BTG plc Annual Report
and Accounts 2014

Imagine where we can go.

BTG

Introduction

BTG is a growing international specialist healthcare company. We develop innovative products in specialist areas of medicine where current treatment options are limited.

Our products advance the treatment of people with liver cancer, blood clots and varicose veins, and of people who need antidotes if they are overexposed to certain medications or toxins.

Inspired by patient need, we are investing to expand our portfolio with products that address today's healthcare challenges. Partnership and innovation are at the heart of our approach. By delivering products that improve patient treatment, and that are valued by clinicians and payers, we will grow our business sustainably and will deliver significant value to all our stakeholders.

Imagine where we can go.

Strategic report

An overview of our performance this year, our business model, our objectives and the principal risks we face, accompanied by relevant performance and operating information.

Read more page 03

Governance

The Board of Directors and our approach to corporate governance and remuneration.

Read more page 35

Financials

Financial statements, notes and other key data.

Read more page 75

Our business model

We create value by acquiring, developing and commercialising innovative products that meet the needs of specialist physicians and their patients.

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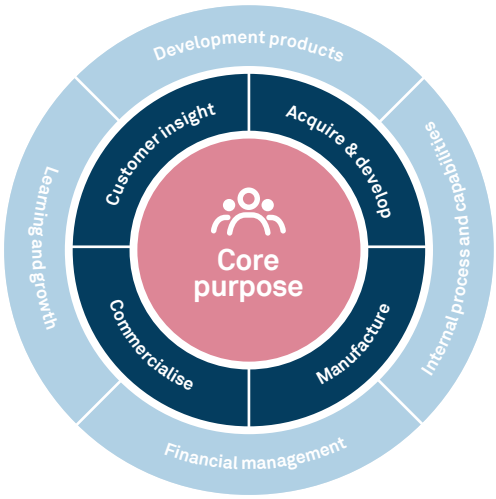

Our performance

Overview

2013/14 was a transformational year for BTG. We acquired TheraSphere®, a localised radiation treatment for liver tumours, and EKOS Corporation, which makes advanced treatments for blood clots. We also gained US approval for Varithena™, a new treatment for varicose veins.

We now have a leading international portfolio with the vision to build a $1bn+ Interventional Medicine business by 2021.

With the continued strong financial underpin from our Specialty Pharmaceuticals and Licensing businesses, we are able to implement the planned investments to deliver our growth targets, while seeking to further expand our portfolio through acquisition.

Summary of financial performance

Revenue 2013/14

£290.5m

2012/13 £233.7m
Change: +24%

Profit before tax 2013/14

£33.3m

2012/13 £24.1m
Change: +38%

Contribution[1] 2013/14

£111.5m

2012/13 £108.5m
Change: +3%

Cash and cash equivalents 2013/14

£38.2m

2012/13 £158.7m
Change: -76%

[1] Contribution is gross profit less selling, general and administrative (SG&A) costs.

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Strategic report

The Strategic report explains in detail how we have performed this year. It provides a review of the business and a comprehensive analysis of our performance. It describes the key performance indicators we use to monitor the progress we have made, a description of the principal risks and uncertainties facing the Company, and potential future developments.

This report is intended to provide shareholders with a better understanding of the Company, of its position in the markets within which it operates, and of its prospects.

Strategic report

Group overview

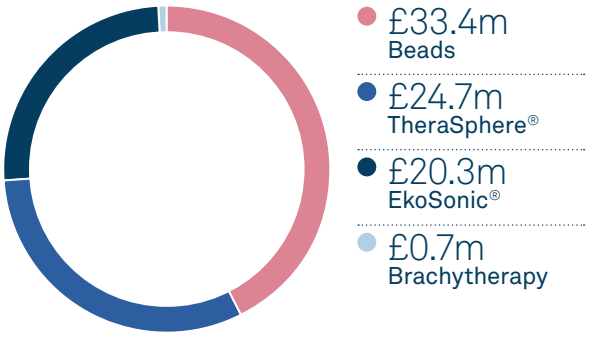
Our business

We operate in three business segments: **Interventional Medicine** (oncology and vascular products), **Specialty Pharmaceuticals** (antidote products) and **Licensing** (royalties from licensed assets).

Interventional Medicine

Interventional medicine aims to deliver treatments precisely to where they are needed in the body in order to seek to improve efficacy and reduce side effects. This is a fast-growing area of medicine, driven by demand for better treatments and outcomes, by advances in imaging techniques and product innovation. BTG focuses on growing market segments and patient populations that are poorly served by current approaches. Our existing portfolio comprises products to treat people with liver tumours, blood clots and varicose veins.

Revenue split



Interventional oncology

LC Bead®, DC Bead®, Bead Block®

Embolisation and drug-eluting beads that are used in the treatment of a number of solid tumours including hepatocellular carcinoma (HCC, a primary liver cancer), liver metastases from colorectal cancer, and other cancers.

Interventional vascular

EkoSonic®

Ultrasonic catheter devices that accelerate the penetration of thrombolytic agents into blood clots, to aid lysis (clot dissolution) performance.

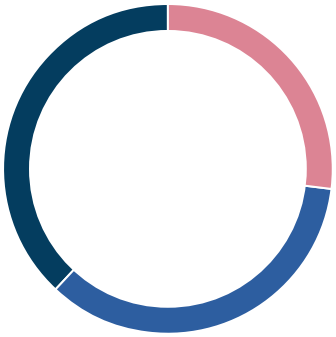
TheraSphere®

A targeted liver cancer therapy that consists of millions of tiny radioactive glass microspheres that are delivered directly to liver tumours and used to treat patients with unresectable HCC and, outside the US, all types of liver tumours.

Varithena™ (polidocanol injectable foam) 1%

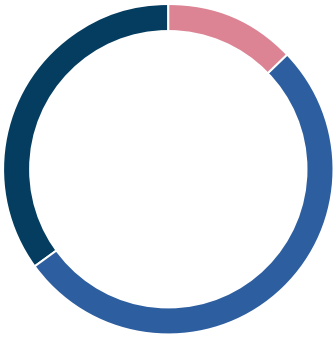
An engineered injectable foam product approved in the US in November 2013 for the treatment of patients with symptoms and appearance of incompetent veins and visible varicosities of the great saphenous vein (GSV) system.

Group revenue £290.5m



- £79.1m Interventional Medicine
- £102.3m Specialty Pharmaceuticals
- £109.1m Licensing

Contribution £111.5m

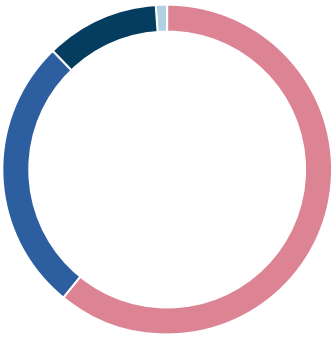


- £13.8m Interventional Medicine
- £58.7m Specialty Pharmaceuticals
- £39.0m Licensing

Specialty Pharmaceuticals

Our Specialty Pharmaceuticals business focuses on antidote products that are used in hospital emergency rooms and intensive care units. The products typically address conditions with small patient populations for which there are limited or no existing treatment options.

Revenue split



- £62.7m CroFab®
- £27.3m DigiFab®
- £12.0m Voraxaze®
- £0.3m[1] Uridine triacetate

[1] Product not yet approved in any territory; revenue is from named patient sales where permitted.

CroFab® Crotalidae Polyvalent Immune Fab (Ovine)

A polyclonal antibody treatment for the management of patients with North American pit viper envenomation. Clinically proven to effectively address envenomation progression.

Voraxaze® (glucarpidase)

A recombinant enzyme used for treatment of toxic plasma methotrexate[2] concentrations (>1 micromole per litre) in patients with delayed methotrexate clearance due to impaired renal function.

DigiFab® Digoxin Immune Fab (Ovine)

A polyclonal antibody treatment for patients with life-threatening or potentially life-threatening digoxin[2] toxicity or overdose. Clinically proven to effectively clear digoxin from the body.

Uridine triacetate

A pharmaceutical product under development with partner Wellstat Therapeutics Corporation as a potential treatment for overexposure to 5-fluorouracil (5-FU)[2].

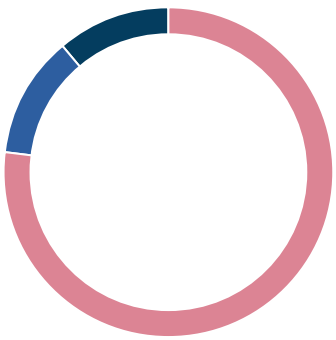
[2] Methotrexate and 5-FU are chemotherapies used to treat different types of cancer. Digoxin is a commonly used heart medication.

Licensing

The Licensing business generates royalties from technologies that have been licensed to others. This is no longer a core strategy but this business is expected to continue to deliver revenues beyond 2020.

The major contributor to royalty revenues is Johnson & Johnson's Zytiga® (abiraterone acetate). This treatment for men with advanced prostate cancer is available in more than 80 countries.

Revenue split



- £83.8m Zytiga®
- £13.0m Two-Part Hip Cup
- £12.3m Others

Chairman's statement

We have delivered a strong financial performance, expanded our portfolio of marketed products and development opportunities and enhanced our organisational capacity and capabilities to enable the business to continue to deliver sustainable growth.

"We have had an exceptional year, transforming our business and becoming a leading player in interventional medicine."

Garry Watts
Chairman

Performance against corporate objectives

Our corporate objectives focus on our financial performance, delivering products for our customers, growth activities and operating efficiency.

Our strong financial performance reflects good organic growth and a positive contribution from acquisitions.

In July 2013, we acquired TheraSphere® and EKOS Corporation, adding two highly complementary products to our business, and then in November 2013 we received US approval for Varithena™, our novel treatment for varicose veins. This enlarged portfolio means that we now have a leading Interventional Medicine business and that we are a significant partner for interventional clinicians.

To position the business for sustained growth, we have enhanced our capacity and capabilities in key functions including Commercial, Regulatory, Medical, Manufacturing and Quality. We have also reorganised our innovation and development functions and enhanced Quality, Compliance and Environmental Health and Safety (EHS) systems and processes, to improve our controls, operating efficiency and effectiveness.

Further details of progress with our corporate objectives are given on pages 10 to13.

We now have a diversified product portfolio providing significant organic growth opportunities, particularly in our Interventional Medicine business. We have also broadened the number and scope of our development and innovation projects, which provide additional growth potential. We have the financial and organisational capability to expand our portfolio further through acquisitions and we intend to explore opportunities in both interventional medicine and specialty pharmaceuticals.

As our current focus is to invest to exploit these multiple growth drivers, we do not recommend payment of a dividend for the year. The Board will continue to review its dividend policy as the business develops.

Governance

Our business operates in highly regulated markets, requiring that the Board has a continuous focus on good governance and oversight. An area of particular focus for the Board during the year was Compliance in relation to our expanding commercial activities and Quality, given the increase in manufacturing sites and complexity resulting from the acquisitions.

In the year ahead we will continue to focus on risk management to ensure that our processes remain appropriate as the business grows. The risk report on pages 30 to 34 and governance report on pages 38 to 45 provide further information.

People

Our Company has experienced enormous change over the past several years, as have the industry sectors in which we operate. We have been able to build our business and navigate through healthcare reforms thanks to the dedication, enthusiasm and hard work of our employees, many of whom have joined the Company recently. I am grateful to them all.

I am also grateful to our shareholders, who have continued to support the implementation of our growth strategy.

Prospects

Over the past several years our business has expanded significantly, evidenced by increased revenue, profitability and investment, an expanded portfolio of marketed products, development programmes, more employees and share price appreciation.

We have built a great platform. We now anticipate a period of sustainable, profitable growth combined with ongoing investment to expand the indicated uses and geographic availability of our products.

Garry Watts
Chairman

Chief Executive's review

The acquisitions of TheraSphere® and EKOS Corporation and the US approval of Varithena™ give us a leading position in the growing interventional medicine space. Together with the financial underpin from our Specialty Pharmaceuticals and Licensing businesses and strong internal capabilities, we have the platform and resources to deliver sustained growth.

"We are building a strong reputation among leading specialist physicians for both the quality of our products and our commitment to innovation and clinical development."

Louise Makin
Chief Executive Officer

A leader in Interventional Medicine

Through the growth of our Bead products, the acquisitions of TheraSphere® and EKOS Corporation and the US approval of Varithena™, BTG has become a leader in Interventional Medicine.

We have built our portfolio with innovative products that target under-served patient populations and that are valued by clinicians and payers based on their clinical profiles. We believe that this focus on unmet medical need, innovation and investment to demonstrate clinical benefit is the right strategy in a changing healthcare environment and will enable us to build a sustainable competitive advantage.

Our goal is to increase our Interventional Medicine revenues from approximately $150m on an annualised basis at present to $1bn+ by our 2020/21 financial year. This is based on increasing sales of our oncology products from approximately $110m annualised last year to $300m to $400m; growing revenues from the EKOS family of blood clot treatment products from approximately $40m annualised to $100m to $200m; and building Varithena™ into a $500m+ franchise.

These growth targets are underpinned by activities that are already underway relating to product innovation, which has created a pipeline of new products in development, commercial activities to expand their geographical availability and development activities intended to expand the approved uses of the products.

Organic growth and acquisitions

The US approval of Varithena™ in late November 2013 was a significant achievement for the Company and represents an opportunity for significant value creation.

It is a patient-centred treatment and the first product to be approved based on randomised data showing clinically meaningful improvements in both the symptoms and appearance of varicose veins.

To realise its full potential we are following a controlled launch strategy in the US. This is designed to ensure optimum clinician and patient experience from the start. As a comprehensive treatment that may be used in place of two or more existing procedures, Varithena™ represents a versatile and minimally invasive experience for physicians and patients. We aim to equip vein clinicians with the clinical training and market access support to fully integrate Varithena™ into their practices.

Our first market is the US reimbursed sector for great saphenous vein (GSV) incompetence. Here, approximately 750,000 procedures are conducted annually by approximately 1,000 vein specialists. We completed recruitment of a US sales force of 24 representatives in February 2014 and commenced physician outreach in March, focusing initially on well-established vein clinicians. Clinicians are required to complete online training and will be supported by a BTG medic during the first patient procedures. We expect that commercial patient treatments will commence in the US in Q3 2014.

Our second market in the US is a self-pay market for patients whose varicose veins are moderate to severe but who are ineligible for reimbursed treatment. We believe that these patients may be more motivated to pay for treatment themselves with the introduction of a more patient-centred option.

We are also finalising plans to seek approval to extend use of Varithena™ into treatment of aesthetic leg veins. Treatment of these smaller veins may not be reimbursed in the US therefore this is likely to be predominantly a self-pay market.

In addition, we intend to seek approval for Varithena™ in other geographic markets.

Multiple growth opportunities exist for our other interventional products.

Use of the EkoSonic® blood clot treatment products is continuing to grow in the US driven by greater awareness of the potential benefits of interventional treatment over standard anticoagulation therapy. Our US sales force now calls on 600 US hospitals, and we are expanding our sales efforts in selected other geographies including the EU.

Based on positive clinical data from studies exploring the use of EkoSonic® in treating patients with pulmonary embolism, we have now received 510k clearance to expand use into this patient population in the US. We are also studying the use of our product for treating patients with chronic deep vein thrombosis (the ACCESS clinical study).

Within interventional oncology, we have combined and expanded the US sales forces for TheraSphere® and the Bead products, significantly increasing the number of hospitals detailed with TheraSphere® and expanding coverage for the Bead products from 480 to 600 hospitals. We are also expanding our commercial presence in other geographies. In Europe we are building small direct sales forces in the five major markets, initially to focus on TheraSphere® and to a more limited extent EkoSonic®. In Asia, we are creating a regional hub in Hong Kong to serve as a local centre of excellence for regulatory and medical affairs, supporting direct sales operations (we are finalising our plan of direct sales in Taiwan) or distributors.

DC Bead® is already approved in a number of Asian markets including Japan, South Korea and Taiwan and is under review in China, although it is likely that we will need to supplement the data package to gain marketing approval. We are developing a regulatory strategy for TheraSphere® in Asian markets including China. Although already approved under a Humanitarian Device Exemption (HDE), we are also accelerating the three Phase 3 trials of TheraSphere®, two of which are intended to gain full pre-market approvals (PMAs) in the US for treating patients with unresectable hepatocellular carcinoma (HCC) and as a second-line treatment for patients with metastatic tumours in the liver resulting from colorectal cancer (mCRC).

Our Innovation team is working on a number of pipeline projects including an imageable Bead product for identifying potential areas of under-treatment and a bioresorbable Bead product for use in non-malignant tumours such as uterine fibroids.

Responding to challenges

Our Brachytherapy plant in the US received an FDA warning letter relating to certain deficiencies in production. As a precaution, we voluntarily suspended manufacture and shipment of the Brachytherapy seed products while planning and conducting remedial measures. As a non-core business, we had already been reviewing strategic options and, prior to seeking to resume manufacture and shipments, we sold the business.

We have had several other regulatory manufacturing inspections during the year, some of which resulted in observations that required remedial actions. There were no other interruptions to product supply. Post-audit remedial actions are a common requirement in our industry, and we continually strive to improve our operations through ongoing investment in improving our facilities, processes and quality systems.

Our values and our people

Our Company values, which are described on page 22 are designed to foster a culture that embraces innovation, teamwork and always doing the right thing for the business and its stakeholders. They are at the core of how we operate and are embedded into our recruitment and performance management processes. This approach has served us well during the Company's transition from a business of around 50 people to one with over 860 employees and has also helped us to integrate the businesses we have acquired.

By living our values, we are able to recruit and retain the right people and ensure that we operate to consistently high standards internally and in all interactions with our stakeholders.

Outlook

After another year of significant progress we are in a strong position to continue to implement our growth plans. These include continuing the commercial roll-out of Varithena™ and accelerating the Phase 3 trials intended to expand the uses and geographic availability of the Bead products, TheraSphere® and EkoSonic® products. In parallel we will continue to seek opportunities to expand our portfolio. We are confident that this strategy will enable us to continue to build a significant business and long-term value for our customers, patients, shareholders and employees.

Louise Makin
Chief Executive Officer

Key events and achievements 2013/14

1. Acquisition of TheraSphere®, July 2013
2. Acquisition of EKOS Corporation, July 2013
3. US approval of Varithena™, November 2013

Our objectives

We use a number of financial measures to monitor business performance, and we also monitor progress against three other corporate objectives from which we derive our annual corporate objectives. These are described on pages 10 to 13.

1. Maintaining financial discipline and delivering our annual financial targets as we invest for growth is critical to our long-term success.
2. We must deliver differentiated products that address unmet medical needs to compete effectively.
3. Our processes and organisational capabilities must be effective and efficient to deliver our corporate goals.
4. Meeting our growth objectives requires targeted investment in innovation, development, our commercial footprint and our capabilities.

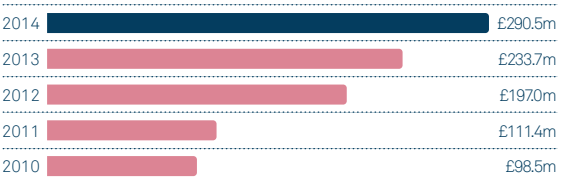
Objective 1:
Financial management

01

The key financial indicators we monitor are revenue, contribution, profit before tax and cash management. These have been selected to demonstrate progress in implementing our growth strategy, reflecting our history of acquisitions and our investment plans. Similar indicators are used in the Group's annual bonus scheme, as explained in the directors' remuneration report on pages 51 to 68.

Revenue

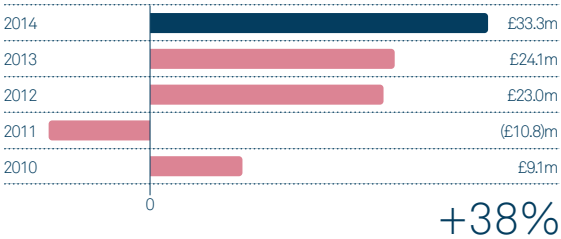
Revenue increased by 24% to £290.5m, driven by good growth in the existing business and the addition of revenues from TheraSphere® and the EkoSonic® blood clot treatment products, which were acquired in July 2013.



+24%

Profit before tax

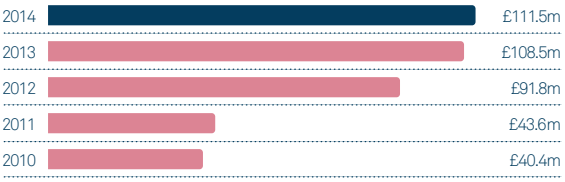
Profit before tax increased to £33.3m (12/13: £24.1m). This reflects the higher revenue and reduced amortisation, offset by increased investment in commercial and development activities.



+38%

Contribution

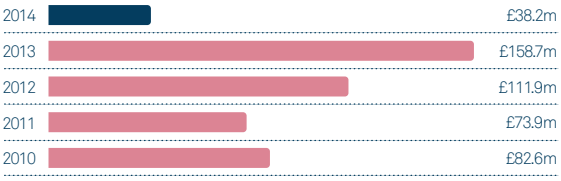
Contribution (gross profit less SG&A costs) grew 3% to £111.5m, primarily reflecting increased SG&A costs in Interventional Medicine. The contribution margin fell to 38% (12/13: 46%) due to the lower gross margin in the licensing segment and the impact of acquisitions and investments in Interventional Medicine.



+3%

Cash and cash equivalents

In the year, the Group used £270.1m in cash to fund the acquisitions of TheraSphere® and EKOS Corporation including associated acquisition costs. In addition the Group raised £103.1m of cash through an equity issue. The Group generated £46.5m in cash during the year from its underlying operations.



-76%

Our objectives
continued

Progress in 2013/14

02

Objective 2:
Delivering products for our key stakeholders

This goal encompasses identifying unmet medical needs and exploring innovative product solutions through clinical studies, manufacturing and product development, navigating regulatory approval processes, and designing and implementing effective product launch strategies in selected geographical markets.

Interventional Medicine

- Varithena™ approved in US in November 2013; controlled US launch plan being implemented; plans to expand into other geographies and indications being finalised.
- Positive data generated for EkoSonic® product in pulmonary embolism may support label expansion.
- DC Bead® launched in Japan and reimbursement awaited in South Korea; regulatory strategy for TheraSphere® in Asia under development.
- Acceleration of TheraSphere® Phase 3 trials underway in the US.

Specialty Pharmaceuticals

- CroFab® Copperhead study progressed; new educational website for CroFab®; International Trade Commission action initiated against a potential CroFab® competitor.
- Continued geographic expansion of DigiFab®.
- BTG has fully supported Wellstat Therapeutics as it prepares to submit its NDA for uridine triacetate, anticipated by the end of 2014; named patient sales commenced ex-US.

03

Objective 3:
Operating efficiency

Here we seek to ensure that, as the Company grows, our systems and processes are fit for purpose and scalable.

- Innovation and Development functions reorganised to enhance connections between Innovation, Development, commercial teams and end-users.
- Quality systems audited and processes/ capabilities enhanced through training and hiring.
- EHS and Compliance standards enhanced and embedded; companywide training completed.
- Global procurement system implemented.
- Global manufacturing strategy reviewed.

04

Objective 4:
Investing for growth

This objective encompasses having the organisational capabilities and capacity in place to deliver our growth objectives.

- EKOS and TheraSphere® acquired.
- Varithena™ sales force in place and trained.
- Capabilities review completed.
- Interventional Medicine development and geographic expansion plans in place.

	Priorities in 2014/15	Key execution risks
	Interventional Medicine	
	• Complete Varithena™ US commercial launch; progress US self-pay segment, RoW expansion and indication expansion plans.	• Poor acceptability of Varithena™ in the US reimbursed sector and/or failure to secure Varithena™ additional geographic approvals or other revenue indications would negatively impact revenue growth.
	• Deliver EKOS product and pipeline opportunities.	• Inability to gain approval of EKOS products in new indications.
	• Accelerate TheraSphere® Phase 3 trials.	• Failure to complete planned studies on time or unsuccessful outcomes; poor market acceptability of new products or inability to gain appropriate regulatory approvals.
	• Deliver Beads innovation products.	
	• Execute Beads, TheraSphere® and EKOS geographic expansion plans in EU and Asia.	
	Specialty Pharmaceuticals	
	• Establish rescue therapy leadership: support growth through clinical demonstration of product value, customer education.	• US approval of a potential competitor could impact CroFab® leadership; FDA decision not to approve uridine triacetate.
	• Launch DigiFab® in Australia.	
	• Support Wellstat Therapeutics in finalising US NDA for uridine triacetate and develop commercial launch plans.	
	• Implement electronic document management system (eDMS).	• Inability to implement eDMS could slow down R&D and regulatory processes.
	• Ensure inspection readiness.	• Failure of Quality systems could lead to interruption of product supply and potentially regulatory actions.
	• Embed EHS metric reporting in the business.	• Failures in compliance could lead to regulatory actions and financial penalties.
	• Ensure Sunshine Act and overall healthcare law compliance.	
	• Identify/prioritise potential acquisition opportunities in Interventional Medicine and Specialty Pharmaceuticals.	• Failure to identify or execute transactions could limit long-term growth.
	• Implement EU go-direct strategy and Asia expansion plans for Interventional Oncology.	• Poor market acceptability of products or failure of, or poor execution of, commercial or regulatory expansion plans would affect revenue growth and return on investments.

Focus on Interventional Medicine: Vascular

02

We have two interventional vascular products: Varithena™, which was approved in the US in November 2013 for the treatment of patients with varicose veins, incompetent veins and visible varicosities of the great saphenous vein system, and the EKOS family of ultrasonic catheter devices that are used in the treatment of blood clots. Both are innovative products that address medical need and have demonstrated clinical benefits.

Key facts

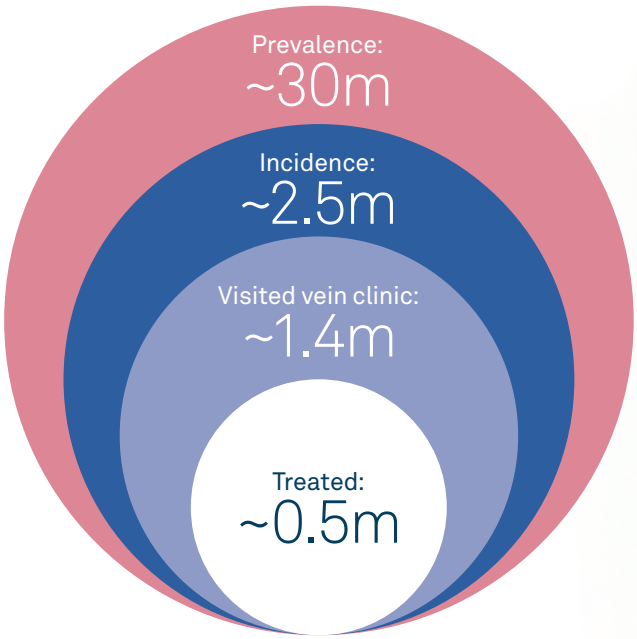
1. Varithena™ evaluated in 1,333 patients in 12 clinical trials
2. EkoSonic® cleared for use in pulmonary embolism in the US

Varithena™

The potential opportunity for Varithena™ in the US is significant.

It is estimated there are approximately 30 million Americans with mild to moderate varicose veins and that each year some 2.5 million people develop symptomatic varicose veins. These are the people who may be eligible to receive treatment that would be reimbursed by their insurer.

Of these 2.5 million people, we estimate that in 2012, 1.4 million visited a vein specialist, but only 500,000 people had treatment (representing approximately 750,000 great saphenous vein (GSV) procedures). We estimate that the number of reimbursed GSV procedures in the US will increase by approximately 8% per year, to reach some 1.25 million annual GSV procedures by 2021.



Competitive landscape and market opportunity

In the US reimbursed market sector treatment of the GSV and associated visible varicosities typically involves multiple procedures. These include heat ablation of the GSV, a procedure that requires tumescent anaesthesia and sometimes patient sedation. A catheter is placed inside the GSV, within which a probe generates heat to ablate the GSV as it is slowly pulled out along the vein. The visible varicosities are then treated in separate procedures using either phlebectomy (which involves making incisions along the length of the veins to remove segments) and/or liquid or physician-compounded sclerosants.

Varithena™ is versatile, non-surgical, minimally invasive treatment that can be used to treat a wide range of GSV diameters and their associated visible varicosities. It is an engineered foam comprising 1% polidocanol and a proprietary physiological gas mix (65% : 35%, oxygen : carbon dioxide with ultra-low nitrogen content). It is injected directly into the vein, where its chemical action on the inner lining of the vein wall causes the vein to spasm and collapse. The cohesive nature of the foam fills the vein lumen, displacing blood, for optimal circumferential contact. The patient requires no sedation or tumescent anaesthesia. A compression bandage is worn for two weeks following treatment, during which time the surfaces of the collapsed vein wall bond, closing the damaged veins.

Varithena™ is a new treatment option available to vein clinicians. It is the first product in this market sector to receive FDA approval based on randomised Phase 3 clinical data showing clinically meaningful improvements in both the symptoms and appearance of varicose veins, demonstrated using patient and physician reported outcomes (PRO) instruments.

We estimate that Varithena™ will generate peak sales in the US reimbursed sector of $250m, and we aim to build a $500m+ business by expanding its use in the US and into other countries.

EKOS

The EkoSonic® Endovascular System combines a locoregional approach to thrombolysis with ultrasound acceleration. Ultrasound thins and loosens fibrin strands, propelling thrombolytic drug into the clot, speeding lysis of the clot and permitting the use of less thrombolytic drug.

In the US approximately one million blood clots occur annually, of which we estimate just over two-thirds are amenable to interventional treatment. However, most people with clots are treated conservatively with anticoagulant therapy designed to prevent additional clots forming while the existing clot is not sought to be treated. As a result, over one-third of patients are readmitted to hospital with serious and costly to manage complications such as post-thrombotic syndrome.

In 2012, we estimate there were approximately 70,000 interventional treatments, amounting to total sales of interventional treatments of $95m that year. EKOS generated revenue of approximately $28m, which represented 39% growth over prior year sales. EKOS revenues were £20.3m (approximately $33m) for the period from acquisition in July 2013 to March 2014 representing approximately annualised revenues of $40m.

Two main factors are leading to increased use of interventional treatments in the US: emerging data showing potential clinical benefits and healthcare reforms that affect the reimbursement hospitals may receive for patients that are readmitted.

Focus on Interventional Medicine: Oncology

02

Our products are used in the treatment of people with liver tumours. The Bead products block arteries, depriving the tumour of blood and nutrients; drug-eluting beads also deliver a chemotherapeutic drug directly to the tumour. TheraSphere® consists of millions of small glass microspheres that deliver radiation (yttrium-90) directly to liver tumours.

"Our goal is to improve the treatment of people with liver cancer."

Guenter R. Janhofer
Chief Medical Officer and Head of Development

Competitive landscape and product opportunity

As new data emerges, more physicians who are managing patients with HCC and mCRC are using locoregional therapies to improve disease control and patient outcomes. These include drug delivery embolisation systems such as DC Bead® and localised internal radiation therapy such as TheraSphere® to control primary liver cancer (HCC) and metastatic colorectal cancer (mCRC).

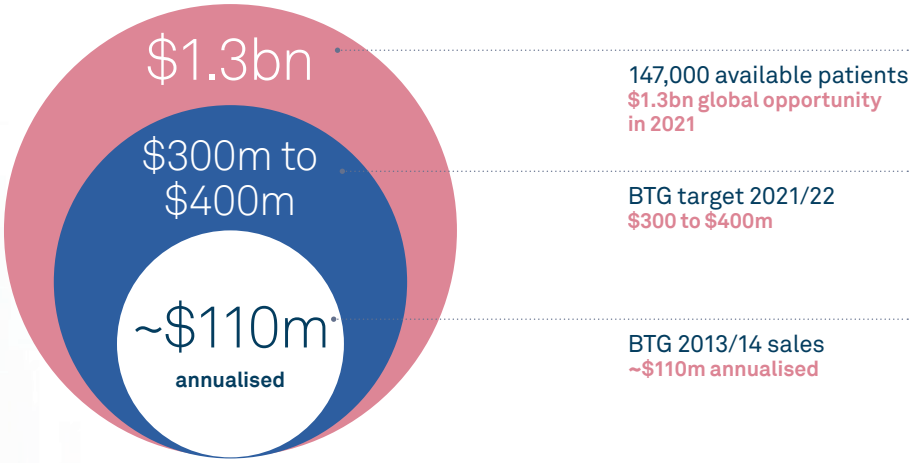
There are many different reported regimens and practices for the use of transarterial chemoembolisation (TACE) throughout the world. Traditionally they involve the administration of a compounded oil and drug solution emulsion followed by an embolising material, in a procedure called conventional TACE (cTACE). DC Bead® has been shown to offer improved consistency and tolerability compared to cTACE and provides an effective, standardised liver-directed therapy for primary and metastatic liver cancer. DC Bead® is a leading brand among several proprietary products.

TheraSphere® is one of two commercially available selective internal radiation products used for treating liver tumours. It is used in approximately 37% of internal radiation procedures to treat liver tumours.

We estimate that the global combined annual incidence of HCC and mCRC is approximately 1.2 million people. Of these, based on the current indications, we believe approximately 350,000 patients would be amenable to treatment using localised embolisation, chemoembolisation and radiation treatments. Taking into account access and affordability in different countries, we estimate the current available global population is 147,000 patients which, based on current pricing, represents a $1.3 billion global opportunity. This supports the planned investment in the development of these products to obtain approval in these indications where appropriate.

In 2013/14 our total sales in interventional oncology were approximately $95m. Our target is to achieve sales of between $300m to $400m by 2021, and we have a number of strategies to drive growth. These include product innovation, funding clinical trials to expand the indicated uses of our products, and geographic expansion to increase our European footprint and to address the significant unmet medical need in Asia.

Focus on Interventional Oncology



Hepatocellular carcinoma (HCC)

About HCC

HCC is the most common form of primary liver cancer. The majority of people with HCC have cirrhosis, usually from chronic hepatitis B or hepatitis C infection, or chronic alcoholism.

Patient populations and management

The global incidence of HCC is approximately 415,000, with men being 4 to 8 times more likely to develop HCC than women.

Liver transplantation is a very limited treatment option with only one in 20 patients eligible. Surgical resection is suitable for patients with good liver function and limited cirrhosis, and leads to five-year survival rates of between 40% and 50%. Radiofrequency or microwave ablation can be used as a minimally invasive alternative to resection in suitable patients with similar outcomes. Chemoembolisation (as with DC Bead®) is standard of care in the intermediate stage, and systemic chemotherapy and radiation therapy are used in the advanced stage.

Metastatic colorectal cancer (mCRC)

About mCRC

mCRC is the most common form of secondary liver tumour. Around half of people with colorectal cancer, which is the third most common cancer in Western Europe and North America, develop metastatic tumours in the liver.

