BTG

Building a leading healthcare business

BTG plc Annual Report and Accounts 2015

Imagine where we can go.

About BTG

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

Our growing portfolio of Interventional Medicine products is designed to advance the treatment of liver tumours, advanced emphysema, severe blood clots and varicose veins, while our Specialty Pharmaceuticals portfolio offers antidotes that alleviate toxicity and treat rare conditions.

Healthcare is constantly evolving – so BTG never stands still. Inspired by a deep understanding of our customers' needs, we're working to meaningfully improve the lives of patients and their healthcare experience.

Our competitive advantage is our dedication to finding smart, often unconventional solutions to complex medical problems. Many of our products combine medicines, device technology and new techniques in order to deliver more targeted treatments. We also invest in the clinical evidence that helps demonstrate the value of our products to doctors, patients and healthcare systems.

Whether developed in our own labs or in partnership with clinicians, academics and other companies, we believe passionately that medical innovation has the power to improve human health.

Imagine where we can go.

Contents

02–36

37–78

79–132

Strategic Report

Governance

Financials

BTG at a glance

We are a fast growing specialist healthcare company, headquartered in London and employing over 1,100 people worldwide.

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

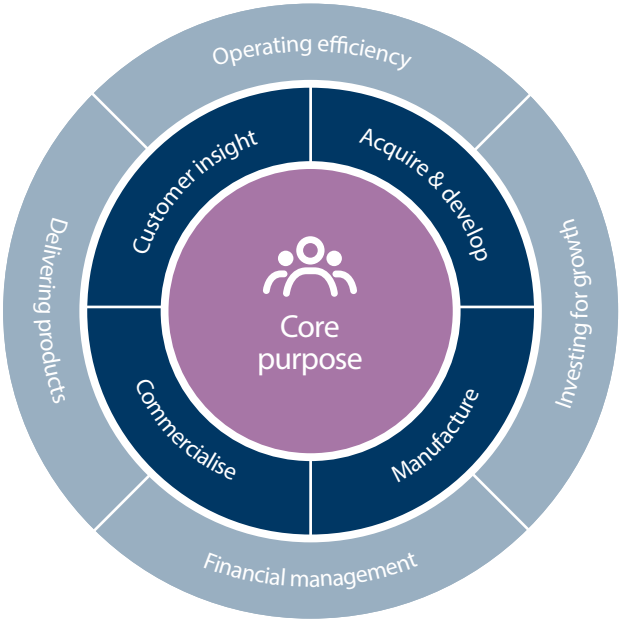
Business segments

	Medical discipline	Product	Medical use	Geographic availability
Interventional Medicine Read more on page 24	Oncology	Beads	Liver tumours	US, EU, Asia
		TheraSphere®	Liver tumours	US, EU, Asia
	Vascular	EkoSonic®	Severe blood clots	US, EU
		Varithena®	Moderate to severe varicose veins	US
	Pulmonology	RePneu® Coil	Emphysema	US, EU, Asia
Specialty Pharmaceuticals Read more on page 25	Acute care, antidote products	CroFab®	Crotalid snakebites	US
		DigiFab®	Digoxin toxicity	US, EU, Aus
		Voraxaze®	High-dose methotrexate toxicity	US, EU
Licensing Read more on page 25	Royalties from out-licensed intellectual property	Abiraterone acetate (Zytiga®)	Advanced prostate cancer	Global
		Alemtuzumab (Lemtrada™)	Multiple sclerosis	Global
		Two-Part Hip Cup	Hip replacement	Global

Business model overview

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

Business model



Core purpose

To advance the treatment of underserved patient populations by bringing to market innovative medical products.

Read more on page 26

Key activities

Key activities include identifying unmet medical needs, acquiring and developing innovative products, manufacturing those products to the highest standards and selling them directly or commercialising through partners.

Read more on pages 28 to 29

Our objectives

Our near and medium-term corporate objectives focus on delivering our financial targets, developing products for our stakeholders, improving our operating efficiency and investing for growth.

Read more on pages 16 to 19

Group financial key performance indicators (KPIs)

Revenue	Contribution	Operating profit[1]	Adjusted EPS[1]
£367.8m	£128.3m	£67.9m	15.7p
2013/14: £290.5m	2013/14: £111.5m	2013/14: £62.3m	2013/14: 14.5p
+27%	+15%	+9%	+8%

1 Excluding acquisition adjustments and reorganisation costs.

For more details on Group financial KPIs see page 17

Chairman's statement

BTG has reported another strong financial performance and is well positioned to deliver sustainable returns through investment in multiple growth drivers.

"We have had a very good year, executing our growth strategy and building the organisational capability and capacity to deliver sustainable, profitable growth."

Garry Watts
Chairman

I am delighted to say the business has performed very well in 2014/15. We have achieved a number of key milestones over the year and we are well positioned for sustainable growth.

