas corporate tax charge	0.9	0.2
Overseas income tax	–	1.4
Adjustments in respect of prior years	0.2	–
Total current tax	3.9	1.6
Deferred taxation		
Deferred tax	5.3	(5.8)
Reduction in UK tax rate	(0.8)	2.8
Deferred tax recognised following US reorganisation	–	(18.6)
Total tax charge/(credit) for the year	8.4	(20.0)

UK corporation tax is calculated at 26% (10/11: 28%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

12 Tax continued

Reconciliation of the effective tax rate:

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Profit/(loss) before tax	**23.0**	(10.8)
Tax using UK corporation tax rate of 26% (10/11: 28%)	**5.9**	(3.0)
Effect of overseas tax rates	**2.9**	(1.2)
Overseas withholding tax	**–**	1.4
Unrecognised losses	**0.5**	(0.7)
Non-deductible expenses	**0.3**	1.5
Additional tax credit for research and development expenditure	**(0.6)**	(0.6)
Change in unrecognised deferred tax assets	**1.6**	(20.2)
Adjustment to tax rates	**(0.8)**	2.8
Adjustments in respect of prior years	**(1.4)**	–
	8.4	(20.0)

An analysis of amounts included in the consolidated statement of financial position in respect of income taxes is shown below:

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Current assets		
UK corporation tax receivable	**–**	1.0
Current liabilities		
UK corporation tax payable	**0.9**	–
Overseas corporate tax payable	**1.2**	0.2
Overseas tax payable on royalties	**–**	0.1
	2.1	0.3

Deferred taxation

The movements in the deferred tax asset and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS12, Income Taxes) during the year are as shown below. The 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

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Deferred tax asset recognised at 1 April	**0.9**	0.6
Income statement credit	**0.1**	0.2
Exchange differences	**–**	0.1
Deferred tax asset recognised at 31 March	**1.0**	0.9

The deferred tax asset relates to short-term timing differences in Australia. It has been recognised using a tax rate of 30% (10/11: 30%) because the directors are of the opinion, based on recent and forecast trading, that the level of profits in Australia in the forthcoming years will lead to the realisation of this asset.

12 Tax continued

Deferred tax liability

The deferred tax liability of £35.2m (10/11: £30.7m) represents the net position after taking into account the offset of deferred tax assets against deferred tax liabilities in each jurisdiction. Deferred tax liabilities of £72.7m arise on intangible assets recognised at fair value on acquisitions and £0.4m on accelerated capital allowances. Deferred tax assets relate to brought forward trading losses. The table below summarises the gross and net position at each balance sheet date:

	Deferred tax assets £m	Deferred tax liabilities £m	Net deferred tax liability £m
At 1 April 2010	15.0	(48.4)	(33.4)
Acquisitions	19.1	(39.5)	(20.4)
Income statement credit/(debit)	22.1	(0.7)	21.4
Exchange differences	(0.8)	2.5	1.7
At 1 April 2011	55.4	(86.1)	(30.7)
Adjustments re prior years	(1.4)	2.8	1.4
Income statement credit/(debit)	(16.2)	9.9	(6.3)
Exchange differences	0.1	(0.1)	–
Other	–	0.4	0.4
At 31 March 2012	**37.9**	**(73.1)**	**(35.2)**

In the prior year the Group recognised an additional deferred tax asset of £18.6m in relation to brought forward US tax losses. In accordance with IAS12, this asset was set off against the Group's aggregate US deferred tax liability. The asset was recognised following the completion of a tax-free reorganisation of certain of the Group's US taxable entities on 31 March 2011. As a result of this, when performing its annual assessment of the probability of utilising such losses, management concluded that there was sufficient certainty over the future utilisation of the losses to recognise a deferred tax asset.

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and a further reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012. This will reduce the Group's future current tax charge accordingly. The UK deferred tax asset and liability at 31 March 2012 has been calculated based on the rate of 24% substantively enacted at the balance sheet date. It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the Group's future current tax charge and reduce the Group's deferred tax asset and liability accordingly.

Unrecognised tax losses

In addition to the losses on which a deferred tax asset has been recognised, the Group has additional tax losses and other timing differences in the UK and the US which arose as a result of the research and development incurred during the start up of the Group's activities. These losses and timing differences are shown below. The 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 2013. A deferred tax asset has not been recognised in respect of the losses and timing differences shown below as there is uncertainty as to whether such losses and timing differences can be used. The total amount of tax losses and timing differences not recognised is shown below:

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Tax losses	**157.4**	180.4
Deductible temporary differences	**15.9**	12.2
	173.3	192.6

13 Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	Year ended 31 March 2012	Year ended 31 March 2011
Profit for the financial year (£m)	**14.6**	9.2
Profit per share (p)		
Basic	**4.5**	3.4
Diluted	**4.4**	3.4
Number of shares (m)		
Weighted average number of shares – basic	**325.9**	268.5
Effect of share options on issue	**3.4**	2.5
Weighted average number of shares – diluted	**329.3**	271.0

The basic and diluted earnings per share from underlying earnings are based on the following data:

	Year ended 31 March 2012	Year ended 31 March 2011
Profit for the financial year (£m)	**14.6**	9.2
Add back:		
Fair value adjustment on acquired inventory[1]	**2.1**	1.7
Fair value adjustment on royalty income	**0.1**	–
Amortisation of acquired intangible fixed assets[2]	**19.3**	6.6
Acquisition and reorganisation costs including CVN write back[3]	**(0.1)**	3.8
Reorganisation of US corporate structure[4]	**1.0**	(18.6)
Underlying earnings	**37.0**	2.7
Underlying profit per share (p)		
Basic	**11.4**	1.0
Diluted	**11.2**	1.0

Adjustments to profit are shown after taking into account the tax effect of such adjustments on the results as shown in the consolidated income statement as follows:

1 No tax adjustment is required on the fair value of acquired inventory.

2 The release of deferred tax liability of £11.4m (10/11: £3.4m) has been deducted from the amortisation and impairment of acquired intangible assets of £30.7m (10/11: £10.0m) as shown in the consolidated income statement.

3 In the year ended 31 March 2012, £0.1m of tax effect of reorganisation costs has been adjusted on the basis that the tax charge would have been £0.1m higher had it not been for deductions available against reorganisation costs paid in the financial year. In the year ended 31 March 2011 a reorganisation cost of £3.8m in the consolidated income statement was not adjusted for tax as there was no expectation of the costs being deductible for tax in that financial year.

4 An adjustment was made for the deferred tax credit recognised as a result of the completion of a tax-free reorganisation in the prior year and subsequent review of such items in the current year.

14 Goodwill

	£m
At 1 April 2010	30.3
Additions	28.9
At 1 April 2011	59.2
Additions	–
At 31 March 2012	**59.2**
Accumulated impairment losses	
At 1 April 2010, 1 April 2011 and 31 March 2012	–
Net book value at 31 March 2012	**59.2**
Net book value at 1 April 2011	59.2
Net book value at 1 April 2010	30.3

Additions of £28.9m in the year ended 31 March 2011 relate to the acquisition of Biocompatibles International plc on 27 January 2011 (see note 34).

Impairment review – goodwill and intangible assets
An impairment review of the carrying value of goodwill and unamortised intangible assets was conducted as at 31 March 2012.

Goodwill arose on the acquisitions of Protherics PLC and Biocompatibles International plc (see note 34). This has been allocated across the Group's cash generating units, being its operating segments (see note 4). Goodwill recognised on acquisitions has been allocated across operating segments in proportion to the anticipated benefits of that goodwill on the operating segment, having regard for the assets and liabilities acquired. The carrying value of goodwill has been allocated as relating to Specialty Pharmaceuticals, £16.4m (10/11: £16.4m), as relating to Interventional Medicine, £22.6m (10/11: £22.6m) and in relation to Licensing & Biotechnology, £20.1m (10/11: £20.1m). Prior period comparative numbers are presented in accordance with the new segmental reporting.

The impairment review required the estimation of the recoverable amount based on the value in use of the underlying cash generating unit. Near-term projections are based on the Group's approved three-year plan. Longer term projections through to the end of an asset's estimated useful economic life are included due to the long-term nature of pharmaceutical product development and product life cycles.

The main assumptions on which the forecast cash flows were based include market share and gross margin for the marketed products, individual probability-adjusted cash flow models for all in-process research and development and an assessment of the net present value of future net royalty income for licensed patents.

Cash flow projections for all assets were included for a period equal to the estimated useful economic life of the assets. No terminal values were applied. All cash flows were discounted back to present value using a pre-tax discount rate of between 7% (10/11: 7%) for net royalty income and 28% (10/11: 28%) for in-process research and development, which takes into account the individual risk characteristics of each particular asset and related income stream.

For developed technology, the Group uses its approved three-year plan for its near-term sales projections, adjusting for expected changes in future conditions, including those anticipated as a result of our knowledge of competitor activity and our assessment of future changes in the pharmaceutical industry for long-term projections.

For contractual relationships, the Group uses the same basic methodology as for developed technology but limits the projection period to the appropriate useful economic life of the contractual relationship.