Patient populations and management

The global incidence of mCRC is estimated at 660,000, with around 145,000 cases in Asia and 60,000 globally with around 400,000 cases in North America and Europe combined.

Surgical resection is suitable for patients with good liver function. Beyond resection, systemic chemotherapy is the mainstay of treatment, with limited current use of locoregional therapy.

Five-year survival rates after resection in patients with liver-isolated mCRC average 40%. There is little survival data for the other techniques. BTG is conducting a Phase 3 trial of TheraSphere® in mCRC patients.

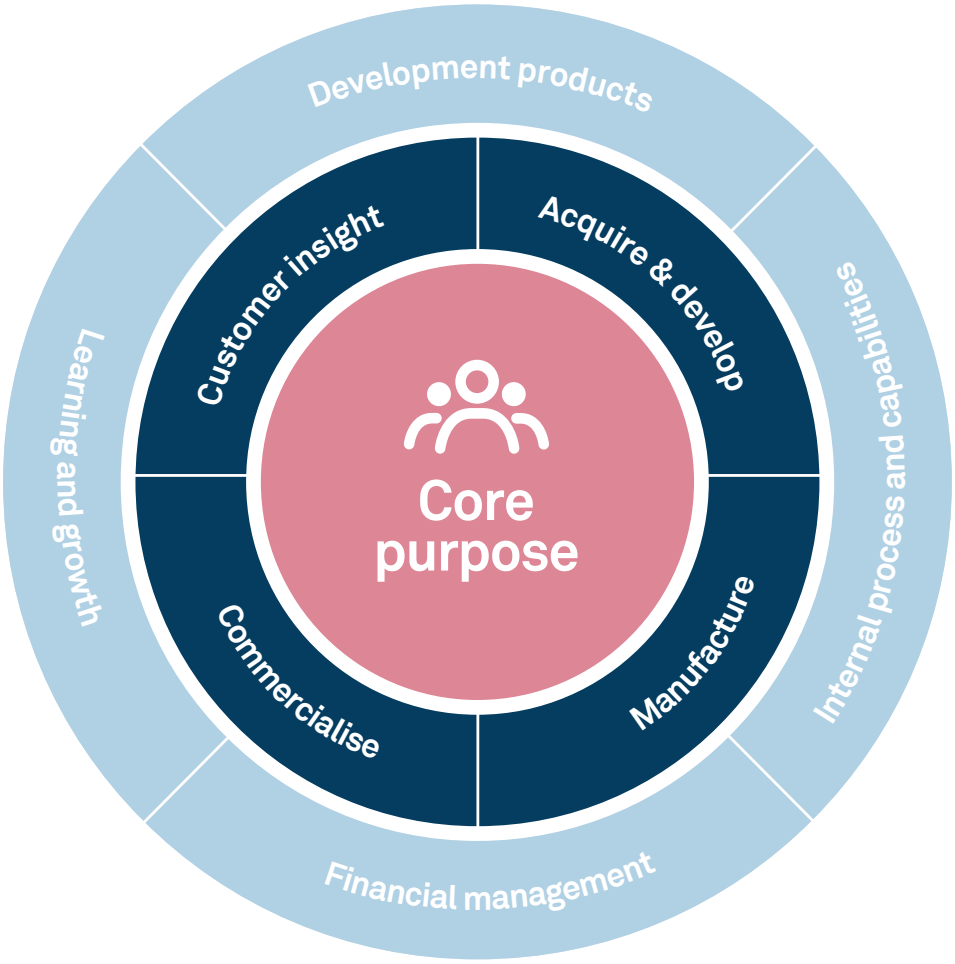
Key facts

1. Liver cancer is the second most prevalent cancer[1] worldwide
2. Advances in imaging technology have enabled the development of new locoregional treatments

[1] World Health Organisation

Our business model

Our core purpose is to advance the treatment of people with cancer, vascular disorders and critical care needs. We create value by acquiring, developing and commercialising innovative, differentiated products that meet the needs of our specialist physician customers and their patients.



Our activities

We create value by identifying unmet medical needs, acquiring and developing new products, manufacturing them to high standards and commercialising them through direct sales or through distributors.

Our priorities

We monitor our performance against a number of strategic objectives.

"We have multiple organic growth drivers and continue to seek M & A opportunities in both Interventional Medicine and Specialty Pharmaceuticals."

Louise Makin
CEO

Customer insight

Our products are used by specialist groups of physicians with whom we engage in a number of ways. We promote the approved uses of our products and we provide training in the use of our products. To protect patient safety we offer dedicated medical support to physicians regarding the use of our products and we invite proposals for funding or other support to explore the potential use of our products in different patient populations to inform our R&D strategy. We also approach physicians with our own ideas for studies to invite them to participate.

In these interactions we gain valuable knowledge about how physicians use our products in practice, why they might choose not to use our products in certain patient populations, where they require more data to support use within approved indications, and where they see gaps in current treatment options. Our innovation team specifically engages with customers and the wider scientific and medical community to gain insights into treatment practice and trends and to identify unmet medical needs where we may focus our development efforts.

We supplement these insights from customers and others with formal market research, using the information to identify potential new opportunities. These may be addressable with our current products and technology platforms, or they may require us to acquire and/or develop new technologies.

Acquire and develop

When sourcing technologies, we look for opportunities where we can add value. These include products (or late-stage programmes) that we can sell through our existing sales channels, or through a new sales team that can be supported by our existing infrastructure. We also seek to exploit our strong capabilities in areas of technology convergence, such as drug-device-procedure combination products. We look for opportunities where we can drive further growth by investing in development and commercial activities.

For every technology, whether developed in-house or acquired, we create a lifecycle plan to maximise value. This may include product innovation, clinical trials to expand the indicated uses, and commercial activities to expand the geographical availability.

Most of our development programmes are intended to expand the approved uses of products that are already approved in a primary indication. We believe this is a lower-risk approach as safety and efficacy profiles have already been established in the initial indication.

Having identified additional patient populations that may benefit we liaise with clinicians, regulators and others to determine the appropriate trial designs. Our development personnel manage these activities and oversee the contract research organisations and others involved in conducting many of our studies in order to obtain the requisite regulatory approvals to access new commercial opportunities.

Case study

Clinicians who use our embolisation and drug-eluting beads identified situations where a smaller average bead size than was available could be beneficial in the treatment of certain liver tumours. In response, our Innovation team developed LC BeadM1™ and DC BeadM1™, which have a unique size range and distribution and may allow the doctor to be more selective and penetrate deeper into the tumour, so protecting the healthy liver and reducing stress to cirrhotic livers.

Case study

As Varithena™, a treatment for varicose veins, was progressing towards approval in the US, we sought opportunities to acquire complementary interventional vascular products. This resulted in the acquisition of EKOS Corporation, which makes and sells a leading blood clot treatment. BTG has an acute care sales force that visit emergency rooms, where 50% of blood clots present. In addition, EKOS customers include clinicians who also treat varicose veins. These overlaps provide significant team-selling opportunities across our portfolio.

Our business model
continued

"We are investing in commercial activities to support the launch of Varithena™ in the US and to establish direct sales operations in Europe."

Rolf Soderstrom
CFO

Manufacture

We manufacture our Bead products and Varithena™ at our site in Farnham, UK, with Bead product development activities also taking place at our site in Alzenau, Germany. TheraSphere® is manufactured for us by Nordion Inc. in Canada.

We manufacture the ovine polyclonal antibodies CroFab® and DigiFab®. The supply chain involves raising antibodies in dedicated sheep flocks in Australia, processing and bulk substance manufacture at our manufacturing plant in Wales, then filling and freeze-drying by a third party in the USA.

We manufacture the EKOS blood clot treatment products at a dedicated facility near Seattle, Washington, USA.

We contract out certain aspects of our manufacturing supply chain, though we seek to ensure that the regulatory and quality requirements are met, and we remain responsible for the overall safety of our products. We are continuing to invest in upgrading our manufacturing operations and capabilities to ensure we can continue to meet all relevant standards as they evolve and to provide further capacity as the business grows.

See risk section on pages 30 to 34

Commercialise

We sell our products directly in the US, where we have dedicated sales teams for our acute care products, our interventional oncology products, for the EKOS blood clot treatment products and for Varithena™.

We have identified significant cross-selling opportunities across our four sales forces. For example, our EKOS sales team calls on specialist hospital physicians, some of whom are conducting varicose vein procedures in addition to using the EKOS products in treating blood clots.

In addition, our Specialty Pharmaceuticals field force calls on emergency room doctors; approximately 50% of blood clots present in emergency rooms.

Elsewhere we sell mainly through partners or distributors, though we have a small direct sales presence in Europe for TheraSphere®. We will continue to review options to sell directly in territories outside the US as we build sufficient critical mass of product and sales to justify the additional investment.

We sell certain products outside the US (where alternative treatment options are not available) on a named patient basis where those products are not yet approved and meet the required criteria to be made available under special protocols.

Although no longer a core part of our activities, we may also commercialise programmes that we do not intend to develop into products to sell ourselves. These may be assets we acquire in transactions we undertake that are deemed non-core or legacy assets forming part of our Licensing business.

Case study manufacturing

BTG manufactures its products at a number of different sites in Europe, North America and Australia:

In Europe we manufacture our Interventional Oncology Beads and Varithena™ and drug substance for our polyclonal antibody antidotes.

In North America we house the snakes that supply venom for the manufacture of our antidote CroFab®; Seattle is where we manufacture EkoSonic®.

In Australia we have an FDA-approved sheep farm used in the manufacture of our polyclonal antibody antidotes.

Case study commercialisation

We have international reach into established and emerging healthcare markets selling our products direct to customers in the US and elsewhere principally through distribution partners. During the coming financial year we plan to expand our commercial presence in other geographies. In Europe we are building small direct sales forces in the five major markets, initially to focus on TheraSphere® and to a limited extent EkoSonic®. In Asia we are creating a regional hub in Hong Kong to serve as a local centre of excellence for regulatory and medical affairs, supporting direct sales operations or distributors.

"Our team is working on a number of innovative pipeline projects."

Peter Stratford
Chief Technical Officer, Interventional Medicine

Creating value

The core activities we undertake to create value are based on our ability to identify market and product opportunities and our skill in executing across a range of disciplines. We:

- Identify unmet medical needs in specialist areas of medicine where patients are currently under-served
- Acquire and develop innovative products that advance the treatment of those patients
- Manufacture those products to high standards of quality and reliability
- Commercialise the products by selling directly or through partners.

We add value at each stage of the process. Customer relationships give us valuable insights to help identify new product opportunities and ways in which our existing products could be improved.

For a new product opportunity, we are able to deploy multi-disciplinary teams to quickly assess the opportunity and competitive landscape.

At the development stage we seek to minimise risk by focusing on opportunities where proof of concept has been established. We apply strict go/no-go criteria to projects, which allow us to fail projects early and concentrate our resources on the best prospects.

Our commitment to support initial investigator-initiated and larger-scale sponsored studies differentiates us from certain other companies in our sector. While pharmaceutical companies allocate significant resources to clinical studies, medical device companies, which form the majority of our competitors in interventional medicine, typically do not.

Manufacturing feasibility is assessed as early as possible.

We focus on specialist physicians that can be served by small, relatively low-cost sales forces. By bringing to market innovative medical products that are backed by clinical data, we provide physicians with new treatment options and we offer patients the prospect of better outcomes.

Throughout the product development life-cycle, we seek to protect our products through patents, know-how, trade secrets and trademarks.

Products and availability

Product	Available in regions
LC Bead®	1
LC Bead*M1*™	1
DC Bead®	2, 3, 4, 5, 6, 7, 8
DC Bead*M1*™	2, 3, 4, 5, 6, 7
Bead Block®	1, 2, 3, 4, 5, 7, 8
TheraSphere®	1, 2, 4, 5, 6, 8
EkoSonic®	1, 2, 3, 4, 5, 7
CroFab®	1
DigiFab®	1, 2, 4, 6, 8
Varithena™	1
Voraxaze®	1, 2, 4, 5, 7, 8

Corporate citizenship

"Being a good corporate citizen is one of our key Company objectives as we recognise that forging strong relationships in the communities where we operate will build trust and recognition in what we do."

Louise Makin
Chief Executive Officer

Approach to Corporate citizenship

Our reporting areas, listed below, have been carefully chosen as they are most relevant to our business and address our most significant business impacts. This year we have streamlined the way we report and reduced the number of categories we report under which are now:

- People
- Communities
- Environment
- Governance

These pages summarise our activities and key data for the financial year. More detailed information including case studies can be found online at www.btgplc.com/responsibility.

People

Employees

We provide a number of Employee Assistance Programmes to enhance employee satisfaction and later in 2014 will be conducting our third biennial employee engagement survey to monitor progress. We provide regular opportunities for all employees to interact with members of the Leadership Team so that they can keep abreast of developments and ask questions. As the business grows we have looked to implement scalable solutions to reduce administration and paperwork. Over the last year we have launched a new online HR system, MyHR, which provides a central repository of information on our people, together with dedicated training plans tailored to individual needs. BTG is committed to ensuring equality of opportunity and diversity in the workplace and this year we have started to report the percentage of women in the businesses who are Senior Managers.

Data on gender

Number of females who are:	2013/14	2012/13
Employees	424 (50%)	284 (51%)
Senior Managers	39 (30%)	No data
Leadership Team members	2 (18%)	2 (18%)
Board Directors	2 (25%)	2 (25%)

Communities

Charitable Giving

Our Charitable Giving Policy sets out our approach to the donation of Company money for charitable causes. We donated £23,363 (2012/13: £15,201) to charitable causes during the year. In May 2013 we completed the BTG Cycle Challenge in the UK. 13 riders from each of our three UK sites completed a 270 mile journey which took them from our manufacturing facility in West Wales via our manufacturing facility in Farnham to the finish at BTG's headquarters in the centre of London. The riders raised over £10,000 for Leukaemia & Lymphoma Research. A complete list of the charities which we supported during the financial year can be found on our website.

As well as supporting corporate charity events we also encourage employees to participate in events of their own and match individual donations up to a maximum of £250.

Our values

Our values enable us to operate to high standards in all our activities, so we do the right thing every time for BTG and our stakeholders. They are:

Openness	We will be open in giving, accepting and sharing ideas, knowledge, help, advice and constructive challenge.
Accountability	We will accept that we have an obligation to take responsibility and account for our actions.
Teamwork	We will collaborate to achieve common goals through mutual respect, openness and flexibility.
Integrity	We will build trust in all interactions by displaying consistently high standards of ethical and professional business practice.
Delivery	We will always strive to deliver what we have committed to do, on time and to the highest standard.
Continuous Learning	We will encourage individuals and teams to generate new ideas, share knowledge, and adapt business practices to be the best in our industry.

Environment

The following metrics encompass the key assessments under our Environmental Health and Safety (EHS) Management Standards introduced in 2012: carbon emissions; waste production; water and electricity usage and lost time accidents. These apply worldwide, and all of our sites are audited periodically against these standards. In addition, we employ a monthly EHS reporting system which includes both leading and lagging performance indicators.

During the year we opened a new office and research site in Camberley in the UK and sold our Brachytherapy business in Oxford in the USA to Eckert & Ziegler. We also acquired the EkoSonic® manufacturing facility in Seattle in the USA. The business is a relatively low carbon emitter and energy spend is less than 3% of our operational spend, we continue to monitor our carbon emissions. We are committed to installing high energy efficiency equipment on new projects or at our existing facilities where practicable. This is evidenced by our new Camberley laboratories which have been built with recirculating fume cupboards. These enable 70% energy recovery while maintaining employee safety, provided in the past by total extraction cupboards. In addition we are planning to invest £120,000 in solar power at our Australian facilities.

Our electricity usage has increased overall this year due to the acquisition of the EKOS manufacturing facility and the extension of our Farnham manufacturing site to produce Varithena™. Electricity usage was offset by the divestment of the Oxford manufacturing site and the implementation of more energy efficient cold store technology in Wales.

The business's carbon dioxide emissions have decreased significantly over the year, driven primarily by a decrease in scope 1 emissions following the divestment of our Oxford manufacturing site which used considerable amounts of liquefied petroleum gas (LPG) for heating purposes.

Water consumption increased in line with increased headcount and the addition of Varithena™ manufacturing facilities in Farnham.

Our total waste and recycled waste has decreased during the year following the divestment of the Oxford site which produced and recycled large quantities of solid lead waste.

Hazardous waste has also decreased as 2013 figures included an atypical amount which resulted from an incident reported in 2013.

Lost time accidents reduced from 11 to 8 across the Group, with a 37% decrease at the Australian site.

Data on Environment

Data	2013/14	2012/13	% Change
Total CO_2 equivalent emissions generated (tonnes)[1–5]	**5,229**	**5,687**	**-8**
CO_2 equivalent emissions scope 1 (tonnes)	1,576	2,109	-25
CO_2 equivalent emissions scope 2 (tonnes)	3,653	3,578	+2
Total production units	201,228	192,658	+4
Total Kg CO_2 generated per production unit	26	30	-13
Total employees	895	558	+60
Total Kg CO_2 generated per employee	5,842	10,191	-42
Total electricity consumed (MwH)	6,973	6,451	+8
Total electricity consumed (MwH) per production unit	0.0347	0.0334	+6
Total waste from our production sites (metric tonnes)[6]	**471**	**1,573**	**-70**
Waste recycled (metric tonnes)	128	508	-75
Hazardous waste – incinerated or other treatment (metric tonnes)	112	309	-64
Waste to landfill (metric tonnes)	136	756	-82
Total water consumption at production sites (cubic metres)[7]	**28,900**	**20,406**	**+42**
Total lost time accidents (days per 100,000 hours worked)[8]	**0.5**	**1.17**	**-57**

1 GHG protocol used for data. Scope 3 emissions have not been calculated.

2 Covers 100% of BTG controlled operations, third-party manufacturing has not been included in either the carbon dioxide generated or the intensity figures.

3 Data from operational sites with more than 20 employees based on energy bills.

4 Emissions from field based and smaller offices estimated based on average US consumption – as this is where majority are based, 3% of data is estimated.

5 Conversion factors used: Defra/DECC 2013.

6 Waste from our manufacturing and research sites in Australia, USA and UK.

7 Water consumption measured at our production sites in Australia, USA and UK.

8 This includes all accidents where one or more days are lost. UK companies usually only report when three or more days are lost. Also includes accidents where people have returned to work and were given alternative duties as they were not able to fulfil their normal roles.

Governance

We are committed to high standards of governance which underpin the management of our business affairs.

Code of Conduct

Our Code of Conduct describes the values, principles, policies and procedures we have developed to promote understanding of, and adherence to, the ethical behaviours that we expect of all employees. It is regularly updated to reflect changes in legislation and annual training is a mandatory requirement for all of our employees.

Anti-bribery and Corruption

We take a zero tolerance approach to bribery and corruption and are committed to implementing and enforcing effective systems to counter it. Our anti-bribery and anti-corruption policy provides a useful reference guide for employees, and we engage the services of an agency to assist us with global anti-bribery compliance assessments of our business partners.

Human Rights and Anti-Slavery

During the last year we produced a Human Rights Statement, accessible on our website, which discloses our efforts to eradicate any slavery and human trafficking, should it exist, from our direct supply chain and addresses the requirements of the California Transparency in Supply Chain Act.

The Sunshine Act and Open Payments Program*

Our relationship with our customers is highly regulated, in particular in the US. Transparency is a key theme in the governance of our relationship with customers. This year, to ensure that we comply with the National Physicians Payment Transparency Program we have produced a Sunshine Act and Open Payments Program brochure for customers detailing their obligations and to help us collect the necessary data for reporting purposes.

* The US Physician Payment Sunshine Act 2009 requires pharmaceutical and medical device companies, with effect from 1 August 2013, to collect and report to the US Center for Medicine and Medicinal Services (CMC) the nature of any financial relationships and payments made to licensed physicians and teaching hospitals. The goal of the law is to increase the transparency of financial relationships between healthcare providers and pharmaceutical and medical device companies. The reported data will be made available in a publicly searchable database.

Market overview

Overview

The global pharmaceuticals and medical devices industries are among the world's largest, with total annual sales exceeding $500 billion. BTG operates in niche segments, principally within Interventional Medicine and Specialty Pharmaceuticals, and in selected geographies.

Our markets

The macro-environment for the global pharmaceuticals and medical devices industries presents opportunities and challenges.

On the opportunity side, patient populations are expanding driven by overall population growth and an ageing population in particular by increasing numbers of people in developing economies who have better access to healthcare. In addition, people worldwide are more informed about their conditions and potential treatments thanks to increased access to information online, and are more likely to seek treatment. Advances in our understanding of disease mechanisms that provide insights to develop new, improved treatments also provide opportunities for the industry.

On the challenge side, the costs of providing healthcare are also growing and payers are seeking to reduce costs by limiting access to medicines and by reducing the prices they pay for them. Together with the increased use of generic medicines and ongoing patent expiries, these market and pricing restrictions mean that the industry is under pressure to replace declining revenue streams with new ones from true product innovations that offer benefits to patients and value to payers. In addition, competition remains strong.

Approaches to dealing with these challenges include increasing operating efficiency to reduce costs, focusing R&D investment on truly innovative products rather than on making modest improvements to existing products, and an increased focus on providing medicines to developing countries in recognition that growth in traditional Western economies has slowed.

Our approach is to acquire and develop technologically leading products that are administered by specialist physicians and that advance the treatment of under-served patient populations.

We are usually able to command appropriate prices for our products, reflecting their clinical benefit and the small addressable patient populations. In addition, the physicians who use our

products are specialists and we can service them through small, efficient sales forces. Smaller global markets and peak sales potentials that may range from a few tens of millions of dollars to several hundreds of millions of dollars mean that competition is usually more limited and that competitors are more often smaller companies rather than major global companies.

Within Interventional Medicine, we estimate that our oncology products, used in the treatment of patients with liver cancer, address a global opportunity that could reach $1.3bn by 2021. Aggregate sales by BTG and competitors were approximately $200m in 2012, of which BTG's products amounted to approximately $90m. Our target is to build our sales to $300m to $400m by 2021.

Our two vascular products are used to treat varicose veins and blood clots. In the US, there were approximately 500,000 patients treated for varicose veins in 2012, amounting to approximately 750,000 GSV procedures. We expect the number of GSV procedures to increase to approximately 1.25m per annum in the US by 2021/22, and that the peak sales potential of Varithena™ in the US reimbursed sector is $250m. We estimate the total peak sales potential of Varithena™ including the US self-pay segment and other geographies to be $500m+.

In the US we estimate that approximately one million severe blood clots occur annually, of which some two-thirds are candidates for interventional treatment. In 2012, we estimate interventional treatments were used in approximately 70,000 patients, and that the total value of sales of interventional treatments was approximately $95m. Sales of EkoSonic® products were approximately $28m, which represented 39% growth over the prior year; in 2013, EkoSonic® sales grew 35% to approximately $40m annualised. The use of interventional techniques for delivering thrombolytic drugs to treat blood clots is growing based on emerging clinical data showing potential benefits over conservative anticoagulant treatment. Our goal is to build EkoSonic® sales to $100m to $200m by 2021.

Our antidote products are used in emergency settings to treat rare and serious conditions: snakebites, digoxin overdose and toxicity associated with high-dose methotrexate administration in patients with renal impairment. None of the products have competitors, although there is a potential competitor in development to CroFab®, the snakebite treatment. Around 5,000 envenomations occur each year in the US, with weather patterns affecting the number. Many millions of digoxin prescriptions are issued annually globally, with around 1% to 4% of people having a toxic reaction: DigiFab®, which combats digoxin toxicity, is approved in the US, UK, Canada, Switzerland and Australia, and is sold on a named patient basis in other territories. Voraxaze®, a treatment for high-dose methotrexate overexposure, is approved in the US and sold in other territories on a named patient basis. We estimate there are around 200 to 300 patients annually in the US requiring treatment for high-dose methotrexate toxicity.

Highly regulated industries

The pharmaceutical and medical devices industries are highly regulated. All research, clinical development, regulatory, manufacturing and commercial activities are subject to specific regulations, which requires us to have sophisticated and extensive quality and compliance systems and procedures in place and to recruit highly skilled and experienced employees. We have continued over the past year to build our capabilities in these areas.

We monitor and assess the potential impact of regulatory and healthcare reforms on our business. When reviewing new product development opportunities, we factor in healthcare reform and trends and progress only those opportunities we believe are either aligned with trends or are relatively immune to them.

Competition

Our industries are competitive. By focusing on specialist healthcare segments, we usually face less competition from large companies. Our strategy to remain competitive is to develop and acquire technically differentiated products, to support our products with clinical data showing their utility and to continue to innovate in response to customer need. We also aim to differentiate our service levels, so that BTG builds an excellent reputation with its customers, and to understand the payer environment so that we are providing payers with value.

Our interventional oncology products are used to treat patients with liver tumours, a significant unmet need with limited treatment options. By demonstrating their benefits for patients in clinical studies we can both continue to benefit from appropriate pricing and reimbursement and we can differentiate our products from the limited competition that exists.

Varithena™, a novel treatment for varicose veins, is entering an established sector but is a highly differentiated, versatile treatment that offers a patient-centric experience. Our EkoSonic® family of blood clot treatments is also technically differentiated from the competition.

Reputation

There are increasing societal pressures on healthcare companies to change their practice in areas such as publication of all clinical trial data, access to medicines and treatments in poorer communities, patent strategies and the focus of development activities. We are guided by our values and Code of Conduct, and we have made being a good corporate citizen one of our corporate priorities.

Our reputation with regulators, customers, employees and others is extremely important for the long-term success of the business. By operating ethically, delivering on our promises and ensuring the quality of our products and service levels, we are confident we can maintain a strong reputation with our stakeholders.

Associated risks

Product supply or safety issues; the emergence of new technologies/ competitors; loss of intellectual property protection, failure of product development plans, lack of product acceptance by physicians.

See pages 30 to 34 for more detail

Financial review

The Group has delivered a strong financial performance that reflects good organic revenue growth, the impact of acquisitions during the year and ongoing clinical and commercial investments to drive future performance.

"With multiple opportunities to drive performance through investments, the business is capable of delivering sustained financial growth."

Rolf Soderstrom
Chief Financial Officer

Revenue

£290.5m

2012/13 £233.7m
Change: +24%

Contribution

£111.5m

2012/13 £108.5m
Change: +3%

The results include the impact of approximately 9 months of contribution from the acquisitions completed in July 2013.

Revenue

Reported revenue grew by 24% to £290.5m (12/13: £233.7m). This reflected underlying revenue growth of 20% to £244.8m (12/13: £203.8m). Acquisitions added revenue of £45.0m (12/13: nil) and non-recurring items were £0.7m (12/13: £29.9m).

We saw revenue growth across each of our operating segments. In Interventional Medicine reported revenues of £79.1m (12/13: £36.1m) included a 16% increase in revenue from our embolic beads to £33.4m (12/13: £28.8m) plus revenues of £24.7m (12/13: nil) from TheraSphere® and £20.3m (12/13: nil) from EKOS. During the year we disposed of our Brachytherapy business which contributed revenue of £0.7m (12/13: £7.3m).

In Specialty Pharmaceuticals we saw growth of 5% to £102.3m (12/13: £97.2m) which reflects the established nature of the two major products, CroFab® and DigiFab®. It is pleasing to see Voraxaze® delivering double digit growth in its second year since launch.

The Licensing segment revenues increased to £109.1m (12/13: £100.4m). We have seen strong Zytiga® revenues of £83.8m (12/13: £49.9m) which has more than offset the lack of non-recurring revenues from BeneFix® following patent expiry and from AZD9773 following termination of that programme (12/13: £22.6m).

		2013/14 (£m)	2012/13 (£m)	Change (%)
Specialty Pharmaceuticals	CroFab®	**62.7**	62.7	–
	DigiFab®	**27.3**	23.8	+15
	Voraxaze®/other	**12.0**	10.7	+12
	Uridine triacetate	**12.0**	–	–
	Total	**102.3**	97.2	+5
Interventional Medicine	Embolic beads	**33.4**	28.8	+16
	Total	**33.4**	28.8	+16
Licensing	Zytiga®	**83.8**	49.9	+68
	Two-Part Hip Cup	**13.0**	13.3	-2
	Others	**12.3**	14.6	-16
	Total	**109.1**	77.8	+40
Total	Total underlying revenues	**244.8**	203.8	+20
Acquisitions	TheraSphere®	**24.7**	–	–
	EKOS	**20.3**	–	–
Non-recurring (Brachytherapy, BeneFix®, CytoFab®)		**0.7**	29.9	
Total		**290.5**	233.7	+24

Gross Profit

Reported gross margin reduced to 67% from 71%. This reflects the expected reduction in the Licensing segment gross margin to 53% (12/13: 60%) following the loss of high margin contributions from BeneFix® and AZD9773 in the prior year. In Interventional Medicine gross margins have been impacted by both acquisition adjustments and lower gross margin products from acquisitions. Excluding the impact of acquisition adjustments of £1.9m (12/13: nil), gross margins were 74% (12/13: 84%). In Specialty Pharmaceuticals margins have increased to 80% (12/13: 78%). We expect BTG gross margins to return to around the 70% level as we see higher margin revenue growth drive further efficiencies.

Contribution

SG&A expenses have increased from £58.0m to £84.0m. The majority of this increase has occurred in the Interventional Medicine segment and comprises the incremental cost base associated with 9 months ownership of EKOS and TheraSphere®, the commercial preparations for the US launch of Varithena™ and investment in the underlying embolic Bead business.

The Group monitors segmental contribution (gross profit less SG&A). In total this has increased to £111.5m (12/13: £108.5m), however contribution margin has dropped to 38% (12/13: 46%). This is due to the lower gross margins from the Licensing segment plus the impact of acquisitions and investments in the Interventional Medicine segment. As we look forward we expect the contribution to move back above the 40% level as we see growth from the Interventional Medicine segment in particular.

In Interventional Medicine, the contribution grew 6% to £13.8m (12/13: £13.0m) and the contribution margin decreased to 17% from 36% as a result of the lower gross margin and increased SG&A investment. The contribution in Specialty Pharmaceuticals increased to £58.7m (12/13: £55.4m) and the contribution margin was 57% as in the prior year.

Financial review
continued

Profit before tax

£33.3m

2012/13 £24.1m

Change: +38%

Cash and cash equivalents

£38.2m

2012/13 £158.7m

Change: -76%

The Licensing segment profit contribution decreased to £39.0m (12/13: £40.1m) and the contribution margin fell from 40% to 36%, predominantly as a result of the lower gross margin.

Operating Profit

Operating profit is calculated as contribution less: amortisation on impairments of acquired intangible assets; foreign exchange gains/losses; research and development; amounts written off or profit on disposal of intangible assets and property plant and equipment; and acquisition and reorganisation costs.

Amortisation and impairment of acquired intangible assets has reduced to £23.3m (12/13: £43.4m). While amortisation has increased during the year to £23.3m (12/13: £14.4m) due to the acquisitions of EKOS and TheraSphere®, there were no impairments in the current year (12/13: £29.0m).

The $/£ exchange rate moved by approximately 10% from $1.50/£ at the beginning of the year to $1.66/£ at the end of the year. BTG's exposure to US$ denominated revenue and costs has resulted in the recognition of foreign exchange losses of £5.0m (12/13: £3.1m gain).

Investment in research and development activities grew to £47.2m (12/13: £41.2m). The main areas of expenditure were activities to progress the US approval and launch of Varithena™, studies and innovation projects associated with the Beads platform, activities to support marketed products and new expenditure associated with clinical development of the acquired TheraSphere® and EKOS products. A review of the Interventional Oncology research and development strategy has been completed and is expected to result in increased R&D expenditure in the near term as the Group accelerates the ongoing Phase 3 trials of TheraSphere® and continues to support a number of innovation programmes and other studies associated with marketed products.

Acquisition and reorganisation costs of £9.8m (12/13: £0.1m credit) related to the acquisitions of EKOS and TheraSphere® during the year.

Operating profit before acquisition adjustments and reorganisation costs was £62.3m (12/13: £69.0m). The net decrease is principally due to the inclusion in 2012/13 of non-recurring high margin licensing revenues relating to BeneFIX® and AZD9773 which contributed £21.2m to operating profit in that year. After accounting for acquisition adjustments and reorganisation costs, reported operating profit was £27.3m (12/13: £25.7m) the increase being a result of lower acquisition and reorganisation charges of £35.0m (12/13: £43.3m).

Financial income and expense

Financial income of £8.2m (12/13: £1.1m) included a gain on mark-to-market of foreign exchange forward contracts of £7.5m (12/13: loss of £2.6m) This offsets the foreign exchange loss of £5m (2012/13 gain of £3.1m) included within operating profit. Financial expense of £2.2m (12/13: £2.7m) relates principally to an adjustment of £1.4m (12/13: nil) related to the contingent milestones for the acquisition of EKOS.

Profit before tax and tax

The Group's profit before tax was £33.3m (12/13: £24.1m). The Group profits arise in the UK, the United States and other overseas territories. As a consequence the effective tax rate is a combination of a blend of the varying tax rates in the differing countries. In the UK, BTG has benefited from the Patent Box legislation which allows for lower tax charges on income from qualifying assets. The effective tax rate for the Group this year is 27% (12/13: 32%) which has resulted in a tax charge of £9.0m for the year (12/13: £7.7m) which comprises a current tax charge of £13.7m offset by a deferred tax credit of £4.7m.

Earnings per share
Basic earnings per share was 6.8p (12/13: 5.0p) on profit after tax of £24.3m (12/13: £16.4m). Underlying earnings per share, excluding acquisition adjustments and restructuring was 14.5p on underlying profit after tax of £51.5m (12/13:14.5p on underlying profit after tax of £47.4m).

Balance Sheet
Non-current assets
Non-current assets have increased significantly at 31 March 2014 to £565.5m (31 March 2013: £308.0m). The main reasons for the growth in assets are the acquisitions of EKOS Corporation and TheraSphere® and investment in manufacturing facilities, primarily relating to Varithena™.

The acquisitions have resulted in gross additions to goodwill of £71.1m and intangible assets of £245.5m which have been offset by amortisation, disposals and foreign exchange to result in net increases of £64.4m in goodwill and £188.7m in intangible assets.

The net increase of £5.9m in property, plant and equipment comprises gross additions of £11.7m relating mainly to Varithena™ manufacturing expansion offset by disposals relating to the Brachytherapy business, depreciation and foreign exchange.

The Group's defined benefit pension scheme, as measured under IAS19 Revised – Employee Benefits has changed from an asset of £10.3m at 31 March 2013 to an asset of £8.0m at 31 March 2014. The movements in the period reflect Company contributions during the year of £3.6m and an income statement credit of £0.1m offset by an actuarial loss of £6.0m. A formal actuarial valuation was prepared as at 31 March 2013 and is expected to be agreed with the Trustees shortly.

Current assets
Cash and cash equivalents have reduced from £158.7m to £38.2m due to the acquisitions of EKOS and TheraSphere®. The Group did not draw on its £60m multi-currency revolving credit facility during the year.