Strong revenue growth has enabled us to make investments to expand our commercial footprint, develop our pipeline of innovative products and build a portfolio of innovative and patient-centric products.

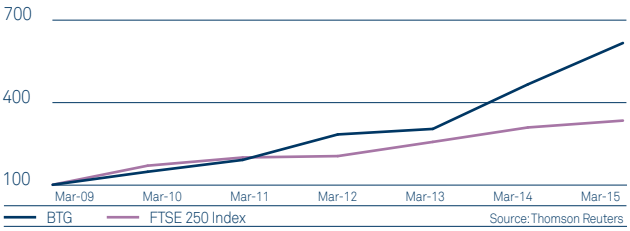
Within Interventional Medicine, a new, dedicated US sales force commenced selling Varithena®, our novel varicose veins treatment, in August 2014. We expanded our European sales force for TheraSphere®, the radiation therapy for liver cancer, from three to 25 people and subsequently started selling DC Bead® for the treatment of liver tumours, through the same sales force in April 2015. DC Bead® was approved in China, and we started selling the product directly in Taiwan.

In January 2015 we completed the acquisition of PneumRx, Inc. which makes the RePneu® Coil system, a minimally invasive treatment for advanced emphysema. PneumRx offers an exciting growth opportunity and expands our expertise into Interventional Pulmonology, an emerging medical discipline. Currently available in Europe, this product also has significant potential in the US through a fully recruited pivotal clinical trial that could lead to marketing approval in late 2016.

We also invested in our Specialty Pharmaceuticals business to maintain our leadership position in rescue therapies. In October 2014 we settled our patent action against parties we believed were infringing our patent on the US snakebite treatment CroFab®, removing uncertainty for our investors and allowing us to concentrate on continuing to deliver this first-class treatment to our customers and their patients.

Further details of operating progress during the year are provided throughout the strategic review and the performance against our corporate objectives is described on pages 16 to 19.

BTG share price performance vs FTSE 250 index in pence



This graph shows the value, by 31 March 2015, of £100 invested in BTG plc on 31 March 2009 compared with the value of £100 invested in the FTSE 250 Index on the same date. The other points plotted are the values at intervening financial year-ends.

Governance

Achieving high standards of governance is fundamental to the successful growth of our business. During the year, we acquired PneumRx and have rapidly incorporated that business into our governance framework. We have also paid particular attention to the geographic expansion of the business, to ensure uniform standards apply wherever we operate.

The governance performance of the Board was evaluated by independent consultants during the year. We have made good progress in areas we identified for improvement at the time of the last evaluation three years ago, and we have new areas to focus on. Further details can be found in the Corporate Governance Report on pages 37 to 78.

Oversight of our risk management processes remains a priority. We provide an update on our approach and the key areas of focus in the Risk Report on pages 33 to 36.

Strong leadership and dedicated employees

Our company has changed significantly over recent years as we have grown organically and through acquisition. The successful transformation of our business to date is a result of the hard work, enthusiasm and dedication of our employees. My thanks go to them and to our shareholders, who have continued to support the business through a period of investment and growth.

I would also like to thank my Board colleagues and the Leadership Team for their guidance and oversight of the business, in particular Melanie Lee who has expanded her involvement with the Company as its first Chief Scientific Officer and as a consequence has retired from the Board after four years of service. Dr Susan Foden joined the Board in March 2015. Susan has an excellent track record in the field of Biotech and Healthcare and her extensive industry experience will be a great asset to BTG.

Outlook

The healthcare industry is competitive. Our strategy for success is to find specialist areas where we can become a commercial and technological leader by delivering clinically proven, differentiated treatment options to specialist physicians and underserved patient populations. This approach has led us to become a leading provider of rescue medicines and it is now enabling us to become a leader in Interventional Medicine, where favourable macro trends and our investment strategy support the growth of our portfolio of innovative and patient-centric products.

This is an exciting time for BTG. As we implement our organic growth plans in Interventional Medicine, we are continuing to seek new opportunities that complement our existing platforms and capabilities to ensure the sustainable, profitable growth of our business.

Garry Watts
Chairman

Chief Executive Officer's review

Through organic growth and acquisitions, BTG is delivering on its strategy to become a world leader in Interventional Medicine.

"We have built our company to have the characteristics for success in today's healthcare environment, creating a scalable platform that will enable us to continue to grow over the long term."