14 Goodwill continued

For in-process research and development the key assumptions are the chance of product launch, market share and overall market size. Industry average statistics are used to assess the chance of product launch, taking into account the stage of development of the asset, the therapeutic area targeted and any known specific characteristics of the asset. Market share and overall market size are assessed by reference to independent industry market reports.

In assessing whether there has been an impairment, the net present value of future cash flows is compared to the carrying value in the accounts.

15 Intangible assets

	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 1 April 2010	117.4	35.2	7.7	–	13.0	–	173.3
Additions	–	–	–	–	0.4	9.7	10.1
Acquired with Biocompatibles	118.8	6.7	11.0	0.3	–	–	136.8
Disposals	–	–	–	–	(0.1)	–	(0.1)
Currency movements	(6.0)	(1.9)	0.1	–	(0.1)	(0.2)	(8.1)
At 1 April 2011	230.2	40.0	18.8	0.3	13.2	9.5	312.0
Additions	–	–	–	0.3	0.3	6.1	6.7
Transfers	3.9	–	(3.9)	–	–	–	–
Disposals	–	–	–	–	(0.2)	–	(0.2)
Currency movements	–	0.1	(0.1)	–	–	0.1	0.1
At 31 March 2012	**234.1**	**40.1**	**14.8**	**0.6**	**13.3**	**15.7**	**318.6**
Amortisation							
At 1 April 2010	6.3	5.4	0.8	–	8.1	–	20.6
Provided during the year	6.2	3.8	0.1	–	0.6	9.6	20.3
Impairments	–	–	–	–	1.2	–	1.2
Write back on disposals	–	–	–	–	(0.1)	–	(0.1)
Currency movements	(0.5)	(0.4)	–	–	–	(0.1)	(1.0)
At 1 April 2011	12.0	8.8	0.9	–	9.8	9.5	41.0
Provided during the year	12.3	4.7	–	0.1	0.6	0.1	17.8
Impairments	5.0	–	8.8	–	0.3	–	14.1
Write back on disposals	–	–	–	–	(0.2)	–	(0.2)
Currency movements	(0.2)	–	–	–	0.1	–	(0.1)
At 31 March 2012	**29.1**	**13.5**	**9.7**	**0.1**	**10.6**	**9.6**	**72.6**
Net book value							
At 31 March 2012	**205.0**	**26.6**	**5.1**	**0.5**	**2.7**	**6.1**	**246.0**
At 1 April 2011	218.2	31.2	17.9	0.3	3.4	–	271.0
At 1 April 2010	111.1	29.8	6.9	–	4.9	–	152.7

Amortisation relating to acquired intangibles is shown on the face of the income statement within ‘Amortisation of acquired intangibles’. All other amortisation and impairment is shown within ‘Selling, general and administrative expenses’ in ‘Operating expenses’.

15 Intangible assets continued

Developed technology

Developed technology relates to both the antidote assets acquired in Protherics PLC, comprising principally of the rights to CroFab® and DigiFab®, and the bead assets acquired in Biocompatibles International plc, comprising principally of the rights to the DC Bead® and LC Bead™. The carrying value of individually significant assets within developed technology is:

	31 March 2012 £m	31 March 2011 £m	Remaining amortisation period at 31 March 2012
CroFab®	**72.8**	75.9	21.7 years
DigiFab®	**23.5**	24.5	21.7 years
DC Bead® and LC Bead™	**98.3**	105.4	13.8 years

Contractual relationships

Contractual relationships relates to contracts acquired in Protherics PLC and Biocompatibles International plc. The carrying value and remaining amortisation period of individually significant contracts is:

	31 March 2012 £m	31 March 2011 £m	Remaining amortisation period at 31 March 2012
Licence agreement with AstraZeneca for AZD9773 (CytoFab™)	**22.9**	24.9	10.7 years

Purchase of contractual rights

On 6 July 2011 BTG signed an agreement with Wellstat Therapeutics Corporation to acquire the US commercial rights for product candidate uridine triacetate. BTG paid Wellstat an upfront fee of $7.5m and will make milestone payments upon NDA acceptance and approval and inventory purchase payments based on manufacturing costs and a significant percentage of net sales. The purchase price was capitalised at 6 July 2011 and will be amortised over the 10 year period starting from marketing approval, representing the length of the exclusive period and point at which BTG will begin to generate economic returns from the product.

On 27 August 2010 BTG signed an agreement with Nycomed US Inc. concerning the accelerated transition to BTG on 1 October 2010 of marketing rights to CroFab® and DigiFab®. Under the terms of the agreement, BTG purchased the exclusive rights to sell the products for which a consideration of £9.7m was paid in October 2010. The purchase price was capitalised and amortised over the six-month period ending 31 March 2011 representing the length of the exclusive period.

Impairments

Impairment charges have been made within the acquisition adjustments and reorganisation costs column against two acquired intangible assets in the period:

- On 13 May 2011 the Group announced that they had been informed by AstraZeneca that AstraZeneca had terminated the development and option agreement relating to CM-3, a GLP-1 analogue being developed by BTG's CellMed subsidiary for use in type 2 diabetes and other indications. The carrying value of the intangible asset associated with the GLP-1 asset was £8.8m which has been fully impaired in the year and is included within in-process research and development.
- A further £3.6m impairment charge has been made in the period against the Group's carrying value of the Novabel® intangible asset and is included within developed technologies. The product has been withdrawn from the market since June 2010 and Merz has terminated the supply agreement with the Group.

16 Property, plant and equipment

	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 1 April 2010	2.4	1.2	12.8	–	16.4
Additions	0.1	9.3	1.7	0.1	11.2
Acquired with Biocompatibles	0.3	–	1.2	3.1	4.6
Transfers	(1.6)	1.6	–	–	–
Disposals	–	–	(0.7)	–	(0.7)
Currency movements	–	0.8	0.3	0.1	1.2
At 1 April 2011	1.2	12.9	15.3	3.3	32.7
Additions	–	0.2	2.0	1.6	3.8
Transfers	0.2	–	0.2	(0.4)	–
Disposals	(0.1)	–	(1.6)	(0.2)	(1.9)
Currency movements	–	0.1	–	(0.1)	–
At 31 March 2012	**1.3**	**13.2**	**15.9**	**4.2**	**34.6**
Depreciation					
At 1 April 2010	0.7	0.3	4.8	–	5.8
Provided during the year	0.2	0.4	1.8	–	2.4
Transfers	(0.7)	0.7	–	–	–
Disposals	–	–	(0.7)	–	(0.7)
Currency movements	–	0.1	0.3	–	0.4
At 1 April 2011	0.2	1.5	6.2	–	7.9
Provided during the year	0.2	0.6	2.4	–	3.2
Impairments	–	–	3.0	–	3.0
Disposals	(0.1)	–	(1.5)	–	(1.6)
Currency movements	–	–	0.1	–	0.1
At 31 March 2012	**0.3**	**2.1**	**10.2**	**–**	**12.6**
Net book value at 31 March 2012	**1.0**	**11.1**	**5.7**	**4.2**	**22.0**
Net book value at 1 April 2011	1.0	11.4	9.1	3.3	24.8
Net book value at 1 April 2010	1.7	0.9	8.0	–	10.6

The net book value of plant and machinery and furniture, fixtures and equipment includes £0.5m (10/11: £1.8m) in respect of assets held under finance lease and hire purchase agreements. Depreciation for the year on those assets was £0.2m (10/11: £0.3m).

An impairment charge of £3.0m has been made against tangible fixed assets that would have been used exclusively for production of Novabel®. The product has been withdrawn from the market since June 2010 and Merz has terminated the supply agreement with the Group. This adjustment has not been reflected in acquisition adjustments and reorganisation costs column.

17 Other investments

	2012 £m	2011 £m
At 1 April	**2.7**	3.7
Additions	**0.5**	0.5
Fair value movements	**–**	(0.1)
Impairment charge	**(0.2)**	(1.5)
Currency movements	**–**	0.1
At 31 March	**3.0**	2.7

Other investments comprise non-current equity investments which are available-for-sale that are recorded at fair value at each balance sheet date. The fair value of unlisted investments is estimated to be the valuation following the latest round of equity funding. In the absence of specific market data the Group determines that cost is equal to fair value.

Where the fair value of an available-for-sale asset is impaired, the impairment charge is recognised in the income statement, together with any amounts recycled from the fair value reserve (see note 21). These impairments initially arise from the prolonged or significant decline in the fair value of the equity investments below acquisition cost, subsequent to which any further decline in fair value is immediately taken to the income statement. In the prior year £0.1m was recycled from the fair value reserve on the impairment of investments.

18 Inventories

	31 March 2012 £m	31 March 2011 £m
Raw materials and consumables	**6.6**	4.4
Work in progress	**12.4**	11.1
Finished goods	**2.8**	4.5
	21.8	20.0

During the period a fair value adjustment of £2.1m (10/11: £1.7m) was recognised through cost of sales (see note 34) leaving £nil (10/11: £2.1m) of fair value uplift recognised on the acquisition of Biocompatibles International plc remaining. Inventory to the value of £1.5m (10/11: £nil) was written off through cost of sales.