Both inventory and trade and other receivables have increased as a result of acquisitions and underlying business growth in the year. Inventory has increased to £27.0m (31 March 2013: £23.3m) and receivables to £75.1m (31 March 2013: £54.5m). The fair value of forward contracts as at 31 March 2014 was an asset of £4.4m compared to a liability of £2.2m as at 31 March 2013.

Total Liabilities
Non-current liabilities have increased to £93.5m (31 March 2013: £44.7m) mostly as a result of an increase in the net deferred tax position of £46.6m, predominantly arising as a result of the acquisitions.

Trade and other payables have increased to £79.9m (31 March 2013: £61.6m) reflecting the underlying growth of the business, the impact of the acquisitions, including contingent consideration payable on the acquisition of EKOS, and increased Zytiga® revenue sharing accruals.

Cash flow
It has been a year of both organic investment and acquisitions which has been funded through cash generation from the business and fund raising. The business generated £48.5m from operating activities which compares to £55.5m at 31 March 2013. The lower levels of cash generation reflect higher levels of working capital in the business and investment in SG&A and research and development. During the year we raised £103.1m which together with our existing cash balances was used to fund the purchase of EKOS and TheraSphere® for total consideration of £260.3m and investments in our manufacturing capabilities of £11.6m.

We end the year with cash and cash equivalents of £38.2m.

Summary and financial outlook
We have delivered a strong performance in the underlying business and added new revenue streams from the acquisitions, which have performed in line with our expectations since completion in July 2013. We anticipate continued top-line growth based on growth across the portfolio and as we see the full year impact of the acquisitions.

We are investing in commercial activities to support the launch of Varithena™ in the US and to establish direct sales operations in Europe, initially to support expansion of TheraSphere®. We are also establishing a regional hub for regulatory and medical affairs together with satellite commercial offices in Asia, primarily to support our interventional oncology products. We intend to increase investment in development activities, in particular to continue the acceleration of the three Phase 3 trials of TheraSphere®, to progress a number of innovation programmes and clinical studies associated with the Bead products and with the EKOS products.

Based on a solid financial platform and with multiple opportunities to drive performance through commercial, geographic and development activities, we are confident that the business is capable of delivering sustainable long-term financial growth.

Risk management and principal risks

The system of internal controls utilised to identify, assess, manage and mitigate the key risks facing the business

Risk management framework

Maintenance of the Group's risk management and internal control systems is the responsibility of and a key focus for the Board of Directors. The Board's role is to ensure that the risks taken by the Group are understood and appropriate in light of its strategy and corporate goals, and that adequate internal processes are in place to identify, assess, monitor, manage and mitigate key risks effectively. The Company has adopted a risk management strategy intended to achieve that objective, regarding both risks arising from the internal operations of the Group and also those arising from the continually changing business environment and markets in which it operates. While the Company aims to manage such risks, no risk management strategy can provide absolute assurance against loss.

Risk management is embedded throughout the Group's operations and functions including Finance, Research and Development, Manufacturing and Quality, Regulatory, Environmental Health and Safety, Sales and Marketing Compliance, IT, Human Resources, Legal and Intellectual Property Management. Risks are identified and assessed in terms of likelihood and potential impact by operational staff and managers in the different business areas and are collated Group-wide into a composite Risk Register by a Risk Committee, which comprises senior members of staff representing relevant parts of the business and key functions. The Risk Committee is chaired by the CFO, Rolf Soderstrom. Individuals in the business managing discrete risks on a day-to-day basis update their sections of the Risk Register regularly and the overall Risk Register is reviewed twice yearly by the Risk Committee and formally reported to the Audit Committee, following which it is considered by the Board. The focus is on identifying and understanding newly emergent risks, progress of agreed mitigation strategies and any changes to the likelihood or potential impact of key risks. Each key risk is allocated a business owner, overseen by the relevant member of the Leadership Team.

The Audit Committee review focuses on risks that are rated ten or more on a 25-point scale, which results from multiplying the likelihood and impact scores, each of which is rated on a five-point scale. There are currently 16 such key risks compared with 17 in the prior year. Included within the reports to the Audit Committee is an explanation of any changes in the risks, controls, mitigation, impact or likelihood since the last report, so the Audit Committee can clearly understand what has changed in the business, how the risks are being addressed and the adequacy and impact of the mitigation efforts.

The Audit Committee then summarises the risk report and its findings to the whole Board, its understanding of the risks inherent to the industry and specific to the Group, its level of comfort that the risks being taken are appropriate in light of the Group's strategy and that mitigating actions are appropriate and effective.

From time-to-time the Audit Committee will undertake a "deep dive" assessment of a critical risk to better understand its nature and to consider available mitigation options that could be deployed to better manage that risk, together with the costs, timelines and likelihood of success of those options. This process assists the Board to shape the definition of the Group's risk appetite, having ensured it is appropriate with regard to the Group's strategy. The Board also considers new material risks in a timely fashion as they arise.

The risk group works in coordination with the Internal Audit group and Compliance, Development, Quality and other assurance groups to integrate governance activities to ensure an overall robust risk management process.

Principal risks

Here we describe what we believe are the most significant risks that could materially affect the Group's ability to achieve its financial and operating objectives. The list is not exhaustive although other risks are deemed less material at this time. Some risks are generic to the industry in which the Group operates; others are specific to the Group and inherent in the Company's strategy. The Company considers all these risks relevant to any decision to invest in the Company.

As a general risk the existing and future products launched by the Company may not be a commercial success: depending on the receipt and scope of the applicable required marketing approvals (and the time and investments required to obtain approvals); product acceptance by physicians and patients; commercially viable levels of product reimbursement being established; safety and efficacy continuing to be demonstrated, and the impact of competition. The pharmaceutical and device industries are generally competitive and require substantial ongoing product innovation, investment and product development to sustain a competitive advantage. Existing products could be rendered obsolete, uncompetitive or uneconomic having regard to product development by other companies and changing regulatory requirements. The Company's success will continue to depend on its ability to develop, in-license or acquire new products and businesses and to realise the expected benefits from such activities by the application of greater resources and effectively integrating the opportunities into the Group. Failure to in-license, acquire or develop and effectively progress or integrate new product opportunities on a commercially viable basis, could have a material adverse effect on the Company's revenues.

Specifically assessed risks:

1. External supply chain

Impact: We rely on third-party contractors for the supply of many key materials and services, such as supply of components and the filling and freeze-drying of end products in the Specialty Pharmaceuticals business. These processes inherently carry risks of failure and loss of product and are risks over which the Company has a lower degree of control. Problems at contractors' facilities such as technical issues, contamination and regulatory actions may lead to delays and disruptions or loss of supply or available capacity. Some materials and services may only be available from one source and regulatory requirements may make substitution costly, time-consuming or commercially unviable.

Mitigation: Rigorous monitoring of suppliers; maintenance of adequate product and component inventories; dual sourcing implemented or being investigated where practicable. In accordance with the risk rating the Company will continue to focus on this area to ensure market demand for products can continue to be met (as has historically been the case).

Change in 2013/14: The acquisition of TheraSphere® has increased our reliance on third-party manufacturing (given our dependency on Nordion as the sole manufacturer of that product). We are assessing options to secure additional product capacity through the external supply chain.

2. Internal supply chain

Impact: BTG relies on its single site in Wales for supply of manufactured antibody products, and a single site in Farnham, UK, for the manufacture of the Bead and Varithena™ products with the consequent possibilities for disruption to or loss of supplies resulting from, for example, technical issues, contamination or regulatory actions. 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 manufactures its EKOS products at a single site in Seattle, WA, USA, with the consequent possibilities for disruption to or loss of supply.

Mitigation: Dual sourcing is being investigated where practicable; inventories are being increased or maintained and monitored through a sales and operational planning process; 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. In accordance with the risk rating the Company will continue to focus on this area to ensure market demand for products can continue to be met (as has historically been the case).

Changes in 2013/14: The acquisition of EKOS Corporation resulted in an additional significant BTG product line being dependent on an internal single manufacturing site (Seattle). The disposal of the Brachytherapy business addressed an internal manufacturing risk that materialised during the year (receipt of an FDA warning letter relating to the Brachytherapy Oxford, US site).

3. Intellectual property, know-how, trade secrets

Impact: BTG may be subject to challenges relating to the validity of its patents or alleging infringement by BTG of intellectual property rights of others, which might result in cessation of product sales, litigation and/or settlement costs and/or loss of earnings. BTG might elect to sue third-parties for their infringement of its patents in order to protect product revenue streams. Litigation, especially in the US, involves significant costs and uncertainties. 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 or maintain the necessary intellectual property rights in relation to products acquired or in development, limiting the potential to generate value from these products and investments. 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 obtain or enforce patents, or which reduce the available term of granted patents or periods of market exclusivity protection, could adversely impact the Group's financial performance.

Patent expiries can adversely impact the Group's revenues. Currently, BTG earns significant royalties from sales of Johnson & Johnson's Zytiga® (abiraterone acetate), which may be subject to generic competition in the US from our 2016/17 financial year when the US composition of matter patent expires, and in the EU from our 2020/21 financial year when the ten-year data post-approval exclusivity period ends.

BTG's patent portfolio is currently subject to several challenges.

Enforcement of third-party patents against BTG may prevent BTG selling products or require BTG to pay royalties or other compensation to the patent holder.

Risk management and principal risks
continued

BTG may rely upon know-how and trade secrets to protect its products and maintain a competitive advantage, which may be important where patent protection is limited or absent. BTG may have to sue third parties to protect its know-how and trade secrets; failure to maintain them could result in the loss of earnings.

Mitigation: Dedicated internal resource, supplemented by external expertise, monitors third-party patent portfolios and patent applications and intellectual property rights; development and implementation of BTG patent filing, defence and enforcement strategies; robust processes are in place to automate patent renewals; internal controls established to avoid disclosure of patentable material prior to filing patent applications and to protect know-how.

Change in 2013/14: Intellectual Property (IP) management has been made more complex by the acquisitions of TheraSphere® and EKOS Corporation which are now overseen by the central IP group. The IP landscape is generally more complex in the Interventional Medicine market place rendering IP management more challenging. BTG is enforcing its patent rights and has initiated the commencement by the US International Trade Commission (ITC) of an investigation in relation to the importation of the Anavip® product into the US (as a potential competitor to CroFab®). The ITC will consider whether to exclude the importation of Anavip®.

4. Competition

Impact: 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 or 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.

There are currently no competitors to the Specialty Pharmaceuticals products CroFab®, DigiFab® or Voraxaze®. However, future competition is likely in some cases and competing products could materially adversely impact BTG's financial results. We believe Instituto Bioclon has submitted a Biological Licence Application to seek US approval for a potential competitor product (Anavip®) to CroFab®. That product may be launched in the US. Within Interventional Medicine, the Beads products compete with products from US companies Merit Medical and CeloNova; TheraSphere® competes globally with a product from Australian company SirTex; Varithena™ competes with other treatment modalities including heat ablation, vein stripping and physician-compounded sclerosing foam; EKOS competes with other interventional clot treatment products from US companies Covidien, Bayer MedRad and others. In Licensing, Zytiga® (abiraterone acetate) competes with a number of recently approved treatments for advanced prostate cancer including Xtandi® (enzalutamide).

Mitigation: BTG focuses on niche opportunities, addressing specialist segments where there are high barriers to entry, for example, relating to the development and manufacturing processes, or to the need to generate significant supportive clinical data to gain approval and commercial acceptance. We seek to differentiate our products by demonstrating in clinical trials safety and efficacy benefits, or greater patient acceptance.

Change in 2013/14: Following the acquisition of EKOS and TheraSphere® and the approval of Varithena™, we now assess the competitive landscape separately for Specialty Pharmaceuticals, and within Interventional Medicine, the Interventional Oncology (TheraSphere® and Beads) and Interventional Vascular (Varithena™ and EkoSonic®) businesses. The sectors in which the Group operates remain competitive.

5. Research and development execution

Impact: Failure to implement our research and development strategy could result in an inability to deliver new products and new approved indications for existing products, which would have a material detrimental effect on the sustainability of the business and on its medium- to long-term growth prospects. Failure of the programmes could result from lack of organisational resource or capability deficiencies, from not aligning R&D programmes with commercial objectives or from changes in the regulatory landscape making it more difficult to conduct the planned R&D programmes or to achieve the desired clinical results and approvals.

Mitigation: Capabilities and organisational capacity enhanced through recruitment; monthly monitoring of performance against goals; monitoring of regulatory landscape; use of external resources such as contract clinical research organisations (CROs) are being more effectively leveraged; active development of R&D and regulatory strategies and delivery plans. However, notwithstanding our mitigation activities, the inherent risks in pharmaceutical and medical device R&D remain material and difficult to mitigate.

Change in 2013/14: We have reorganised our research and development function and processes to ensure full alignment with manufacturing and commercial functions. The acquisitions of TheraSphere® and EKOS Corporation have significantly increased the portfolio of R&D projects and clinical trials to be executed to deliver on the Company's strategy. Specific plans are being implemented to accelerate delivery of those studies, including revising how the Company works with CROs to support these efforts and increasing the number of sites participating in the relevant clinical studies.

Given the increase in number and complexity of studies and the additional focus of the Group's strategy on R&D investment this risk is assessed to have increased in comparison to last year.

6. Quality & regulatory, process documentation

Impact: Our quality systems and regulatory processes and documentation (including those relating to Good Manufacturing Practice and Good Clinical Practice) are regularly audited by regulators such as the US FDA. Any inadequacies identified can result in observations, major findings and/or warnings, which would need to be addressed through remedial actions but if not addressed adequately, could lead to regulatory action such as cessation of product development, public censure, product recalls, an inability to release manufactured product, loss of manufacturing or product licences or forced temporary or permanent shutdown of facilities and the consequential disruption to product supply.

Mitigation: We have invested in upgrading our processes, capabilities and people capacity to ensure appropriate resources are available to support all required control measures. A Global Quality System has been established and implementation across the Group is nearing completion.

Change in 2013/14: EKOS and TheraSphere® were acquired during the year and continuing improvements are being made to the applicable quality systems to bring them into full conformation with the Company's Global Quality System as it continues to develop. As establishment of that system is nearing completion, overall, the risk is assessed as having decreased in comparison with the prior year and will continue to be assessed in light of the results of future external audits.

7. Commercial Compliance

Impact: The pharmaceutical and device industries are highly regulated and, in addition to the broad range of regulations relating to the development, approval and manufacturing of its products, the Group must comply with many regulations relating to the marketing of its products. This is true in the US, from which the Group derives most of its revenues and where the Group has established its own direct sales and marketing operations. Ensuring compliance with such regulations necessitates allocation of significant financial and operating resources. Failure by BTG (or its commercial partners where BTG has a liability) to comply with certain rules, laws and regulations, including the US False Claims Act, Anti-Kickback Statute and the US Foreign and Corrupt Practices Act among others, for alleged improper conduct, including corrupt payments to medical professionals, off-label marketing of products, or the submission of false claims for reimbursement to the Federal government may result in criminal and civil proceedings against the Group. Significant breaches could result in large financial penalties and injunctive or administrative actions against the Group which could materially adversely impact the Group's financial performance and prospects or result in the loss of product licences or exclusion from sale of certain products.

Mitigation: A Code of Conduct has been established, supported by a mandatory training programme. Robust and extensive compliance systems are in place to ensure sales and marketing and other activities comply with applicable regulations in the US and other territories in which the Group operates. Internal expertise, procedures, monitoring and training is maintained and provided to seek to manage these risks. Notwithstanding the significant efforts made in this area, given the significant potential fines and other penalties related to any compliance failures, the risk rating remains high, reflecting the Company's continuing vigilance in this area.

Change in 2013/14: Enhanced compliance processes and monitoring and auditing programmes have been established. EKOS and TheraSphere® marketing and other activities have been incorporated into BTG's global compliance programme.

Given the anticipated continued geographic expansion of the Group (with direct sales in the EU for TheraSphere® and Taiwan for DC Bead®) the remit for the compliance system has increased accordingly, including with respect to the Group's anti-bribery and anti-corruption controls and management processes.

8. Organisational capabilities and capacity

Impact: Inability to implement growth and delivery plans through inadequate capabilities, capacity and processes would adversely affect the long-term sustainability and growth prospects of the business. BTG is subject to intense competition for key staff with the necessary skills and expertise. Given the industry in which the Group operates a significant proportion of the Group's staff are technical in nature.

BTG's business and the scope of its activities have been transformed in recent years through organic growth and acquisitions. BTG's growth is being driven by numerous factors including new product launches and entering new markets. In parallel, the external environment has become more challenging as a result of increased regulation, pricing pressures and competition. To continue with its growth plans and be able to meet the external challenges, BTG must continue to enhance its capabilities through recruitment of key experienced personnel and training and development while delivering its financial targets.

Mitigation: Processes are in place to identify capability and resource gaps, and to identify and recruit key personnel to address those requirements. Training development and incentive plans are used to attract, motivate and retain staff.

Change in 2013/14: Initiatives introduced to promote BTG as an employer of choice. HR initiatives extended to include new employees associated with TheraSphere® and EkoSonic®. Continuing enhancement of BTG learning and development and leadership programmes.

Risk management and principal risks
continued

9. Product Liability

Impact: The manufacturing, clinical testing, marketing and sale of BTG's products involve significant potential product liability if our mitigation efforts fail. 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. BTG may be exposed to substantial product liability claims that could result in fines, damage awards to injured parties and legal or other material costs and sanctions. Adverse events may also result in product recalls or suspension or loss of product licences adversely impacting BTG's revenues.

Mitigation: BTG conducts robust and well-designed and monitored clinical trial development plans to seek to ensure the safety of its products. BTG operates comprehensive quality systems relating to the manufacture of its products and a pharmacovigilance system to monitor and rapidly respond to safety events arising with respect to products sold or used. BTG maintains product liability insurance but it may not be commercially viable to adequately insure against the occurrence of this key risk. Notwithstanding the efforts made, quality and other systems may fail. Even in the absence of failure, significant product liability events may occur.

Change in 2013/14: The expanding operations in the US (from organic growth and acquisitions of EKOS Corporation and TheraSphere®) potentially increase liability risks.

10. Non-IP-related litigation

Impact: As BTG grows and sells more products, particularly in the US, the likelihood of litigation increases. Defending against litigation brought by others, or pursuing litigation against others, requires substantial financial and human resources. Successful litigation against BTG could result in loss of rights, and the ability to commercialise products, substantial fines and damages, injunctive or administrative remedies that could materially impact the Group's performance and prospects. The range of types of actions and outcomes is broad: including employment claims, contract disputes, regulatory litigation and tax disputes.

Mitigation: Control procedures are in place to minimise litigation relating to the development, manufacturing and sale of the Group's products including the legal team oversight of contractual arrangements with third parties. Appropriate use of external advisers and dispute avoidance or resolution strategies.

Change in 2013/14: The operations of the Group have expanded through the acquisitions and Varithena™ approval, though all internal controls have been applied across the businesses and portfolios.

The strategic report was approved by the Board on 19 May 2014.

By order of the Board

Dr Paul Mussenden
Company Secretary

Governance

The Board of Directors and our approach to corporate governance and remuneration.

Governance

Board of Directors

Our Board of Directors are responsible for governing the Company's affairs; defining its strategy and overseeing performance.

What are the responsibilities of the Board?

Our Board of Directors are responsible for governing the Company and are ultimately accountable to our shareholders for our activities, strategy and performance. Each year we hold an Annual General Meeting at which the Board must provide a report to shareholders on the performance of the business, what its future plans and strategies are and also submit themselves for re-election to the Board.

Garry Watts
Chairman

Garry Watts, FCA, MBE, joined the Board of BTG as non-executive Chairman in January 2012. He is Chairman of the Nomination Committee.

Garry is Chairman of Spire Healthcare and of Foxtons Group plc, deputy chairman of Stagecoach Group plc. and non-executive director of Coca-Cola Enterprises, Inc. Until December 2010, he was for seven years CEO of SSL International plc and before that its 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.

Melanie Lee
Non-Executive Director

Melanie Lee, PhD, CBE, FMedSci, DSc (Hons), joined BTG as a non-executive director in November 2010. She is a member of the Remuneration Committee.

Melanie is the Chief Executive Officer of NightstaRx Ltd, a Founder and director of the pharmaceutical consultancy Think10, and a non-executive director of H Lundbeck A/S. Melanie was previously CEO of Syntaxin Ltd until it was sold to Ipsen, she was 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.

Louise Makin
Chief Executive Officer

Louise Makin, MA, PhD (Cantab), MBA, joined BTG as Chief Executive Officer in October 2004 and is a non-executive director of Intertek Group plc and a Trustee of the Outward Bound Trust.

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.

Giles Kerr
Non-Executive Director

Giles Kerr, FCA, joined BTG as a non-executive director in October 2007 and is the Company's Senior Independent director. He is Chairman of the Audit Committee and a member of the Nomination and Remuneration Committees.

Giles is currently the Director of Finance with the University of Oxford, UK. He is also a Director of Victrex plc, Isis Innovation Ltd and Senior plc. 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.

Ian Much
Non-Executive Director

Ian Much joined BTG as a non-executive director in August 2010. He is Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.

Ian is currently a non-executive director and the senior independent director of Chemring Group 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 and he is a member of the Nomination Committee.

He is a director of Zalicus Inc., Prostrakan Group Plc, and Trevi Therapeutics, 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.

Richard Wohanka
Non-Executive Director

Richard Wohanka joined BTG as a non-executive director in January 2013 and is a member of the Audit Committee.

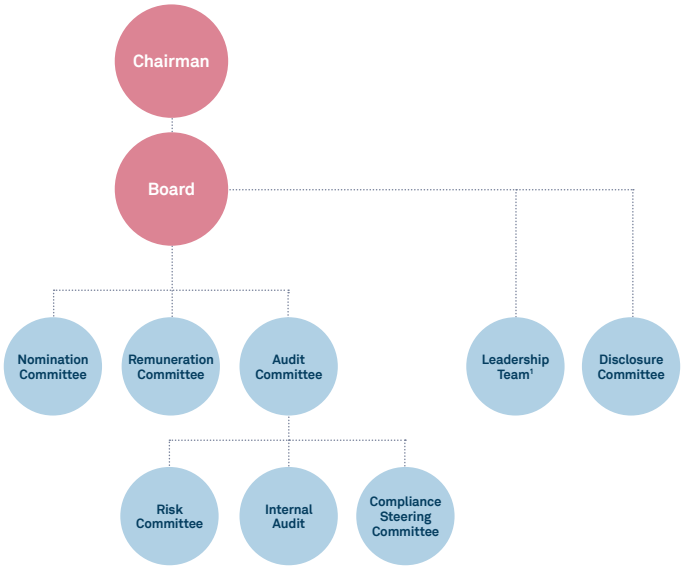
Richard has more than twenty years' experience in building asset management businesses. He was CEO of Union Bancaire Privée Asset Management between October 2009 and June 2012, and from 2001 to 2009 he was CEO of Fortis Investment Management. Richard is a board member of the Nuclear Liabilities Fund and of Scottish Widows.






Corporate governance report

Governance framework



[1] A number of Management Committees that report to the Leadership Team are described in detail on page 43.

Dear Shareholder,

As a Company, we believe that achieving high standards of corporate governance is fundamental to the management of our business. We have a strong governance framework embedded within the culture of our organisation through our Company values, our Code of Conduct, and its underlying supporting policies, procedures and management processes. Ultimate responsibility for this lies with the Board, and we are continually looking to improve standards while building a successful Company. The September 2012 edition of the UK Corporate Governance Code (the Code), introduced additional compliance requirements, such as the consideration of board diversity and external board evaluations to be carried out every three years, as well as how certain activities, such as those carried out by the Audit Committee are reported on in this Annual Report and Accounts. The Company believes that it has complied with all of the Code provisions. This Corporate Governance Report explains how the Company applies the principles of the Code. This year's Annual Report is subject to the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the Regulations). Details of which can be found in the Directors' remuneration report on pages 51 to 68.

The Board is committed to maintaining an open dialogue with our shareholders and it is important for me, as well as other members of the Board, to make ourselves available to shareholders and to meet with any who wish to see us. The Chairman of the Remuneration Committee and I met with a number of shareholders ahead of last year's AGM, in consultation over the proposed changes to the performance conditions and structure of the Executive Directors' Performance Share Plan. In addition, Louise Makin, our CEO, held over 80 meetings with investors and Rolf Soderstrom, our CFO, met with over 30 institutional investors. Louise also attended and presented at a number of conferences which were attended by existing and potential shareholders as well as industry representatives. Communications with shareholders are coordinated during the year by the Vice President of Corporate and Investor Relations, who reports directly to the CFO.

At the Company's AGM on 16 July 2014, the Board will be available to meet investors as usual for face-to face discussions.

Garry Watts
Chairman

Compliance with UK Corporate Governance Code (the Code)

The Board supports the principles set out in the Code as published by the Financial Reporting Council (FRC) in September 2012, which applies to reporting periods beginning on or after 1 October 2012 and can be found on the FRC website, www.frc.org.uk. The Financial Conduct Authority has yet to change the Listing Rules, and therefore requires that certain compliance statements are made in relation to the edition of the Code issued in June 2010. This report therefore addresses the requirements of both editions of the Code.

Compliance with the provisions of 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 2014. Details of directors' remuneration, as required by the Code and Part 4 to Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, are set out in the directors' remuneration report on pages 51 to 68.

The Company's auditor, KPMG LLP, is required to review whether this corporate governance statement reflects the Company's compliance with the provisions of the Code specified for its review by the Listing Rules of the UK Listing Authority. 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.

Leadership

The Board of Directors

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

The Board as a whole reviews the overall strategic development of the Group, 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, staff and patients and meeting its legal, regulatory and other obligations and ensuring the integrity of its financial information and business conduct.

While, as a unitary board, the executive and non-executive directors are collectively responsible for the success of the Company and have fiduciary duties to shareholders, their roles are strictly delineated. The executive directors have direct responsibility for the business operations of the Company, while the non-executive directors are responsible for bringing 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, shaping proposals on succession planning and constructively challenging the executive directors where they consider it appropriate.

The time commitment of the non-executive directors depends on the number of committees that they are a member of but the expectation is that they would normally work approximately two days per month, subject to any increased demand driven by business activity.

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 and policies.
- 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 ensure effective risk management controls are in place.
- Review management and Company performance.
- Ensure the proper discharge of the Company's statutory and other legal, regulatory and ethical responsibilities.
- Agree and oversee the application of an appropriate corporate governance framework.

Board activity during the year:

Activity over the year encompassed a number of typical cyclical items, such as approval of the 2014/2015 budget, preliminary announcement, Annual Report & Accounts and the 2013 interim financial statements and announcement. Other matters included a bi-annual review of the risk management report from the Audit Committee, a Strategy Review day and an R&D and Innovation day intended to allow the Board to oversee the progress with the development of the Group's product portfolio and to consider future R&D investment options in more detail. Both the Strategy and R&D reviews were refocused to take into account the impact and opportunity presented by the acquisitions of TheraSphere® and EKOS Corporation during the year. Specific matters reviewed included the progression and ultimate approval of those acquisitions and the definition of the Varithena™ commercial launch plan.

Governance matters included review of the Board and committee evaluations and recommendations from the Board committees, such as proposed amendments to the terms of reference for each of the Nomination, Audit and Remuneration Committees. Further work included the simplification of the Group corporate structure.

In terms of external focus, feedback from investors was regularly reviewed by the Board and specific input was sought from material shareholders in relation to the changes to the executive director Remuneration Policy approved at the 2013 AGM.

Board Committees

The Board has three committees, Audit, Remuneration and Nomination, to which it delegates specific responsibilities. The reports for these committees can be found on pages 46 to 68. Each committee has full terms of reference that can be found on the website at btgplc.com/about-us/corporate-governance and are available on request from the Company Secretary.

The terms of reference for each committee are reviewed at least annually, to take into account evolving best practice and each revision is approved by the relevant committee and then by the Board. The Board provides the committees with sufficient resources to undertake its duties, including access to the Company Secretary and external advisers, where appropriate.

The Chairman

Garry Watts has been Chairman since he joined the Board on 1 January 2012. The Chairman is responsible for leading the Board, creating conditions for overall Board and individual Director effectiveness, promoting constructive debate and for ensuring the following:

- That the Board devotes adequate time to the right agenda issues, such as its role in shaping strategy.
- A robust decision making process is in place by ensuring appropriate high-quality information is made available to the Board in a timely manner and that clear decisions are made, communicated and effected.
- That the Board environment is productive and the composition and diversity, experience and expertise of the Board and its Committees is appropriate having regard to the Company's needs.
- The Board discharges its responsibilities with respect to risk management.
- Board committees are properly structured with appropriate terms of reference, membership and collective experience.
- Necessary relationships of mutual respect and open communication are fostered between directors, with non-executive directors providing support and advice while respecting the executive responsibility.
- Effective communication with shareholders and other stakeholders.

The Senior Independent Director

Giles Kerr has been the Company's Senior Independent director (SID) since July 2008. The principal role of the 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. He is also responsible for:

- Supporting the Chairman's delivery of objectives, and leading his evaluation.
- Leading the non-Executive Directors in the oversight of the Chairman and ensuring there is a clear division of responsibility between the Chairman and CEO.
- Being available to shareholders to express concerns which the normal channels have failed to resolve or which would be inappropriate.

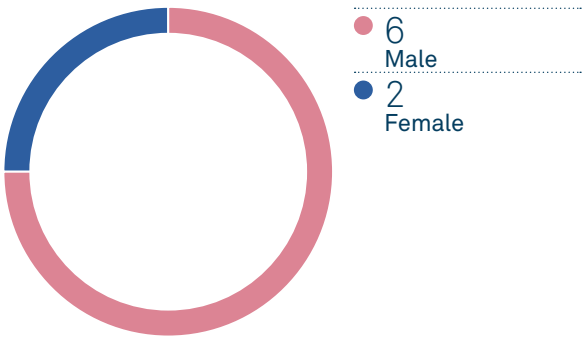
Executive Directors

The CEO, Louise Makin, is primarily responsible for the running of the Group and for executing the Group strategy in line with the risk appetite defined by the Board and the Company values. Rolf Soderstrom, Chief Financial Officer (CFO), 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 as required. The CFO has operational responsibility for business development activities.

The executive directors 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, explaining in a balanced way any divergence of view in the executive team.
- 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.

Board by gender



Attendance at meetings

The table below details the directors' attendance at scheduled Board and Committee meetings since the last annual report, the composition of the Board and the Company's assessment of the independence of the directors.

Board & Committee composition & attendance	Committee memberships	Independent	Board meetings	Nomination Committee	Audit Committee	Remuneration Committee
Total number of meetings			8	3	3	5
Executive directors						
Louise Makin (CEO)	None	No	8/8	n/a	n/a	n/a
Rolf Soderstrom (CFO)	None	No	8/8	n/a	n/a	n/a
Non-executive directors						
Garry Watts	Nom[2]	No[1]	8/8	3/3	n/a	n/a
Giles Kerr	Aud[2], Rem, Nom	Yes	8/8	2/3	3/3	4/5
Melanie Lee	Rem	Yes	8/8	n/a	n/a	5/5
Ian Much	Aud, Rem[2], Nom	Yes	8/8	3/3	3/3	5/5
James O'Shea	Nom	Yes	8/8	3/3	n/a	n/a
Richard Wohanka	Aud	Yes	7/8	n/a	3/3	n/a

[1] Garry Watts is excluded from the determination of independence by virtue of his role as Chairman of the Company.

[2] Committee Chairman.

[3] Richard Wohanka was unable to attend the July Board meeting (and AGM) due to an engagement in place prior to his appointment to the Board. Giles Kerr did not attend one Nomination Committee meeting where his re-appointment was discussed and one Remuneration Committee meeting where a change of location meant he was unable to attend.

[4] The external auditor always attends the Audit Committee meetings and the remuneration advisers usually attend the Remuneration Committee meetings.

[5] The table shows, for each director, number of meetings attended/number of meetings eligible to attend.

[6] Additional specific Board sub-Committee telephone meetings were held as appropriate to approve specific business activities such as the acquisitions of TheraSphere® and EKOS Corporation.

Board composition, membership and election of directors

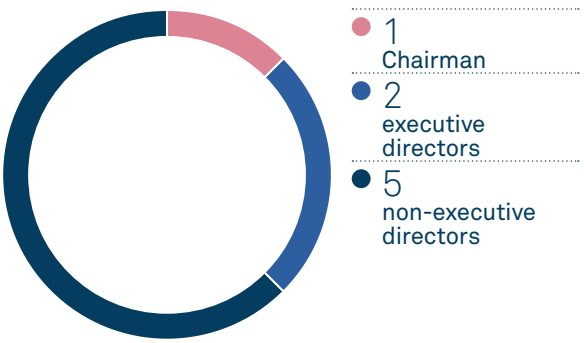
The Board comprises six non-executive directors, including the Chairman, and two executive directors.

The names and brief biographical details of all the directors are set out on pages 36 and 37. The Company recognises the importance of diversity, including gender diversity, with 25% of the members of the Board being women. Details of gender diversity in the Group below Board level can be found in the corporate citizenship area of the strategic report on pages 22 and 23.

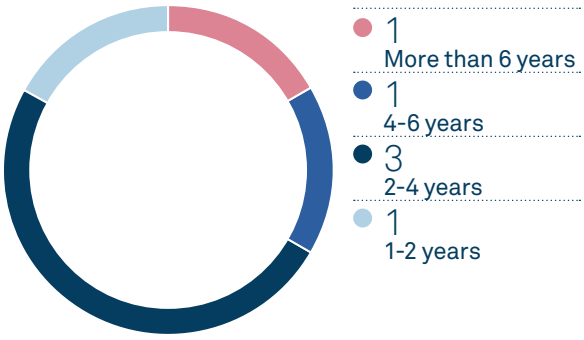
There have been no changes to the Board during the year. As reported in the Nomination Committee report on page 50, the Committee reviews the composition of the Board on a regular basis to ensure that, as the business evolves, the Board continues to have the necessary skills to support the development of the business.

All non-executive Board appointments are for three year terms, subject to re-election at each year's AGM, apart from Giles Kerr, whose re-appointment is for a one year term, having served on the Board for more than six years. Following the formal evaluation process, the Chairman is satisfied that each of the Directors continues to perform effectively and demonstrates commitment to their role, including time for Board and Committee meetings and their other duties.

Balance of directors



Tenure of non-executive directors and Chairman



Independence

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

Directors' conflicts of interest

To address the effect of Section 175 of the Companies Act 2006 (directors' conflicts of interests), 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 2014 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 regularly reminded to disclose any conflicts should they arise. Any such notifications are kept in a conflicts register maintained by the Company Secretary. Any director who considers they may have a potential conflict of interest is required to report this to the Chairman in the first instance, who may consult the Nomination Committee and report their findings to the Board.