Louise Makin
Chief Executive Officer

Key events and achievements in 2014/15

1. EkoSonic® receives FDA clearance to treat pulmonary embolism, May 2014
2. First commercial patient treated with Varithena®, August 2014
3. DC Bead® approved in China for the treatment of hypervascularised tumours, August 2014
4. Acquisition of PneumRx, January 2015

A leader in Interventional Medicine

Following recent acquisitions, the commercial launch of Varithena® and the growth of our Interventional Oncology products, BTG is a leading company in the fast growing world of Interventional Medicine. During the year we added to our portfolio with the acquisition of PneumRx and its RePneu® Coil system, a leading interventional product in the treatment of advanced emphysema. This acquisition gave us a third area to our Interventional Medicine business: Interventional Pulmonology, a growing medical discipline.

We now have the platform to deliver our goal of organic growth in the Interventional Medicine business from revenue of approximately $200m today to over $1.25bn by 2021. This will be achieved through continued geographic expansion, product innovation and indication expansion. See pages 8 to 13 for more details.

Delivering this growth target requires a commitment to investment in product innovation and development, in expanding our commercial footprint and in our people. As we have grown we have created a company culture that will enable us to capitalise on the opportunities offered by today's healthcare environment. Alongside our financial resources, this gives us a scalable platform for sustainable value creation.

Underpinning our financial investments are the highly cash generative Specialty Pharmaceutical and Licensing segments. In the former we guide to mid single-digit revenue growth and the latter, which is no longer an active strategy, continues to provide a solid financial underpin to the business.

Creating value through acquisitions

BTG has a strong track record of expansion through acquisitions. We have clear criteria when considering our opportunities. In addition to being able to generate an appropriate return on investment for our shareholders, we look for opportunities that bring us new capabilities and expertise, and that provide a platform for further growth.

In January 2015 we completed the acquisition of PneumRx for an initial cash consideration of $231m. PneumRx owns, manufactures and distributes the RePneu® Coil System. This complements our Interventional Medicine business by expanding into an exciting and fast-growing area of medicine that uses a minimally invasive product, backed by clinical data, and which provides access to a specialty physician base. See pages 14 and 15 for more details.

Patient-centric treatment options

During the year we initiated our controlled US launch of Varithena®, the first and only FDA approved microfoam for the treatment of great saphenous vein (GSV) system incompetence. The first commercial patients were treated in August 2014 and feedback from both patients and physicians has been very encouraging. More than 420 physicians are progressing through qualification, with over 215 having treated patients or in the process of scheduling patients for treatment. We are increasing our sales force as we expand physician outreach.

As a new product and procedure operating with interim reimbursement codes, with permanent codes not anticipated until approximately two years post-launch, we are providing support to help ensure the appropriate level of reimbursement for each procedure. To date, payers who insure approximately 50 million Americans (of 320 million people with insurance coverage) have established favourable insurance coverage policies and have paid claims at the appropriate rates for both the product and the procedure.

Our controlled launch strategy is designed to 'build the system' to demonstrate the product's clinical profile and patient acceptability, and to establish a smooth reimbursement process. This lays the foundations for us to target a $500m+ global Varithena® franchise, which will result from expanding access to additional clinics, gaining dedicated reimbursement codes, developing the self-pay market and progressing indication and geographic expansion plans.

In May 2015, BTG purchased the residual financial interest of the originator of the Varithena® foam sclerotherapy technology for a one-off cash payment of £23m, ensuring that BTG retains 100% of the future value of Varithena®.

Sales of our EkoSonic® blood clot treatment device continue to grow strongly, driven largely by a greater awareness of the potential benefits of interventional treatment over the standard anticoagulation therapy. The 510(k) clearance received in May 2014 to treat patients with pulmonary embolism makes this the only device on the market with such a label, giving us a competitive advantage.

Since combining the Beads and TheraSphere® sales forces in the US, we now have an established Interventional Oncology franchise that is uniquely positioned to offer the two main intravascular locoregional treatment modalities for primary liver cancer. Subsequently, we have expanded our direct sales force in the EU for TheraSphere® which, from April 2015, has also sold our Bead products and again gives us the distinctive opportunity to adopt a patient-centric approach.

Future growth

Expanding the global reach of our products is fundamental to our organic growth plans. In addition to our European expansion, we are building our commercial offering in Asia. We gained approval for DC Bead® in China, where our partner SciClone Pharmaceuticals, Inc. is now preparing for market launch. In Taiwan we established a direct sales force and opened an office in Hong Kong to provide support in commercial, medical and regulatory affairs for the region.

For Varithena®, we are exploring options to gain approval in other geographic markets and our file has been accepted for review by Health Canada. We are also making investments to take EkoSonic® into more EU territories.

Investing in clinical studies and expanding the approved uses of our products should also drive future growth. A fully recruited trial in the US for the RePneu® Coil could lead to US approval in late 2016 and would provide access to a significant market opportunity. We are investing in a study to expand the label for EkoSonic® into the treatment of chronic deep vein thrombosis and post-thrombotic syndrome. We are accelerating three Phase III trials of TheraSphere® that are intended to gain pre-market approval (PMA) in the US for treating patients with unresectable hepatocellular carcinoma (HCC) and to support PMA approval as a second-line treatment for patients with metastatic tumours in the liver from colorectal cancer (mCRC).