19 Trade and other receivables

	31 March 2012 £m	31 March 2011 £m
Due within one year		
Revenues receivable, net of provisions	**20.4**	15.8
Other debtors	**3.6**	4.5
Prepayments and accrued income	**16.1**	12.4
	40.1	32.7

19 Trade and other receivables continued

Managing credit risk:
'Revenues receivable, net of provisions' represents accrued royalty income for the period to 31 March 2012 and certain other amounts receivable under licence agreements.

The ageing of these amounts was as follows:

	31 March 2012		31 March 2011	
	Gross £m	**Provision £m**	Gross £m	Provision £m
Not past due	**19.8**	**–**	14.3	–
0–30 days	**0.5**	**–**	0.4	–
31–90 days	**0.1**	**–**	–	–
> 90 days	**0.8**	**(0.8)**	1.8	(0.7)
Total	**21.2**	**(0.8)**	16.5	(0.7)

Provisions for bad debts of £0.8m (31 March 2011: £0.7m) have been made to write down the value of doubtful receivables to estimated recoverable amounts. The charge to income for the year to 31 March 2012 in respect of provisions for bad debts was £0.5m (10/11: £nil).

20 Cash and cash equivalents

	31 March 2012 £m	31 March 2011 £m
Bank balances	**106.9**	63.7
Cash and cash equivalents in statement of cash flows	**106.9**	63.7

Cash deposits with a maturity of greater than three months are classified as held to maturity financial assets.

Held to maturity financial assets

	31 March 2012 £m	31 March 2011 £m
Bank deposits	**5.0**	10.2

The effective interest rate on held to maturity financial assets was 3.5% (31 March 2011: 2.4%) and these deposits had an average maturity of ten months.

21 Equity

Other reserves are analysed as follows:

	Translation reserve £m	Fair value reserve £m	Total other reserves £m
At 1 April 2010	(1.1)	0.2	(0.9)
Total recognised income and expense	(2.7)	(0.1)	(2.8)
At 1 April 2011	(3.8)	0.1	(3.7)
Total recognised income and expense	(0.3)	–	(0.3)
At 31 March 2012	**(4.1)**	**0.1**	**(4.0)**

The 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. The balance on the merger reserve has arisen through the acquisitions of Biocompatibles International plc on 27 January 2011 (see note 34) and Protherics PLC on 4 December 2008 and includes directly attributable costs of issuing shares of £1.1m relating to the acquisition of Biocompatibles International plc.

The issued and fully paid share capital of the Company is shown below:

Ordinary shares of 10p each

	2012		2011	
	Number	£m	Number	£m
At 1 April	**326,725,906**	**32.7**	257,637,576	25.8
Issued for cash	**566,959**	**–**	365,086	–
Issued in consideration of Biocompatibles acquisition (note 34)	**–**	**–**	68,723,244	6.9
At 31 March	**327,292,865**	**32.7**	326,725,906	32.7

The share issued in the current and prior year were as a result of the acquisition of the Biocompatibles Group and the exercise of share awards.

Share awards
Details of outstanding share awards are set out in note 26.

22 Trade and other payables

	31 March 2012 £m	31 March 2011 £m
Amounts falling due within one year		
Trade payables	**6.0**	8.2
Accruals and deferred income	**45.9**	38.8
Other creditors	**3.5**	3.2
	55.4	50.2
Amounts falling due after more than one year		
Accruals and deferred income	**4.7**	5.4
Contingent value note (see note 34)	**–**	1.1
Other creditors	**0.3**	0.6
	5.0	7.1

23 Derivative financial instruments

	31 March 2012 £m	31 March 2011 £m
Contracts with positive fair values:		
Forward foreign exchange contracts	**0.5**	2.0
Derivative instrument assets	**0.5**	2.0

The Group utilises foreign currency derivatives to hedge significant future transactions and cash flows.

At 31 March 2012 the Group had forward contracts to sell US$25m in the period to September 2012 at rates in the range £1:US$1.54–£1:US$1.60. The fair value of these derivative financial instruments was marked-to-market at 31 March 2012 at £0.5m.

At 31 March 2012 the Group had a forward contract to buy AU$1m in April 2012 at a rate of £1:AU$1.52. The fair value of this forward contract was marked-to-market at 31 March 2012 at £nil.

At 31 March 2011 the Group had forward contracts to sell US$49m in the period to March 2012 at rates in the range £1:US$1.44–£1:US$1.60 and €1m in the period to August 2011 at rates in the range of £1:€1.1982–£1:€1.1987. The fair value of these derivative financial instruments was marked-to-market at 31 March 2011 at £2.0m.

The fair value loss for the year associated with these forward contracts was included within ‘Financial expense’ (10/11: gain included within ‘Financial income’).

A 5% weakening of the US$ as at 31 March 2012, all other variables being unchanged, would result in an additional £0.8m gain within ‘Financial income’ in the income statement and a fair value asset increase of £1.3m within ‘Derivative instruments’ within current assets. A 5% strengthening of the US$ would result in a £0.8m reduction within ‘Financial income’ and a decrease in ‘Derivative instruments’ to £nil within current assets with the Group recognising a current liability of £0.3m within ‘Derivative instruments’.

24 Borrowings

	31 March 2012 £m	31 March 2011 £m
Amounts falling due after more than one year	–	2.9

Following the withdrawal of the Novabel® product from the market, termination of the supply agreement with Merz and subsequent impairments recognised within tangible and intangible assets, the Group has derecognised a £2.8m loan from Merz as there is no obligation for this to be repaid. The loan was received to fund the purchase of property, plant and equipment for use in the manufacture of Novabel® and was repayable out of revenues. This has been recognised within Financial income in the consolidated income statement but not in the acquisition adjustments and reorganisation costs column.

The Group had no undrawn committed borrowing facilities at 31 March 2012 (31 March 2011: £nil).

25 Retirement benefit plans

Defined benefit plan
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 assets of the plan are held in a separate trustee administered fund. 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.

The results of the formal valuation of the plan as at 31 March 2010 were updated to the accounting date by an independent qualified actuary in accordance with IAS19.

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 expected rate of return on assets for the financial year ending 31 March 2012 was 5.4% pa (10/11: 5.6% pa). This rate is derived by taking the weighted average of the long-term expected rate of return on each of the asset classes that the plan was invested in at 31st March 2011, based on the plan's long-term investment strategy at that date.

The estimated amount of total employer contributions expected to be paid to the plan during 2012/13 is £4.9m (2011/12 actual: £5.2m). The estimate is based on the current schedule of contributions agreed as part of the formal valuation of the plan as at 31 March 2010.

The following table sets out the key IAS19 assumptions used for the plan:

	31 March 2012	31 March 2011	31 March 2010
Retail price inflation	**3.5% p.a.**	3.7% p.a.	3.9% p.a.
Discount rate	**4.7% p.a.**	5.5% p.a.	5.5% p.a.
Pension increases in deferment – RPI inflation	**3.5% p.a.**	3.7% p.a.	3.9% p.a.
Pension increases in payment – RPI inflation	**3.5% p.a.**	3.7% p.a.	3.9% p.a.
Pension increases in payment – inflation capped at 2.5%	**2.3% p.a.**	2.3% p.a.	2.4% p.a.
General salary increases	**3.5% p.a.**	3.7% p.a.	3.9% p.a.
Life expectancy at age 60 of a male age 60 at the accounting date	**87.3**	87.3	88.2
Life expectancy at age 60 of a male age 40 at the accounting date	**88.9**	88.8	90.4

25 Retirement benefit plans continued

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 2012 £m	31 March 2011 £m	31 March 2010 £m
Present value of defined benefit obligation	**(108.6)**	(96.8)	(98.3)
Fair value of scheme assets	**108.5**	94.8	89.1
Net liability recognised in the statement of financial position	**(0.1)**	(2.0)	(9.2)

This amount is presented in the statement of financial position within non-current liabilities.

The amounts recognised in the income statement in respect of the plan are as follows:

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Employer's part of current service cost	**0.4**	0.4
Interest cost	**5.2**	5.3
Expected return on plan assets	**(5.2)**	(5.0)
Total expense included in income statement	**0.4**	0.7

The expense has been included in 'Operating expenses: Selling, general and administrative expenses'.

The allocation of the plan's assets is as follows:

	31 March 2012 %	31 March 2011 %	31 March 2010 %
Equity instruments	**15**	17	19
Diversified growth funds	**14**	14	14
Debt instruments	**70**	68	66
Cash/net current assets	**1**	1	1
	100	100	100

Changes in the present value of the defined benefit obligation are as follows:

	31 March 2012 £m	31 March 2011 £m
Defined benefit obligation at 1 April	**96.8**	98.3
Employer part of current service cost	**0.4**	0.4
Interest cost	**5.2**	5.3
Contributions from plan members	**0.1**	0.1
Actuarial loss/(gain) on scheme liabilities	**10.6**	(3.0)
Benefits paid	**(4.5)**	(4.3)
Defined benefit obligation at 31 March	**108.6**	96.8

25 Retirement benefit plans continued

Changes in the fair value of the plan assets are as follows:

	31 March 2012 £m	31 March 2011 £m
Fair value of plan assets at 1 April	**94.8**	89.1
Expected return on plan assets	**5.2**	5.0
Actuarial gains on scheme assets	**7.7**	0.9
Contributions by the employer	**5.2**	4.0
Contributions by plan members	**0.1**	0.1
Benefits paid	**(4.5)**	(4.3)
Fair value of plan assets at 31 March	**108.5**	94.8

The actual return on the plan's assets over the year was £12.9m (10/11: £5.9m).