Information, training and support and performance evaluation

Information, training and support

Using a secure Board portal, accessible by the Board on an electronic device, in advance of each meeting the directors receive an agenda and a full set of papers for each item to be discussed. Directors receive sufficiently detailed strategic and operational reports and senior executives regularly attend meetings to enhance the non-executive directors' understanding of the business and current issues and to make presentations on the results and strategies in their areas of responsibility. This year an R&D and Innovation day was introduced into the Board programme to further enhance understanding of how the activities of this important part of the business are undertaken and to better inform the Board's consideration of the Company's strategy and investment programme and options. Board meetings are occasionally held at different office locations in the UK and US enabling non-executive directors an additional opportunity to visit other Company sites.

When they join the Company, each director receives a comprehensive induction package, which includes written information and opportunities to meet appropriate members of staff. All directors refresh their knowledge regularly through publications and conferences and through information provided by the Company and its advisers.

There is an agreed procedure for directors to take independent professional advice, if necessary, at the Company's expense. They also have direct access to the advice and services of the Company Secretary who is responsible for ensuring that Board procedures are followed. The Company also provides appropriate directors' and officers' liability insurance.

Performance evaluation

The Board recognises that a review of its own performance is beneficial in ensuring its continued effectiveness and development.

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 SID and following input from the executive directors, evaluate the performance of the Chairman each year. The Committees also review their performance and report 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.

This year, as last year, under the direction of the Chairman, the Company Secretary developed a series of comprehensive questionnaires to evaluate the performance of the Board as a whole, the Committees and the Chairman, using web based software. Next year, in line with the requirement of the Code for an external evaluation at least every three years, external consultants will be appointed to carry out the review.

The results of the process confirmed that the Board provided effective leadership of the Group. Progress was reported against the objectives set for the Board last year:

- There was greater transparency around the risk management process, with the Board looking more closely at risks involved with the Company's strategy and the Audit Committee concentrating on ensuring effective operational identification management and mitigation of risks.
- The experience and expertise of the non-executive directors was drawn on more fully with relevant non-executive directors contributing to discussions on the Group's financial affairs and risk management processes outside the formal board meeting schedule.

The Board noted the pace of development and change in the business over the year had an impact on the Board, making increased communication more important than ever.

In response to this year's evaluation the Board objectives are to:

- Increase communication, by way of additional Board calls on the Board calendar, to respond to the pace of activity and growing complexity of the business, especially in months where there are no formal Board meetings already scheduled.
- Continue to improve the monitoring of progress on delivering the strategy and its component parts and understanding the long-term sustainability of the business model.
- Continue to develop the risk management processes, especially from a top-down perspective to ensure the early identification of emerging risks and that the process continues to be further integrated into the evolution of strategy and assessed when looking at acquisitions and other developments in the business. The goal is to continue to evolve the definition of the Group's risk appetite.

- Continue to look at benchmarking performance and development opportunities against the external environment and competitors.
- Continue the focus on people and leadership development and succession planning, ensuring the Group has adequate capability and capacity in terms of people and resources to meet its diversifying objectives.

Financing reporting and internal control

The statement of directors' responsibilities in relation to the preparation of the financial statements is set out on page 71 and the auditor's statement on the respective responsibilities of Directors and the auditor is included within its report set out on pages 72 to 74.

Communications with shareholders, such as results announcements, interim reports, annual reports or AGM and trading updates, are reviewed carefully and approved by the Board, or a sub-committee of the Board, 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 while ensuring that risks are properly identified and managed and the Group's legal, regulatory and other obligations are met. 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.

To strengthen the control framework of the business, the Group has established an Internal Audit group supported externally by PwC. Further information can be found in the Audit Committee report on pages 46 to 49.

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 the internal controls in place to manage and assess risk 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 assessment, evaluation and acquisition of business opportunities, and development and execution of R&D commercialisation strategies as well as oversight of governance activities. A number of committees that monitor various parts of the business report to the Leadership Team on a regular basis:

- *Research & Development Oversight Board*: Ensures BTG is investing in its assets efficiently and in relation to opportunities with well-targeted business cases where the value to the customer and to BTG is clearly understood and articulated. Oversees the definition of activities and priorities of the Innovation Leadership Team and Development Leadership Team.
- *Innovation Leadership Team*: Investigates the opportunity to develop new products, product line extensions and new indications to address identified unmet medical needs, providing strategic and operational leadership of innovation activities up to proof of principle in man.
- *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 applicable regulatory requirements.
- *Development Leadership Team*: Evaluates and is intimately involved in the definition and execution of development activities, beyond proof of principle in man, to support the Company's commercial strategies.
- *Global Quality Leadership Team*: Reviews progress with overall Quality Strategy and objectives, this includes ensuring inspection readiness, QMS effectiveness and enhancements, product delivery on time and to required quality, safety and efficiency. Ensures continued regulatory compliance.
- *Performance Management Review*: Monthly meeting of the Leadership Team and senior staff to review progress against business plans and targets, both financial and operational.
- *Risk Committee*: Responsible for monitoring risks throughout the organisation and assessing the effectiveness of the risk control and mitigation measures implemented by the Group, reporting findings to the Audit Committee twice yearly. In depth analysis of key risks is undertaken periodically to ensure a degree of independent assessment of the operational application of the risk management process and to seek to identify opportunities to apply alternative or enhanced risk mitigation strategies.
- *Compliance Steering Committee*: Responsible for maintaining and overseeing a 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. It sets policy and oversees any investigations required with respect to any alleged failures. It also assists in the definition and assessment and response to compliance monitoring and auditing and reports to the Audit Committee at least twice yearly.
- *Corporate Responsibility Committee*: Ensures the Group maintains high standards in this area.

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

Compliance and the review of risk and risk management are embedded throughout the Group. The Audit Committee has reviewed the detailed reports of the Risk, Internal Audit and Compliance Committees and reported its findings to the Board. For further details see the Audit Committee report on pages 46 to 49. 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 and key expert personnel responsible for supporting the protection and maintenance of patents and other intellectual property rights on the products in which BTG has an interest. 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.

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 risk or reputational impact for the Group to be approved by the Board.

Corporate policies, values and compliance

All employees within the Group continue to receive periodic training on the key requirements of the Group's Code of Conduct which covers all aspects of ethics, business practices and compliance, including a whistle blowing policy, an anti-bribery and anti-corruption policy and policies related to the ethical conduct of research and development and interactions with doctors and other healthcare professionals. 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 and is in accordance with the Code. Further information is given in the Audit Committee report on pages 46 to 49.

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, as they arise and also 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 Group is not compromised.

Within the 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 the separation of duties and safeguards.

On 23 May 2013 the Company completed a placing of 32,208,030 new ordinary shares at a price of £3.30 per share, raising a total of approximately £103.1m (after expenses). The purpose of the placing was to fund, in part, the completion of the acquisitions of EKOS Corporation and TheraSphere® which were announced on 23 May 2013 and completed on 5 July 2013 and 13 July 2013 respectively. As part of that placing, Invesco Asset Management (who immediately prior to the undertaking of the placing held 29.9% of the issued share capital of the Company) subscribed for 9,574,530 ordinary shares at the placing price representing a total consideration at the placing price of £32.4m, representing 2.8% of the market capitalisation of the Company as at the close of business on 23 May 2013. The completion of the placing resulted in Invesco holding a total of 29.9% of the issued share capital of the Company as at 24 May 2013. Invesco participated in the placing on the same terms as other subscribers and no commission was payable to them in respect of that participation.

As Invesco held greater than 10% of the issued share capital of the Company immediately prior to the placing they were deemed a related party for the purposes of the Listing Rules.

See note 30 on page 113 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 Vice President of Corporate and 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 parties 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 maintains 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 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. The Chairman of the Remuneration Committee wrote to major shareholders last May setting out the executive director Remuneration Policy proposals and he and the Chairman met with many of them to gain their feedback ahead of the proposals being put to shareholders at the 2013 Annual General Meeting. No other requests were 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 material 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.

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 Board 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 Board is available after the meeting for an informal discussion with shareholders.

The AGM will be held at 10.30am on 16 July 2014, 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/investors/reports-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 Asset Services' (BTG's registrars) 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.

At this time the Company does not consider it appropriate to introduce mandatory poll voting on all resolutions put to the AGM but will continue to keep that position under evaluation in future years.

Audit Committee report

Dear Shareholder

The role of the Audit Committee is central to the governance of the Group's financial activities. It monitors, reviews and enhances the integrity of the Group's internal controls, its financial reporting and the way the Group assesses, manages and reports risk and compliance. A significant part of the Committee's time is spent on these areas, and as the business continues to become more complex, it presents an increasing number of challenges for the Committee to address. The highly regulated environment in which the Company operates only enhances the need to ensure our processes remain fit for purpose.

Following the introduction of the September 2012 edition of the Corporate Governance Code (the Code), that applies to accounting periods beginning on or after 1 October 2012 and after taking advice from the Audit Committee, the Board confirmed that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

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

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 Secretary on request.

Committee members' qualifications

The composition of the Committee was reviewed during the year and the Board is satisfied that the members have the breadth of knowledge and experience necessary to effectively fulfil the Committee's responsibilities. Giles Kerr is a Fellow of the Institute of Chartered Accountants and Director of Finance at Oxford University. As required by the Code, he is considered 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 68. Other members bring substantial experience in international business areas as well as financial expertise to the deliberations of the Committee. In particular Richard Wohanka has more than 20 years' experience in the finance and asset management industry. 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 always attends Commitee meetings. The Company Secretary or his deputy serves as secretary to the Committee.

Activities

A summary of matters considered by the Committee since the last Annual Report is shown on the following page. Each area of review is explained in further detail within this report:

Members	Committee member since
Giles Kerr (Committee Chairman)	6 November 2007
Ian Much	1 November 2010
Richard Wohanka	1 January 2013

Details of attendance at meetings are shown in the table on page 41.

There were three Committee meetings during the year

Area of review	Activities undertaken
Financial reporting	Review of the Group's half year and full year results
	Consideration of whether the Annual Report is fair, balanced and understandable
	Review of external auditor reports on the half year and full year results
	Consideration of significant accounting issues as detailed below
	Review of prospective changes in accounting standards and their potential impact
	Review of trading updates issued by the Group and amendments thereto
	Assessment of the going concern basis of preparation for the financial statements
External auditor	Review of external auditor independence
	Review of the scope, nature and resource planning for half year and full year audits
	Approval of external auditor fees
	Review (and approval where required) of use of auditors for non-audit work
Risk management and internal control	Review of risk management systems, internal controls and fraud, anti-bribery and anti-corruption procedures
	Detailed risk review surrounding the Group's Intellectual Property management
	IT and cyber-risk review
	Review of enhanced compliance systems and policies
	Review of the results of internal compliance monitoring and auditing
	Review of the Group's whistle-blowing policy
	Review of the Group's tax affairs
	Review of internal investigations and Internal Investigations Policy
Internal audit	Review of the integration of the acquisitions made in 2013 so far as they relate to key controls
	Review of the Internal Auditor's work plan
	Review of Internal Audit reports produced throughout the year
	Review of structure and resources of the Internal Audit group
Committee governance	Review and amendment of Committee terms of reference
	Completion of an effectiveness review

Financial Reporting

A key role of the Committee is to undertake detailed monitoring of the integrity of the annual and half year results, including a review of the significant financial reporting judgements contained in them with the aim of ensuring that they present a fair and balanced view of the Company and comply fully with the relevant statutes and accounting standards. Where requested by the Board, the Committee will advise on whether, taken as a whole, the Annual Report and Accounts is fair, balanced and understandable. 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 as set out below. 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 least twice a year, when the half and full year results are discussed.

Audit committee report
continued

Significant accounting matters

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

- *Acquisition accounting*: The Group completed two acquisitions during the year; EKOS Corporation and the Targeted Therapies division of Nordion Inc. comprising the TheraSphere® product. The Committee discussed the key assumptions and judgements applied by management in satisfying the requirements of IFRS 3 and reviewed valuation reports prepared by an independent third party. Note 33 contains further details of acquisition accounting.
- *Carrying value of Goodwill and Intangible Assets*: The Committee received and critically reviewed a report from management setting out the approach to and results of impairment testing in accordance with IAS 36. The report covered all asset classes, with a particular focus on goodwill and intangible assets as further disclosed in note 12 and the valuation methodology including discount rates, assumed growth rates across and sensitivity analysis for these asset classes.
- *Recognition of Deferred Tax Assets and Liabilities*: The Committee reviewed the appropriateness of deferred tax asset recognition and the movements on deferred tax assets and liabilities during the year. This included the movements arising from the Group's two acquisitions and the assumptions made in setting up the deferred tax liability on acquired intangibles.
- *Presentation format of Consolidated Income Statement*: The Group's Consolidated Income Statement on page 76 has, for a number of years, been prepared using a three column format for each financial year. The Committee reviews the appropriateness of this disclosure on an annual basis and did so once again this year, paying particular regard to recent guidance from the Financial Reporting Council, in relation to the reporting of exceptional items issued in December 2013.
- *Other matters*: During the course of the year, the Committee received updates from management on Group corporate structure, tax strategy and the adoption of new accounting standards. In particular, the Committee discussed the impacts of IAS 19 'Employee Benefits' (2011) (see note 22).

Review of external auditor effectiveness, independence and appointment

The Committee reviews the overall performance of the auditor annually and approves its terms of engagement and remuneration. The Committee discussed and agreed the auditor's proposed work plan prior to the commencement of the audit of the results for the year to 31 March 2014 and also reviews the non-audit work carried out by the auditor to ensure that such services do not impair its independence or objectivity. The external auditor provided a report demonstrating how their independence and objectivity is maintained when providing non-audit services.

The Committee has a formal policy for approving the use of the auditor for non-audit work detailing areas where the auditor may not be used, 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 receives a written annual report from management summarising the fees paid to the auditors for non-audit work and whether such services were pre-approved or specifically approved by the Committee. Details of the amounts paid to the external auditor for non-audit services are set out below.

Audit Committee approval	Task	Fees £'000
Pre-approval required:		
No	US tax compliance services	101
No	Others	5

Total fees paid to the Company's auditor, KPMG, are shown in note 6 on page 91. 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.

Each year, the Committee considers the reappointment of the external auditor and makes a recommendation to the Board. As part of this process, the Committee also looks at the need for the rotation of the audit partner and assesses the auditor's independence. Richard Broadbelt replaced David Bills as audit engagement partner this year, following David's completion of his five-year term. An agreed succession plan had been put in place ahead of handover, which went smoothly. Last year, while considering partner rotation, the Committee considered whether it was an appropriate time to engage in an external audit tender process, taking into account the speed of change and complexity of the business, and the services offered by the current auditors, and their independence, together with the guidance issued by the Financial Reporting Council (FRC). KPMG have been the Group's sole external auditors since the Company listed in 1995 and the audit contract has not been put out to tender since their appointment. At the time, the Committee concluded that it would not be in the Company's interests to commence a tender process, but would review this decision annually. Following an equivalent review of the auditor this year, including auditor performance and independence, the Board recommends the reappointment of KPMG as external auditor, and to authorise the directors to determine the auditor's remuneration.

Having regard to the FRC's guidance on transitional arrangements and ongoing developments in audit regulation, the Company intends to consider external audit tender, at the latest, nearer the time of the next audit partner rotation, currently scheduled for 2018, however the Company may put the audit out for tender at any time before this date. The Committee further acknowledges, and will continue to monitor, the proposed changes by the UK Competition Commission and the European Union in respect of the auditor services and retendering.

Risk management and internal control

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 risk management process and internal control effectiveness and reports to the Board on its findings twice-yearly. In particular, the Committee's review focuses on financial, operational, healthcare law compliance and risk management 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 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 Committee discharges its risk management duties using a combination of reports from management, Internal Audit and the external auditor. A risk management reporting structure has been in place throughout the year and up to the date of approval of the financial statements and is regularly reviewed by the directors in accordance with the Code.

The Risk Committee, chaired by the CFO and including staff from the appropriate sections of the business, reviews risk throughout the business. The Risk Committee maintains a risk management plan that is designed to identify risks, assess the probability of those risks occurring, the impact should they occur, how such risks are being appropriately mitigated and monitored and the actions and individuals responsible for delivering the mitigations. The Committee continues to monitor this process 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 to the Board.

The Group has a Compliance Steering Committee, which is responsible for maintaining a system to ensure that the Group is compliant with all applicable healthcare compliance laws (such as US Federal and State requirements) that relate to the commercial operations of the Group including the activities of the US sales and marketing team. The results of ongoing monitoring work are reported to the Audit Committee alongside the twice-yearly risk management report.

Additional details of risk management and principal risks that may affect the business are given on pages 30 to 34 in the strategic report.

Whistle-blowing

In line with best practice, the Group supports an independent and confidential whistle-blowing procedure and the Committee is responsible for ensuring that arrangements under which employees may 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 Employee Code of Conduct are details of the Group's whistle-blowing policy and displays at each site give 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 and were found to be operating effectively.

UK Bribery Act

The Group has continued to operate its anti-bribery and anti-corruption policy introduced in 2010 in response to the UK Bribery Act 2010. This has included the conduct of due diligence on new key business partners who may act on behalf of the group in higher risk areas of business.

Internal audit

The Committee monitored and reviewed the work of Internal Audit throughout the year. The annual internal audit plan was approved by the Committee at the start of the year and any subsequent changes to that plan have also been approved by the Committee. The internal audit plan focuses on financial controls and compliance with healthcare law. The work carried out by Internal Audit did not identify any material weaknesses in internal controls but included proposals to enhance control procedures. The Committee monitors management's responses to ensure that control improvements are instigated on a timely basis. Following internal staff redeployment, the internal audit function is supported by PwC under the direction of the Audit Committee.

Committee evaluation

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. The Committee was found to be functioning well, however, the following actions were agreed for the year ahead:

- Need to continue to evolve the approach to risk management having regard to the speed of change of the Company, the impact of acquisitions and the growing complexity of the Group.
- Increase in focus on defining the Group's risk appetite, its relationship with and contribution to shaping the Group's strategy and the effective correlation of the work of the Risk Committee, Compliance and Internal Audit Groups.

Nomination Committee report

The Committee, established by the Board, is responsible for appointments and reviewing the structure of the Board and its Committees. The key objective of the Committee is to ensure the Board has the balance of individuals who have the appropriate mix of skills, experience, knowledge and expertise to lead the Company.

The Committee and its membership

The Committee's full terms of reference, reviewed and updated during the year, are available on the Company's website, or from the Company Secretary on request. The key responsibilities of the Committee are:

- To review regularly the structure, size and composition of the Board looking at its balance of skills, experience, independence and knowledge as well as its diversity (including gender diversity) and make recommendations to the Board on any appropriate changes.
- To identify, via a rigorous and transparent procedure, and nominate, for the Board's approval, suitable candidates to fill any vacancies for non-executive directors and, with the assistance of the 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	Committee member since
Garry Watts (Committee Chairman)	1 January 2012
Giles Kerr	16 July 2008
Ian Much	1 January 2012
James O'Shea	13 May 2009

Details of attendance at meetings are shown in the table on page 41.

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 reappointment of three non-executive directors, Ian Much, Giles Kerr and Melanie Lee. Ian and Melanie were reappointed for a further three-year term, subject to being re-elected at each Annual General Meeting. Due to Giles having served on the Board for six years, the Committee agreed that in line with best practice, his reappointment would be for a period of twelve months. It is the expectation that any non-executive director reappointment beyond six years would be made on an annual basis.
- Discussing succession planning for the Group's Leadership Team, including the CEO and CFO and the Group's senior managers.
- Considering the expertise and capabilities as well as the capacity required of the Group's management team and wider employee group having regard to the Group's strategy and changing needs. This was an area of focus in light of the rapid growth of the Group including as a result of the acquisitions undertaken in 2013.

Board succession

There have not been any changes in the composition of the Board or its Committees during the year. As part of the Board's succession plans, the skills required by the Board members are regularly reviewed and appropriate candidates for replacement are identified to ensure the overall balance and skills set of the Board. 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 appointment of new non-executive directors, the Committee ensures that they receive a comprehensive induction programme. As part of the induction process each new director is given a full briefing on the financial and operating history of the Company and details of its strategy, operating plans, budgets and forecasts for future years. Arrangements are also made for each new director to meet with the heads of the various business units for a briefing on the areas of business in which the Company is involved. A review is undertaken of the content of recent Board and Committee discussions including risk management reports, minutes and historical actions. A briefing on corporate governance and directors' responsibilities may also be given and the opportunity to attend external courses is also available.

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

Committee evaluation

The Committee carried out a review of its effectiveness and reported the results to the Board. The Committee was found to be functioning effectively.

Garry Watts
Chairman of the Nomination Committee

Directors' remuneration report

Dear Shareholder

I am pleased to present our directors' remuneration report for the year ended 31 March 2014.

Structure of the report

In light of our goal to ensure transparency, last year's report anticipated many of the new remuneration disclosure requirements but this is the first year that the report is formally subject to the new regime contained in Part 4 to Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the Regulations). As such, it has been separated into the following parts:

- the '*Annual Statement*' summarising the key messages and explaining the business context in which the Committee's major decisions during the period were taken;
- the '*Directors' Remuneration Policy Report*' describing the future executive remuneration policy to be put to a binding shareholder vote at the AGM to be held on 16 July 2014 and which will operate with effect from the AGM; and
- the '*Annual Report on Remuneration*' which provides shareholders with details of the remuneration actually delivered to the Company's directors during the 2013/2014 financial year and which is subject to the advisory vote at the forthcoming AGM. This report also summarises the details and context for major decisions on directors' remuneration made during the year.

2014 Annual Statement: alignment with shareholders

We believe in rewarding the executive directors based on performance and delivery of shareholder value and by reference to transparent and demanding performance targets. We maintain our goal of attracting, retaining and motivating leadership of the calibre required to drive the long-term success of the Company.

Last year, shareholders approved a number of changes to the future direction and structure of the policy for the remuneration of the executive directors, following the detailed work carried out by the Remuneration Committee and its consultation with our major shareholders. This included changes to the Performance Share Plan (PSP) award levels and performance conditions to better reflect the stage of evolution of the Company, as well as the introduction of the PSP multiplier awards. In addition, shareholder support was received for the realignment of the Chief Executive's salary.

The objective of these structural changes was to ensure that the policy maintained the correct balance between rewards for short-term performance with respect to the Company's current portfolio of marketed products, the successful US launch of Varithena™ and longer-term strategic initiatives, such as the development of new products and new product acquisitions. The introduction of the multiplier awards, spanning five years, also more appropriately matches the reward structure with the time horizons of a business of our nature. That, together with the introduction last year of increased shareholding guidelines, means that the executive directors have significant value invested in the long-term performance of the Company, aligning their interests with those of shareholders if they continue to deliver performance, not just over the short and medium-term but also the long-term.

The Remuneration Committee will review the use of the PSP Multiplier structure in 2016 and the overall remuneration policy will be subject to a further binding shareholder vote every three years (or sooner if changes are made to the policy in the interim). The Annual Report on Remuneration will continue to be subject to the advisory shareholder vote.

Progress during the year

We have seen the US approval of Varithena™ by the FDA in November 2013 and the preparations for commercial launch this year. We made two acquisitions in 2013 relating to the EkoSonic® and TheraSphere® products, which together have significantly enhanced our Interventional Medicine commercial offerings and broadened the product development portfolio. In addition, progress has been made in expanding the geographical coverage of our product offerings.

At the same time, the executives have sought to strengthen the overall organisation and the underlying performance of the established business has, once again, been strong.

This work has created significant shareholder value (with an increase in the share price from 360.1p on 1 April 2013 to 547.7p on 31 March 2014). As a result, there will be 100% vesting under the 2011 Option and PSP awards, subject to the decision of each of the executive directors whether to roll over PSP amounts that would otherwise vest, in order to receive a Multiplier award that can increase or decrease the actual level of awards vesting based on relative Total Shareholder Return (TSR) performance up to the end of year five after grant. With respect to the 2011 PSPs, the actual amount vesting will depend on whether the executive directors elect to roll over an award from a Core award to a Multiplier award. If no such election is made vesting will occur in July 2014. Vesting will occur in July 2016 if such an election is made.

Following the acquisitions of the EkoSonic® and TheraSphere® products during the year, the Committee increased the financial targets that were applied to the Company annual bonus scheme. Performance against those targets was measured at 82%.

Since the 2013 AGM, the Committee has addressed a further issue raised by investors during the consultation period preceding the AGM. We have introduced shareholding guidelines for the remainder of the Leadership Team (at 50% of salary) and, to avoid any doubt and in line with good corporate governance practice, we have incorporated into the shareholding guidelines wording to make it clear that the pledging and hedging of shares held by the executives and Leadership Team is not permitted.

The 2014 salary increases for both the executive directors were equal to the average of those to be awarded to the wider workforce at 3.5% (with the full range of increases across the Company being 2 to 15%). This change resulted in salaries for the year starting 1 April 2014 of £569,250 for Louise Makin and £373,117 for Rolf Soderstrom.

We welcome shareholder feedback and hope that you are able to support our policy and the way in which it has been applied in the year at the AGM on 16 July 2014.

Ian Much
Remuneration Committee Chairman

19 May 2014

Directors' Remuneration Policy Report

This part of the directors' remuneration report sets out the remuneration policy for the Company and has been prepared in accordance with Part 4 of the Regulations. The policy has been developed taking into account the principles of the UK Corporate Governance Code and the views of our major shareholders. The Policy Report describes the policy to be applied for 2014 onwards and will be put to a binding shareholder vote at the 2014 AGM on 16 July 2014. If approved, the policy will take formal effect from that date.

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 salary and bonus structure and forfeiture provisions, together with the shareholding guidelines and participation in long-term incentive plans with performance measured over three to five years from grant, provides a balanced market-competitive package for the executive team which is aligned with shareholder interests. However the Committee will keep the approach under review in order to ensure it remains appropriate.

The Committee's specific policy for each element of remuneration is as follows[1,3].

Element	Purpose and link to strategy	Operation	Maximum	Performance targets
Base salary	Provides market competitive fixed remuneration that takes account of individual responsibilities, and recruits and retains executives that are capable of delivering the Group's strategic objectives.	Set at a broadly mid-market level and normally reviewed annually taking account of individual responsibilities, experience and performance. Benchmarked using data for a general industry group selected on the basis of market capitalisation and a sector group of UK-listed pharmaceutical, device and biotechnology companies.	Other than to reflect a change in the size and complexity of the role or Company or to reflect experience in the role, salary increases will normally be no higher than the average increases taking place across the Company, taking into account, where appropriate, the relevant pay groups.	None, although overall individual and corporate performance is a factor considered when reviewing salaries. Details of the salary review in the period are set out on page 67.
Benefits	Provide a competitive package of benefits that assists with attracting and retaining employees.	The main benefits currently provided comprise medical benefits and permanent health insurance, but the components will have regard to the market practice in the location of any future appointment. This could include relocation allowances or other appropriate benefits.	The quantum of benefits will be in line with local markets. The value of each benefit is based on the cost to the Company which may vary from year to year.	N/A

Element	Purpose and link to strategy	Operation	Maximum	Performance targets
Annual bonus	Links reward to the Company's short-term aims and value creation objectives. Deferral of part of the bonus under the Deferred Share Bonus Plan (DSBP) provides an element of lock-in and alignment with shareholders.	All employees (except EKOS employees who will be integrated into current arrangements for the next fiscal year) including the executive directors participate. May be paid as a mix of cash and deferred shares under the DSBP. DSBP awards are structured as conditional awards over shares to be held for three years and are subject to clawback.[6] The level of deferral is linked to the achievement of the individual's applicable shareholding guidelines as follows: • Holding less than 50% of guideline – 50% of any bonus deferred • Holding equal to 50% of guideline – all bonus in excess of 50% of the maximum deferred • Holding between 50% and 100% of guideline – defer all bonus in excess of percentage of guideline achieved (i.e. if achieved 75% of guideline, only bonus in excess of 75% of maximum deferred). • When the shareholding guideline is reached no bonus would be required to be deferred.	Maximum of 100% of salary for executive directors.	Performance targets for the executive directors are set annually by the Committee and focus on Company financial performance measures such as revenue, trading profit, operating cash (although the Committee has discretion to select other measures) and performance against a number of corporate and individual objectives intended to stimulate future growth. Financial objectives account for the majority of the bonus. Targets are set annually on a sliding scale with 50% of maximum bonus potential payable for on-target performance and up to 25% of maximum bonus potential payable for performance at threshold. The Committee has discretion to adjust the bonus pay-out if in its opinion, the pay-out would not otherwise appropriately reflect the performance achieved. In addition, the Committee must be satisfied that a minimum level of financial performance has been achieved before any bonus is paid. If, in exceptional circumstances, it was decided to apply upward discretion, it would first be discussed with major shareholders and the reasons fully disclosed in the annual report on remuneration for the relevant year.

Element	Purpose and link to strategy	Operation	Maximum	Performance targets
Long-term incentives	Support the strategy to transition the business from an R&D-focused specialty pharma company to an earnings-driven international specialist healthcare company. Ensures remuneration includes a strong emphasis on the delivery of growth, sustained financial performance and superior shareholder returns.	Annual awards of performance shares (Core awards) are made under the Performance Share Plan (PSP), vesting of which is subject to the achievement of targets measured over a minimum of three years.[2,5] Awards of performance shares are subject to clawback.[6] Executives are offered the opportunity to roll over 50% or 100% of PSP awards (representing up to 150% of salary) vesting in year three in return for a Multiplier award, vesting of which is subject to TSR performance measured over five years from the date of grant of the original Core award. Executives are entitled to receive the value of dividend payments that would otherwise have been paid on vested awards.	Maximum Core award of 150% of salary (200% in exceptional circumstances). Award can be increased to up to 300% of salary (subject to further performance measures) if executive directors elect to forego vesting of the Core award at year three in exchange for a Multiplier award. They may elect to roll over 50 or 100% of a Core award vesting right to secure the opportunity to receive a Multiplier award.	Awards prior to 2013 are subject to conditions which are described in the Annual Report on Remuneration on pages 64 and 65. Core awards granted from 2013 are subject to relative TSR and EPS growth performance conditions. TSR is measured relative to companies in the FTSE 250 index and EPS is measured as growth in adjusted EPS in the final year of the three year performance period. 25% of each element vests at median/threshold performance, rising to full vesting at upper quartile/stretch performance. Details of the targets for these awards are provided in the Annual Report on Remuneration. For the 2013 and 2014 awards EPS and TSR conditions have equal weightings. In future years the weighting between EPS and TSR conditions would be decided by the Remuneration Committee prior to each grant. Multiplier awards are measured by reference to TSR performance only over a five year period. Multiplier awards – 2013 PSP awards onwards: Each 1% outperformance/underperformance of the FTSE 250 index at the end of five years increases or decreases the total number of shares that would have vested under the PSP by 1% i.e. rolled over awards could be increased or decreased by ±100% (so that the number of shares the subject of the award could be doubled or be reduced to zero). Multiplier awards – 2011 and 2012 PSP awards only: Each 1% outperformance/underperformance of the FTSE 250 index at the end of five years increases or decreases the total number of shares that would have vested under the PSP by 1.5% i.e. rolled over awards could be increased by +150% or reduced by -100% (down to zero).
Pension	Provides competitive retirement benefits that reward sustained contribution.	For longer serving employees: participation in contributory defined benefit pension arrangements up to a scheme specific cap or HMRC defined limits. For more recent hires and provision above the cap: defined contribution pension provision and/or cash allowances.	Defined benefit provision: 1/60ths accrual up to cap (reviewed annually), normal retirement age of 60. Defined contribution or cash allowance: 25% of salary.	N/A
All-employee share plans	Encourages employees to acquire shares in BTG, increasing alignment with shareholders.	Executive directors can participate in BTG's HMRC-approved save-as-you-earn scheme which is open to all UK employees. A US Internal Revenue Service 423 Plan with standard terms is operated for US employees.	Participation limits are those set by the relevant tax authorities from time to time.	N/A[4]

Element	Purpose and link to strategy	Operation	Maximum	Performance targets
Share holding guidelines	Provide alignment between executives and shareholders.	Executive directors are required to build significant shareholdings in the Company[7]. Executive directors may sell vesting shares to meet tax liabilities. In addition, provided that executive directors have achieved and continue to maintain the guideline level, 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 road-shows for any period.	CEO: 250% of salary. CFO: 150% of salary.	N/A

[1] 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.

[2] Prior to 2013, awards consisted of a mix of market value share options granted under the ESOP and performance shares granted under the PSP.

[3] A description of how the Company intends to implement the policy set out in this table for 2014 can be found in the Annual Remuneration Report.

[4] All employee share plans do not have performance conditions. Executive Directors are eligible to participate in the UK Sharesave Plan on the same terms as other employees.

[5] Copies of the PSP and DSBP plan rules are available on request from the Company Secretary.

[6] For all awards granted post 1 July 2011 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 being discovered, an error in the calculation of performance for an award or individual misconduct resulting in dismissal.

[7] Under the shareholding guidelines the executive directors are not permitted to hold their shares in hedging arrangements or as collateral for loans without the express permission of the Board.

Committee discretions

The Committee operates the Group's variable incentive plans according to their respective rules and in accordance with HMRC rules where relevant. To ensure the efficient administration of these plans, the Committee will apply certain operational discretions. These include the following:

- selecting the participants in the plans on an annual basis;
- determining the timing of grants of awards and/or payment;
- determining the quantum of awards and/or payments (within the limits set out in the policy table above);
- determining the extent of vesting based on the assessment of performance;
- making the appropriate adjustments required in certain circumstances (e.g. change of control, rights issues, corporate restructuring events, and special dividends);
- determining 'good leaver' status for incentive plan purposes and applying the appropriate treatment; and
- undertaking the annual review of weighting of performance measures, and setting targets for the annual bonus plan and PSP from year to year.

If an event occurs which results in the annual bonus plan or PSP performance conditions and/or targets being deemed no longer appropriate (e.g. a material acquisition or divestment) the Committee will have the ability to adjust appropriately the measures and/or targets and alter weightings, provided that the revised conditions or targets are not materially less difficult to satisfy.

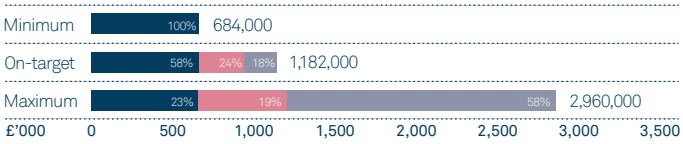
Outstanding share incentive awards that remain unvested or unexercised at the date of this report, as detailed on pages 63 to 65 of the annual report on remuneration, remain eligible for vesting or exercise based on their original award terms.