Our innovation team continues to work in collaboration with physicians and key opinion leaders (KOLs) to identify new product development opportunities. A new generation of the EkoSonic® control unit will allow bilateral treatment of pulmonary embolism for the first time. Within interventional oncology we are working on ways to innovate our Bead products.

The following pages describe how we are delivering our growth strategy through:

- Geographic expansion — Pages 08 and 09
- Indication expansion — Pages 10 and 11
- Product innovation — Pages 12 and 13
- Acquisitions — Pages 14 and 15

Values and people

BTG is a rapidly growing company and key to our success is the quality of our people and the way we conduct our business. Everything we do is guided by our values and behaviours, which are designed to underpin and foster a culture of always doing the right thing for the business and its stakeholders. See page 30 for more details.

Outlook

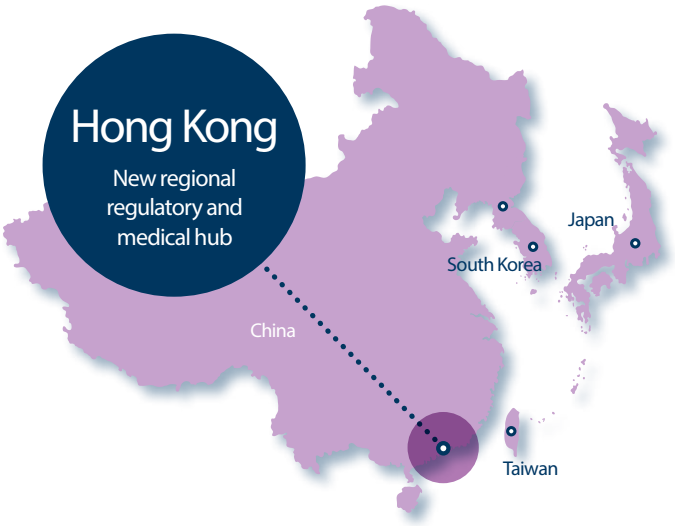
We are making good progress against our growth plans and this is underlined by the consistent delivery of our financial goals. With our portfolio of technologically leading products, we are confident that our strategy will enable us to succeed in today's healthcare environment and that we can continue to build significant value in the business for all our stakeholders.

Louise Makin
Chief Executive Officer

Geographic expansion

Taking Interventional Medicine to new territories
We have built a platform for international expansion of our Interventional Medicine business. We develop optimum regulatory pathways to gain product approvals in new markets that present significant commercial opportunities, which we then address by establishing our own direct sales forces or through distributor networks.

New Hong Kong office strengthens our global presence



1. Support hub established for Asia

Asian countries have become important markets for medical products manufacturers as economic growth has led to wider access to healthcare and has fuelled demand for the best treatments available. BTG's oncology products are relevant to Asian countries owing to the high prevalence of hepatitis B and therefore liver cancer. To support our expansion in Asia we have opened a new office in Hong Kong, which serves as a hub to support commercial, regulatory and medical affairs across the region.

2. DC Bead® approved in China

In August 2014 the China Food and Drug Administration approved DC Bead® for the embolisation of malignant hypervascularised tumours. Approximately half of the world's liver cancer patients are in China and there is a great interest among Chinese physicians to offer new, differentiated treatment options. Following this approval, our partner SciClone Pharmaceuticals, Inc. is progressing launch activities.

Establishing a new direct sales force in Europe

3. Direct sales in Taiwan

In the year we completed recruitment of a direct sales force in Taiwan to sell our embolic and chemoembolising beads. Taiwan represents an important early step in our Asia strategy; it has a large addressable market for our products and a healthcare system that supports the use of advanced treatment options.

4. Increasing our European commercial footprint

During the year we significantly expanded our direct sales force for TheraSphere® in major European markets and in April 2015 this team also commenced direct sales of DC Bead® and Bead Block®. We are unique in providing both main locoregional treatment modalities to our European customers. This patient-centric approach with physicians provides us with valuable insights into treatment practice and unmet medical needs that will help guide our future innovation and development focus.

"We are expanding our commercial operations into new markets that represent an important opportunity for us."

Duncan Kennedy
Head of Interventional Oncology

Indication expansion

Maximising the potential of our current portfolio

We are investing in clinical trials in specific patient populations to expand the approved uses and addressable patient populations of our products, and to provide the high quality efficacy and safety data that give physicians confidence when treating their patients.

1. EkoSonic® cleared to treat PE

Pulmonary embolism (PE) occurs in approximately 600,000 patients annually in the US, causing or contributing to around 200,000 deaths each year, which is approximately 15% of all hospital deaths. Improved outcomes were demonstrated for PE patients treated with our EkoSonic® Endovascular System in a clinical study that led to the US FDA clearing the device for the treatment of PE in May 2014. EkoSonic® is the only interventional blood clot treatment product with a label to treat PE.