The amount recognised outside profit and loss in other comprehensive income for 2012 is a loss of £2.9m (10/11: gain of £3.9m). The cumulative amount recognised outside profit and loss as at 31 March 2012 is a loss of £10.7m (10/11: loss of £7.8m)

The history of experience adjustment is as follows:

	31 March 2012 £m	31 March 2011 £m	31 March 2010 £m	31 March 2009 £m	31 March 2008 £m
Present value of defined benefit obligations	**(108.6)**	(96.8)	(98.3)	(74.9)	(81.8)
Fair value of plan assets	**108.5**	94.8	89.1	74.9	76.9
Deficit in the scheme	**(0.1)**	(2.0)	(9.2)	–	(4.9)

	31 March 2012	31 March 2011	31 March 2010	31 March 2009	31 March 2008
Experience adjustments on plan assets					
Amount of (gain)/loss (£m)	**(7.7)**	(0.9)	(10.4)	7.4	(0.4)
Percentage of plan assets (%)	**7**	1	12	(10)	–
Experience adjustments on plan liabilities					
Amount of loss/(gain) (£m)	**1.5**	3.4	(2.5)	–	6.3
Percentage of the present value of plan liabilities (%)	**1**	4	(3)	–	8

The sensitivities regarding the principal assumptions used to measure the plan liabilities are:

		Increase in liabilities	
	Change in assumption	31 March 2012 £m	31 March 2011 £m
Discount rate	Decrease of 0.1%	**1.8**	1.7

Defined contribution plans

The Group offers defined contribution pension plans for its UK, US, European and Australian employees. The total income statement charge in relation to these plans was £1.7m (10/11: £1.3m).

The Group's defined contribution plans are operated by external providers. The only obligation of the Group with respect to these plans is to make the specified contributions.

26 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 certain performance 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. If the options remain unexercised after a period of ten years from the date of grant, the options expire. 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 61 to 75.

Option pricing

For the purposes of valuing options to arrive at the share-based compensation charge, a binomial lattice option pricing model has been used. The assumptions used in the model are as follows:

	31 March 2012	31 March 2011
Risk-free interest rate	**0.8% to 2.5%**	1.4% to 5.8%
Dividend yield	**Nil**	Nil
Volatility	**27% to 41%**	41% to 73%
Expected lives of options and awards granted under:		
– Share option plan	**6 years**	5 years
– Sharesave plan	**3.25 years**	3.25 years
– Stock purchase plan	**2.13 years**	2.25 years
– Restricted share awards	**n/a**	2 to 3 years
– Performance share plan	**2 to 3 years**	2 to 3 years
– Deferred share bonus plan	**3 years**	3 years
Weighted average fair value for share option plan grants in the year	**119.3p**	119.8p
Weighted average fair value for sharesave grants in the year	**114.8p**	86.6p
Weighted average fair value for stock purchase plan grants in the year	**69.4p**	65.6p
Weighted average fair value for performance share awards in the year	**264.6p**	119.8p
Weighted average fair value for deferred share bonus awards in the year	**298.9p**	181.4p

The expected volatility is based on the historic 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 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.

Performance shares are awarded 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.

26 Share-based payments continued

Awards of share options and performance share awards made in 2009 and later years have a market condition based on a TSR measure using the FTSE 250 companies excluding investment trusts, companies in the financial services sector (banks, life and non-life insurance, equity and non-equity investment trusts, financial services, real estate investment and services, and real estate investment trusts etc.) and companies in the consumer discretionary sector (general retailers, media, travel and leisure, and leisure goods). The number of shares to vest depends on the relative performance of BTG's share price against the index. Earlier share options and performance shares used the FTSE SmallCap (excluding Investment Trusts) index. If the Company's share price at least matched the performance of the relevant index over the vesting period, the market-based performance condition was 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 share price returns in the relevant index and which incorporates into the valuation the interdependency between share price and index performance. This adjustment increases the fair value relative to the share price at the date of grant. See the Remuneration Report on pages 61 to 75 for further information.

Restricted shares were awarded to certain management employees under a service condition and a non-market performance condition. There were no market conditions related to the restricted share awards.

Details of options and awards under the Group's share plans are shown in the tables below.

	2012		2011	
	Number of share options (000)	**Weighted average exercise price (p)**	Number of share options (000)	Weighted average exercise price (p)
Share options				
Outstanding at 1 April	**927**	**175.8**	597	157.3
Granted during year	**550**	**298.9**	358	201.3
Lapsed during year	**(2)**	**776.5**	(6)	106.3
Exercised during year	**(48)**	**96.6**	(22)	106.3
Outstanding at 31 March	**1,427**	**225.2**	927	175.8
Exercisable at 31 March	**139**	**120.9**	190	120.9
Sharesave plan				
Outstanding at 1 April	**309**	**144.9**	301	134.9
Granted during year	**237**	**219.5**	90	146.7
Lapsed during year	**(28)**	**137.9**	(26)	145.6
Exercised during year	**(43)**	**134.0**	(56)	94.2
Outstanding at 31 March	**475**	**183.5**	309	144.9
Exercisable at 31 March	**–**	**–**	–	–
Stock purchase plan				
Outstanding at 1 April	**49**	**166.0**	30	162.2
Granted during year	**43**	**243.1**	30	173.2
Lapsed during year	**(6)**	**202.2**	(11)	175.1
Exercised during year	**(20)**	**156.4**	–	–
Outstanding at 31 March	**66**	**216.4**	49	166.0
Exercisable at 31 March	**–**	**–**	–	–

26 Share-based payments continued

Options outstanding at 31 March 2012

	Number (000)	Weighted exercise price (p)	Latest exercise date year ended 31 March
Share options granted in year ended 31 March			
2005	85	106.3	2015
2007	55	143.5	2017
2010	379	179.3	2020
2011	358	201.3	2021
2012	550	298.9	2022
	1,427		
Sharesave plan options granted in year ended 31 March			
2010	160	146.7	2013
2011	81	146.7	2014
2012	234	219.5	2015
	475		
Stock purchase plan options granted in year ended 31 March			
2011	25	173.2	2013
2012	41	243.1	2014
	66		

Restricted share awards

The Company established a restricted share scheme for the purpose of making awards to selected members of senior management below Board level. The vesting period is either two or three years. Awards are forfeited if the 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'; in which case their award is released following their departure. For further details see the Remuneration Report on pages 61 to 75.

26 Share-based payments continued

Movement in the number of restricted shares awarded is as follows.

	2012 Number of share awards (000)	2011 Number of share awards (000)
Outstanding at 1 April	–	200
Exercised during year	–	(183)
Lapsed during year	–	(17)
Outstanding at 31 March	–	–
Exercisable at 31 March	–	–

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. 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'; in which case their award is released following their departure. If the Remuneration Committee decide that a departing beneficiary of an award is a 'good leaver', so their award may be released early, the award will only be released subject to the achievement of the performance conditions set out at the time of the granting of the award and may be subject to proration for time, at the discretion of the Committee. For further details see the Remuneration Report on pages 61 to 75.

Movement in the number of performance share awards is as follows.

	2012 Number of share awards (000)	2011 Number of share awards (000)
Outstanding at 1 April	**2,621**	1,971
Granted during year	**1,321**	945
Lapsed during year	**(280)**	(11)
Exercised during year	**(554)**	(284)
Outstanding at 31 March	**3,108**	2,621
Exercisable at 31 March	–	–

Deferred share bonus plan

The Company established a deferred share bonus plan. The 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. Awards are forfeited if the 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'; in which case their award is released following their departure, though it may be prorated for time at the discretion of the Remuneration Committee. For further details see the Remuneration Report on pages 61 to 75.

26 Share-based payments continued

Movement in the number of deferred bonus shares awarded is as follows.

	2012 Number of share awards (000)	2011 Number of share awards (000)
Outstanding at 1 April	**591**	380
Granted during year	**195**	378
Lapsed during year	**(19)**	–
Exercised during year	**(85)**	(167)
Outstanding at 31 March	**682**	591
Exercisable at 31 March	**–**	–

The Biocompatibles Group had a number of share schemes prior to the date of acquisition by the Company. With the exception of the Share Incentive Plan (SIP), all share schemes ceased just prior to that date and share awards under the various schemes vested and/or exercised to the extent to which performance conditions had been achieved. No grants or awards remained outstanding at the date of acquisition.