Remuneration at a glance

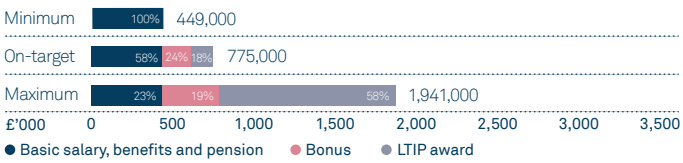
The Company's policy results in a significant portion of remuneration received by executive directors being dependent on Company performance. The chart below illustrates how the total pay opportunities for the executive directors vary under three different performance scenarios: minimum, target and maximum.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

Value of remuneration packages at different levels of performance

Louise Makin, Chief Executive Officer



Rolf Soderstrom, Chief Financial Officer



Assumptions

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

On-Target = 50% vesting of the annual bonus and 25% vesting of the core LTIP award (37.5% of salary).

Maximum = 100% vesting of the annual bonus and 100% vesting of the core LTIP award plus 100% application of the multiplier (300% of salary).

- Salary levels (on which other elements of the package are calculated) are based on those as at 1 April 2014.
- The value of taxable benefits is based on the cost of supplying those benefits (as disclosed) for the year ended on the 31 March 2014.
- Pension levels have been estimated at 20% of base salary levels.
- The maximum vesting for the LTIP award includes both Core and Multiplier awards. The normal level of maximum LTIP vesting is 150% of salary for a Core award and 300% if an executive director elects for a Multiplier award. It is assumed that the full Core award is rolled over into a Multiplier award.
- The executive directors can participate in all employee share schemes on the same basis as other employees. The value that may be received under these schemes is subject to tax approved limits. For simplicity, the value that may be received from participating in these schemes has been excluded from the above charts.
- Amounts have been rounded to the nearest £1,000.

Choice of performance measures and approach to target setting

Annual bonus arrangements for the executive directors are split between financial and individual and corporate non-financial objectives with the financial targets currently accounting for the majority of the bonus. Financial performance targets are based on the budget and corporate measures and are linked to the achievement of annual objectives that are consistent with BTG's longer-term goals. The Remuneration Committee reviews these KPIs each year and varies them as appropriate (including with respect to the weighting of financial and non-financial targets) to reflect the priorities for the business in the year ahead. A sliding scale of targets is set for each KPI to encourage continuous improvement and challenge the delivery of stretch performance. For each metric, the threshold target requires the Company to maintain or improve on the prior year performance with the stretch target requiring significant out performance above plan.

For current and future awards under the PSP, the metrics are split between adjusted EPS and relative TSR out performance of a general market index (FTSE 250), which ensures focus on sustainable growth and superior returns to shareholders (with the weighting between TSR and EPS determined by the Committee annually). The comparator index for TSR and weighting between each measure for Core awards will remain under review. In order to incentivise the achievement of sustained outstanding returns to shareholders over the longer term and assist with retention, at the end of the normal three year performance period executives are able to elect to roll over some or all of the performance shares that would otherwise vest in return for the opportunity to receive an enhanced (or reduced) award at the end of five years, subject to outperformance of the FTSE 250 Index over that five year period. This multiplier is intended to further align the interests of the executive directors with shareholders whilst rewarding performance which demonstrably delivers value to shareholders over the longer term. Performance over a five-year period both recognises and takes into account the Company's strategic goals and its ongoing evolution and increasing maturity as an organisation. TSR is measured independently for the Committee by New Bridge Street (NBS).

How employees' pay is taken into account in setting the remuneration of the executive directors

The Committee considers the base salaries for the Leadership Team and, although it does not directly consult with employees regarding remuneration policy, it receives information on general pay levels to ensure that the Committee has due regard to salary levels across the Group in applying its remuneration policy.

BTG's workforce includes a high proportion of highly qualified scientists, technicians and professionals whose skills are highly sought after by competitors. Ensuring that levels of remuneration for the general workforce are competitive to support staff retention, development in expanded roles and motivation is important to BTG's ongoing success and this is reflected in the level and range of salary increases awarded to employees. As a result BTG is required to benchmark and rebase salaries from time-to-time. The average salary increases awarded to BTG's general workforce for 2013/14 were 3.5%. General workforce increases, effective June 2014, will range between 2% and 15%.

How executive directors' remuneration policy relates to the wider Group

The remuneration policy described above provides an overview of the structure that operates for the most senior executives in the Company. A lower incentive opportunity is available below executive level, with specific levels driven by market comparatives and the impact of the role.

As explained above, salaries for the Company's wider workforce are benchmarked externally against comparable companies within the sector and wider industry. The Company aims to ensure that all employees' salaries are positioned around a mid-market level for the role taking account of performance and individual responsibility.

Employees are provided with a competitive local package of benefits that includes participation in the Group's pension arrangements.

All employees (except EKOS employees who will be integrated into current arrangements for the next fiscal year) are eligible to participate in the bonus arrangements with targets aligned to the financial performance of the Group and their individual performance within their specific area of responsibility.

The Company believes that broad-based employee participation in share schemes is an important alignment tool helping to focus employees on delivering value for shareholders. Other senior staff who are considered to have the greatest potential to influence Company performance are also able to receive awards of long-term incentives at a lower maximum percentage of salary than the executive directors. In addition, share ownership guidelines apply to members of BTG's Leadership Team with lower levels of holding required (50% of salary) than for executive directors. In order to encourage wider employee share ownership, the Company operates a Sharesave Plan in the UK, with an international section for employees in Australia and Germany, and a Stock Purchase Plan in the US. These are described in more detail below.

How shareholders' views are taken into account

When shaping remuneration policy the Remuneration Committee considers shareholder feedback received in relation to the Annual General Meeting each year and guidance from shareholder representative bodies more generally.

The Remuneration Committee engages proactively with shareholders, and takes seriously their views. When any material changes are made to the remuneration policy, the Remuneration Committee Chairman will inform major shareholders of these in advance, and will offer a meeting to discuss these.

Details of votes cast for and against the resolution to approve last year's directors' remuneration report and matters discussed with shareholders during the year are provided in the Annual Report on Remuneration.

During the year, the Committee engaged with its largest shareholders regarding changes to the executive directors' remuneration arrangements, in particular the changes which were made to the PSP. These were approved at BTG's AGM in July 2013. As a result of this engagement, the Committee decided to extend the operation of share ownership guidelines to members of BTG's Leadership Team who are not members of the Board and to clarify that the policy formally prohibits the hedging and pledging of shares by directors or the Leadership Team.

All employee share plans

The Company operates other share 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
- the non-shareholder approved Senior Management Performance Share Plan enables awards over market purchased shares to be granted 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.

Approach to recruitment and promotions

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

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

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

It is not anticipated that the aggregate ongoing incentive opportunity offered to new recruits will be higher than that offered to existing directors. Different measures and targets under the bonus plan may be set initially taking account of the responsibilities of the individual and the point in the financial year at which they join. Any increases in quantum offered above the policy limit would be contingent on the Company receiving shareholder approval to its approved policy at its next general meeting.

The Committee may offer additional cash and/or share-based elements to assist with recruitment (for example to buyout existing entitlements) when it considers these to be in the best interests of the Company and its shareholders. Existing arrangements will be used to the extent possible (subject to the higher limits in exceptional circumstances set out in the policy) however, the Committee retains discretion to use the flexibility provided by the Listing Rules to make such awards. Such payments would take account of remuneration relinquished when leaving the former employer and would reflect (as far as possible) the nature and time horizons attached to that remuneration and the impact of any performance conditions. Shareholders will be informed of any such payments at the time of appointment.

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

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

Legacy arrangements

For the avoidance of doubt, in approving this Policy Report, authority is given to the Company to honour any commitments entered into with current or former directors (such as the payment of a pension or the unwind of legacy share schemes) that have been disclosed to shareholders in this or any previous remuneration reports. Details of any payments to former directors will be set out in the Annual Remuneration Report as they arise.

External appointments

The Board believes that it may be beneficial to the 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 of £65,550 for being on the Board of Intertek Group during the year to 31 March 2014 (July 2012 to March 2013: £37,500). Rolf Soderstrom does not currently hold any outside directorships.

Service contracts and payments for loss of office

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

Provision	Detailed terms
Contract dates	Louise Makin – 19 October 2004 Rolf Soderstrom – 4 December 2008
Notice period	Twelve months from both the Company and from the executive
Termination payment	The Company may terminate the contracts of the executive directors with immediate effect by making a payment in lieu of notice. With respect to Rolf Soderstrom, any payments made would be determined by reference to normal contractual principles with mitigation being applied wherever relevant or appropriate. As Louise Makin's contract was established approximately 10 years ago, it does not provide for mitigation. Other than as specifically provided for in the policy with respect to 'good leavers' (where for example existing multiplier awards elected for are retained) the directors' contracts do not provide for automatic entitlement to bonus or share-based payments.
Remuneration entitlements	Louise Makin's contract contains the following remuneration related entitlements: • salary, membership of Company pension scheme or contribution to a personal pension, medical benefits and permanent health insurance Rolf Soderstrom's contract contains the following remuneration related entitlements: • salary, contribution to a personal pension, medical benefits and permanent health insurance

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

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

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

Deferred bonus share awards will also normally lapse on cessation of employment, unless the executive director is deemed to be a 'good leaver' by the Remuneration Committee, as referred to above.

The Committee will have authority to settle legal claims against the Company (e.g. for unfair dismissal, discrimination or whistle-blowing) that arise on termination. The Committee may also authorise the provision of outplacement services and pay reasonable legal expenses associated with the termination.

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

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

Non-executive	Date of appointment	Notice period (months)	Date of expiry of current contract
Garry Watts	1 January 2012	6	31 December 2014
Giles Kerr	1 October 2007	3	30 September 2014
Ian Much	1 August 2010	3	31 July 2016
Melanie Lee	29 November 2010	3	28 November 2016
James O'Shea	2 April 2009	3	1 April 2015
Richard Wohanka	1 January 2013	3	31 December 2015

Non-executive directors' and Chairman's fees

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

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

The Chairman, in consultation with the executive directors, is responsible for proposing changes to the non-executive directors' fees. The Senior Independent Director, in consultation with the executive directors, is responsible for proposing changes to the Chairman's fees. In each case this follows advice on market fee levels supplied by 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.

Limited benefits relating to travel, accommodation and hospitality are provided in relation to the performance of any directors' duties.

Annual Report on Remuneration

This part of the report has been prepared in accordance with Part 3 of the Regulations as amended, and 9.8.6R of the Listing Rules. The Annual Remuneration Report will be put to an advisory shareholder vote at the 2014 AGM. The information on pages 51 to 66 has been audited.

About the Remuneration Committee and its advisers

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

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

Members	Member	Member since
	Ian Much (Chairman)	28 September 2010
	Giles Kerr	3 November 2009
	Melanie Lee	23 March 2011
	Details of attendance at meetings are shown in the table on page 41.	
Other attendees at Remuneration Committee meetings	The Chairman (Garry Watts), Chief Executive Officer (Louise Makin), Chief Financial Officer (Rolf Soderstrom) and HR Director (Yvonne Rogers) may attend meetings by invitation, other than when their own remuneration is being considered. The Company Secretary (Paul Mussenden) or his deputy serves as secretary to the Committee.	
Committee evaluation	During the year, the Committee carried out a review of its effectiveness and the results, along with recommendations for improvement, were reported to the Board. The Committee was found to be operating effectively and it was agreed that there would be continued emphasis on ensuring a strong link was maintained between remuneration and performance and strategy and aligned with shareholder interests. Remuneration risks, whilst not significant, would continue to be carefully managed.	
Committee advisers	The Committee appoints its own advisers as it sees fit and has appointed New Bridge Street (NBS) (a trading name of Aon Hewitt Limited, part of Aon plc) to act as advisers to the Committee and a representative usually attends the meetings. NBS is a signatory to the Remuneration Consultant's Group Code of Conduct which sets out guidelines to ensure that its advice is independent and free from undue influence. NBS advises the Committee on all remuneration issues including the vesting of long-term incentive arrangements. The Committee reviews the performance and independence of NBS on an annual basis, and is satisfied that it remains independent. The Group continues to use NBS to advise on other matters including remuneration matters in general. NBS also assists with the total shareholder return (TSR) performance measurement and the implementation of employee share schemes and, through Aon plc's Radford brand, provides the 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. The fees paid to the Committee's advisers in 2013/14 were: New Bridge Street £165,343 (2012/13: £132,000).	

Directors' remuneration report
continued

Single figure for total remuneration

		Salary/fees £'000	Benefits[4] £'000	Bonus paid in cash £'000	Bonus paid in shares[1] £'000	Long-term incentives[2] £'000	Pension[3] £'000	Other[6] £'000	Total remuneration
Executive directors									
Louise Makin	2014	550	1	451	–	428	125	6	1,561
	2013	472	1	472	–	1,027	96	5	2,073
Rolf Soderstrom	2014	361	1	296	–	243	72	–	973
	2013	350	1	350	–	668	107	–	1,476
Non-executive directors									
Garry Watts	2014	175	–	–	–	–	–	–	175
	2013	175	–	–	–	–	–	–	175
Giles Kerr	2014	50	–	–	–	–	–	–	50
	2013	48	–	–	–	–	–	–	48
Melanie Lee	2014	41	–	–	–	–	–	–	41
	2013	39	–	–	–	–	–	–	39
Ian Much	2014	47	–	–	–	–	–	–	47
	2013	45	–	–	–	–	–	–	45
James O'Shea	2014	41	–	–	–	–	–	–	41
	2013	39	–	–	–	–	–	–	39
Richard Wohanka[7]	2014	41	–	–	–	–	–	–	41
	2013	10	–	–	–	–	–	–	10

[1] Element of bonus deferred into the DSBP.

[2] Awards are included in the financial year in which the performance conditions end. The share price used is the closing share price on the date on which performance criteria are met, i.e. the final business day of the financial year. For 2014 this figure does not include the Core PSP award as the Core and Multiplier award are treated as a single award and the Core award will be shown in 2015 if no election is made and both in 2016 if an election is made. If 50% of a Core award is rolled over into a Multiplier award 50% of the Core award will be shown in 2015 and the remainder is part of the Multiplier award in 2016.

[3] Pension consists of a cash supplement in lieu of employer pension contributions following the changes to pension legislation. In addition, for Louise Makin, it includes £43,694 (2013: £28,995) representing the value of the increase in the year of her pension entitlement in the defined benefit BTG Pension fund.

[4] All directors' fees, salaries and bonuses are subject to UK income tax.

[5] Benefits shown above for Louise Makin and Rolf Soderstrom relate principally to the provision of life assurance and medical benefits.

[6] Other shows the value of vested Sharesave options.

[7] Fees paid to Richard Wohanka in 2013 were for the period from his appointment to the Board on 1 January 2013.

Annual bonus for the year to 31 March 2014

For the year ended 31 March 2014 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 revenue growth, a trading profit measure, cash generation and individual KPIs intended to drive future growth in the business. The Committee set threshold and stretch as well as intermediate target levels for the various targets. The bonus is calculated on base salary with a percentage pay out of between 25% at threshold, 50% at on-target and 100% at maximum.

Following the acquisitions of EKOS Corporation and TheraSphere® in July 2013 the Remuneration Committee adjusted the original targets to reflect the impact of the Board-approved acquisition plans. The effect was to add £42.5m to revenue, £4.7m to trading profit and £1.4m to cashflow for each of the threshold, target and stretch targets. The revised targets are reflected in the tables opposite.

The trading profit measure, used for both bonuses and the 2011 and 2012 long-term incentive awards, is a normalised measure relating to earnings before amortisation of intangibles, restructuring and acquisition costs, group foreign exchange movements and movements in derivatives. The cashflow measure adjusts for restructuring and acquisition costs only.

For the financial year to 31 March 2014 they are calculated as follows:

	Trading profit £m	Cashflow £m
Profit before tax/operating cash flow	33.3	(120.5)
Adjustments:		
Derivatives and group foreign exchange movements	(4.7)	–
Amortisation and impairment of business combination intangibles	23.3	–
Proceeds from fundraising	–	(103.1)
Payments in relation to acquisitions	–	260.3
Restructuring and acquisition costs	13.1	9.8
Trading profit/operating cash flow for bonus purposes	65.0	46.5

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

Measure	As a percentage of maximum bonus opportunity	Performance required			Actual (£m)	Louise Makin Pay out – Cash % of salary	Rolf Soderstrom Pay out – Cash % of salary
		Threshold (£m)	Target (£m)	Stretch (£m)			
Corporate Financial Targets							
Revenue	23⅓%	275.5	286.6	298.5	290.5	19%	19%
Trading profit	23⅓%	59.7	66.7	71.7	65.0	15%	15%
Operating cashflow	23⅓%	23.9	30.6	35.9	46.5	23%	23%
Individual Corporate Objectives[2]	**30%**					25%	25%
Total	**100%**					82%	82%

Note:

[1] The above table shows the financial targets set for the threshold, target and stretch levels.

[2] Covering ensuring the organisational capability and capacity to deliver the strategy; delivering supply chain improvements and progressing the Interventional Medicine business plan. The performance thresholds for individual corporate objectives have not been disclosed as they are deemed to be commercially sensitive.

The Remuneration Committee has the discretion to adjust the final outcome upwards or downwards in the event that an exceptional event outside of the directors' control occurs which, in the Committee's opinion, materially affected the bonus out-turn. There were no such events during 2013/14, although as noted above, the Remuneration Committee did increase each of the targets following the acquisitions of EKOS Corporation and TheraSphere® in July 2013.

Deferred share bonus plan awards are structured as conditional awards over shares, to be held for three years.

The level of deferral is linked to the achievement of the Company's shareholding guidelines and is described in the Policy Report. Provided that the guidelines have been fully achieved bonuses are paid entirely in cash. As Louise Makin and Rolf Soderstrom have already met their shareholding guidelines, the entirety of the 2014 bonus earned is to be paid in cash.

Vesting of LTIP Awards

Awards granted on 6 July 2011 under both the Executive Share Option Scheme and the Performance Share Plan are based on performance to the year ending 31 March 2014. The performance conditions for these awards are as follows:

2011 LTIP

Metric	Condition	Threshold Target	Stretch Target	Actual	% Vesting
Cumulative Trading Profit (50%)	Three year normalised trading profit period	£61.7m	£101.7m	£173.4m	50%
TSR (50%)	Three year comparison with index between median and upper quartile	Median (TSR: 47.4%) (Rank 60)	Upper Quartile (TSR: 96.4%) (Rank 31)	TSR: 164.2% Rank: 10	50%
				Total Vesting	100%

TSR has been calculated for the Committee by NBS.

2011 Option vesting details

		Number of shares at grant	Number of shares to vest	Number of shares to lapse	Total	Estimated Value*
Louise Makin	Options	163,356	163,356**	–	163,356	£397,935
Rolf Soderstrom	Options	99,658	99,658	–	99,658	£242,767

* Value estimated as not fully vested until 6 July 2014 and is based on the closing share price on 31 March 2014 of 542.5p per share less the exercise price of 298.9p per share.

** 163,356 shares comprising an HMRC approved option over 10,036 shares and an unapproved option over 153,320 shares.

The 2011 performance share awards are subject to the optional multiplier mechanism approved by shareholders at the 2013 AGM. As a result the number of shares that will actually vest under the 2011 PSP this year as a Core award are subject to an election by either executive director to forego vesting of 50% or 100% of that award and roll over the award in return for the entitlement to receive a Multiplier award which may increase or decrease the number of shares vesting at year five based on relative TSR performance up to the end of that period. The Core awards will not vest until the earlier of the expiry of the period within which Directors are able to elect to roll over their awards without a valid election having been made. Any Multiplier award will not vest until the period of five years from grant of the original Core award. Matching awards in respect of the 2011 or 2012 PSP will not be granted until a valid election has been made.

LTIP awards made during the year

On 17 July 2013, the following PSP awards were granted to executive directors.

	Type of award	Basis of award granted	Share price at date of grant	Number of shares over which award was granted	% of shares granted that vest at threshold performance*	Face value of award (£'000)		Vesting determined by performance over
						... shares over which award originally granted*	... shares if all performance conditions are met**	
Louise Makin	Nil cost option	300% of salary of £550,000***	395.1p	417,614	25%	£824,996	£1,649,993	Three financial years to 31 March 2016
Rolf Soderstrom	Nil cost option	300% of salary of £360,500***	395.1p	273,728	25%	£540,750	£1,081,499	Three financial years to 31 March 2016

* assumes Core award only (i.e. no roll over in exchange for Multiplier award).

** assumes Multiplier applies (i.e. all core awards are rolled over).

*** the 300% conditional award assumes performance that would result in full vesting of the Core award and an election by the Executive Directors to roll over 100% of the Core award in order to receive the Multiplier award and that the full Multiplier award ultimately vests.

The number of awards under the 2013 Core award that will vest will be determined according to the satisfaction of the following performance conditions (each performance condition applies to 50% of a Core award).

Percentage of vesting of that portion of an award*	Adjusted EPS in the financial year to 31 March 2016**	Relative TSR ranking against the FTSE 250 Index (as at 1 April 2013) for the period from 1 April 2013 to 31 March 2016
	50% of the Core award	50% of the Core award
0%	< 17.7p (below threshold)	Below median
25%	17.7p (threshold)	Median
100%	24.1p (stretch)	Upper quartile

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

** The EPS targets represent 40% growth (at Threshold) and 90% growth (at Stretch) against the adjusted EPS baseline of 12.7p. The baseline of 12.7p was determined by the Committee in 2013 and excluded the one-off effects of the termination of the CytoFab® development programme from underlying EPS in the 2012/13 financial year.

If a participant elects to roll over 50% or 100% of their vested Core awards, participants will receive matching Multiplier awards on a one-for-one basis which, together with the vested deferred Core awards, will be subject to a further performance condition. Under the Multiplier performance condition, for each 1% of TSR underperformance of the median TSR, the shares that vest under the deferred Core award will decrease by 1%, for each 1% of TSR outperformance of the median TSR, the shares that vest under the Multiplier award will increase by 1%.

Underperformance / outperformance of the constituents of the FTSE 250 Index (as at 1 April 2013) for the period from 1 April 2013 to 31 March 2018	Number of Core and Multiplier awards that will vest*
Underperformance of 100% or more	0%
Equal to the median	50%
Outperformance of 100% or more	100%

* Vesting on a straight line basis from 0% to 100%, as set out opposite.

Outstanding share awards

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

Louise Makin

Date of grant/award	Exercise price (p)/market price on date of award (p)	At 1 April 2013	Granted in year	Exercised	Lapsed	At 31 March 2014	Exercise period/ vesting date	Share price on exercise (p)
Share options								
31 July 2009	179.25	187,179	–	–	–	187,179	31 July 2012 to 30 July 2019	
13 July 2010[1]	201.30	216,816	–	–	17,563	199,253	13 July 2013 to 12 July 2017	
6 July 2011[2]	298.90	163,356		–	–	163,356	6 July 2014 to 5 July 2021	
1 June 2012	386.00	122,288	–	–	–	122,288	1 June 2015 to 31 May 2022	
Sharesave								
1 September 2010	146.67	2,454	–	2,454	–	–	1 September 2013 to 1 March 2014	385.6
4 July 2011	219.52	822	–	–	–	822	1 September 2014 to 1 March 2015	
20 July 2012	320.16	1,124	–	–	–	1,124	1 October 2015 to 1 April 2016	
19 July 2013	289.49	–	1,243	–	–	1,243	1 September 2016 to 1 March 2017	
Total option awards						**675,265**		

Outstanding share awards continued
Louise Makin

Date of grant/award	Exercise price (p)/market price on date of award (p)	At 1 April 2013	Granted in year	Exercised	Lapsed	At 31 March 2014	Exercise period/ vesting date	Share price on exercise (p)
Performance share awards								
13 July 2010[1]	201.30	218,751	–	201,032	17,719	–	13 July 2013	392.6
6 July 2011[2]	286.60	149,831	–	–	–	149,831	6 July 2014	
6 July 2011[3]	286.60	10,036	–	–	–	10,036	6 July 2014	
1 June 2012[4]	380.54	124,042	–	–	–	124,042	1 June 2015	
17 July 2013	395.10	–	208,807	–	–	208,807	17 July 2016	
	395.10	–	208,807	–	–	208,807	17 July 2018	
Deferred share awards								
28 May 2010	201.30	98,386	–	98,386	–	–	13 July 2013	392.6
22 July 2011	286.60	53,288	–	–	–	53,288	22 July 2014	
1 June 2012	380.54	54,192	–	–	–	54,192	1 June 2015	
Total other awards						**809,003**		
Total awards						**1,484,268**		

[1] Share options and performance shares awarded in 2010 were subject to a cumulative trading profit and a relative TSR condition against the FTSE 250 (both of equal weighting). The cumulative trading profit condition required a three year normalised trading profit between a threshold and stretch target; range £24m – £60m. The relative TSR target required a threshold performance of a median position and a stretch performance of finishing at or above upper quartile (with straight line vesting in between these points). Following the measurement of the TSR performance condition by NBS (which was measured at 83.8% against the comparators) and the measurement of the performance against the profit measure, the Committee approved the vesting of 199,253 shares to Louise Makin under the 2010 ESOP award and 201,032 shares under the 2010 PSP award, the balance of 35,282 shares lapsed. The shares vested on 13 July 2013. The total gain on the vesting of PSP awards in the year was £789,252.

[2] Share options and performance shares awarded in 2011 were subject to a cumulative trading profit and a relative TSR condition against the FTSE 250 (both of equal weighting). The cumulative trading profit condition required a three year normalised trading profit between a threshold and stretch target; range £61.7m to £101.7m. The relative TSR target required a threshold performance of a median position and a stretch performance of finishing at or above upper quartile (with a straight line vesting in between these points). Following the measurement of the TSR performance condition by NBS (which was measured at 164.2% against the comparators) and the measurement of the performance against the profit measure, the Committee approved the vesting of 163,356 shares to Louise Makin under the 2011 ESOP award and 149,831 shares under the 2011 PSP award. The 163,356 shares awarded under the 2011 ESOP award comprises an HMRC approved option over 10,036 shares and an unapproved option over 153,320 shares. Louise has until the third anniversary of the grant of the PSP award to elect to receive a Multiplier award as an alternative to the vesting of the 2011 PSP shares as a Core award.

[3] On 6 July 2011 Louise was granted an HMRC tax approved market value option over 10,036 shares at an option exercise price of 298.9 pence per share (the CSOP) and a separate conditional free share award under the PSP over shares worth (on vesting) a maximum of approximately £30,000 (the PSP award). The CSOP and PSP award were designed so that when taken together they deliver the same aggregate gross gain as a free share award under the PSP over 10,036 shares, but in a more tax efficient manner. In relation to the PSP award, the maximum gain that can be realised is approximately £30,000; accordingly, if the market value of a share on the vesting of the PSP award is above 298.9 pence the number of shares deliverable under the PSP award will reduce so that their value remains equal to approximately £30,000. The growth value of the shares above 298.9 pence is instead delivered under the CSOP. Based on a share price of 542.5 pence Louise would receive 5,530 shares worth approximately £30,000 under the PSP award and she would realise a gross gain (i.e. before tax and after payment of the total option exercise costs of £29,997.60) of approximately £24,448 on the exercise of the CSOP, giving rise to an aggregate gain under the PSP award and the CSOP of approximately £54,448 (the gross gain on 10,036 free share awards at 542.50 pence being approximately £54,445). If the share price on vesting is below 298.9 pence the CEO shall acquire all of the 10,036 shares under the PSP award and the CSOP will lapse.

[4] Share options and performance shares awarded in 2012 were subject to a cumulative trading profit and a relative TSR condition against the FTSE 250 (both of equal weighting). The cumulative trading profit condition required a three year normalised trading profit between a threshold and stretch target; range £133.4m to £177.4m. Both of these figures have been increased by £12.4m compared to the original approved targets to reflect the expected contribution to trading profit of the acquisitions made in July 2013. The relative TSR target required a threshold performance of a median position and a stretch performance of finishing at or above upper quartile (with straight line vesting in between these points).

[5] Unless otherwise stated the Company's TSR will be compared with that of a peer group comprising FTSE 250 companies. In relation to awards granted before 2013 the relevant index comprises FTSE 250 companies excluding investment trusts, companies in the financial services sector (banks, life & non-life insurance, equity & non-equity investment trusts, financial services, real estate investment & services and real estate investment trusts etc.) and companies in the consumer discretionary sector (general retailers, media, travel & leisure, and leisure goods) with opening and closing TSR values averaged over three months prior to the start and end of the performance period.

Rolf Soderstrom

Date of grant/award	Exercise price (p)/market price on date of award (p)	At 1 April 2013	Granted in year	Exercised	Lapsed	At 31 March 2014	Exercise period/ vesting date	Share price on exercise (p)
Share option awards								
31 July 2009	179.25	116,037	–	13,388	–	102,649	31 July 2012 to 30 July 2019	392.6
13 July 2010	201.30	140,930	–	–	11,416	129,514	13 July 2013 to 12 July 2020	
6 July 2011	298.90	99,658	–	–	–	99,658	6 July 2014 to 6 July 2021	
1 June 2012	386.00	90,673	–	–	–	90,673	1 June 2015 to 31 May 2022	
Sharesave								
19 July 2013	289.49	–	3,108	–	–	3,108	1 September 2016 to 1 March 2017	
Total option awards						**425,602**		
Performance share awards								
13 July 2010[1]	201.30	142,188	–	130,670	11,518	–	13 July 2013	392.6
6 July 2011[2]	286.60	103,913	–	–	–	103,913	6 July 2014	
1 June 2012[3]	380.54	91,974	–	–	–	91,974	1 June 2015	
17 July 2013	395.10	–	136,864	–	–	136,864	17 July 2016	
			136,864	–	–	136,864	17 July 2018	
Deferred share awards								
28 May 2010	201.30	60,954	–	60,954	–	–	13 July 2013	392.6
22 July 2011	286.60	34,637	–	–	–	34,637	22 July 2014	
1 June 2012	380.54	35,225	–	–	–	35,225	1 June 2015	
Total other awards						**539,477**		
Total awards						**965,079**		

[1] Share options and performance shares awarded in 2010 were subject to a cumulative trading profit and a relative TSR condition against the FTSE 250 (both of equal weighting). The cumulative trading profit condition required a three year normalised trading profit between a threshold and stretch target; range £24m to £60m. The relative TSR target required a threshold performance of a median position and a stretch performance of finishing at or above upper quartile (with straight line vesting in between these points). Following the measurement of the TSR performance condition by NBS (which was measured at 83.8% against the comparators) and the measurement of the performance against the profit measure, the Committee approved the vesting of 129,514 shares to Rolf Soderstrom under the 2010 ESOP award and 130,670 shares under the 2010 PSP award, the balance of 22,934 shares lapsed. The shares vested on 13 July 2013. The total gain on the vesting of PSP awards in the year was £513,010.

[2] Share options and performance shares awarded in 2011 were subject to a cumulative trading profit and a relative TSR condition against the FTSE 250 (both of equal weighting). The cumulative trading profit condition required a three year normalised trading profit between a threshold and stretch target; range £61.7m to £101.7m. The relative TSR target required a threshold performance of a median position and a stretch performance of finishing at or above upper quartile (with a straight line vesting in between these points). Following the measurement of the TSR performance condition by NBS (which was measured at 164.2% against the comparators) and the measurement of the performance against the profit measure, the Committee approved the vesting of 99,658 shares to Rolf Soderstrom under the 2011 ESOP award and 103,913 shares under the 2011 PSP award. Rolf has until the third anniversary of the grant of the PSP award to elect to receive a Multiplier award as an alternative to the vesting of the 2011 PSP shares as a Core award.

[3] Share options and performance shares awarded in 2012 were subject to a cumulative trading profit and a relative TSR condition against the FTSE 250 (both of equal weighting). The cumulative trading profit condition required a three year normalised trading profit between a threshold and stretch target; range £133.4m to £177.4m. Both of these figures have been increased by £12.4m compared to the original approved targets to reflect the expected contribution to trading profit of the acquisitions made in July 2013. The relative TSR target required a threshold performance of a median position and a stretch performance of finishing at or above upper quartile (with straight line vesting in between these points).

[4] Unless otherwise stated the Company's TSR will be compared with that of a peer group comprising FTSE 250 companies. In relation to awards granted before 2013 the relevant index comprises FTSE 250 companies excluding investment trusts, companies in the financial services sector (banks, life & non-life insurance, equity & non-equity investment trusts, financial services, real estate investment & services and real estate investment trusts etc.) and companies in the consumer discretionary sector (general retailers, media, travel & leisure, and leisure goods) with opening and closing TSR values averaged over three months prior to the start and end of the performance period.

Outstanding share awards continued

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 the average of the closing share prices over the five days immediately prior to the award date. Share options are awarded using the closing mid-market price on the date before grant. Sharesave options were granted on the condition that participants agreed to enter into a monthly savings contract.

Awards 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% of the 10% in ten years and 2.6% of the 5% in ten years in accordance with the Association of British Insurers (ABI) guidance on dilution limits.

Directors' pensions

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 (for Louise Makin this is 2020). Under current legislation, if members continue to work beyond age 60, they may continue to pay contributions and enhance their pension entitlement, subject to a maximum of 40 years pensionable service. Pension payments post retirement are increased annually by inflation for pensionable service earned up to 5 April 2006 and inflation subject to a ceiling of 2.5% for pensionable service earned after that date. Members may take early retirement, once they have reached 55 years of age, although any pension paid will be subject to an actuarial reduction. Ill-health retirements may be permitted from an earlier age subject to meeting certain medical conditions. In the event of the death of a member, the Fund provides for a spouse's pension to be payable equal to two-thirds of the deceased member's pension (including any pension exchanged for a retirement lump sum). For current active members, a lump sum death benefit equal to four times basic salary (up to the earnings cap) plus refund of the member's contributions is also payable.

During the year Louise Makin contributed £9,870 (2013: £9,618) to the Fund, representing 7% of her salary up to the earnings cap and the Company contributed £31,725 (2013: £30,915).

Louise Makin receives a cash payment in lieu of pension to value of 20% of base salary over the earnings cap. Rolf Soderstrom receives a cash payment in lieu of pension contributions to the aggregate value of 20% of base salary. These pension allowances are not subject to bonus or other benefits and are paid less such deductions as are required by law.

Directors' shareholding and share interests

To align the interests of the executive directors with shareholders, they are required to build and maintain a holding of Company shares worth at least 250% of salary in the case of the CEO and 150% of salary in the case of the CFO.