2. Chronic DVT/PTS study underway

If a clot does not dissolve within a few weeks it can permanently damage both the vein and the valves that control blood flow in limbs, creating the condition known as post-thrombotic syndrome (PTS). An estimated 50% of patients with chronic deep vein thrombosis (DVT) may develop PTS, which can impact quality of life and lead to long-term disability. An ongoing study in the US is evaluating whether PTS symptoms improve after treatment with EkoSonic®.

3. TheraSphere® Phase III clinical trials

Patients are currently being enrolled in three Phase III clinical trials of TheraSphere®, which is approved in the EU and Canada to treat liver tumours and in the US under a Humanitarian Device Exemption to treat patients with unresectable hepatocellular carcinoma (HCC), the most common form of primary liver cancer. The trials are designed to secure PMAs in the US for treating unresectable HCC and as a second-line treatment for metastatic colorectal cancer (mCRC).

4. Bringing RePneu® to the US

The RePneu® Coil System is intended to improve exercise capacity, lung function and quality of life in patients with both heterogeneous and homogeneous emphysema. Approved in the EU in late 2010, a fully recruited pivotal Phase III trial in the US is expected to lead to submission of a PMA application, which has been granted fast-track review status by the FDA, and may lead to approval in late 2016. There are more than five million people in the US and the major five EU markets with advanced emphysema, who presently have limited treatment options.

5. Varithena® label expansion

We are exploring regulatory pathways to develop variations of our Varithena® product. These include one for use in treating aesthetic leg veins and another for treating a serious venous condition that occurs in other parts of the body. Both these require clinical studies to establish safety and efficacy, and could lead to new product launches from 2017.

Product innovation

Developing breakthrough technologies

We are building a strong reputation for our commitment to innovation. It's what drives our partnership with clinicians, researchers and other companies. We start with the needs of patients and an in-depth knowledge of our customers; we build or acquire the requisite technology solutions and then we deliver products that make a real difference to specialist physicians and their patients. Whether it's spotting opportunities to improve our existing products or identifying new unmet needs, we are constantly learning from our partners.

An in-depth knowledge of our customers

1. Imageable bead

We are working on a radiopaque visible bead for the treatment of hypervascularised tumours that will help physicians more precisely identify bead location and potential areas of undertreatment both during and after the procedure.

"Innovation is a continuous process at BTG. We are constantly looking for ways to develop our pipeline and deliver new treatment options to our customers and their patients."

Melanie Lee
Chief Scientific Officer

Expanding our Interventional Medicine portfolio

2. Bioresorbable bead

For the use in non-malignant tumours such as uterine fibroids or benign prostate hyperplasia where life expectancy is not threatened in the same way as primary liver cancer, our innovation team is developing a biodegradable bead product that will treat the tumour and then be absorbed by the body over time.

3. Advancing the treatment of severe blood clots

The latest generation of our EkoSonic® control unit is smaller in size to aid portability and convenience in the ICU. It has a clearer, touch screen user interface for ease of use during treatment. The increased power and second catheter allows physicians to treat bilateral cases of pulmonary embolism with one control unit instead of needing two control units previously.

Expanding our business: PneumRx

Leading the interventional treatment of advanced emphysema with the RePneu® Coil System

In January 2015 BTG completed the acquisition of PneumRx, a growing interventional pulmonology business headquartered in Mountain View, California.

Acquisition of PneumRx

Through its acquisition of PneumRx, BTG owns, manufactures and distributes the RePneu® Endobronchial Coil, an implantable shape-memory Nitinol device that is designed to increase exercise capacity, lung function, and quality of life in patients with advanced emphysema. The Coil is designed to improve the lung's elasticity, holding small airways open and preventing airway collapse during exhalation. Treatment with the RePneu® Coil has been shown in European clinical studies to improve quality of life for emphysema patients.

Market opportunity for the interventional treatment of emphysema

Emphysema is a progressive disease in which the natural architecture of the lungs is damaged and lung function declines. There are more than 10 million people in the US and five largest EU countries diagnosed with emphysema, resulting in a significant economic burden on healthcare systems from in-patient and out-patient care costs. There is no cure, and the current standard of care involving drug and supplemental oxygen therapy becomes much less effective at relieving symptoms over time.