Shares invested in the SIP were exchanged for BTG shares in the same ratio as other shareholders received in the acquisition: 1.6733 BTG shares for each Biocompatibles share plus 10p cash. While no further contributions may be invested in the SIP post the date of acquisition, shares already held in the SIP may remain until the date of closure of the Plan in 2016.

As at 31 March 2012, 353,456 ordinary shares in BTG plc, issued and subscribed for by the Biocompatibles International plc Share Incentive Plan Trust, had not vested unconditionally.

27 BTG Employee Share Trust

The Group includes an employee share trust, the BTG Employee Share Trust (the Trust), which was established in Guernsey in 1992. It holds shares for the general benefit of all employees who may eventually become legally entitled to them. At 31 March 2012 the Trust held 1,214,313 (31 March 2011: 1,308,793) shares in BTG plc and a further 12,596 (31 March 2011: 12,596) shares in Torotrak plc. The Trust may distribute these shares to employees of the Group on the recommendation of the Company. These distributions may be as a result of awards under the Restricted Share Scheme, the Deferred Share Bonus Plan or the recently set up Senior Management Performance Share Plan.

At 31 March 2012 the Trust has 499,184 shares set aside under the Deferred Share Bonus Plan.

28 Provisions

	2012			2011		
	Leases £m	**Reorganisation £m**	**Total £m**	Leases £m	Reorganisation £m	Total £m
At 1 April	**2.0**	**1.0**	**3.0**	1.1	0.7	1.8
Acquired with Biocompatibles	**–**	**–**	**–**	1.3	–	1.3
Provisions utilised during year	**(0.3)**	**(0.9)**	**(1.2)**	(0.4)	(0.9)	(1.3)
Provisions made during year	**0.1**	**–**	**0.1**	–	1.2	1.2
Difference on exchange	**(0.1)**	**–**	**(0.1)**	–	–	–
At 31 March	**1.7**	**0.1**	**1.8**	2.0	1.0	3.0
Balance due within one year	**0.7**	**0.1**	**0.8**	0.8	1.0	1.8
Balance due after more than one year	**1.0**	**–**	**1.0**	1.2	–	1.2
	1.7	**0.1**	**1.8**	2.0	1.0	3.0

Lease provisions relate to onerous leases and represent the net present value of future obligations and where relevant, not covered by income from tenants (see 2(p)).

The provision for reorganisation costs arose as a result of the Group's rationalisation activities following the acquisition of Biocompatibles International plc on 27 January 2011 (note 34) and Protherics PLC on 4 December 2008. The provision principally comprises redundancy and other site closure costs.

29 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 and services 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 relatively 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.

Following the transition from a distribution agreement to direct sales during the prior year, the majority of the marketed product revenues are currently generated from sales to several key wholesalers in the U.S. Management maintains regular communication with the customers and monitors both sales to and payments from customers to minimise the credit risk exposure.

29 Financial risk management objectives and policies continued

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 limited debt facilities in the form of borrowings (see note 24) and its obligations for assets held under finance leases are immaterial. The Group has substantial cash balances to fund its operations.

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 UK 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.

Foreign currency risk

The Group has several overseas subsidiary undertakings, the revenues and the expenses of which are denominated in local currencies being US dollars, Euros and Australian dollars. As a result the Group's sterling income statement, statement of financial position 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 certainty over the value of future cash flows.

A significant element of the Group's revenue is denominated in US dollars with the remainder split between Sterling, Euros, Yen and other currencies. The majority of the Group's operating expenses are in sterling along with smaller elements in US dollars and Australian dollars. Where possible, anticipated foreign currency operating expenses are matched to foreign currency revenues. The excess exposure over and above this natural hedge, to the extent that cash flows are predictable, is managed using forward contracts (see note 23).

Sensitivity analysis

A 5% weakening of the US$ at 31 March 2012 would have resulted in the following (decreases)/increases in equity and profit or loss:

	31 March 2012 £m	31 March 2011 £m
Profit or loss	**(2.7)**	(5.7)
Equity	**(3.5)**	0.9

29 Financial risk management objectives and policies continued

Interest rate risk

The Group seeks to mitigate partially against increased interest rates while maintaining a degree of flexibility to benefit from decreasing rates of interest by holding a mix of fixed and floating rate financial liabilities. The Group seeks to maximise the amount of interest income from its cash balances by using a variety of short-term, fixed high-interest deposit and money-market accounts. 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.

Market price risk

It is, on occasion, deemed appropriate to take equity stakes in early-stage companies utilising the Group's technology as part of the overall licensing arrangement and small loans may be granted to these companies to further technology development. These investments will be realised at an appropriate time in the development cycle. Regular reports are made to the Board on the status of investments. These investments form part of the Group's overall technology portfolio and do not materially affect liquidity.

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 2012 £m	31 March 2011 £m
Total equity – capital and reserves attributable to BTG shareholders	**406.2**	392.3
Total assets	**505.8**	488.5
Equity ratio	**80.3%**	80.3%

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 value notes, contingent considerations and various items such as trade debtors and creditors which arise directly from operations. In addition, a number of debt and equity investments, both quoted and unquoted, are held in technology-based companies along with borrowings including obligations under finance leases.

29 Financial risk management objectives and policies continued

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:

	Designated at fair value £m	Forward contracts at fair value £m	Available for sale £m	Amortised cost £m	**Total carrying value £m**	**Fair value £m**
31 March 2011						
Cash and cash equivalents	–	–	–	63.7	63.7	63.7
Held to maturity financial assets	–	–	–	10.2	10.2	10.2
Forward contracts	–	2.0	–	–	2.0	2.0
Other investments	2.7	–	–	–	2.7	2.7
Trade and other receivables	–	–	0.1	32.6	32.7	32.7
Trade and other payables	(1.1)	–	–	(55.6)	(56.7)	(56.7)
Borrowings	–	–	–	(2.9)	(2.9)	(2.9)
31 March 2012						
Cash and cash equivalents	**–**	**–**	**–**	**106.9**	**106.9**	**106.9**
Held to maturity financial assets	**–**	**–**	**–**	**5.0**	**5.0**	**5.0**
Forward contracts	**–**	**0.5**	**–**	**–**	**0.5**	**0.5**
Other investments	**3.0**	**–**	**–**	**–**	**3.0**	**3.0**
Trade and other receivables	**–**	**–**	**0.1**	**40.0**	**40.1**	**40.1**
Trade and other payables	**(0.7)**	**–**	**–**	**(59.7)**	**(60.4)**	**(60.4)**

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

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 31 March 2011				
Financial assets recognised at fair value				
Investments	–	2.7	–	2.7
Forward contracts	–	2.0	–	2.0
Financial liabilities recognised at fair value				
Contingent value notes	–	–	(1.1)	(1.1)
At 31 March 2012				
Financial assets recognised at fair value				
Investments	–	3.0	–	3.0
Forward contracts	–	0.5	–	0.5
Financial liabilities recognised at fair value				
Fair value of other contingent consideration	–	–	(0.7)	(0.7)

29 Financial risk management objectives and policies continued

Level 2 – financial assets and liabilities represent forward foreign exchange contracts to sell US$ and Euros which are marked-to-market at each balance sheet date and other investments held at fair value as disclosed in note 17.

Level 3 – financial liabilities in the current year represent the contingent consideration payable upon the purchase of the US commercial rights of product candidate uridine triacetate representing contingent milestone payments upon NDA acceptance and approval of the product candidate. In the prior year level 3 represented the contingent loan note upon acquisition of Biocompatibles International plc (see note 34). Profits for the year related to these liabilities of £1.1m have been recognised in the consolidated income statement.

Contractual maturity analysis of financial assets

	31 March 2012 £m	31 March 2011 £m
Forward foreign exchange contracts that mature within:		
0–3 months	**0.1**	0.8
3–6 months	**0.4**	0.4
6–12 months	**–**	0.8
	0.5	2.0

Net gains and losses on financial assets and liabilities

Foreign exchange gains of £2.6m (10/11: losses of £2.0m) were recognised within Operating profit in relation to settlement of trade receivables and payables.

The Group recognised a fair value loss of £1.5m (10/11: gain of £2.7m) relating to forward foreign exchange contracts within 'Financial expense' (10/11: 'Financial income').

Fair value gains of £nil (10/11: £0.1m) were recycled from the fair value reserve within equity in relation to investments impaired during the prior year.

Estimation of fair values

The following summarises the methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

29 Financial risk management objectives and policies continued

Other investments

These comprise both listed and unlisted investments, available-for-sale (see note 17). The figure recorded in the statement of financial position is the best estimate of fair value.

Borrowings and finance leases

The fair values of such balances are estimated by discounting the future cash flows at the market rate.

Trade receivables, trade payables and cash and cash equivalents

Trade payables and receivables have a remaining life of less than one year so their value recorded in the statement of financial position is considered to be a fair approximation of fair value. The contingent value notes and other contingent considerations are fair valued at each reporting period.