Executive Directors	Beneficially owned at 31 March 2014 and at the date of this report	Vested unexercised nil cost options		Guideline Met?	Vested unexercised market value options	Subject to performance conditions		
		PSP	DSBP		Options	PSP	Options	DSBP
Louise Makin	473,373	–	–	Yes	386,432	701,523	285,644	107,480
Rolf Soderstrom	184,252	–	–	Yes	232,163	469,615	190,331	69,862
Non-Executive Directors								
Garry Watts	10,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Giles Kerr	–	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Melanie Lee	–	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ian Much	–	N/A	N/A	N/A	N/A	N/A	N/A	N/A
James O'Shea	–	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Richard Wohanka	26,500	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

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

Percentage increase in the remuneration of the Chief Executive Officer

CEO	% change from 2013 to 2014
– Salary[1]	16.5%
– Benefits	0%
– Bonus	-4.4%
Average per UK employee[2]	
– Salary	3.3%
– Benefits	0.9%
– Bonus	-1.5%

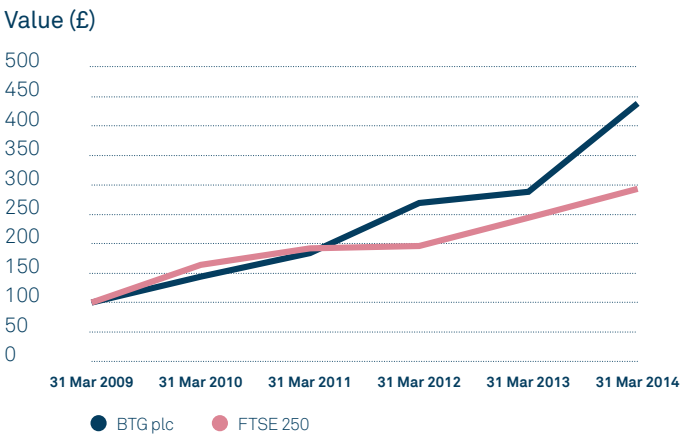
[1] Last year, following an exercise to recalibrate the salaries of the key employees in order to ensure that we maintain an appropriate package of remuneration, Louise Makin's salary was increased by 16.5%. This increase brought her salary, in the Committee's assessment, to a broadly mid-market position for her role and reflected her strong performance over a number of years. BTG employs a high proportion of highly-qualified scientists, technicians and professionals whose skills are highly sought after and whose retention is important to BTG's success. BTG keeps salaries under review. General workforce salary increases in 2013 ranged between 2% and 15%.

[2] We have an international workforce, however, as Louise Makin is a UK employee, the Committee considers UK employees to be the most relevant comparator group.

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 2014 is shown in the graph right.

Total shareholder return



This graph shows the value, by 31 March 2014, of £100 invested in BTG plc on 31 March 2009 compared with the value of £100 invested in the FTSE 250 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 2014 was 547.7p. During the year the share price ranged from a low of 323.1p to a high of 624.4p.

Total remuneration for the Chief Executive Officer over time

	2010	2011	2012	2013	2014
Total Remuneration (£'000)	1,351	1,489	1,944	2,073	1,561
Bonus outturn (%)	79%	70%	95%	100%	82%
LTIP Vesting (%)	100%	89%	80%	92%	100%

The chart above shows the total remuneration for the Chief Executive during each of the financial years. The total remuneration figure includes the annual bonus and LTIP awards which vested based on performance in those years. The annual bonus and LTIP percentages show the payout for each year as a percentage of the maximum.

Relative importance of spend on pay

The table below illustrates the change in expenditure by the Company on remuneration paid to all the employees of the Group and distributions to shareholders from the financial year ending 31 March 2013 to the financial year ending 31 March 2014.

	2014 £m	2013 £m	Percentage Change
Overall expenditure on pay	63.7	49.8	+28%
Dividend plus share buyback	Nil	Nil	n/a

These matters were selected to be shown as they represent key distributions by the Group to its stakeholders. The increase in expenditure on pay is largely linked to the significant increase in headcount of the Group in the year through both organic growth and the two acquisitions.

How the 2014 policy will be applied in 2014 onwards

2014 salary review

The executive directors' salaries were reviewed in March 2014 and a 3.5% increase took effect from 1 April 2014 (this is equal to the average salary increase provided to UK employees).

The current salaries as at 1 April 2014 are as follows:

	Salary as at 1 April 2014	Salary as at 1 April 2013	Increase %
Louise Makin	£569,250	£550,000	3.5%
Rolf Soderstrom	£373,117	£360,500	3.5%

Performance targets for the annual bonus and LTIP awards to be granted

For the year 2014/2015, the annual bonus will continue to be based on financial (70% of the total bonus) and individual and corporate metrics (30% of the total bonus) as detailed in the policy report on page 53.

The Committee has chosen not to disclose, in advance, the performance targets for the forthcoming year as these include items which the Committee considers commercially sensitive. However, the financial metrics will continue to be based on three financial metrics, being revenue (⅓ weighting), trading profit (⅓ weighting) and operating cash (⅓ weighting). Full retrospective disclosure of the targets and performance against them will be seen in next year's Annual Remuneration Report.

The measures for the Core awards made under the Performance Share plan will be as disclosed in the policy table on page 54.

Targets for the Core awards made during 2014/15 will be measured in the final year of the three year period (the 2016/17 financial year) and are as follows:

	EPS in the year ending 31 March 2017	TSR relative to FTSE 250 over 3 financial years ending 31 March 2017	Percentage of each element that vests
Below threshold	Less than 20.3p	Less than median	0%
Threshold	20.3p	Median	25%
Between threshold and stretch	20.3p to 28.3p	Between median and upper quartile	25% to 100% on a straight line basis
Stretch	28.3p or higher	Upper quartile or higher	100%
		Payouts for performance between Threshold and Stretch calculated on a straight line basis	

Targets for the Multiplier awards are as disclosed in the Policy Report.

Non-executive director 2014 remuneration

Set out in the table below are the fees paid for the year ended 31 March 2014 and proposed fees for the year ended 31 March 2015.

Director	As from 1 April 2014 £m	As from 1 April 2013 £m	% increase £m
Chairman[1]	175,000	175,000	0%
Non-executive director	45,000	41,000	10%
Senior Independent director fee	5,000	3,000	67%
Audit Committee chairmanship fee	10,000	6,000	67%
Remuneration Committee chairmanship fee	10,000	6,000	67%

[1] The fee is fixed for the first three years of his appointment.

[2] During the year, a benchmarking exercise was carried out by NBS in relation to non-executive director fees. It found that current fees were below median against similarly sized companies and also the sector comparator. As a result of this, and given the scale of recent activity the material time commitment required of the non-executive directors, the fees were adjusted to bring them in line with fees of non-executives in similar sized companies.

Shareholder voting at the Annual General Meeting

At last year's Annual General Meeting held on 16 July 2013, the directors' remuneration report received the following votes from shareholders:

Votes cast in favour	281,311,364	99.05%
Votes cast against	2,705,677	0.95%
Total votes cast	284,017,041	100%
Abstentions	3,118,845	

Approval

This report was approved by the Board on 19 May 2014 and signed on its behalf by

Ian Much
Chairman of the Remuneration Committee

Directors' report

The directors present their report together with the financial statements and the independent auditor's report for the year ended 31 March 2014.

Strategic report

The business review has been replaced by the strategic report, which can be found on pages 2 to 34 and incorporates a review of the Group's performance during the year, business objectives, business model, market overview, financial review, a description of risk management and principal risks facing the business and corporate citizenship. The principal activity of the Group is the business of an international specialist healthcare company, developing innovative products in areas where current treatment options are limited. The results of the Group are set out in detail on pages 76 to 80 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 it faces. This information is contained within the strategic report on pages 2 to 34 and incorporated into this report by reference:

- The Chairman's Statement on page 6, the Chief Executive's review on pages 6 and 7 and the Group overview on pages 4 to 5 provide details of the Group's principal activities and strategy, its performance during the year and its prospects for future development opportunities.
- Details of the principal risks facing the Group are set out on pages 30 to 34.
- Information relating to the environment, employees and stakeholders, health and safety, ethical considerations, charitable donations and policies regarding its employees is set out on pages 22 to 23.

This information is prepared solely to assist shareholders to assess the Company's strategies, the risks inherent in them and the potential for those strategies to succeed. The directors' report should not be relied on by any other person or for any other purpose. Forward-looking statements contained in this report have been made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the uncertainties, including economic and business risk factors inherent in them.

Further information on the Group is available on the 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, or should be deemed to be incorporated by reference into, this Annual Report.

Results and dividends

The results for the year and the financial position at 31 March 2014 are shown in the consolidated income statement on page 76 and the consolidated statement of financial position on page 78. The directors do not recommend the payment of a dividend for the year (12/13: nil). The results of the Group for the year are explained further on pages 26 to 29.

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 has been formally appraised during the period. All the directors continue to demonstrate commitment to the Group, the Board and to their role. In accordance with the UK Corporate Governance Code, all directors of the Company will stand for re-election annually.

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

Information on directors' remuneration, contracts, options and their beneficial interests, including those of their immediate families, in the shares of the Company are shown in the directors' remuneration report on pages 51 to 68. None of the directors had an interest in any contract of significance to which the Company or any of its subsidiaries was party during the year.

Corporate governance

A report on corporate governance may be found on pages 38 to 45.

Environmental matters

Our greenhouse gas emissions have been calculated as carbon dioxide equivalents, these are disclosed in the corporate citizenship section of the strategic report on pages 22 and 23.

Share capital and shareholders

As at 31 March 2014 the issued share capital of the Company was £36,158,653, divided into 361,586,534 shares of 10p each. During the year the share capital increased by 33,309,663 shares due to the exercise and vesting of share awards by employees and former employees under the Company's employee share schemes and a share placing for a total of 32,208,030 new ordinary shares in May 2013. 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 19 to the financial statements on page 100. At 31 March 2014, the Company had 9,766 shareholders (2013: 10,116). Further details of shareholdings and Company reporting dates may be found on page 124.

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 24 to the financial statements on page 108.

Details of outstanding share options and awards are set out in note 23 to the financial statements on pages 105 to 108.

As at 16 May 2014, 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	88,273,080	24.41
M&G Investment Management Ltd	28,214,148	7.80
Aviva Investors Management Ltd	20,537,619	5.67
Schroder Investment Management	18,194,770	5.03
Old Mutual Asset Managers	17,569,781	4.85
Standard Life Investments Ltd	15,821,101	4.37
AXA Investment Management	15,550,086	4.30
BlackRock Inc.	13,077,650	3.61
Legal & General Investment Management Ltd	12,341,858	3.41
Woodford Investment Management	11,745,626	3.24

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 in the corporate governance report, the directors will stand for annual re-election at the AGM, in accordance with the UK Corporate Governance Code. The articles are available on the Company's website at www.btgplc.com/about-us/corporate-governance.

Change of control
There are a number of agreements with third parties with terms that take effect after, or terminate upon, a change of control of the 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 focusing in the areas of Specialty Pharmaceuticals and Interventional Medicine. The Group spent £47.2m (12/13: £41.2m) on R&D during the year.

Treasury management
The Group's policy on the use of financial instruments and the management of financial risks is set out in note 26 to the accounts on pages 109 to 112.

Going concern
The Group's business activities and the factors affecting its performance, position and future development are set out within the strategic report on pages 2 to 34.

The directors have reviewed the current and projected financial position of the Group, making reasonable assumptions about future performance and taking into account the Group's cash balances and available financial facilities. On the basis of this review, and after making due enquiries, the directors have a reasonable expectation that the 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.

Political donations
The Company did not make any political donations during the financial year: (2013: nil).

Annual General Meeting
The Annual General Meeting (AGM) of the Company will be held at 10.30am on 16 July 2014 at the offices of Stephenson Harwood, 1 Finsbury Circus, London EC2M 7SH. Matters to be considered at the meeting include resolutions to receive the Annual Report and Accounts, to reappoint the auditor and re-elect the directors.

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 LLP as auditor and to authorise the directors to determine its remuneration.

By order of the Board

Dr Paul Mussenden
Company Secretary

19 May 2014

Statement of directors' responsibilities
in respect of the annual report and accounts 2014 and the financial statements

The directors are responsible for preparing the Annual Report and Accounts, 2014 and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and 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 Parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

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

Director's Responsibility Statement pursuant to DTR 4
Each director confirms that to the best of our knowledge:

- the Group and parent company accounts, prepared in accordance with the IFRS as adopted by the EU, 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 and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Director's Report comprising pages 69 to 70, and including the sections of the Annual Report and Accounts referred to in these pages, has been approved by the Board and signed on its behalf by:

Dr Louise Makin
Chief Executive Officer

Rolf Soderstrom
Chief Financial Officer

19 May 2014

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

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of BTG plc for the year ended 31 March 2014 set out on pages 76 to 121. 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 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows:

Acquisition accounting

Refer to page 48 (Audit Committee statement), page 82 (accounting policy) and pages 114 to 116 (financial disclosures).

- **The risk** – During the year the Group completed the acquisitions of EKOS Corporation (EKOS) and the Targeted Therapies division of Nordion Inc. There is significant judgement involved in determining the fair value of the identifiable assets and liabilities acquired given the highly specialised nature of the acquired businesses, the early stage of the acquired products' life cycles and in the case of Targeted Therapies, in process research and development. For both of the acquired businesses, the fair value of assets acquired predominantly relates to existing developed technology, being £227.8m out of a total £245.4m.

  Contingent consideration of up to $40m is payable in respect of the EKOS acquisition on the achievement of future commercial milestones. Given the uncertainty regarding achievement of these milestones, significant judgement is required in measuring the fair value of the Group's contingent consideration obligation both at the acquisition date and at the balance sheet date.

  Given this we considered these issues to be significant audit risks.

- **Our response** – In this area our audit procedures included, among others, using our own valuation specialists to the extent necessary:

  – Inspection of the Group's valuation analysis, which included reviewing the independent external valuation report prepared for each of the acquisitions, which were the basis for the determination of the fair value of the intangible assets. We critically challenged the key assumptions within those reports, in particular we challenged and evaluated the reasonableness of assumptions underlying the identification of separately identifiable intangible assets in respect of the developed and in-process intangible assets acquired, the revenue growth rates included in the forecasts and the useful economic life attributed to the acquired assets, together with considering what is represented by the residual goodwill. In performing this assessment we had regard to available competitor products and market barriers to entry, launch dates, the timing of patent expiry, forecast peak sales, expectations on reimbursement and pricing, and historical generic substitution rates subsequent to expiration of the patent;

  – Evaluation of the Group's analysis of the fair value of the contingent consideration with reference to the EKOS contract terms and definitions. We challenged the revenue growth assumptions underlying the forecast future cash flows with reference to historical trends and performance subsequent to the acquisition date; and

  – Assessment of whether the Group's disclosures with respect to the acquired entities and the estimation required comply with those required by the relevant accounting standard.

Carrying value of goodwill (£123.6m) and other intangible assets (£397.9m)

Refer to page 48 (Audit Committee statement), page 83 (accounting policy) and pages 96 to 98 (financial disclosures).

- **The risk** – With regard to the Interventional Medicine cash generating unit, the goodwill and other intangible assets, primarily comprising developed technology, are considered for impairment based on cash flows for established products and products under development. These include the established Beads products along with significant cash inflows forecast in relation to the newly acquired EKOS and Targeted Therapies clinical products which are at the early stage of their product lifecycle, and Varithena™ which has regulatory approval in the US and is due to launch in that market. The key business risk affecting the carrying value of the Interventional Medicine goodwill and other intangible assets is therefore the ability to successfully commercialise the products concerned.

The Group's primary analysis is based on value in use in line with its intentions for recovering the carrying value of these assets. The value in use is derived from discounted future cash flow forecasts reflecting the projected trading volumes of the existing and under development products. Due to the inherent uncertainty involved in forecasting and discounting future cash flows this is one of the significant audit risk areas that our audit is concentrated on.

- **Our response** – In this area our audit procedures included, among others, using our own valuation specialists to the extent necessary:
  - Inspection of Board minutes and the Group's documented assessment for identifying whether there are indicators of potential developed technology and other intangible asset impairment, taking into account performance during the year, competitive developments and trial results where relevant;
  - Testing the Group's budgeting procedures upon which the forecasts are based with reference to historical accuracy and minuted Board approval, and evaluating that the principles of the Group's discounted cash flow model are in accordance with the relevant accounting standard;
  - Critical analysis of the Group's discounted cash flow models prepared for individual intangible assets where an impairment indicator has been identified, or prepared for the purpose of assessing the recoverability of goodwill. We assessed the reasonableness of revenue forecasts with reference to historical trading performance and peak sales assessments for established products, and with regard to useful economic lives we considered the dates of patent expiry. Externally derived data together with our own assessments of key inputs, such as discount rates were also considered in this assessment;
  - For more recent acquisitions we also compared actual results post acquisition for launched products to the results in the business case supporting the transaction, and considered the status of products under development with reference to decisions documented in the Board minutes and available trial results;
  - We analysed the Group's sensitivity analysis for key assumptions, including revenue growth rates, operating margins and discount rates to identify particular risk areas to focus on; and
  - Assessment of the adequacy of the Group's disclosures, including sensitivity analysis, in respect of the carrying value of intangible assets.

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

The materiality for the Group financial statements as a whole was set at £6.0m. This has been determined with reference to a benchmark of Group revenue (of which it represents 2.1%) which we consider to be one of the principal considerations for members of the Company in assessing the financial performance of the Group.

We agreed with the audit committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £0.3m, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Audits for Group reporting purposes were performed by component auditors at the key reporting components in the US, Australia and by the Group audit team in the UK. In addition specified audit procedures were performed by the Group team in respect of the subsidiaries acquired in the US and Canada during the year. These Group procedures covered 100% of total Group revenue; 99% of Group profit before taxation; and 99% of total Group assets.

The audits undertaken for Group reporting purposes at the key reporting components of the Group were all performed to materiality levels set by, or agreed with, the Group audit team. These materiality levels were set individually for each component and ranged from £0.1m to £1.5m.

Detailed audit instructions were sent to all the auditors in these locations. These instructions covered the significant audit areas that should be covered by these audits which included the relevant risks of material misstatement detailed above and set out the information required to be reported back to the Group audit team. The Group audit team physically visited key reporting components in the USA and UK. Telephone meetings were also held with the auditors at that location and all of the other locations that were not physically visited.

4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

5. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

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

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.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 70, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 38 to 45 relating to the Company's compliance with the nine provisions of the 2010 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 71, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2013a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Richard Broadbelt (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

19 May 2014

Financials

Financial statements, notes and other key data.

Financials

Consolidated income statement

	Note	Year ended 31 March 2014 Results before acquisition adjustments and reorganisation costs £m	Year ended 31 March 2014 Acquisition adjustments and reorganisation costs £m	Year ended 31 March 2014 Total £m	Year ended 31 March 2013 Results before acquisition adjustments and reorganisation costs[1] £m	Year ended 31 March 2013 Acquisition adjustments and reorganisation costs £m	Year ended 31 March 2013 Total[1] £m
Revenue	4	**290.5**	**–**	**290.5**	233.7	–	233.7
Cost of sales		**(93.1)**	**(1.9)**	**(95.0)**	(67.2)	–	(67.2)
Gross profit	4	**197.4**	**(1.9)**	**195.5**	166.5	–	166.5
Operating expenses:							
Amortisation and impairment of acquired intangible assets	13	**–**	**(23.3)**	**(23.3)**	–	(43.4)	(43.4)
Foreign exchange (losses)/gains		**(5.0)**	**–**	**(5.0)**	3.1	–	3.1
Selling, general and administrative expenses		**(84.0)**	**–**	**(84.0)**	(58.0)	–	(58.0)
Operating expenses: total		**(89.0)**	**(23.3)**	**(112.3)**	(54.9)	(43.4)	(98.3)
Research and development		**(47.2)**	**–**	**(47.2)**	(41.2)	–	(41.2)
Profit on disposal of property, plant and equipment and intangible assets		**1.1**	**–**	**1.1**	0.4	–	0.4
Amounts written off property, plant and equipment	14	**–**	**–**	**–**	(1.8)	–	(1.8)
Acquisition and reorganisation costs	5	**–**	**(9.8)**	**(9.8)**	–	0.1	0.1
Operating profit	6	**62.3**	**(35.0)**	**27.3**	69.0	(43.3)	25.7
Financial income	8	**8.2**	**–**	**8.2**	1.1	–	1.1
Financial expense	9	**(0.8)**	**(1.4)**	**(2.2)**	(2.7)	–	(2.7)
Profit before tax		**69.7**	**(36.4)**	**33.3**	67.4	(43.3)	24.1
Tax	10			**(9.0)**			(7.7)
Profit for the year				**24.3**			16.4
Basic earnings per share	11			**6.8p**			5.0p
Diluted earnings per share	11			**6.7p**			5.0p

[1] The 12 months ended 31 March 2013 has been restated following the adoption of IAS 19 Revised. See accounting policies in note 1 and retirement benefit schemes in note 22 for further details.

All activity arose from continuing operations.

The notes on pages 81 to 116 form part of these financial statements.

Consolidated statement of comprehensive income

	Note	Year ended 31 March 2014 £m	Year ended 31 March 2013[1] £m
Profit for the year		**24.3**	16.4
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign exchange translation differences	19	**(32.4)**	4.2
Items that will not be reclassified subsequently to profit or loss			
Actuarial (loss)/gain on defined benefit pensions scheme	22	**(6.0)**	0.5
Deferred tax on defined benefit pension scheme asset		**0.8**	(3.7)
Other comprehensive income for the year		**(37.6)**	1.0
Total comprehensive income for the year		**(13.3)**	17.4

[1] The 12 months ended 31 March 2013 has been restated following the adoption of IAS 19 Revised. See accounting policies in note 1 and retirement benefit schemes in note 22 for further details.

The notes on pages 81 to 116 form part of these financial statements.

Consolidated statement of financial position

	Note	Year ended 31 March 2014 £m	Year ended 31March 2013[1] £m
ASSETS			
Non-current assets			
Goodwill	12	**123.6**	59.2
Intangible assets	13	**397.9**	209.2
Property, plant and equipment	14	**31.3**	25.4
Other investments	15	**3.0**	3.0
Deferred tax asset	10	**0.8**	0.9
Employee benefits	22	**8.0**	10.3
Derivative financial instruments	21	**0.9**	–
		565.5	308.0
Current assets			
Inventories	16	**27.0**	23.3
Trade and other receivables	17	**75.1**	54.5
Corporation tax receivable	10	**1.5**	0.4
Derivative financial instruments	21	**4.4**	–
Cash and cash equivalents	18	**38.2**	158.7
		146.2	236.9
Total assets		**711.7**	544.9
EQUITY			
Share capital		**36.1**	32.8
Share premium account		**288.7**	188.6
Merger reserve		**317.8**	317.8
Other reserves	19	**(32.2)**	0.2
Retained earnings		**(80.0)**	(104.8)
Total equity attributable to equity holders of the parent		**530.4**	434.6
LIABILITIES			
Non-current liabilities			
Trade and other payables	20	**2.6**	0.5
Deferred tax liabilities	10	**90.4**	43.8
Provisions	25	**0.5**	0.4
		93.5	44.7
Current liabilities			
Trade and other payables	20	**79.9**	61.6
Derivative instruments	21	**–**	2.2
Corporation tax payable	10	**7.4**	1.2
Provisions	25	**0.5**	0.6
		87.8	65.6
Total liabilities		**181.3**	110.3
Total equity and liabilities		**711.7**	544.9

[1] The financial position as at 31 March 2013 has been restated following the adoption of IAS 19 Revised. See accounting policies in note 1 and retirement benefit schemes in note 22 for further details.

The notes on pages 81 to 116 form part of these financial statements.

The financial statements were approved by the Board on 19 May 2014 and were signed on its behalf by:

Dr Louise Makin
Chief Executive Officer

Rolf Soderstrom
Chief Financial Officer

Registered No: 2670500

Consolidated statement of cash flows

	Note	Year ended 31 March 2014 £m	Year ended 31 March 2013[1] £m
Profit after tax for the year		**24.3**	16.4
Tax	10	**9.0**	7.7
Financial income	8	**(8.2)**	(1.1)
Financial expense	9	**2.2**	2.7
Operating profit		**27.3**	25.7
Adjustments for:			
Profit on disposal of property, plant and equipment and intangible assets		**(1.1)**	(0.4)
Amortisation and impairment of intangible assets	13	**24.3**	45.1
Amounts written off property, plant and equipment	14	**–**	1.8
Depreciation on property, plant and equipment	14	**3.4**	3.1
Share-based payments		**5.3**	4.7
Pension scheme funding	22	**(3.3)**	(4.6)
Fair value adjustments		**1.9**	–
Other		**–**	0.3
Cash from operations before movements in working capital		**57.8**	75.7
Increase in inventories		**(0.5)**	(1.5)
Increase in trade and other receivables		**(12.6)**	(14.4)
Increase in trade and other payables		**10.9**	2.0
Decrease in provisions		**(0.1)**	(0.8)
Cash from operations		**55.5**	61.0
Taxation paid	10	**(7.0)**	(5.5)
Net cash inflow from operating activities		**48.5**	55.5
Investing activities			
Interest received	8	**0.2**	0.7
Purchases of intangible assets	13	**(0.9)**	(2.6)
Purchases of property, plant and equipment	14	**(11.6)**	(7.6)
Acquisition of businesses net of cash acquired	33	**(260.3)**	–
Net proceeds from disposal of property, plant and equipment, and intangible assets		**3.2**	–
Net inflow from held to maturity financial assets	18	**–**	5.0
Net cash outflow from investing activities		**(269.4)**	(4.5)
Cash flows from financing activities			
Repayment of obligations under finance leases		**–**	(0.2)
Proceeds of share issues		**103.4**	0.4
Other financing activities		**(0.7)**	–
Net cash from financing activities		**102.7**	0.2
(Decrease)/Increase in cash and cash equivalents		**(118.2)**	51.2
Cash and cash equivalents at start of year		**158.7**	106.9
Effect of exchange rate fluctuations on cash held		**(2.3)**	0.6
Cash and cash equivalents at end of year	18	**38.2**	158.7

[1] The 12 months ended 31 March 2013 has been restated following the adoption of IAS 19 Revised. See accounting policies in note 1 and retirement benefit schemes in note 22 for further details.

The notes on pages 81 to 116 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[1] £m	Total equity[1] £m
At 1 April 2012 (previously reported)	32.7	188.3	317.8	(4.0)	(128.6)	406.2
Impact of changes in accounting policies	–	–	–	–	5.3	5.3
At 1 April 2012 (restated)	32.7	188.3	317.8	(4.0)	(123.3)	411.5
Profit for the year	–	–	–	–	16.4	16.4
Foreign exchange translation differences	–	–	–	4.2	–	4.2
Actuarial gain on defined benefit pension scheme	–	–	–	–	0.5	0.5
Deferred tax on defined benefit pension scheme asset	–	–	–	–	(3.7)	(3.7)
Total comprehensive income for the year	–	–	–	4.2	13.2	17.4
Transactions with owners:						
Issue of BTG plc ordinary shares	0.1	0.3	–	–	–	0.4
Movement in shares held by the Trust	–	–	–	–	0.6	0.6
Share-based payments	–	–	–	–	4.7	4.7
At 31 March 2013	32.8	188.6	317.8	0.2	(104.8)	434.6

[1] The 12 months ended 31 March 2012 has been restated following the adoption of IAS 19 Revised. See accounting policies in note 1 and retirement benefit schemes in note 22 for further details.

	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings[2] £m	Total equity[2] £m
At 1 April 2013 (previously reported)	32.8	188.6	317.8	0.2	(108.4)	431.0
Impact of changes in accounting policies	–	–	–	–	3.6	3.6
At 1 April 2013 (restated)	32.8	188.6	317.8	0.2	(104.8)	434.6
Profit for the year	–	–	–	–	24.3	24.3
Foreign exchange translation differences	–	–	–	(32.4)	–	(32.4)
Actuarial loss on defined benefit pension scheme	–	–	–	–	(6.0)	(6.0)
Deferred tax on defined benefit pension scheme asset	–	–	–	–	0.8	0.8
Total comprehensive income for the year	–	–	–	(32.4)	19.1	(13.3)
Transactions with owners:						
Issue of BTG plc ordinary shares	3.3	100.1	–	–	–	103.4
Movement in shares held by the Trust	–	–	–	–	0.4	0.4
Share-based payments	–	–	–	–	5.3	5.3
At 31 March 2014	**36.1**	**288.7**	**317.8**	**(32.2)**	**(80.0)**	**530.4**

[2] The 12 months ended 31 March 2013 has been restated following the adoption of IAS 19 Revised. See accounting policies in note 1 and retirement benefit schemes in note 22 for further details.

The notes on pages 81 to 116 form part of these financial statements.

Notes to the consolidated financial statements

1. General information

BTG plc (the 'Company') is a company incorporated and domiciled in the United Kingdom and listed on the London Stock Exchange. The consolidated financial statements of the Company for the year ended 31 March 2014 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 19 May 2014.

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

The following new accounting standards and amendments to standards have been adopted by the Group in these consolidated financial statements for the year ended 31 March 2014, with a date of initial application of 1 April 2013.

a. Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)
b. IAS 19 Employee Benefits (2011)
c. IFRS 13 Fair Value Measurement

The effects of these changes are described below.

(a) Presentation of Items of Other Comprehensive Income

As a result of amendments to IAS 1 'Presentation of Financial Statements', the Group has modified the presentation of items of other comprehensive income in its consolidated statement of comprehensive income, to present separately items that may be reclassified to profit or loss in the future from those that would not be. Comparative information has also been re-presented accordingly.

The adoption of the amendment to IAS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Group.

(b) Employee Benefits

The Group adopted the revised IAS 19 'Employee Benefits', with an initial date of application on 1 April 2013.

The Group now applies the liability discount rate to determine the net interest income/expense on the net defined benefit obligation and interest income on the scheme assets. Previously, the Group determined interest income on scheme assets on their long-term rate of expected return. The effect on the income statement has an equal and opposite effect in other comprehensive income. This change does not impact the Group's net assets.

The Group has also removed the administrative expenses reserve from the defined benefit obligation. This change results in a one-off credit to opening reserves and a corresponding increase in net assets. It also changes the allowance for pension scheme administrative costs in the income statement, from the previous assumed amount within current service cost and interest cost, to the new approach of recognising the schemes costs when the related services are provided.

The new standard also changes a number of disclosure requirements for post employment arrangements.

The adoption of the new standard has been applied retrospectively. The impact of the restatements to the prior year comparatives is shown in note 22.

(c) Fair Value Measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair values as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Other accounting standards adopted in the year

No standards and interpretations recently adopted by the EU have a significant impact on the Group.

Accounting standards issued but not yet effective

No standards and interpretations issued by the EU but not yet effective are expected to have a significant impact on the Group.

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 26 to the Accounts and are discussed in the Strategic Report on pages 2 to 34. 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 licensees;
- Many of the Group's sales are life-saving in nature, providing some protection against an uncertain economic outlook; and
- In April 2013, the Group signed a £60m multi-currency revolving credit facility providing access to funds for a period of three years to April 2016. This facility remains undrawn.

1. General information continued

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:

- EKOS Corporation in July 2013;
- Targeted Therapies Division of Nordion Inc. in July 2013;
- Biocompatibles International plc on 27 January 2011; and
- Protherics PLC on 4 December 2008.

The costs relate to the following:

- Amortisation and impairment arising on intangible assets acquired;
- Transaction costs incurred with professional advisers in relation to the completion of the corporate acquisitions;
- The release of the fair value uplift of inventory acquired;
- Reorganisation costs predominantly 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

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.

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.

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.

Merger reserve

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

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

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.

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.

(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;

2. Significant accounting policies continued

- 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)).

(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 tangible fixed assets 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 tangible assets in the income statement.

(iv) Subsequent expenditure
Expenditure subsequent to the initial acquisition of a tangible fixed asset is capitalised only when it is probable that the Group will realise future economic benefits from the asset.

(v) Impairment
If a tangible 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.

2. Significant accounting policies continued

(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)).

(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 are 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. The assumptions used to determine the valuation are shown in note 22. 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.

Administrative costs of running the scheme are expensed directly in the Income Statement.

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.

Assets of the pension scheme 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 Payment) has been applied to all share-based grants made to employees after 7 November 2002 that had not vested as of 1 January 2005.

2. Significant accounting policies continued

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.

(q) Trade and other payables

Trade and other payables are not interest bearing and are stated at amortised cost except for the contingent consideration which is 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:

1. Are the milestone payments non-refundable?
2. Does the achievement of the milestone involve a degree of risk that was not reasonably assured at the inception of the arrangement?
3. Is substantive effort involved in achieving the milestone?
4. Is the amount of the milestone payment reasonable in relation to the effort expended or the risk associated with the achievement of the milestone?
5. 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.

(iii) Sales/assignments of Intellectual Property Rights (IPR)

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

2. Significant accounting policies continued

(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.

(w) Tax

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

2. Significant accounting policies continued

(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.

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.

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:

- 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; and
- 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.

Revenue recognition

As described in note 2(r), 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 considered that its obligations under the licence agreement consisted of the licence, provision of development services, regulatory support and steering committee participation. The Group considered that the development services and the regulatory support it could supply would cease with the approval of AZD9773 by the FDA and while the steering committee would have continued to operate after product approval by the FDA, the Group had 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 estimated that its performance under the agreement would be completed over the period to 31 December 2015 and, therefore, was recognising the £16.3m on a straight-line basis, over the estimated performance period.

As detailed in note 29, on 8 August 2012 BTG announced the top-line data from a Phase 2b study of AZD9773 in patients with severe sepsis and/or septic shock, conducted by AstraZeneca. The study failed to meet primary or secondary endpoints. AstraZeneca terminated its licence agreement and associated arrangement with BTG. BTG does not anticipate conducting any further development of AZD9773. Consequently revenue of £8.6m was recognised for the 12 months ended 31 March 2013 within milestones and one-off income in the Licensing operating segment. The components of this revenue were:

- The release of deferred income associated with previous received milestones from AstraZeneca in relation to AZD9773 work streams totalling £6.1m; plus
- Compensation for early contract termination of £2.5m

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.

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.

Pension assumptions

Note 22 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.

Deferred tax

The Group has significant deferred tax assets principally in relation to tax losses. 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.

3. Critical accounting judgements and key sources of estimation uncertainty continued

Fair value of listed and unlisted investments

Note 15 explains the basis for estimating the fair value of listed and unlisted investments.

4. Operating segments

The Group is aligned behind three reportable segments, being Interventional Medicine, Specialty Pharmaceuticals and Licensing.

The acquisition of EKOS Corporation on 5 July 2013 and the Targeted Therapies division of Nordion Inc. on 13 July 2013 are included within the Interventional Medicine operating segment.

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 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.

	Year ended 31 March 2014			
	Interventional Medicine[1] £m	Specialty Pharmaceuticals £m	Licensing £m	Total £m
Revenue	**79.1**	**102.3**	**109.1**	**290.5**
Cost of sales	**(22.5)**	**(20.9)**	**(51.6)**	**(95.0)**
Gross profit	**56.6**	**81.4**	**57.5**	**195.5**
Selling, general and administrative expenses	**(42.8)**	**(22.7)**	**(18.5)**	**(84.0)**
Contribution	**13.8**	**58.7**	**39.0**	**111.5**
Amortisation and impairment of acquired intangibles assets				**(23.3)**
Foreign exchange losses				**(5.0)**
Research and development				**(47.2)**
Profit on disposal of property, plant and equipment and intangible assets				**1.1**
Acquisition and reorganisation costs				**(9.8)**
Operating profit				**27.3**
Financial income				**8.2**
Financial expense				**(2.2)**
Profit before tax				**33.3**
Tax				**(9.0)**
Profit for the year				**24.3**
Unallocated assets				**711.7**

[1] 2014 Cost of Sales includes a £1.9m release of a fair value adjustment to inventory purchased on the acquisition of EKOS on 5 July 2013 within the Interventional Medicine segment. This release represents the reversal of a fair value uplift applied to inventory purchased on acquisition recognised through the income statement as the product is sold.