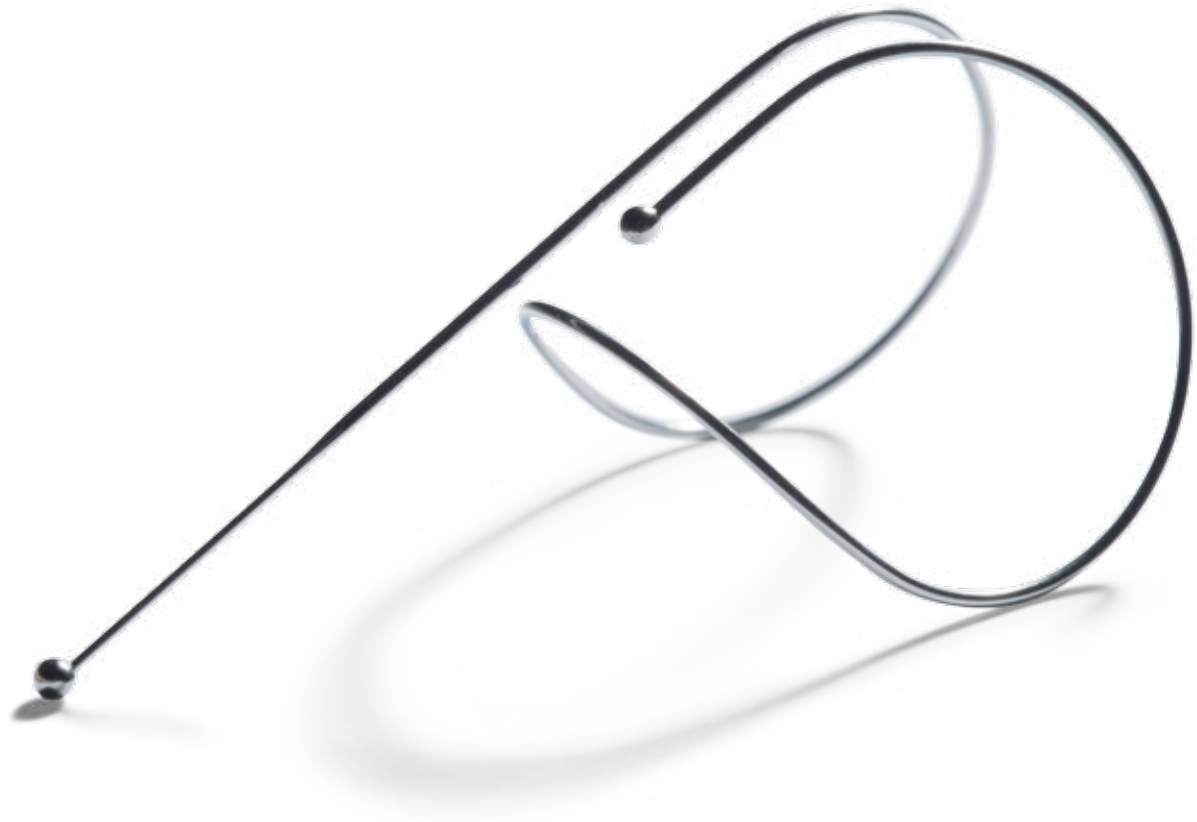
RePneu® is sold in 11 European countries including Germany, Switzerland, Italy and Spain. A fully recruited US pivotal clinical trial has the potential to lead to US approval in late 2016.

Strategic fit

- Complements our Interventional Medicine business, providing access to the developing medical area of Interventional Pulmonology
- Adds RePneu®, a minimally invasive, clinically proven product that is used by a specialist physician base and addresses a market with high unmet needs and significant growth potential
- Enhances our European commercial platform and provides a significant US opportunity
- Provides a platform for further growth with annual sales potential over $250m

"PneumRx brings a clinically proven product that can make a real difference to the lives of people with advanced emphysema and is a significant addition to our Interventional Medicine portfolio."

Matt Gantz
Head of Interventional Pulmonology



Our objectives

We set corporate objectives to measure the performance of the business, grouped into four main categories: financial metrics; delivering products for our key stakeholders; operational efficiency and investing for growth. The financial metrics all measure performance during the year; other objectives span a number of years and should demonstrate progress towards our 2021 goals.

Four key objectives

1. Financial management

Read more on page 17

2. Delivering products for our key stakeholders

Progress against priorities set for 2014/15
Achieved 6 Ongoing 2

Read more on page 18

3. Operating efficiency

Progress against priorities set for 2014/15
Achieved 3 Ongoing 1

Read more on page 19

4. Investing for growth

Progress against priorities set for 2014/15
Achieved 2 Ongoing 4

Read more on page 19

Linking our objectives to our business model

See pages 26 to 29 for more information about our business model.

Objective 1
Financial management

We monitor several financial KPIs related to delivery of our annual and longer-term goals. From this year we will report revenue, contribution, operating profit and earnings per share (EPS). This change in our approach reflects BTG's maturing financial profile and progress in delivering sustainable profitable growth. Similar metrics are also used in the Group's various incentive plans.