30 Operating leases

Total non-cancellable operating lease rentals are due in the following periods:

	31 March 2012		31 March 2011	
	Property £m	**Vehicles, plant and equipment £m**	Property £m	Vehicles, plant and equipment £m
Within one year	**1.7**	**–**	1.7	–
Between two and five years	**4.3**	**–**	5.3	–
Greater than five years	**0.7**	**–**	1.1	–
	6.7	**–**	8.1	–

Operating lease payments represent rentals payable for certain of its office properties, plant and equipment under non-cancellable operating lease agreements.

The Group leases a number of offices and facilities in the UK, the US, Germany, and Australia. These leases have terms of up to seven years.

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.

31 Other financial commitments

The Group has entered into agreements with a number of early-stage companies and venture capital funds. At 31 March 2012 the Group is committed to invest £0.2m under these agreements (10/11: £0.4m).

As with any business whose core assets are intellectual property, the Group will from time-to-time resort to litigation or threats of litigation, or other legal processes, to defend its rights. Litigation costs are regarded as a cost of doing business and will vary from year to year. In the current year the Group incurred £2.1m in litigation costs (10/11: £4.0m).

The Company has entered into an agreement to guarantee payments under the lease of a US subsidiary undertaking.

The Company has provided a Guarantee to certain subsidiary undertakings in respect of the BTG Pension Plan up to a maximum amount equal to the lowest non-negative amount which, when added to the assets of the Plan, would result in the plan 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 also provided a Guarantee to the same subsidiary undertakings for a maximum amount of £12.7m, being the deficit repair contributions agreed with the Trustees of the Plan following the finalisation of the last actuarial valuation. The Guarantee reduces as payments are made and expires on 31 January 2013.

32 Related parties

Identity of related parties
The Group has a related-party relationship with its subsidiary undertakings (see note 2(b)), its associates (see note 2(b)) and its directors. During the year the Group invested a further £0.5m in its investments (see note 17). No dividends were received from associates in the years ended 31 March 2012 or 2011.

In relation to the related party relationship identified on page 51 concerning Giles Kerr, payments made by BTG to Oxford University and Isis Innovations Ltd under the relevant licence agreements were £0.8m during the year ended 31 March 2012. There are no amounts still outstanding and payable by BTG under these agreements as at 31 March 2012.

Key management personnel are considered to be the directors and their remuneration is disclosed within the Remuneration Report on pages 61 to 75.

33 Group entities

The significant subsidiary undertakings of BTG plc at 31 March 2012 are all wholly owned, 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.

	Class of capital	Principal activity
BTG International (Holdings) Ltd[1]	Ordinary	Investment in IPR management companies
Provensis Ltd[1]	Ordinary	Development and commercialisation of IPR
BTG International Ltd	Ordinary	Development, management and commercialisation of IPR
BTG Employee Share Schemes Ltd Guernsey	Ordinary	Trustee company
BTG Investment (Holdings) Ltd	Ordinary	Investment in IPR management companies
British Technology Group Inter-Corporate Licensing Ltd	Ordinary	Development, management and commercialisation of IPR
BTG Management Services Ltd (formerly Protherics Limited)[1]	Ordinary	Investment and management of group companies
Protherics Medicines Development Ltd	Ordinary	Development, management and commercialisation of IPR
BTG International Inc. (formerly Protherics Inc.) Delaware, USA	Common stock	Research, development, manufacture and sale of pharmaceutical products and potential drugs
Enact Pharma Ltd	Ordinary	Development, management and commercialisation of IPR
Protherics UK Ltd	Ordinary	Research, development, manufacture and sale of pharmaceutical products and potential drugs
BTG Australasia Pty Ltd Australia	Ordinary	Manufacture and sale of pharmaceutical products and potential drugs
Protherics Utah Inc. Tennessee, USA	Common stock	Research, development, manufacture and sale of pharmaceutical products and potential drugs
Protherics Salt Lake City Inc. Utah, USA	Common stock	Development, management and commercialisation of IPR
Biocompatibles International Ltd[1]	Ordinary	Investment and management of group companies
Biocompatibles UK Ltd	Ordinary	Commercialisation of bead products
Biopolymerix Inc. Delaware, USA	Common stock	Research and development
Biocompatibles, Inc. Delaware, USA	Common stock	Commercialisation of brachytherapy products
CellMed AG Germany	No par value shares	Research and development

1 Indicates direct subsidiary of BTG plc.

34 Acquisition of business operations

On 27 January 2011, the Company acquired 100% of the issued share capital of Biocompatibles International plc (subsequently re-registered as Biocompatibles International Ltd), a listed UK company. Biocompatibles International Ltd was the parent company of the Biocompatibles Group, a leading international medical technology company in the field of drug device combination products. This transaction has been accounted for by the purchase method of accounting.

The acquisition was settled by the issuance of 68,723,244 new BTG plc ordinary shares of 10p each plus either 10p in cash for each Biocompatibles share or a contingent value note.

Equity settled consideration
The fair value of equity settled consideration was £167.7m, based on the share price of £2.44 in existence at the time of the acquisition.

Cash consideration
Shareholders owning 30,349,200 Biocompatibles shares (73.9% of all Biocompatibles shares acquired) opted to receive 10p in cash per share, resulting in a cash payment of £3.0m.

Contingent value note (CVN)
As an alternative to 10p cash consideration, Biocompatibles shareholders could elect to receive an entitlement to a contingent right to payment of the Sterling equivalent of €0.56 per Biocompatibles share in cash by participating in the value that may potentially be achieved from part of Biocompatibles' programme to develop the GLP-1 Compound which it has partnered with AstraZeneca. Shareholders owning 10,722,465 Biocompatibles shares (26.1% of all Biocompatibles shares acquired) opted to receive the CVN. The CVN would be paid in full if, prior to 31 December 2012, either:

- AstraZeneca exercises an option to license the GLP-1 compound on agreed terms; or
- BTG, otherwise than on the agreed terms of the option, enters into any other licence, sale or other disposal or other arrangement with similar effect with AstraZeneca with respect to the rights of the GLP-1 compound.

The liability would be paid in full or not at all. The fair value of each CVN was assessed at acquisition date as being 10p per Biocompatibles share, based on probability adjusted net present value calculations of AstraZeneca exercising its option to license the GLP-1 compound. This fair value was also supported by the alternative offer to shareholders of 10p in cash. The fair value of the CVN as at 31 March 2011 is shown in note 22 to the accounts at £1.1m.

34 Acquisition of business operations continued

Net assets acquired

Details of the net assets of acquired arising from the acquisition of Biocompatibles International plc are set out in the table below:

	Book value £m	Fair value adjustment £m	Fair value £m
Non-current assets:			
Intangible assets	9.5	127.3	136.8
Goodwill	2.8	(2.8)	–
Property, plant and equipment	4.6	–	4.6
Current assets:			
Inventories	0.9	3.8	4.7
Trade and other receivables	6.0	–	6.0
Cash and cash equivalents	17.4	–	17.4
Held to maturity financial assets	10.2	–	10.2
Current liabilities:			
Trade and other payables	(3.7)	–	(3.7)
Deferred income	(9.3)	0.3	(9.0)
Non-current liabilities:			
Trade and other payables	(0.9)	–	(0.9)
Borrowings	(2.8)	–	(2.8)
Deferred tax liabilities	(1.1)	(19.3)	(20.4)
Total assets acquired	33.6	109.3	142.9
Goodwill			28.9
Total consideration			171.8
Settled by equity			(167.7)
Contingent consideration			(1.1)
Cash paid			3.0
Cash and cash equivalents included in undertaking acquired			17.4
Cash consideration paid			(3.0)
Net cash inflow per cash flow statement			14.4
Directly attributable costs settled[1]			(3.6)
Net cash inflow arising on acquisition			10.8

1 Total costs relating to the acquisition were £4.1m, of which £3.6m had been paid by 31 March 2011. The remainder was settled in April 2011. Of the total costs of £4.1m, £3.0m was included in 'Acquisition and reorganisation costs' in the consolidated income statement in the year ended 31 March 2011 (see note 6) and £1.1m was debited to the merger reserve in the year ended 31 March 2011 (see note 21).

The goodwill arising on acquisition resulted from assets which could not be recognised separately including early-stage pipeline products and a highly skilled workforce. The fair value adjustments were considered final.

The main elements of the significant fair value adjustments are described below:

- Intangible assets in respect of the marketed products, in-process research and development and contractual relationships in accordance with IFRS3 Revised – Business Combinations;
- Revaluation of inventory reflecting profit accrued up to the stage of production at the time of the transaction; and
- Deferred tax liabilities in relation to the acquired intangible assets over and above £21.2m of deferred tax assets in recognition of acquired accumulated tax losses.

Company statement of financial position

	Note	31 March 2012 £m	31 March 2011 £m
ASSETS			
Non-current assets			
Investment in subsidiaries	4	**365.9**	364.4
		365.9	364.4
Current assets			
Trade and other receivables	5	**217.1**	218.4
Cash and cash equivalents		**–**	–
		217.1	218.4
Total assets		**583.0**	582.8
EQUITY			
Share capital	6	**32.7**	32.7
Share premium account	6	**188.3**	188.2
Merger reserve	6	**317.8**	317.8
Retained earnings	6	**41.1**	39.8
Total equity attributable to equity holders of the parent	6	**579.9**	578.5
LIABILITIES			
Non-current liabilities			
Trade and other payables	7	**–**	1.1
		–	1.1
Current liabilities			
Trade and other payables	7	**3.0**	2.3
Taxation		**0.1**	0.1
Provisions		**–**	0.8
		3.1	3.2
Total liabilities		**3.1**	4.3
Total equity and liabilities		**583.0**	582.8

The notes on pages 134 to 137 form part of these financial statements.