Notes to the consolidated financial statements

4. Operating segments continued

	Year ended 31 March 2013			
	Interventional Medicine[2] £m	Specialty Pharmaceuticals[2] £m	Licensing[2] £m	Total[2] £m
Revenue	36.1	97.2	100.4	233.7
Cost of sales	(5.6)	(21.6)	(40.0)	(67.2)
Gross profit	30.5	75.6	60.4	166.5
Selling, general and administrative expenses	(17.5)	(20.2)	(20.3)	(58.0)
Contribution	13.0	55.4	40.1	108.5
Amortisation and impairment of acquired intangibles assets				(43.4)
Foreign exchange gains				3.1
Research and development				(41.2)
Amounts written off property, plant and equipment				(1.8)
Profit on disposal of property, plant and equipment and intangible assets				0.4
Acquisition and reorganisation credit				0.1
Operating profit				25.7
Financial income				1.1
Financial expense				(2.7)
Profit before tax				24.1
Tax				(7.7)
Profit for the year				16.4
Unallocated assets				544.9

[2] The 12 months ended 31 March 2013 has been restated following the adoption of IAS 19 Revised. See accounting policies in note 1 and retirement benefit schemes in note 22 for further details.

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 2014 £m	Year ended 31 March 2013 £m
USA	**256.1**	202.8
UK	**14.6**	21.2
Europe (excluding UK)	**11.9**	5.3
Other regions	**7.9**	4.4
	290.5	233.7

Revenue from major products and services

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Product sales	**180.1**	134.3
Royalties	**110.4**	90.8
Other	**–**	8.6
	290.5	233.7

4. Operating segments continued

Major customers

Products that utilise the Group's intellectual property rights are sold by licensees. Royalty income is derived from over 70 licences. One licence individually generated royalty income in excess of 10% of Group revenue of £83.8m (2013: One licence generated £49.9m).

The Group's marketed products are sold both directly and through distribution agreements in the USA, Europe and Asia Pacific region. No individual customer generated income in excess of 10% of the Group revenue (2013: Two customers generated £25.2m and £24.8m respectively).

5. Acquisition and reorganisation costs

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
EKOS Corporation Acquisition Costs	**(4.1)**	–
Targeted Therapies division of Nordion Inc. Acquisition Costs	**(5.7)**	–
Other	**–**	0.1
Total (Charge)/Credit for the year	**(9.8)**	0.1

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 (see accounting policies in note 1).

6. Operating profit

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

	Note	Year ended 31 March 2014 £m	Year ended 31 March 2013[1] £m
Depreciation and other amounts written off property, plant and equipment	14	**3.4**	4.9
Amortisation and impairment of intangible assets	13	**24.3**	45.1
Net foreign exchange losses/(gains)		**5.0**	(3.1)
Research and development expenses		**47.2**	41.2
Staff costs	7	**63.7**	49.8
Operating lease rentals payable on property		**2.3**	1.7
Acquisition adjustments and reorganisation costs including release of onerous lease provision	5	**9.8**	(0.1)

[1] The 12 months ended 31 March 2013 has been restated following the adoption of IAS 19 Revised. See accounting policies in note 1 and retirement benefit schemes in note 22 for further details.

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

	Year ended 31 March 2014 £'000	Year ended 31 March 2013[1] £'000
Fees payable to the company's auditor for the audit of the company's annual accounts:	**165**	121
Fees payable to the company's auditor and its associates for other services:		
Audit of the company's subsidiaries pursuant to legislation	**295**	265
Audit of Pension scheme trust	**11**	8
Other Audit related assurance services	**54**	53
Taxation compliance services	**48**	71
All taxation advisory services not covered above	**53**	42
Internal audit services	**–**	–
All assurance services not covered above	**5**	–
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	**–**	30
All other non audit services	**–**	–

A description of the work of the Audit Committee is set out on pages 46 to 49 of the Governance section and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

Notes to the consolidated financial statements

7. Staff costs

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

	Year ended 31 March 2014 £m	Year ended 31 March 2013[1] £m
Salaries	**48.0**	38.6
Social security costs	**6.9**	4.3
Defined contribution pension costs	**2.9**	1.9
Defined benefit pension costs	**0.6**	0.3
Equity-settled transactions	**5.3**	4.7
	63.7	49.8

[1] The 12 months ended 31 March 2013 has been restated following the adoption of IAS 19 Revised. See accounting policies in note 1 and retirement benefit schemes in note 22 for further details.

Key management personnel are considered to be the directors and their remuneration is disclosed within the directors' remuneration report on pages 51 to 68. In addition to the disclosures in the Directors' remuneration report, the charge to income in respect of equity-settled transactions of key management personnel, in accordance with IFRS2, was £1.2m (2013: £1.2m).

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 2014 Number	Year ended 31 March 2013 Number
Management	**68**	42
Research and production	**396**	326
Sales, administration and business support	**312**	201
	776	569

8. Financial income

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Interest receivable on money-market and bank deposits	**0.2**	1.1
Fair value changes of foreign exchange forward contracts	**7.5**	–
Other	**0.5**	–
Financial income	**8.2**	1.1

9. Financial expense

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Fair value changes of foreign exchange forward contracts	**–**	2.6
Fair value changes on contingent consideration	**1.4**	–
Others	**0.8**	0.1
Financial expense	**2.2**	2.7

10. Tax

An analysis of the tax charge in the income statement for the year, all relating to current operations, is as follows:

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Current tax		
UK corporation tax charge	**–**	3.6
Overseas corporate tax charge	**14.5**	2.6
Adjustments in respect of prior years	**(0.8)**	(2.1)
Total current taxation	**13.7**	4.1
Deferred taxation		
Deferred tax	**(5.0)**	1.8
Adjustment to tax rates	**0.3**	1.8
Total tax charge/(credit) for the year	**9.0**	7.7

In addition to the tax charge in the income statement, a deferred tax credit of £0.8m has been recognised in the consolidated statement of other comprehensive income.

UK corporation tax is calculated at 23% (2013: 24%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Reconciliation of the effective tax rate:

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Profit before tax	**33.3**	24.1
Tax using UK corporation tax rate of 23% (2013: 24%)	**7.6**	5.8
Effect of overseas tax rates	**4.3**	2.9
Change in unrecognised deferred tax assets	**(3.1)**	(1.3)
Non-deductible expenses	**4.9**	2.3
Effect of patent box deduction	**(2.8)**	(0.3)
Adjustment to tax rates	**0.3**	1.8
Adjustments in respect of prior years	**(2.2)**	(3.5)
	9.0	7.7

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

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Current assets		
UK corporation tax receivable	**0.9**	–
Overseas corporate tax receivable	**0.6**	0.4
	1.5	0.4
Current liabilities		
UK corporation tax payable	**–**	0.4
Overseas corporate tax payable	**7.4**	0.8
	7.4	1.2

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.

10. Tax continued

Deferred tax asset

	2014 £m	2013 £m
Deferred tax asset recognised at 1 April	**0.9**	1.0
Income statement (charge)/credit	**–**	(0.1)
Currency Movements	**(0.1)**	–
Deferred tax asset recognised at 31 March	**0.8**	0.9

The deferred tax asset relates to short term timing differences in Australia. It has been recognised using a tax rate of 30% (2013: 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.

Deferred tax liability

The deferred tax liability of £90.4m (2013 restated for IAS19 Revised: £43.8m) 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 £109.2m arise on intangible assets recognised at fair value on acquisitions, £2.8m on pension fund surplus and £0.9m on short term timing differences. Deferred tax assets relate to brought forward trading losses. The table below summarises the gross and net position at each balance sheet date:

	Note	Deferred tax assets £m	Deferred tax liabilities £m	Net deferred tax liability £m
At 1 April 2012		37.9	(73.1)	(35.2)
Adjustments re prior years		1.3	–	1.3
Income statement (debit)/credit		(17.4)	12.5	(4.9)
Currency movements		–	(1.6)	(1.6)
Other		0.5	(1.9)	(1.4)
At 1 April 2013		22.3	(64.1)	(41.8)
Impact of changes in accounting policies[1]	22	–	(2.0)	(2.0)
At 1 April 2013 (restated)		22.3	(66.1)	(43.8)
Adjustments re prior years		1.5	–	1.5
Acquisitions		7.0	(66.2)	(59.2)
Income statement (debit)/credit		(6.2)	9.4	3.2
Other comprehensive income (credit)		–	0.8	0.8
Offset against current tax payable		(1.1)	–	(1.1)
Currency movements		(1.0)	9.2	8.2
At 31 March 2014		**22.5**	**(112.9)**	**(90.4)**

[1] The financial position as at 31 March 2013 has been restated following the adoption of IAS 19 Revised.

Reductions in the rate of corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015 were substantively enacted on 17 July 2013. This will reduce the company's future current tax charge accordingly. The UK deferred tax assets and liabilities at 31 March 2014 have been calculated based on the rate of 21% or 20% depending on when the timing difference is expected to reverse.

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 which have arisen principally 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. UK tax losses can be carried forward indefinitely.

The US tax losses can be carried forward for 20 years and the first year in which they expire is 2019.

A deferred tax asset has not been recognised in respect of the losses and timing differences shown below as there is uncertainty as to whether such losses and timing differences can be used.

10. Tax continued

The total amount of tax losses and timing differences not recognised is shown below:

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Tax losses	**142.4**	120.0
Deductible temporary differences	**14.8**	30.4
	157.2	150.4

11. Earnings per share

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

	Year ended 31 March 2014	Year ended 31 March 2013[1]
Profit for the financial year (£m)	**24.3**	16.4
Profit per share (p)		
Basic	**6.8**	5.0
Diluted	**6.7**	5.0
Number of shares (m)		
Weighted average number of shares – basic	**355.2**	326.9
Effect of share options on issue	**4.6**	4.0
Weighted average number of shares – diluted	**359.8**	330.9

[1] The 12 months ended 31 March 2013 has been restated following the adoption of IAS 19 Revised. See accounting policies in note 1 and retirement benefit schemes in note 22 for further details.

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

	Year ended 31 March 2014	Year ended 31 March 2013[1]
Profit for the financial year (£m)	**24.3**	16.4
Add back:		
Fair value adjustment on acquired inventory (i)	**1.2**	–
Amortisation of acquired intangible fixed assets (ii)	**15.3**	31.1
Acquisition and reorganisation costs (iii)	**9.3**	(0.1)
Fair values changes on contingent consideration (iv)	**1.4**	–
Underlying earnings	**51.5**	47.4
Underlying profit per share (p)		
Basic	**14.5**	14.5
Diluted	**14.3**	14.3

[1] The 12 months ended 31 March 2013 has been restated following the adoption of IAS 19 Revised. See accounting policies in note 1 and retirement benefit schemes in note 22 for further details.

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:

(i) In the year ended 31 March 2014 there was £0.7m tax impact on fair value adjustment of inventory acquired of £1.9m (2013: nil)
(ii) The release of deferred tax liability of £8.0m (2013: £12.3m) has been deducted from the amortisation and impairment of acquired intangible assets of £23.3m (2013: £43.4m) as shown in the consolidated income statement.
(iii) In the year ended 31 March 2014 there was £0.5m tax impact on reorganisation credits of £9.8m. In the year ended 31 March 2013, £0.1m of tax effect of reorganisation costs was 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.
(iv) No tax adjustment was required on the fair value changes on the contingent consideration.

12. Goodwill

	£m
At 1 April 2012	59.2
At 1 April 2013	59.2
Acquisitions	71.1
Currency Movements	(6.7)
At 31 March 2014	**123.6**
Accumulated impairment losses	
At 1 April 2012, 1 April 2013 and 31 March 2014	–
Net book value at 31 March 2014	**123.6**
Net book value at 1 April 2013	59.2
Net book value at 1 April 2012	59.2

Additions to Interventional Medicine of £71.1m related to the acquisitions of EKOS Corporation and the Targeted Therapies Division of Nordion Inc. (see note 33).

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 2014.

Goodwill arose on the acquisitions of Protherics PLC and Biocompatibles International plc, EKOS Corporation and the Targeted Therapies Division of Nordion Inc. 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 Interventional Medicine £87.1m (2013: £22.6m) as relating to Specialty Pharmaceuticals, £16.4m (2013: £16.4m), and in relation to Licensing £20.1m (2013: £20.1m).

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 cashflows 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 cashflows were discounted back to present value using a pre-tax discount rate of between 7% (2013: 8%) to 23% (2013: 22%) representing the range of asset classes being tested including established royalty streams, launched marketed products and in-process research and development projects and 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 budget for 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.

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 in to 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 cashflows is compared to the carrying value in the accounts.

The Group do not consider that there are any reasonable possible sensitivities that could result in an impairment charge. The Group have considered the following specific individual sensitivities:

- A 1% increase in the discount rates used would not trigger an impairment;
- A 5% reduction in operating cashflows would not trigger an impairment.

13. Intangible assets

	Note	Developed technology £m	Contractual relation-ships £m	In-process research and develop-ment £m	Computer software £m	Patents £m	Purchase of contractual rights £m	Total £m
Cost								
At 1 April 2012		234.1	40.1	14.8	0.6	13.3	15.7	318.6
Additions		–	–	–	0.2	0.7	1.8	2.7
Disposals		(4.8)	(0.2)	(8.9)	–	(0.6)	–	(14.5)
Currency movements		5.8	1.6	(0.1)	–	1.1	0.9	9.3
At 1 April 2013		235.1	41.5	5.8	0.8	14.5	18.4	316.1
Acquisitions	33	227.8	–	17.6	0.1	–	–	245.5
Additions		–	–	0.5	0.2	0.2	–	0.9
Disposals		(2.0)	–	–	–	–	–	(2.0)
Currency movements		(32.4)	(2.9)	(1.6)	–	(1.6)	(1.4)	(39.9)
At 31 March 2014		**428.5**	**38.6**	**22.3**	**1.1**	**13.1**	**17.0**	**520.6**
Amortisation								
At 1 April 2012		29.1	13.5	9.7	0.1	10.6	9.6	72.6
Provided during the year		12.5	2.0	–	0.1	0.8	0.4	15.8
Impairments	29	–	24.0	5.0	–	0.3	–	29.3
Write back on disposals		(4.8)	(0.2)	(8.9)	–	(0.6)	–	(14.5)
Currency movements		0.8	1.3	–	–	1.0	0.6	3.7
At 1 April 2013		37.6	40.6	5.8	0.2	12.1	10.6	106.9
Provided during the year		22.8	0.5	–	0.2	0.4	0.4	24.3
Write back on disposals		(0.5)	–	–	–	–	–	(0.5)
Currency movements		(2.5)	(2.8)	–	–	(1.7)	(1.0)	(8.0)
At 31 March 2014		**57.4**	**38.3**	**5.8**	**0.4**	**10.8**	**10.0**	**122.7**
Net book value								
At 31 March 2014		**371.1**	**0.3**	**16.5**	**0.7**	**2.3**	**7.0**	**397.9**
At 1 April 2013		197.5	0.9	–	0.6	2.4	7.8	209.2
At 1 April 2012		205.0	26.6	5.1	0.5	2.7	6.1	246.0

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'.

Developed technology

Developed technology includes EkoSonic® acquired in EKOS Corporation (see note 33), TheraSphere® acquired in the Targeted Therapies Division of Nordion Inc. (see note 33), 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 2014 £m	31 March 2013 £m	Remaining amortisation period at 31 March 2014
EkoSonic®	**105.8**	–	14.3 years
TheraSphere®	**90.3**	–	14.3 years
CroFab®	**63.3**	73.1	19.7 years
DigiFab®	**20.5**	23.6	19.7 years
DC Bead® and LC Bead®	**84.1**	91.2	11.8 years

13. Intangible assets continued

In-process research and development

Additions to in-process research and development includes Targeted Therapies assets acquired in the Targeted Therapies Division of Nordion Inc. (see note 33).

	31 March 2014 £m	31 March 2013 £m	Remaining amortisation period at 31 March 2014
Targeted Therapies assets	**15.9**	–	–

In the prior year an impairment charge of £22.5m was recognised in amortisation and impairment of acquired intangibles in the acquisition adjustments and reorganisation costs column in the Income Statement in relation to AZD9773 (see note 29).

14. Property, plant and equipment

Group	Note	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 2012		1.3	13.2	15.9	4.2	34.6
Additions		0.1	3.4	1.8	2.2	7.5
Transfers		0.3	–	0.6	(0.9)	–
Disposals		–	–	(0.9)	–	(0.9)
Currency movements		–	0.8	0.3	0.1	1.2
At 1 April 2013		1.7	17.4	17.7	5.6	42.4
Acquisitions	33	0.4	–	1.0	–	1.4
Additions		3.0	0.3	4.9	3.5	11.7
Disposals		–	–	(5.3)	(0.4)	(5.7)
Currency movements		(0.1)	(2.8)	(1.3)	(0.2)	(4.4)
At 31 March 2014		**5.0**	**14.9**	**17.0**	**8.5**	**45.4**
Depreciation						
At 1 April 2012		0.3	2.1	10.2	–	12.6
Provided during the year		0.2	0.6	2.3	–	3.1
Impairments	29	–	0.1	1.6	0.1	1.8
Disposals		–	–	(0.9)	–	(0.9)
Currency movements		–	0.1	0.3	–	0.4
At 1 April 2013		0.5	2.9	13.5	0.1	17.0
Provided during the year		0.5	0.4	2.5	–	3.4
Disposals		–	–	(4.9)	–	(4.9)
Currency movements		–	(0.6)	(0.8)	–	(1.4)
At 31 March 2014		**1.0**	**2.7**	**10.3**	**0.1**	**14.1**
Net book value						
At 31 March 2014		**4.0**	**12.2**	**6.7**	**8.4**	**31.3**
At 1 April 2013		1.2	14.5	4.2	5.5	25.4
At 1 April 2012		1.0	11.1	5.7	4.2	22.0

The net book value of plant and machinery and furniture, fixtures and equipment includes nil (2013: £0.2m) in respect of assets held under finance lease and hire purchase agreements. Depreciation for the year on those assets was nil (2013: £0.1m).

As detailed in note 29, in the prior year property, plant and equipment write-downs associated with assets used in the development of AZD9773 of £1.8m were recognised in the amounts written off property, plant and equipment. This adjustment was not reflected in the acquisition adjustments and reorganisation costs column.

15. Other investments

	2014 £m	2013 £m
At 1 April	**3.0**	3.0
Additions	**–**	–
Impairment charge	**–**	–
At 31 March	**3.0**	3.0

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 19). 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.

16. Inventories

	31 March 2014 £m	31 March 2013 £m
Raw materials and consumables	**12.0**	10.0
Work in progress	**11.5**	11.6
Finished goods	**3.5**	1.7
	27.0	23.3

In the year a fair value adjustment of £1.9m was recognised through cost of sales (see note 4) leaving nil fair value uplift recognised on the acquisition of EKOS remaining (see note 33). Inventory to the value of £1.8m (2013: £1.6m) was written off through cost of sales.

17. Trade and other receivables

	31 March 2014 £m	31 March 2013 £m
Due within one year		
Revenues receivable, net of provisions	**28.8**	19.2
Other debtors	**9.0**	6.5
Prepayments and accrued income	**37.3**	28.8
	75.1	54.5

Managing credit risk:
'Revenues receivable, net of provisions' represents marketed product sales sold both directly and through distribution agreements for the period to 31 March 2014 and certain other amounts receivable under licence agreements.

The ageing of these amounts was as follows:

	2014 Gross £m	2014 Provision £m	2013 Gross £m	2013 Provision £m
Not past due	**24.8**	**–**	17.0	–
0–30 days	**2.7**	**–**	1.6	–
31–90 days	**0.9**	**–**	0.3	–
> 90 days	**0.9**	**(0.5)**	1.1	(0.8)
Total	**29.3**	**(0.5)**	20.0	(0.8)

Provisions for bad debts of £0.5m (31 March 2013: £0.8m) have been made to write down the value of doubtful receivables to estimated recoverable amounts. The credit to income for the year to 31 March 2014 in respect of reversal of provisions for bad debts was £0.2m (2013: charge of nil).

Notes to the consolidated financial statements

18. Cash and cash equivalents

	31 March 2014 £m	31 March 2013 £m
Bank balances	**38.2**	158.7
Cash and cash equivalents in statement of cash flows	**38.2**	158.7

19. Equity

Other reserves are analysed as follows:

	Translation reserve £m	Fair value reserve £m	Total other reserves £m
At 1 April 2012	(4.1)	0.1	(4.0)
Total recognised income and expense	4.2	–	4.2
At 1 April 2013	0.1	0.1	0.2
Total recognised income and expense	(32.4)	–	(32.4)
At 31 March 2014	**(32.3)**	**0.1**	**(32.2)**

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 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

	Number	2014 £m	Number	2013 £m
At 1 April	**328,276,871**	**32.8**	327,292,865	32.7
Issued for cash	**33,309,663**	**3.3**	984,006	0.1
At 31 March	**361,586,534**	**36.1**	328,276,871	32.8

In May 2013, BTG completed a share placing for a total of 32,208,030 new ordinary shares at a price of 330p per placing share, raising proceeds of £106.3m being £103.1m net of expenses.

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

Share options

Details of outstanding share options are set out in note 23.

20. Trade and other payables

	31 March 2014 £m	31 March 2013 £m
Amounts falling due within one year		
Trade payables	**14.0**	9.4
Accruals and deferred income	**59.3**	47.6
Contingent consideration	**3.4**	–
Other creditors	**3.2**	4.6
	79.9	61.6
Amounts falling due after more than one year		
Accruals and deferred income	**0.3**	0.3
Contingent consideration	**2.1**	–
Other creditors	**0.2**	0.2
	2.6	0.5

21. Derivative financial instruments

	31 March 2014 £m	31 March 2013 £m
Contracts with positive fair values:		
Forward foreign exchange contracts due within one year	**4.4**	–
Forward foreign exchange contracts due after more than one year	**0.9**	–
Derivative instrument assets	**5.3**	–
Contracts with negative fair values:		
Forward foreign exchange contracts	**–**	2.2
Derivative instrument assets	**–**	2.2

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

At 31 March 2014 the Group had forward contracts to sell US$144m in the period to June 2015 at rates in the range £1:US$1.51 to £1:US$1.65. The fair value of these derivative financial instruments was marked to market at 31 March 2014 as an asset at £5.3m.

At 31 March 2013 the Group had forward contracts to sell US$71m in the period to September 2013 at rates in the range £1:US$1.56 to £1:US$1.61. The fair value of these derivative financial instruments was marked to market at 31 March 2013 as a liability at £2.2m.

The fair value gain/loss for the year associated with these forward contracts was included within 'Financial income/expense'.

A 5% strengthening of the US$ as at 31 March 2014, all other variables being unchanged, would result in a reduction of £4.2m within 'Financial income' in the income statement and a fair value asset of £1.2m within 'Derivative instruments' within assets. A 5% weakening of the US$ would result in a £4.2m increase in 'Financial income' and a fair value asset of £9.6m within 'Derivative instruments' within assets.

22. Retirement benefit schemes

As disclosed in note 1, the Group adopted IAS19 'Employee Benefits' Revised and has applied it from 1 April 2013.

Defined benefit scheme

For eligible UK employees the Group operates a funded pension plan providing benefits based on final pensionable emoluments. The plan was closed to new entrants as of 1 June 2004. The plan is a registered scheme under the provisions of Schedule 36 of the Finance Act 2004 and assets are held in a legally separate, trustee-administered fund. The trustees are required by law to act in the best interest of the plan participants and are responsible for setting the plan's investment and governance policies.

The results of the formal valuation of the plan as at 31 March 2013 were updated to the accounting date by an independent qualified actuary in accordance with IAS19.

The plan exposes the Group to inflation risk, interest rate risk, market investment and longevity risk. The Group is not exposed to any unusual, entity specific or plan specific risks. The plan has a history of granting increases to pensions in line with price inflation, and these increases are reflected in the measurement of the obligation.

In July 2010, the government announced its intention that future statutory minimum pension indexation would be measured by the Consumer Prices Index, rather than the Retail Prices Index ('RPI'). The Group continues to value its pension fund liability on the basis of RPI.

The estimated amount of total employer contributions expected to be paid to the plan during 2014/15 is £4.1m (2013/14 actual: £3.6m).

The IAS19 position of the plan is generally expected to be different to the triennial funding valuation assessment. The two main drivers of this difference are the requirements for prudence in the funding basis (compared to the IAS19 best-estimate principle), and the IAS19 requirements to use a discount rate based on high quality corporate bonds (compared to a prudent expectation of actual asset returns for funding). This can sometimes lead to a situation where the IAS19 measure shows a surplus while the funding measure shows a deficit, with associated deficit recovery contributions payable by the Group.

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

	31 March 2014	31 March 2013	31 March 2012
Retail price inflation	**3.6% p.a.**	3.6% p.a.	3.5% p.a.
Discount rate	**4.4% p.a.**	4.4% p.a.	4.7% p.a.
Life expectancy at age 60 of a male age 60 at the accounting date	**88.4**	87.5	87.3
Life expectancy at age 60 of a male age 40 at the accounting date	**90.8**	89.1	88.9

Assumptions regarding future mortality experience are set based on actuarial advice and in accordance with published statistics. The mortality tables used at both year-ends 2013 and 2014 are S1NA tables based on year of birth, with a multiplicative adjustment factor to reflect the Group's assessment of the average current mortality rates of the plan members relative to the tables. Amongst the UK population, there is a continuing trend for a generation to live longer than the preceding generation, and this has been reflected in the longevity assumption by adopting CI core projections and also incorporating a minimum long-term rate of improvement in longevity of 1.5%/1.25% p.a. for males and females respectively 2014 (1% p.a. for both males and females in 2013).

22. Retirement benefit schemes continued

The following table sets out related IAS19 assumptions used:

	31 March 2014	31 March 2013	31 March 2012
Pension increases in deferment – RPI inflation	**3.6% p.a.**	3.6% p.a.	3.5% p.a.
Pension increases in payment – RPI inflation	**3.6% p.a.**	3.6% p.a.	3.5% p.a.
Pension increases in payment – inflation capped at 2.5%	**2.3% p.a.**	2.3% p.a.	2.3% p.a.
General salary increases	**3.6% p.a.**	3.6% p.a.	3.5% p.a.

The amount included in the statement of financial position arising from the Group's obligations in respect of the plan is as follows:

	31 March 2014 £m	31 March 2013 £m	31 March 2012 £m
Present value of defined benefit obligation	**(110.9)**	(110.7)	(103.5)
Fair value of scheme assets	**118.9**	121.0	108.5
Net asset recognised in the statement of financial position	**8.0**	10.3	5.0

A net asset is presented in the statement of financial position within non-current assets.

The IAS19 expense is made up of the current service cost, plan administrative expenses, interest cost on the defined benefit obligation and interest income on plans assets, all of which are shown in the change in defined benefit obligation and assets tables below. The expense has been included in 'Operating expenses: Selling, general and administrative expenses'.

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

	31 March 2014	31 March 2013	31 March 2012
Equity instruments	**16.0%**	15.0%	15.0%
Diversified growth funds	**14.0%**	14.0%	14.0%
Inflation linked bonds	**55.0%**	56.0%	56.0%
Corporate bonds	**14.0%**	14.0%	14.0%
Cash/net current assets	**1.0%**	1.0%	1.0%

There are no direct investments in the Group's own shares or property occupied by any member of the Group.

All asset classes have quoted prices in active markets, with the exception of one of the two diversified growth funds (around 7% of the overall portfolio). Diversified growth funds invest in a range of underlying asset classes and derivatives: typically equities, bonds (including high yield and emerging market debt), hedge funds, commodities, infrastructure and property, and vary their allocations to these markets tactically. They aim to achieve long term returns that are broadly in line with the long term equity returns, but with lower volatility and an element of capital preservation.

In setting the investment strategy the trustees considered the views of the Group, their assessment of the Group's covenant supporting the actuarial risks faced by the plan, the risk and rewards of a number of possible asset allocation options, the suitability of a wide range of asset classes within each strategy across and within asset classes, and the need for appropriate diversification amongst different asset classes.

Changes in the present value of the defined benefit obligation, the fair value of the plan assets and the net asset/(liability) over the year ending 31 March 2014 are as follows:

Year ending 31 March 2014	Obligation £m	Plan Assets £m	**Net asset/ (liability) £m**
Beginning of the year	(110.7)	121.0	**10.3**
Employer's part of the current service cost	(0.4)	–	**(0.4)**
Interest cost/income	(4.8)	5.3	**0.5**
Administrative costs	–	–	**–**
Contributions by the employer	–	3.6	**3.6**
Contributions from plan members	(0.1)	0.1	**–**
Actuarial gain/loss – experience	2.1	(6.3)	**(4.2)**
Actuarial gain/loss – financial assumptions	–	–	**–**
Actuarial gain/loss – demographic assumptions	(1.8)	–	**(1.8)**
Benefits paid	4.8	(4.8)	**–**
End of the Year	(110.9)	118.9	**8.0**

22. Retirement benefit schemes continued

Changes in the present value of the defined benefit obligation, the fair value of the plan assets and the net asset/liability over the year ending 31 March 2013 are as follows:

Year ending 31 March 2013	Obligation £m	Plan Assets £m	Net asset/ (liability) £m
Beginning of the year	(103.5)	108.5	5.0
Employer's part of the current service cost	(0.4)	–	(0.4)
Interest cost/income	(4.7)	5.1	0.4
Administrative costs	–	–	–
Contributions by the employer	–	4.6	4.6
Contributions from plan members	(0.1)	0.1	–
Actuarial gain/loss – experience	0.9	7.3	8.2
Actuarial gain/loss – financial assumptions	(5.9)	–	(5.9)
Actuarial gain/loss – demographic assumptions	(1.6)	–	(1.6)
Benefits paid	4.6	(4.6)	–
End of the Year	**(110.7)**	**121.0**	**10.3**

The actual return on the plan assets over 2014 was a loss of £1.0m (2013: gain of £12.1m).

The weighted average duration of the defined benefit obligation at the end of the reporting period is 16 years (2013: 17 years).

The administrative costs shown above are nil as they paid directly by the Group and are expensed separately outside IAS19.

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

		Increase in Obligation		Increase in Plan Assets		Increase in Net Liability	
	Change in assumption	**31 March 2014 £m**	31 March 2013 £m	**31 March 2014 £m**	31 March 2013 £m	**31 March 2014 £m**	31 March 2013 £m
Discount Rate	Decrease 0.1%	**1.7**	1.7	**1.5**	1.6	**0.2**	0.1
RPI inflation	Increase 0.1%	**1.4**	1.4	**1.4**	1.5	**–**	(0.1)
Life expectancy	Increase 1 year	**3.7**	3.7	**–**	–	**3.7**	3.7

The sensitivity information has been derived using projected cash flows valued using the relevant assumptions and membership profile as at 31 March 2014. The sensitivity methodology has not changed from prior years. Extrapolation of these results beyond the sensitivity figures shown may not be appropriate.

IAS 19 (Revised)

Restatements to Consolidated Statement of Financial Position

The transition impact of IAS 19 (revised) on the statement of financial position is due to the removal of the reserve for plan administrative expense in the defined benefit obligation and is show in the table below.

	31 March 2014 £m	31 March 2013 £m	31 March 2012 £m
IAS 19 (Previous)			
Present value of defined benefit obligation	**116.4**	116.3	108.6
Fair value of scheme assets	**(118.9)**	(121.0)	(108.5)
Net asset/(liability) recognised in the statement of financial position	**2.5**	4.7	0.1
IAS 19 (Revised)			
Present value of defined benefit obligation	**110.9**	110.7	103.5
Fair value of scheme assets	**(118.9)**	(121.0)	(108.5)
Net asset/(liability) recognised in the statement of financial position	**8.0**	10.3	5.0
Restatement impact			
Present value of defined benefit obligation	**5.5**	5.6	5.1
Fair value of scheme assets	**–**	–	–
Net asset/(liability) recognised in the statement of financial position	**5.5**	5.6	5.1

22. Retirement benefit schemes continued

The restatement of the statement of financial position as at 31 March 2013 is shown below.

	31 March 2013			31 March 2012		
	Previously Published £m	Impact of IAS19 Revised £m	Restated £m	Previously Published £m	Impact of IAS19 Revised £m	Restated £m
Assets						
Employee Benefits	4.7	5.6	10.3	–	5.0	5.0
Equity						
Retained Earnings	(108.4)	3.6	(104.8)	(128.6)	5.3	(123.3)
Liabilities						
Employee Benefits	–	–	–	(0.1)	0.1	–
Deferred Taxation	41.8	2.0	43.8	35.2	(0.2)	35.0

Restatements to Consolidated Income Statement

There is no material impact on the consolidated income statement for the 12 months ending 31 March 2013.

Restatements to Consolidated Other Comprehensive Income

12 months ended 31 March 2013	Previously Published £m	Impact of IAS19 Revised £m	Restated £m
Foreign Exchange Differences	4.2	–	4.2
Actuarial gain on defined benefit pension scheme	0.1	0.4	0.5
Deferred tax on defined benefit pension scheme asset	(1.6)	(2.1)	(3.7)
Other comprehensive income for the year	**2.7**	**(1.7)**	**1.0**

Defined contribution schemes

The Group offers defined contribution pension schemes for its UK, US, Canadian, European and Australian employees. The total income statement charge in relation to these schemes was £2.9m (2013: £1.9m).

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

23. 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 directors' remuneration report on pages 51 to 68.

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 2014	31 March 2013
Risk-free interest rate	**0.4% – 1.0%**	0.1% – 0.7%
Dividend yield	**Nil**	Nil
Volatility	**29% – 31%**	29% – 40%
Expected lives of options and awards granted under:		
– Share option plan	**3 years**	6 years
– Sharesave plan	**3.37 years**	3.25 years
– Stock purchase plan	**2.13 years**	2.13 years
– Restricted share awards	**n/a**	n/a
– Performance share plan	**3 – 5 years**	2 – 3 years
– Deferred share bonus plan	**3 years**	3 years
Weighted average fair value for share option plan grants in the year	**161.7p**	158.6p
Weighted average fair value for sharesave grants in the year	**136.3p**	129.9p
Weighted average fair value for stock purchase plan grants in the year	**96.0p**	100.7p
Weighted average fair value for performance share awards in the year	**323.4p**	355.7p
Weighted average fair value for deferred share bonus awards in the year	**368.0p**	380.5p

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.