See pages 56 to 75 in the directors' remuneration report

Progress in 2014/15

Revenue

Revenue increased by 27% to £367.8m, driven by strong growth in the Interventional Medicine portfolio.

2015	**£367.8m**
2014	£290.5m
2013	£233.7m
2012	£197.0m
2011	£111.4m

+27%

Contribution

Contribution (gross profit less SG&A) grew 15% to £128.3m. This reflects our commercial growth activities.

2015	**£128.3m**
2014	£111.5m
2013	£108.5m
2012	£91.8m
2011	£43.6m

+15%

Operating profit[1]

Underlying profitability grew 9% to £67.9m driven by higher sales and strict cost control.

2015	**£67.9m**
2014	£62.3m
2013	£69.0m
2012	£54.0m
2011	£1.7m

+9%

Adjusted EPS[1]

The underlying earnings per share rose 8%.

2015	**15.7p**
2014	14.5p
2013	14.5p
2012	11.4p
2011	1.0p

+8%

Priorities set for 2015/16

- Continue to drive double-digit organic revenue growth across each operating segment.
- Manage overheads alongside investment in commercial footprint to grow contribution margin.
- Grow underlying profitability whilst managing investments in innovation.
- Focus on growing sales, strict cost control and demonstrate sustainable, progressive underlying earnings growth.

Key execution risks

- Slower growth or reduced sales of interventional and licensed products as a result of competitor activity, poor uptake by physicians or poor reimbursement coverage.
- Failure to control overheads or commercial expenses, or higher than expected cost of sales.
- Higher than expected commercial, overhead and innovation and development costs.
- Lower than expected product sales/reimbursement; higher than expected costs.

1 Excluding acquisition adjustments and reorganisation costs.

Our objectives continued

Objective 2
Delivering products for our key stakeholders

Our goal is to bring to market key products that benefit our customers and their patients. We continue to explore innovative solutions to complex medical problems through clinical studies and product development. We work closely with regulators and health insurance companies to navigate complex processes and we engage with medical communities to inform our Innovation and Development programmes.

Progress against priorities set for 2014/15

Interventional Medicine

- Complete Varithena® US commercial launch
  Achieved
  First commercial patient treated with Varithena® in August 2014; controlled launch ongoing
- Progress US self-pay segment, ROW expansion and indication expansion plans for Varithena®
  Ongoing
  ROW and indication expansion planned from 2017
- Deliver EKOS product and pipeline opportunities
  Achieved
  FDA granted clearance for EkoSonic® Endovascular System to treat pulmonary embolism following successful study in May 2014
- Accelerate TheraSphere® Phase III trials
  Ongoing
  Activation of 66 sites, including first site in Asia
- Deliver Beads innovation products
  Ongoing
  Imageable bead and Bioresorbable bead under development
- Execute Beads, TheraSphere® and EKOS geographic expansion plans in EU and Asia
  Ongoing
  Direct sales of IO franchise established in EU and Taiwan. Asian hub opened in September 2014, and DC Bead® approved in China in August 2014. Ongoing expansion of EKOS in EU

Specialty Pharmaceuticals

- Establish rescue therapy leadership: support growth through clinical demonstration of product value, customer education
  Achieved
  Copperhead study initiated for CroFab® and patent litigation settled. Education materials for DigiFab® and Voraxaze®
- Supply DigiFab® in Australia
  Achieved
  First patient sales in June 2014
- Finalising US New Drug Application (NDA) for uridine triacetate and develop commercial launch plans
  Ongoing
  Supported Wellstat Therapeutics throughout the NDA which will receive priority review by the FDA

Priorities set for 2015/16

- Varithena®: continue expansion in the US reimbursed sector; progress additional indications; progress expansion into new geographies
- EkoSonic®: deliver US PE market expansion; build US DVT/Peripheral Arterial Occlusion (PAO) business; implement ROW growth plans
- Interventional Oncology: continue expansion in existing territories; execute direct sales transition in EU; progress Asian expansion activities; launch new Bead product; accelerate TheraSphere® Phase III trials
- RePneu®: continue EU expansion; complete US pivotal trial, prepare PMA submission and launch activities
- Specialty Pharmaceuticals: maintain rescue therapy leadership by education around optimal product usage and optimising commercial footprints; progress uridine triacetate launch planning

Key execution risks

- Failure to secure adequate reimbursement in the US or elsewhere, could limit product adoption and revenue growth
- Lower growth resulting from competitor activities; failure to secure new hospital accounts; failure of clinical trials or failure to secure regulatory approvals for new products in existing or new geographies
- Failure to optimise commercial strategy would impact revenues; delay in submission of PMA for RePneu® or NDA for Xuriden® (uridine triacetate) by partner or failure to gain approval would delay or remove ability to build sales

Objective 3
Operating efficiency

We strive to meet the day-to-day demands of a fast growing company. To achieve this we ensure that our internal systems and processes are fit for purpose and scalable.