The financial statements were approved by the Board on 18 May 2012 and were signed on its behalf by:

Dr Louise Makin Chief Executive Officer

Rolf Soderstrom Chief Financial Officer

Registered No: 2670500

Company statement of cash flows

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Loss after tax for the year	**(1.1)**	(2.8)
Decrease in trade and other receivables	**1.3**	10.5
Decrease in trade and other payables	**(0.4)**	(6.1)
(Decrease)/increase in provisions	**(0.8)**	0.8
Costs of acquisition recognised in equity	**–**	(0.6)
Other items	**0.9**	0.9
Net cash (outflow)/inflow from operating activities	**(0.1)**	2.7
Investing activities		
Costs relating to acquisition of Biocompatibles International plc	**–**	(3.0)
Net cash outflow from investing activities	**–**	(3.0)
Cash flows from financing activities		
Proceeds of share issue	**0.1**	0.1
Net cash from financing activities	**0.1**	0.1
Decrease in cash and cash equivalents	**–**	(0.2)
Cash and cash equivalents at start of year	**–**	0.2
Cash and cash equivalents at end of year	**–**	–

The notes on pages 134 to 137 form part of these financial statements.

Company statement of changes in equity

	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total equity £m
At 1 April 2010	25.8	188.1	158.1	42.5	414.5
Loss for the year	–	–	–	(2.8)	(2.8)
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(2.8)	(2.8)
Transactions with owners:					
Issue of BTG plc ordinary shares	–	0.1	–	–	0.1
Issued on acquisition of Biocompatibles International plc (note 34)	6.9	–	159.7	–	166.6
Movement in shares held by the Trust	–	–	–	(0.5)	(0.5)
Share-based payments	–	–	–	0.6	0.6
At 31 March 2011	32.7	188.2	317.8	39.8	578.5

	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total equity £m
At 1 April 2011	32.7	188.2	317.8	39.8	578.5
Loss for the year	–	–	–	(1.1)	(1.1)
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(1.1)	(1.1)
Transactions with owners:					
Issue of BTG plc ordinary shares	–	0.1	–	–	0.1
Share-based payments	–	–	–	2.4	2.4
At 31 March 2012	**32.7**	**188.3**	**317.8**	**41.1**	**579.9**

The notes on pages 134 to 137 form part of these 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 disposal of part of the business, the cost is 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 IFRS2 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 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 loss after tax of the Company amounted to £1.1m (10/11: £2.8m).

The analysis of the auditor's remuneration is as follows:

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
The auditing of accounts of the Company	**93**	123
Audit related assurance services	**50**	43
All services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Company or any of its associates	**–**	380
All other non audit services	**–**	21

3 Staff costs

The employees are based in the United Kingdom.

Disclosures of individual directors' remuneration and associated costs required by the Companies Act 2006 and specified by the Financial Services Authority are included within the remuneration report on pages 61 to 75 and form part of these audited accounts.

The employees of the Company are members of the Group pension plans as detailed in note 25 of the Group financial statements. The Company receives a charge based upon the employer contribution to the Group's defined benefit pension scheme. No additional contributions are paid by the Company.

4 Investment in subsidiary undertakings

	£m
Cost	
At 1 April 2010	192.0
Acquisition of Biocompatibles International plc	171.8
Share-based payments	0.6
At 1 April 2011	364.4
Share-based payments	1.5
At 31 March 2012	**365.9**

A list of the Company's principal subsidiary undertakings is shown in note 33 to the Group financial statements. The acquisition of Biocompatibles International plc is outlined in note 34 to the Group financial statements.

5 Trade and other receivables

	31 March 2012 £m	31 March 2011 £m
Due within one year		
Prepayments	**0.4**	–
Amounts owed by subsidiary undertakings	**216.7**	218.4
	217.1	218.4

6 Capital and reserves

	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total £m
At 1 April 2010	25.8	188.1	158.1	42.5	414.5
Loss for financial year	–	–	–	(2.8)	(2.8)
Total recognised loss for the year	–	–	–	(2.8)	(2.8)
Movement in shares held by Trust	–	–	–	(0.5)	(0.5)
Issued on acquisition of Biocompatibles (note 34)	6.9	–	159.7	–	166.6
Other share capital issued	–	0.1	–	–	0.1
Share-based payments	–	–	–	0.6	0.6
At 1 April 2011	32.7	188.2	317.8	39.8	578.5
Loss for financial year	–	–	–	(1.1)	(1.1)
Total recognised loss for the year	–	–	–	(1.1)	(1.1)
Other share capital issued	–	0.1	–	–	0.1
Share-based payments	–	–	–	2.4	2.4
At 31 March 2012	**32.7**	**188.3**	**317.8**	**41.1**	**579.9**

The 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. The balance on the merger reserve has arisen through:

1 The acquisition of Protherics PLC on 4 December 2008 and includes directly attributable costs of issuing the shares of £0.4m.
2 The acquisition of Biocompatibles International plc on 27 January 2011 and includes directly attributable costs of issuing of shares of £1.1m.

6 Capital and reserves continued

Details of Company's share capital are disclosed in note 21 to the Group financial statements. Details of share awards granted by the Company are set out in note 26 to the Group financial statements. Details of shares in the Company held by subsidiaries are shown in note 27 to the Group financial statements.

7 Trade and other payables

	31 March 2012 £m	31 March 2011 £m
Amounts falling due within one year		
Accruals and deferred income	**3.0**	2.3
Amounts falling due after more than one year		
Contingent value note	**–**	1.1

The directors consider the fair value to be equal to the book value.

8 Financial assets and liabilities

	Designated at fair value £m	Amortised cost £m	Total carrying value £m	Fair value £m
31 March 2011				
Trade and other receivables	–	218.4	218.4	218.4
Trade and other payables	(1.1)	(2.3)	(3.4)	(3.4)
31 March 2012				
Trade and other receivables	**–**	**217.1**	**217.1**	**217.1**
Trade and other payables	**–**	**(3.0)**	**(3.0)**	**(3.0)**

Financial liabilities classified as 'Designated at fair value' in the prior year comprise the contingent value notes, details of which are disclosed in note 34 of the Group financial statements.

Credit risk
The Company's credit risk is 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 Group cash is managed centrally within its subsidiaries. Accordingly the Company is funded by its subsidiaries as its liabilities fall due.

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 29 to the Group financial statements.

9 Guarantees and contingent liabilities

The Company has entered into an agreement to guarantee payments under the lease of its US subsidiary undertaking.

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 also provided a Guarantee to the same subsidiary undertakings for a maximum amount of £12.7m, being the deficit repair contributions agreed with the Trustees of the Fund following the finalisation of the last actuarial valuation. The Guarantee reduces as payments are made and expires on 31 January 2013.

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 51 concerning Giles Kerr, payments made by BTG to Oxford University and Isis Innovations Ltd under the relevant licence agreements were £0.8m during the year ended 31 March 2012. There are no amounts still outstanding and payable by BTG under these agreements as at 31 March 2012.

Key management personnel are considered to be the directors and their remuneration is disclosed within the Remuneration Report on pages 61 to 75.

Appendix 1

Unaudited pro-forma consolidated income statement
for the year ended 31 March 2012

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Royalties	**84.5**	70.0
Marketed products	**76.6**	35.4
Biocompatibles	**36.1**	33.9
Revenue	**197.2**	139.3
Cost of sales: royalties	**(28.0)**	(22.4)
Cost of sales: marketed products	**(18.8)**	(8.8)
Biocompatibles	**(7.4)**	(7.7)
Gross profit	**143.0**	100.4
Operating expenses: foreign exchange gains/(losses)	**2.6**	(1.7)
Operating expense: other	**(48.9)**	(52.4)
Operating expenses: total	**(46.3)**	(54.1)
Research and development	**(39.7)**	(41.8)
Profit on disposal of assets and investments	**0.2**	1.5
Amounts written off property, plant and equipment	**(3.0)**	–
Amounts written off associates and investments	**(0.2)**	(1.4)
Operating profit	**54.0**	4.6
Financial income	**3.6**	3.5
Financial expense	**(1.6)**	(0.2)
Profit before tax	**56.0**	7.9
Tax	**(19.0)**	(0.4)
Profit for the year	**37.0**	7.5
Basic earnings per share	**11.4p**	2.3p
Diluted earnings per share	**11.2p**	2.3p

All activity arose from continuing operations.