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 & non-life insurance, equity & non-equity investment trusts, financial services, real estate investment & services and real estate investment trusts etc.) and companies in the consumer discretionary sector (general retailers, media, travel & leisure, and leisure goods). Earlier share options and performance shares used the FTSE SmallCap (excluding Investment Trusts) index. If the Company's share price at least matches the performance of the relevant index over the vesting period, the market-based performance condition will be considered to have been achieved. The fair value of an award of shares under the share option and performance share plans have been adjusted to take into account this market-based performance condition using a pricing model based on expectations about volatility and the correlation of 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 directors' remuneration report on pages 51 to 68 for further information.

23. Share based payments continued

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

	2014 Number of share options (000)	2014 Weighted average exercise price (p)	2013 Number of share options (000)	2013 Weighted average exercise price (p)
Share options				
Outstanding at 1 April	**1,682**	**262.3**	1,427	225.2
Granted during year	**26**	**395.1**	341	384.2
Lapsed during year	**(54)**	**273.2**	(79)	132.7
Exercised during year	**(89)**	**117.2**	(7)	106.3
Outstanding at 31 March	**1,565**	**269.6**	1,682	262.3
Exercisable at 31 March	**676**	**186.8**	436	161.7
Sharesave plan				
Outstanding at 1 April	**459**	**245.2**	475	183.5
Granted during year	**208**	**289.5**	177	320.2
Lapsed during year	**(62)**	**272.7**	(38)	219.3
Exercised during year	**(95)**	**161.2**	(155)	147.0
Outstanding at 31 March	**510**	**274.0**	459	245.2
Exercisable at 31 March	**–**	**–**	–	–
Stock purchase plan				
Outstanding at 1 April	**95**	**305.3**	66	216.4
Granted during year	**62**	**332.0**	56	349.5
Lapsed during year	**(24)**	**340.0**	(2)	326.3
Exercised during year	**(40)**	**248.8**	(25)	173.2
Outstanding at 31 March	**93**	**339.9**	95	305.3
Exercisable at 31 March	**–**	**–**	–	–

23. Share based payments continued

Options outstanding at 31 March 2014

	Number (000)	Weighted exercise price (p)	Latest exercise date year ended 31 March
Share options granted in year ended 31 March			
2005	2	106.3	2015
2007	55	143.5	2017
2010	290	179.3	2020
2011	329	201.3	2021
2012	537	298.5	2022
2013	333	384.1	2023
2014	19	395.1	2017
	1,565		
Sharesave plan options granted in year ended 31 March			
2012	174	219.5	2015
2013	139	320.2	2016
2014	197	289.5	2017
	510		
Stock purchase plan options granted in year ended 31 March			
2012	42	349.5	2015
2013	51	332.0	2016
	93		

Performance share awards

Following approval of the Performance Share Plan by shareholders at the 2006 AGM, the Company has made awards to the executive directors and other employees with a vesting period of three years. In 2013, amendments to the rules of the Plan and the terms of new performance conditions were approved at the AGM. These included the opportunity for executive directors only to voluntarily elect to carry-forward and put at risk for a further two years shares that would have vested under the core award after three years into a Multiplier award.

A Senior Management Performance Share Plan was approved by the Board in 2012 in order to award shares to certain senior employees below board level. The shares will vest on the second anniversary of the grant date.

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

	2014 Number of share awards (000)	2013 Number of share awards (000)
Performance share awards		
Outstanding at 1 April	**3,361**	3,108
Granted during year	**2,000**	1,347
Lapsed during year	**(350)**	(288)
Exercised during year	**(869)**	(806)
Outstanding at 31 March	**4,142**	3,361
Exercisable at 31 March	**–**	–
Senior Management Performance Share Plan		
Outstanding at 1 April	**142**	–
Granted during year	**–**	142
Lapsed during year	**(19)**	–
Exercised during year	**–**	–
Outstanding at 31 March	**123**	142
Exercisable at 31 March	**–**	–

23. Share based payments continued

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.

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

	2014 Number of share awards (000)	2013 Number of share awards (000)
Outstanding at 1 April	**757**	682
Granted during year	**192**	240
Lapsed during year	**(37)**	(14)
Exercised during year	**(342)**	(151)
Outstanding at 31 March	**570**	757
Exercisable at 31 March	**–**	–

For the performance share awards and the deferred share bonus plan awards are forfeited if the director or other employee leaves the Group before the awards vest, unless the conditions under which they leave are such that they are considered to be a 'good leaver'; 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 directors' remuneration report on pages 51 to 68.

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. Whilst 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 2014 nil (31 March 2013: 124,008) ordinary shares in BTG plc, issued and subscribed for by the Biocompatibles International plc Share Incentive Plan Trust, had not vested unconditionally.

24. 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 2014 the Trust held 720,699 (31 March 2013: 1,063,029) shares in BTG plc and a further 12,596 (31 March 2013: 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 2014 the Trust has nil shares set aside under the Deferred Share Bonus Plan (31 March 2013: 347,900).

25. Provisions

	2014			2013		
	Leases £m	**Reorganisation £m**	**Total £m**	Leases £m	Reorganisation £m	Total £m
At 1 April	**0.8**	**0.2**	**1.0**	1.7	0.1	1.8
Provisions utilised during year	**–**	**–**	**–**	(0.4)	–	(0.4)
Provisions made during year	**0.2**	**–**	**0.2**	–	0.1	0.1
Provisions released during the period	**(0.1)**	**(0.1)**	**(0.2)**	(0.5)	–	(0.5)
Difference on exchange	**–**	**–**	**–**	–	–	–
At 31 March	**0.9**	**0.1**	**1.0**	0.8	0.2	1.0
Balance due within one year	**0.4**	**0.1**	**0.5**	0.4	0.2	0.6
Balance due after more than one year	**0.5**	**–**	**0.5**	0.4	–	0.4
	0.9	**0.1**	**1.0**	0.8	0.2	1.0

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 and Protherics PLC on 4 December 2008. The provision principally comprises redundancy and other site closure costs.

26. Financial risk management objectives and policies

Overview

The Group has exposure to credit, liquidity and market risks from its use of financial instruments. This note sets out the Group's key policies and processes for managing these risks.

Credit risk

Credit risk is the risk of financial loss to the Group if a licensee fails to meet its contractual obligations or a customer fails to pay for goods received. The Group's primary objective with respect to credit risk is to minimise the risk of default by licensees or customers.

A substantial element of the Group's revenue is derived from royalties which are only payable if a licensee is generating income from sales of licensed products. In such instances the Group's exposure to credit risk is considered to be inherently 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 prior years, 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.

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 assets held under finance leases. The Group has substantial cash balances to fund its operations. In April 2013, the Group signed a £60m multi-currency revolving credit facility providing access to funds for a period of three years to April 2016. This has not been utilised in the period.

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, Canadian dollars, Euros and Australian dollars. As a result the Group's sterling income statement, balance sheet and cash flows may be affected by movements in sterling exchange rates with these currencies. The Group's primary objective with respect to managing foreign exchange risk is to provide 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 and US dollars with smaller elements in Canadian dollars, Euros 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 21).

26. Financial risk management objectives and policies continued

Sensitivity analysis

A 5% weakening of the US$ at 31 March 2014 would have resulted in the following decrease in profit:

	31 March 2014 £m	31 March 2013 £m
Decrease in profit	**2.0**	1.3

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 2014 £m	31 March 2013[1] £m
Total equity – capital and reserves attributable to BTG shareholders	**530.4**	434.6
Total assets	**711.7**	544.9
Equity ratio	**74.5%**	79.7%

[1] The financial position as at 31 March 2013 has been restated following the adoption of IAS 19 Revised. See accounting policies in note 1 and retirement benefit schemes in note 22 for further details.

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 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.

26. 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:

31 March 2013	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
Cash and cash equivalents	–	–	–	158.7	158.7	158.7
Forward contracts	–	(2.2)	–	–	(2.2)	(2.2)
Other investments	3.0	–	–	–	3.0	3.0
Trade and other receivables	–	–	–	54.5	54.5	54.5
Trade and other payables	(0.8)	–	–	(61.3)	(62.1)	(62.1)
31 March 2014						
Cash and cash equivalents	**–**	**–**	**–**	**38.2**	**38.2**	**38.2**
Forward contracts	**–**	**5.3**	**–**	**–**	**5.3**	**5.3**
Other investments	**3.0**	**–**	**–**	**–**	**3.0**	**3.0**
Trade and other receivables	**–**	**–**	**–**	**75.1**	**75.1**	**75.1**
Trade and other payables	**(5.5)**	**–**	**–**	**(77.0)**	**(82.5)**	**(82.5)**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 – quoted prices in active markets for identical assets and liabilities

Level 2 – observable inputs other than quoted prices in active markets for identical assets and liabilities

Level 3 – unobservable inputs

Fair value hierarchy of financial assets and liabilities

At 31 March 2013	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets recognised at fair value				
Investments	–	3.0	–	3.0
Financial liabilities recognised at fair value				
Forward contracts	–	(2.2)	–	(2.2)
Fair value of other contingent consideration	–	–	(0.8)	(0.8)
At 31 March 2014				
Financial assets recognised at fair value				
Forward contracts	**–**	**5.3**	**–**	**5.3**
Investments	**–**	**3.0**	**–**	**3.0**
Financial liabilities recognised at fair value				
Fair value of other contingent consideration	**–**	**–**	**(5.5)**	**(5.5)**

Level 2 financial assets and liabilities represent forward foreign exchange contracts to sell US$ which are marked-to-market at each balance sheet date and other investments held at fair value as disclosed in note 15.

Level 3 financial liabilities predominantly represent the contingent consideration payable on achievement of revenue targets by EKOS following the acquisition of EKOS Corporation in July 2013 (see note 33) and 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.

The movement in these level 3 financial liabilities is shown below:

	2014 £m	2013 £m
At 1 April	**(0.8)**	(0.7)
Acquisitions	**(17.5)**	–
Movements in Fair Value	**(0.9)**	(0.1)
Paid during the year	**11.9**	–
Currency Movements	**1.8**	–
At 31 March	**(5.5)**	(0.8)

26. Financial risk management objectives and policies continued

Contractual maturity analysis of financial assets/(liabilities)

Forward foreign exchange contracts that mature within:	31 March 2014 £m	31 March 2013 £m
0–3 months	**1.3**	(0.6)
3–6 months	**1.1**	(1.6)
6–12 months	**2.0**	–
>12 months	**0.9**	–
Total	**5.3**	(2.2)

Net gains and losses on financial assets and liabilities

Foreign exchange losses of £5.0m (2013: gains of £3.1m) were recognised within Operating profit in relation to settlement of trade receivables and payables.

The Group recognised a fair value gain of £7.5m (2013: loss of £2.6m) relating to forward foreign exchange contracts within 'Financial income' (2013: 'Financial expense').

Estimation of fair values

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

Other investments

These comprise both listed and unlisted investments, available-for-sale. The figure recorded in the statement of financial position (note 15) is the best estimate of fair value.

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. Other contingent considerations are fair valued at each reporting period recognising any changes between fair value at initial recognition and fair value at year-end to reflect a change in factors, including time.

27. Operating leases

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

	31 March 2014 Property £m	31 March 2013 Property £m
Within one year	**2.5**	1.4
Between two and five years	**6.5**	2.8
Greater than five years	**–**	0.3
	9.0	4.5

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

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

28. Other financial commitments

The Group has entered into agreements with a number of early-stage companies and venture capital funds. At 31 March 2014 the Group is committed to invest nil under these agreements (2013: nil).

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 £1.5m in litigation costs (2013: £1.1m).

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 Scheme up to a maximum amount equal to the lowest non-negative amount which, when added to the assets of the Scheme, would result in the scheme 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.

29. AZD9773 (CytoFab®)

In the prior year, on 8 August 2012 BTG announced the top-line data from a Phase 2b study of AZD9773 in patients with severe sepsis and/or septic shock, conducted by AstraZeneca. The study failed to meet primary or secondary endpoints. AstraZeneca terminated its licence agreement and associated arrangement with BTG. BTG does not anticipate conducting any further development of AZD9773. Consequently the following transactions were recognised in the 12 months ended 31 March 2013:

- Revenue of £8.6m was recognised within milestones and one-off income in the Licensing operating segment. The components of this revenue were:
  - The release of deferred income associated with previous received milestones from AstraZeneca in relation to AZD9773 work streams totalling £6.1m; plus
  - Compensation for early contract termination of £2.5m.
- An impairment charge of £22.5m was recognised in amortisation and impairment of acquired intangibles in the acquisition adjustments and reorganisation costs column;
- Property, plant and equipment write-downs associated with assets used in the development of AZD9773 of £1.8m were recognised in the amounts written off property, plant and equipment.

30. 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.

In relation to the related party relationship identified on page 44 concerning Giles Kerr, payments made by BTG to Oxford University and Isis Innovations Ltd under the relevant licence agreements were £nil for the year ended 31 March 2014 (£1.5m during the year ended 31 March 2013). There are no amounts still outstanding and payable by BTG under these agreements as at 31 March 2014 (2013: nil).

Key management personnel are considered to be the directors and their remuneration is disclosed within the directors' remuneration report on pages 51 to 68.

31. Disposal of Brachytherapy business

In September 2013, BTG announced the sale of its Brachytherapy business to Eckert & Ziegler Group, based in Berlin, Germany for a payment of US$5.0m on closing plus a 30% share of revenues from the transferring products for a period of 12 months commencing either with the start of production by Eckert & Ziegler or on January 2014, whichever is first. The deal completed on 1 November 2013. The profit on disposal of the Brachytherapy business of £0.4m is included within the profit on disposal of property plant and equipment and intangible assets of £1.1m in the Income Statement. The net proceeds of the disposal are included within Net proceeds from disposal of property and equipment and intangible assets in the cash flow statement.

Notes to the consolidated financial statements

32. Group entities

The significant subsidiary undertakings of BTG plc at 31 March 2014 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*	Ordinary	Investment in IPR management companies
Provensis Ltd*	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 Management Services Ltd	Ordinary	Investment and management of group companies
Protherics Medicines Development Limited	Ordinary	Development, management and commercialisation of IPR
BTG International Inc., Delaware, USA	Common stock	Research, development, manufacture and sale of pharmaceutical products and potential drugs
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	The research, development, manufacture and sale of pharmaceutical products and potential drugs
Biocompatibles International Ltd*	Ordinary	Investment and management of group companies
Biocompatibles UK Ltd	Ordinary	Commercialisation of Bead products
Biocompatibles, Inc. Delaware USA	Common stock	Commercialisation and distribution of Bead products and Therasphere®
BTG International Germany GmbH (formally known as CellMed AG.) Germany	No par value shares	Research and development
BTG International Canada Inc. Canada	Common shares	Support of Therasphere® business
EKOS Corporation Delaware USA	Common stock	Manufacture and commercialisation of therapeutic ultrasound devices
BTG International Healthcare Ltd	Ordinary	Group financing
BTG International Healthcare Inc.	Common stock	Group financing
BTG International Healthcare LLC	Ordinary	Group financing

* Indicates direct subsidiary of BTG plc.

33. Business Combinations

In July 2013, BTG completed the acquisitions of EKOS Corporation (EKOS) and the Targeted Therapies Division of Nordion Inc.

a) EKOS Corporation (EKOS)

BTG completed the acquisition of 100% of EKOS on 5 July 2013 for an initial cash consideration of £118.7m ($178.8m) and up to $40m in contingent consideration based upon future performance milestones. The contingent consideration had a carrying value equal to its fair value of £17.5m using acquisition date trading assumptions and forecasts to assess the likelihood of payments to be made. The purchase price allocation is the final determination of the fair values of assets acquired and liabilities assumed.

EKOS owns, manufactures and distributes the EkoSonic® Endovascular System (EkoSonic®), a differentiated interventional medicine product using a locoregional approach in the treatment of severe blood clots. EkoSonic® is cleared for use in the US and the EU. The acquisition is a complementary transaction in line with BTG's existing strategy of growing its Interventional Medicine business, following its acquisition of Biocompatibles International plc in 2011.

At acquisition, intangible assets principally comprised £123.2m relating to EkoSonic® developed technology. The fair value of this asset has been estimated using an income approach, using the excess earnings method. The estimated useful life of the technology is 15 years, and amortisation expense will be recorded on a straight-line basis. Goodwill arising of £47.8m, which is not deductible for tax purposes, has been assigned to the Interventional Medicine operating segment. Goodwill includes the values of tax impacts, assembled workforce and future potential indications for EkoSonic® which at the time of acquisition did not meet the criteria for recognition as separate intangible assets.

Under the terms of the acquisition aggreement BTG may be due to make further contingent payments dependent upon EKOS achieving certain revenue targets. These comprise up to $20m payable in respect of 2013 and up to $20m payable in respect of 2014 and 2015 in aggregate. Total contingent payments will not exceed $40m. During the year BTG paid the contingent payment in respect of 2013 of $20.0m (£11.9m). The remaining contingent payment on the Statement of Financial Position is considered by management to be a level 3 financial instrument (note 26).

	Book Value £m	Fair Value Adjustment £m	Fair Value £m
ASSETS			
Non-current assets:			
Intangible assets	0.1	123.2	123.3
Property, plant & equipment	1.4	–	1.4
Current assets:			
Inventories	2.7	1.9	4.6
Trade and other receivables	3.0	–	3.0
Cash and cash equivalents	3.1	–	3.1
LIABILITIES			
Current liabilities:			
Trade and other payables	(4.8)	–	(4.8)
Non-current liabilities:			
Trade and other payables	(0.4)	–	(0.4)
Deferred tax liabilities	–	(41.8)	(41.8)
Assets acquired	5.1	83.3	88.4
Goodwill			47.8
Total assets acquired			136.2
Cash consideration paid			118.7
Contingent consideration			17.5
Total Consideration			**136.2**
Cash and cash equivalents included in undertaking acquired			3.1
Cash consideration paid			(118.7)
Net cash outflow arising on acquisition and in cash flow statement			(115.6)

b) Targeted Therapies division of Nordion Inc.

On the 13 July 2013, BTG completed the acquisition of the Targeted Therapies Division of Nordion Inc. for a total cash consideration of £132.8m (US$200.8m). The purchase price allocation is the final determination of the fair values of assets acquired and liabilities assumed.

Targeted Therapies is a high growth business that is focused in utilising TheraSphere® for targeted interventional treatment of liver cancer. TheraSphere® is a product comprising radioactive glass beads which target the tumour from within the body with a high concentration of radiation, thereby limiting both damage to surrounding healthy tissue and side effects for the patient in comparison to externally delivered radiation. The acquisition is a complementary transaction in line with BTG's existing strategy of growing its Interventional Medicine business, following its acquisition of Biocompatibles International plc in 2011.

At acquisition, intangible assets comprised of £104.6m relating to Targeted Therapies developed technology and £17.6m relating to in process research and development assets. The fair value of these assets has been estimated using an income approach, using the excess earnings method. The estimated useful life of the technology is 15 years, and amortisation expense will be recorded on a straight-line basis. Goodwill arising of £23.3m, which is not deductible for tax purposes, has been assigned to the Interventional Medicine operating segment. Goodwill includes the values of tax impacts and assembled workforce.

33. Business Combinations continued

	Book Value £m	Fair Value Adjustment £m	Fair Value £m
ASSETS			
Non-current assets:			
Intangible assets	–	122.2	122.2
Current assets:			
Inventories	0.6	–	0.6
Trade and other receivables	5.8	–	5.8
LIABILITIES			
Current liabilities:			
Trade and other payables	(1.7)	–	(1.7)
Non-current liabilities:			
Deferred tax liabilities	–	(17.4)	(17.4)
Assets acquired	4.7	104.8	109.5
Goodwill			23.3
Total consideration			132.8
Cash paid			(132.8)
Net cash outflow arising on acquisition and in cash flow statement			(132.8)

Revenue and Profit Impact of acquisitions

EKOS contributed revenues of £20.3m and operating profit before acquisition adjustments and reorganisation costs of £2.3m in the period since acquisition. The Targeted Therapies Division of Nordion Inc. contributed revenues of £24.7m and operating profit before acquisition adjustments and reorganisation costs of £7.3m in the period since acquisition.

If both acquisitions had taken place on 1 April 2013, the first day of the reporting period under review, revenue and profit before tax and before acquisition adjustments and reorganisation costs of the combined group would have been £306.7m and £73.3m respectively.

Company statement of financial position

	Note	31 March 2014 £m	31 March 2013 £m
ASSETS			
Non-current assets			
Investment in subsidiaries	4	**617.5**	369.3
		617.5	369.3
Current assets			
Trade and other receivables	5	**72.0**	215.7
Cash and cash equivalents		**–**	–
		72.0	215.7
Total assets		**689.5**	585.0
EQUITY			
Share capital	6	**36.1**	32.8
Share premium account	6	**288.7**	188.6
Merger reserve	6	**317.8**	317.8
Retained earnings	6	**44.2**	43.1
Total equity attributable to equity holders of the parent	6	**686.8**	582.3
LIABILITIES			
Non-current liabilities			
Trade and other payables	7	**–**	–
		–	–
Current liabilities			
Trade and other payables	7	**2.7**	2.7
Taxation		**–**	–
		2.7	2.7
Total liabilities		**2.7**	2.7
Total equity and liabilities		**689.5**	585.0

The notes on pages 119 to 121 form part of these financial statements.

The financial statements were approved by the Board on 19 May 2014 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
for the year ended 31 March 2014

	Note	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Loss after tax for the year	2	**(4.6)**	(3.3)
(Increase)/decrease in trade and other receivables	5	**(99.8)**	1.3
Decrease in trade and other payables	7	**–**	(0.3)
Other items		**1.0**	1.9
Net cash outflow from operating activities		**(103.4)**	(0.4)
Investing activities			
Other		**–**	–
Net cash outflow from investing activities		**–**	–
Cash flows from financing activities			
Proceeds of share issue	6	**103.4**	0.4
Net cash inflow from financing activities		**103.4**	0.4
Decrease in cash and cash equivalents		**–**	–
Cash and cash equivalents at start of year		**–**	–
Cash and cash equivalents at end of year		**–**	–

Company statement of changes in equity

	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total equity £m
At 1 April 2012	32.7	188.3	317.8	41.1	579.9
Loss for the year	–	–	–	(3.3)	(3.3)
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(3.3)	(3.3)
Transactions with owners:					
Issue of BTG plc ordinary shares	0.1	0.3	–	–	0.4
Movement in shares held by the Trust	–	–	–	0.6	0.6
Share-based payments	–	–	–	4.7	4.7
At 31 March 2013	32.8	188.6	317.8	43.1	582.3

	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total equity £m
At 1 April 2013	32.8	188.6	317.8	43.1	582.3
Loss for the year	–	–	–	(4.6)	(4.6)
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(4.6)	(4.6)
Transactions with owners:					
Issue of BTG plc ordinary shares	3.3	100.1	–	–	103.4
Movement in shares held by the Trust	–	–	–	0.4	0.4
Share-based payments	–	–	–	5.3	5.3
At 31 March 2014	**36.1**	**288.7**	**317.8**	**44.2**	**686.8**

The notes on pages 119 to 121 form part of these financial statements.

Notes to the company financial statements

1. Accounting policies

The accounting policies adopted in the preparation of these Company financial statements are the same as those set out in note 2 to the Group financial statements with the addition of the following:

Investments

Investments in subsidiaries are stated at cost less provision for impairment.

Accounting for transactions under common control

Where the Company acquires or disposes of shares in another Group company either in a share for share exchange or as an acquisition or disposal of part of the business, the cost or proceeds are determined by reference to the fair value of the consideration received (i.e. the fair value of the company in which shares have been received) at the date of transfer.

If the Company receives shares following the sale of its subsidiary or part of its business, any gain or loss is credited or charged to the income statement. Where the Company issues shares following the acquisition of a subsidiary or part of another business, any gain or loss is credited or charged to reserves.

Share-based payments

The Company has elected to apply 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 £4.6m (2013: £3.3m).

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

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
The auditing of accounts of the Company	**94**	93
Audit related assurance services	**54**	50

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 on pages 51 to 68 within the directors' remuneration report and form part of these audited accounts.

The employees of the Company are members of the Group pension schemes as detailed in note 22 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 2012	365.9
Share based payments	3.4
At 1 April 2013	369.3
Transfers of investments to subsidiary companies	244.1
Share based payments	4.1
At 31 March 2014	**617.5**

During the year BTG plc, in conjunction with the broader Group undertook the transfer of several investments within the Group structure. There was no share-for-share consideration offered as part of these non-cash settled transactions.

A list of the Company's principal subsidiary undertakings is shown in note 32 to the Group financial statements.

Notes to the company financial statements

5. Trade and other receivables

	31 March 2014 £m	31 March 2013 £m
Due within one year		
Prepayments	**0.8**	0.4
Amounts owed by subsidiary undertakings	**71.2**	215.3
	72.0	215.7

6. Capital and reserves

	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total £m
Company					
At 1 April 2012	32.7	188.3	317.8	41.1	579.9
Loss for financial year	–	–	–	(3.3)	(3.3)
Total recognised loss for the year	–	–	–	(3.3)	(3.3)
Movement in shares held by Trust	–	–	–	0.6	0.6
Other share capital issued	0.1	0.3	–	–	0.4
Share-based payments	–	–	–	4.7	4.7
At 1 April 2013	32.8	188.6	317.8	43.1	582.3
Loss for financial year	–	–	–	(4.6)	(4.6)
Total recognised loss for the year	–	–	–	(4.6)	(4.6)
Movement in shares held by Trust	–	–	–	0.4	0.4
Other share capital issued	3.3	100.1	–	–	103.4
Share-based payments	–	–	–	5.3	5.3
At 31 March 2014	**36.1**	**288.7**	**317.8**	**44.2**	**686.8**

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.

Details of Company share capital are disclosed in note 19 to the Group financial statements. Details of share options granted by the Company are set out in note 23 to the Group financial statements. Details of shares in the Company held by subsidiaries are shown in note 24 to the Group financial statements.

In May 2013, BTG completed a share placing for a total of 32,208,030 new ordinary shares at a price of 330p per placing share, raising proceeds of £106.3m, being £103.1m net of expenses.

7. Trade and other payables

	31 March 2014 £m	31 March 2013 £m
Amounts falling due within one year		
Accruals and deferred income	**2.7**	2.7
Amounts falling due after more than one year		
Other	**–**	–

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 2013				
Cash and cash equivalents	–	–	–	–
Trade and other receivables	–	215.7	215.7	215.7
Trade and other payables	–	(2.7)	(2.7)	(2.7)
31 March 2014				
Cash and cash equivalents	**–**	**–**	**–**	**–**
Trade and other receivables	**–**	**72.0**	**72.0**	**72.0**
Trade and other payables	**–**	**(2.7)**	**(2.7)**	**(2.7)**

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. In April 2013, the Group signed a £60m multi-currency revolving credit facility providing access to funds for a period of three years to April 2016. This has not been utilised in the period.

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 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 26 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.

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 44 concerning Giles Kerr, payments made by BTG to Oxford University and Isis Innovations Ltd under the relevant licence agreements were nil for the year ended 31 March 2014 (£1.5m during the year ended 31 March 2013). There are no amounts still outstanding and payable by BTG under these agreements as at 31 March 2014 (2013: nil).

Key management personnel are considered to be the Directors and their remuneration is disclosed within the directors' remuneration report on pages 51 to 68.

Five year financial record
for the year ended 31 March 2014

Consolidated Income statement

	2014[1,3] £m	2013[3] £m	2012 £m	2011[2] £m	2010 £m
Revenue	**290.5**	233.7	197.0	111.4	98.5
Cost of sales	**(95.0)**	(67.2)	(56.3)	(34.1)	(32.8)
Gross profit	**195.5**	166.5	140.7	77.3	65.7
Selling, general and administrative expenses	**(84.0)**	(58.0)	(48.9)	(33.7)	(25.3)
Contribution	**111.5**	108.5	91.8	43.6	40.4
Amortisation and impairment of acquired intangible assets	**(23.3)**	(43.4)	(30.7)	(10.0)	(9.1)
Amortisation of repurchase of contractual rights	**–**	–	–	(9.6)	–
Foreign exchange gains/(losses)	**(5.0)**	3.1	2.6	(2.0)	(4.0)
Research and development	**(47.2)**	(41.2)	(39.7)	(32.1)	(26.7)
Profit on disposal of assets and investments	**1.1**	0.4	0.2	1.5	1.1
Amounts written off property, plant and equipment	**–**	(1.8)	(3.0)	–	–
Amounts written off associates and investments	**–**	–	(0.2)	(1.4)	–
Acquisition and reorganisation costs	**(9.8)**	0.1	(1.1)	(3.8)	0.7
Share of results of associates	**–**	–	–	–	(0.3)
Operating profit/(loss)	**27.3**	25.7	19.9	(13.8)	2.1
Net financial (expense)/income	**6.0**	(1.6)	3.1	3.0	7.0
Profit/(loss) before tax	**33.3**	24.1	23.0	(10.8)	9.1
Tax	**(9.0)**	(7.7)	(8.4)	20.0	2.2
Profit/(loss) after tax for the year	**24.3**	16.4	14.6	9.2	11.3
Earnings/(loss) per share					
Basic	**6.8p**	5.0p	4.5p	3.4p	4.4p
Diluted	**6.7p**	5.0p	4.4p	3.4p	4.4p

[1] The results for the year ended 31 March 2014 include the results of EKOS Corporation and the Targeted Therapies Division of Nordion Inc. from the date of acquisition, being 5 July 2013 and 13 July 2013 respectively.

[2] 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.

[3] Only financial years 2014 and 2013 have been restated for IAS19 revised. See accounting policies in note 1 and retirement benefit schemes in note 22 for further details.

Five year financial record
for the year ended 31 March 2014

Consolidated statement of financial position

	2014[1,3] £m	2013 £m	2012[3] £m	2011[2,3] £m	2010[3] £m
Goodwill	**123.6**	59.2	59.2	59.2	30.3
Intangible assets	**397.9**	209.2	246.0	271.0	152.7
Property, plant and equipment	**31.3**	25.4	22.0	24.8	10.6
Investment in associates	**–**	–	–	–	–
Other investments	**3.0**	3.0	3.0	2.7	3.7
Deferred tax asset	**0.8**	0.9	1.0	0.9	0.6
Employee benefits	**8.0**	10.3	–	–	–
Biological assets	**–**	–	0.3	0.3	–
Derivative financial instruments	**0.9**	–	–	–	–
Total non-current assets	**565.5**	308.0	331.5	358.9	197.9
Current assets	**146.2**	236.9	174.3	129.6	113.1
Total assets	**711.7**	544.9	505.8	488.5	311.0
Equity					
Share capital	**36.1**	32.8	32.7	32.7	25.8
Share premium account	**288.7**	188.6	188.3	188.2	188.1
Merger reserve	**317.8**	317.8	317.8	317.8	158.1
Reserves	**(32.2)**	0.2	(4.0)	(3.7)	(0.9)
Retained earnings	**(80.0)**	(104.8)	(128.6)	(142.7)	(155.9)
Total equity	**530.4**	434.6	406.2	392.3	215.2
Total non-current liabilities	**93.5**	44.7	41.3	43.9	52.4
Total current liabilities	**87.8**	65.6	58.3	52.3	43.4
Total liabilities	**181.3**	110.3	99.6	96.2	95.8
Total equity and liabilities	**711.7**	544.9	505.8	488.5	311.0

[1] The statement of financial position for 31 March 2014 includes the assets and liabilities acquired from EKOS Corporation and the Targeted Therapies Division of Nordion Inc. during the year.

[2] The statement of financial position for 31 March 2011 includes the assets and liabilities acquired from Biocompatibles International plc during the year

[3] Only Financial Years 2014 and 2013 have been restated for IAS19 revised. See accounting policies in note 1 and retirement benefit schemes in note 22 for further details.

Consolidated cash flow statement

	2014[1,3] £m	2013[3] £m	2012 £m	2011[1] £m	2010 £m
Net cash from/(used in) operating activities	**48.5**	55.5	47.2	(12.0)	5.8
Net cash from/(used in) investing activities	**(269.4)**	(4.5)	(3.9)	(5.5)	(2.6)
Net cash from/(used in) financing activities	**102.7**	0.2	(0.2)	(0.6)	1.4
Increase/(decrease) in cash and cash equivalents	**(118.2)**	51.2	43.1	(18.1)	4.6
Effect of exchange rate fluctuations on cash held	**(2.3)**	0.6	0.1	(0.8)	(0.2)
Cash and cash equivalents at start of year	**158.7**	106.9	63.7	82.6	78.2
Cash and cash equivalents at end of year	**38.2**	158.7	106.9	63.7	82.6

[1] The results for the year ended 31 March 2014 include the results of EKOS Corporation and the Targeted Therapies Division of Nordion Inc. from the date of acquisition, being 5 July 2013 and 13 July 2013 respectively.

[2] 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

[3] Only financial years 2014 and 2013 have been restated for IAS19 revised. See accounting policies in note 1 and retirement benefit schemes in note 22 for further details.

Shareholder information

Financial calendar

Circulation of annual report for the year ended 31 March 2014	13 June 2014
Annual General Meeting	16 July 2014
Announcement of interim results for the six months ended 30 September 2014	November 2014
Preliminary announcement of annual results for the year ended 31 March 2015	May 2015

Shareholders

At 31 March 2014 there were 9,766 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	8,949	91.6	6,087,142	1.7
5,001 – 50,000	556	5.7	8,112,235	2.2
50,001 – 100,000	72	0.7	5,032,220	1.4
100,001 – 500,000	107	1.1	24,248,501	6.7
Over 500,000	82	0.9	318,106,436	88.00
Total	**9,766**	**100.0**	**361,586,534**	**100.0**

Shareholders are further analysed as follows:

Type of owner	Number of shareholders	Percentage of total number of shareholders	Number of ordinary shares	Percentage of ordinary shares
Bank and nominee companies	1,052	10.8	346,199,583	95.6
Private shareholders	8,525	87.3	11,229,327	3.1
Limited companies	61	0.6	558,460	0.2
BTG Employee Share Trust	1	–	720,699	0.3
Insurance companies and pension funds	127	1.3	2,878,465	0.8
	9,766	**100.0**	**361,586,534**	**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 Asset Services, to either buy or sell more shares. An online and telephone dealing facility is available providing shareholders with an easy-to-access and simple-to-use service. For further information on this service, or to buy and sell shares, please contact: www.capitadeal.com (online dealing) or +44 (0) 871 664 0446 (telephone dealing - calls cost 10p per minute plus network extras. Lines are open from 8 am to 4.30 pm, Monday to Friday) If calling from outside the UK: +44 (0) 203 367 2686. 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 Asset Services, our Registrars, to conduct a number of routine matters via the web including the ability to notify any change of address. If you are a shareholder and are either unable or would prefer not to use this facility, please do not send the notification to the Company's registered office. Please write direct to Capita Registrars, at their address shown overleaf, where the register is held.

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Registered number 2670500

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 30 to 34 of this report. Any of the assumptions underlying these forward-looking statements could prove inaccurate or incorrect and therefore any results contemplated in the forward-looking statements may not actually be achieved. BTG undertakes no obligation to update publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

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