Basis of preparation
The financial information contained in this appendix is pro-forma and does not constitute full statutory accounts within the meaning of section 435 of the Companies Act 2006. The information has been extracted from the records of BTG plc and Biocompatibles International plc combining the results for both companies for the years ended 31 March 2012 and 31 March 2011. The information has been prepared using the accounting policies and basis of preparation set out in note 2 to the Group financial statements, except that, for comparative purposes, the following items have been excluded from the pro-forma information:

- Amortisation of business combination intangibles.
- Effect of fair value adjustments on inventory arising from IFRS3 – Business Combinations.
- One-off transaction related expenses and reorganisation costs.
- Impact of deferred tax asset and liabilities recognised upon acquired intangible assets.
- Impact of US tax-free reorganisation, which resulted in a one-off deferred tax asset of £18.6m being recognised in the year ended 31 March 2011.

Five-year financial record

Consolidated income statement
for the year ended 31 March

	2012 £m	2011[1] £m	2010 £m	2009[2] £m	2008 £m
Revenue	**197.0**	111.4	98.5	84.8	75.0
Cost of sales	**(56.3)**	(34.1)	(32.8)	(37.1)	(32.1)
Gross profit	**140.7**	77.3	65.7	47.7	42.9
Operating and administrative expenses	**(46.3)**	(45.3)	(29.3)	(20.6)	(13.8)
Restructuring costs	**(1.1)**	(3.8)	0.7	(10.9)	(8.1)
Operating expenses	**(47.4)**	(49.1)	(28.6)	(31.5)	(21.9)
Research and development	**(39.7)**	(32.1)	(26.7)	(21.2)	(12.2)
Share of results of associates	**–**	–	(0.3)	(0.4)	(0.7)
Research and development expenses	**(39.7)**	(32.1)	(27.0)	(21.6)	(12.9)
Profit on disposal of assets and investments	**0.2**	1.5	1.1	2.6	0.4
Amounts written off associates and investments	**(0.2)**	(1.4)	–	(3.4)	–
Amounts written off property, plant and equipment	**(3.0)**	–	–	–	–
Amortisation and impairment of business combination intangibles	**(30.7)**	(10.0)	(9.1)	(3.0)	–
Operating profit/(loss)	**19.9**	(13.8)	2.1	(9.2)	8.5
Net financial income	**3.1**	3.0	7.0	(2.1)	2.2
Profit/(loss) before tax	**23.0**	(10.8)	9.1	(11.3)	10.7
Tax	**(8.4)**	20.0	2.2	(1.8)	(1.9)
Profit/(loss) after tax for the year	**14.6**	9.2	11.3	(13.1)	8.8
Earnings/(loss) per share					
Basic	**4.5p**	3.4p	4.4p	(7.1p)	5.9p
Diluted	**4.4p**	3.4p	4.4p	(7.1p)	5.9p

Gross profit

	2012 £m	2011[1] £m	2010 £m	2009[2] £m	2008 £m
Royalties from launched products	**51.3**	43.2	38.0	32.1	24.9
Income from new agreements and milestone payments	**5.0**	4.5	8.6	11.0	18.0
Gross profit from marketed products	**58.0**	26.6	19.1	4.6	–
Gross profit from Biocompatibles	**26.4**	3.0	–	–	–
Gross profit	**140.7**	77.3	65.7	47.7	42.9

1 The results for the year ended 31 March 2011 include the results of Biocompatibles International plc from the date of acquisition, being 27 January 2011.
2 The results for the year ended 31 March 2009 include the results of Protherics PLC from the date of acquisition, being 4 December 2008.

Five-year financial record

Consolidated statement of financial position
as at 31 March

	2012 £m	2011[1] £m	2010 £m	2009[2] £m	2008 £m
Goodwill	**59.2**	59.2	30.3	30.0	–
Intangible assets	**246.0**	271.0	152.7	165.8	6.8
Property, plant and equipment	**22.0**	24.8	10.6	11.1	0.8
Investment in associates	**–**	–	–	0.3	0.7
Other investments	**3.0**	2.7	3.7	3.2	5.8
Deferred tax asset	**1.0**	0.9	0.6	0.7	–
Biological assets	**0.3**	0.3	–	–	–
Total non-current assets	**331.5**	358.9	197.9	211.1	14.1
Current assets	**174.3**	129.6	113.1	118.3	72.2
Total assets	**505.8**	488.5	311.0	329.4	86.3
Equity					
Share capital	**32.7**	32.7	25.8	25.5	15.1
Share premium account	**188.3**	188.2	188.1	187.3	187.0
Merger reserve	**317.8**	317.8	158.1	156.5	–
Reserves	**(4.0)**	(3.7)	(0.9)	(0.1)	(1.4)
Retained earnings	**(128.6)**	(142.7)	(155.9)	(156.6)	(145.5)
Total equity	**406.2**	392.3	215.2	212.6	55.2
Total non-current liabilities	**41.3**	43.9	52.4	47.1	6.9
Total current liabilities	**58.3**	52.3	43.4	69.7	24.2
Total liabilities	**99.6**	96.2	95.8	116.8	31.1
Total equity and liabilities	**505.8**	488.5	311.0	329.4	86.3

1 The statement of financial position for 31 March 2011 includes the assets and liabilities acquired from Biocompatibles International plc during the year.
2 The statement of financial position for 31 March 2009 includes the assets and liabilities acquired from Protherics PLC during the year.

Consolidated cash flow statement
for the year ended 31 March

	2012 £m	2011[1] £m	2010 £m	2009[2] £m	2008 £m
Net cash from/(used in) operating activities	**47.2**	(12.0)	5.8	(1.8)	13.4
Net cash (used in)/from investing activities	**(3.9)**	(5.5)	(2.6)	21.8	0.8
Net cash (used in)from financing activities	**(0.2)**	(0.6)	1.4	(0.1)	–
Increase/(decrease) in cash and cash equivalents	**43.1**	(18.1)	4.6	19.9	14.2
Effect of exchange rate fluctuations on cash held	**0.1**	(0.8)	(0.2)	1.3	(0.2)
Cash and cash equivalents at start of year	**63.7**	82.6	78.2	57.0	43.0
Cash and cash equivalents at end of year	**106.9**	63.7	82.6	78.2	57.0

1 The results for the year ended 31 March 2011 include the results of Biocompatibles International plc from the date of acquisition, being 27 January 2011.
2 The results for the year ended 31 March 2009 include the results of Protherics PLC from the date of acquisition, being 4 December 2008.

Shareholder information

Financial calendar

Circulation of annual report for the year ended 31 March 2012	15 June 2012
Annual General Meeting	17 July 2012
Announcement of interim results for the six months ended 30 September 2012	November 2012
Preliminary announcement of annual results for the year ended 31 March 2013	May 2013

Shareholders

At 31 March 2012 there were 10,727 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	9,889	92.2	6,825,235	2.1
5,001–50,000	588	5.4	8,417,053	2.5
50,001–100,000	72	0.7	5,114,170	1.6
100,001–500,000	102	1.0	24,170,463	7.4
Over 500,000	76	0.7	282,765,944	86.4
Total	**10,727**	**100.0**	**327,292,865**	**100.0**

Shareholders are further analysed as follows:

Size of owner	Number of shareholders	Percentage of total number of shareholders	Number of ordinary shares	Percentage of ordinary shares
Bank and nominee companies	976	9.1	304,422,613	93.0
Private shareholders	9,561	89.1	17,312,103	5.3
Limited companies	71	0.7	1,512,953	0.5
BTG Employee Share Trust	1	-	1,214,313	0.4
Insurance companies and pension funds	118	1.1	2,830,883	0.8
Total	**10,727**	**100.0**	**327,292,865**	**100.0**

Mutual funds and other institutions, and private shareholders holding their shares within PEPs and ISAs, are included within ‘Bank and nominee companies’.

Capita share dealing services

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

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

Shareholder information

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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 26 to 29 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.

Trade marks

BTG and the BTG roundel logo are registered trade marks of BTG International Ltd.
The following is a non-exhaustive list of trade marks of the BTG International group of companies:

Advantage I-125™
AnchorLoad™
AnchorMarker™
AnchorSeed®
Applicator Kit™
Bead Block®
CoVaccine HT™
CroFab®
CRTS™ – Custom Real-Time Strands
DC Bead®
DC Bead^{M1}™
DigiFab®
EchoStrand™
LC Bead^{M1}™
LC Bead™
PARAGON Bead®
PRECISION Bead®
ReGel®
RTS™ – Real-Time Strands
SeedLock3™
StandardLoad™
StandardStrand™
StrandPort Pre-Loaded™ (SPPL)
VariLoad™
Varisolve®
VariStrand™
Voraxaze®
VVSymQ™

Zytiga® is registered trade mark of Johnson & Johnson, Inc.
Campath® is a registered trade mark of Genzyme Corporation, a Sanofi company.
BeneFIX® is a registered trade mark of Genetics Institute, now part of Pfizer, Inc.
Lemtrada™ is a proprietary name submitted to health authorities for Genzyme Corporation's investigational multiple sclerosis agent alemtuzumab. Genzyme Corporation is a Sanofi company.

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www.btgplc.com

Please refer to our website for more information on BTG and for our contact details.