Progress against priorities set for 2014/15

- Implement electronic document management system (eDMS)
  Achieved
- Ensure inspection readiness
  Achieved
  Enhanced quality systems and audit processes established which have resulted in successful site inspections by the FDA and the Medicines and Healthcare products Regulatory Agency (MHRA)
- Embed Environment Health and Safety (EHS) metric reporting in the business
  Achieved
- Ensure Sunshine Act and overall healthcare law compliance
  Achieved and ongoing

  Additional progress
- Process Improvement and Process Automation (PIPA) project established and implemented across global sites

Priorities set for 2015/16

- Compliance: enhance framework and oversight in line with global expansion; expand partner/supplier monitoring, audit, investigation
- Quality Systems: support compliance throughout supply chain; expand inspection-readiness capabilities to new sites
- Innovation & Development: enhance portfolio management/reporting

Key execution risks

- Failure to expand third party oversight in a timely fashion or effectively could result in potential compliance failures, financial penalties or other adverse consequences
- Failure to ensure supply chain quality compliance or inspection readiness could jeopardise product supply
- Failure to continue to improve processes and systems could lead to slow development timelines or poor investment decisions
- General failure on compliance could result in financial exposure and regulatory action

Objective 4
Investing for growth

At BTG we make sure that we have the organisational structure and capabilities in place to deliver our growth strategy.

Progress against priorities set for 2014/15

- Identify/prioritise potential acquisition opportunities in Interventional Medicine and Specialty Pharmaceuticals
  Achieved
  Acquisition of PneumRx, commercial leader in the treatment of advanced emphysema
- Implement EU go-direct strategy and Asia expansion plans for Interventional Oncology
  Achieved
  European direct sales force established for Interventional Oncology franchise

  Asian hub opened in Hong Kong to support commercial, medical and regulatory affairs. Direct sales commenced in Taiwan

  Additional progress
- Internal reorganisation and hiring made in commercial, medical and regulatory affairs

Priorities set for 2015/16

- Sustainability: prioritise Innovation & Development portfolio to deliver near- and long-term goals; identify opportunities to expand product portfolio through in-licensing/acquisition; progress prioritised environmental efficiency activities
- Organisational capabilities: optimise Learning & Development agenda; create development opportunities aligned with growth strategy

Key execution risks

- Failure to deliver innovative products or to expand indicated uses of products would limit growth potential; failure to expand portfolio would limit longer-term growth potential; failure to continue to improve environmental performance could lead to higher energy costs and reputational damage
- Failure to provide appropriate development opportunities could lead to poor motivation and loss of skilled employees

Read more about risk management and principal risks on pages 33 to 36

Group financial review

BTG has delivered strong revenue growth across each of its business segments which, combined with a focus on cost control, has enabled us to make investments to support our objective of long-term sustainable profit growth.

"We have delivered another good financial performance, reflecting the ongoing execution of our growth strategy."

Rolf Soderstrom
Chief Financial Officer

Revenue
£367.8m
2013/14: £290.5m
+27%

Contribution
£128.3m
2013/14: £111.5m
+15%

Revenue

Group revenue grew 27% to £367.8m (2013/14: £290.5m). Each business segment delivered strong double-digit percentage growth: recurring Interventional Medicine revenue was 44% higher at £112.7m (2013/14: £78.4m), revenue in Specialty Pharmaceuticals increased by 18% to £121.1m (2013/14: £102.3m) and Licensing revenues grew by 23% to £134.0m (2013/14: £109.1m). When adjusting for constant currency and allowing for the full year impact of EKOS and TheraSphere® acquisitions, like-for-like revenue growth was 21%.

Within Interventional Medicine, our Interventional Oncology products for treating liver cancer grew by 30%, generating revenue of £75.5m (2013/14: £58.1m). This growth resulted from the continued US expansion of TheraSphere® following the merger of the Beads and TheraSphere® sales forces and from a full year of TheraSphere® ownership. This was partially offset by lower EU Beads revenue owing to reduced distributor shipments as we prepared to commence direct sales of DC Bead® and Bead Block® in the EU.

Interventional Vascular revenue increased by 72% to £34.9m (2013/14: £20.3m). The continued growth of EkoSonic® is due to increasing penetration of US hospitals and was further enhanced by the FDA clearance for use in the treatment of pulmonary embolism, and by a full year of BTG ownership. The first commercial sales of the varicose veins treatment Varithena® were also recorded following the commencement of the controlled launch in the US reimbursed sector.

We also saw our first revenues of £2.3m in Interventional Pulmonology based on EU sales of the RePneu® Coil treatment for advanced emphysema following the acquisition of PneumRx in January 2015.

The 18% increase in Specialty Pharmaceuticals revenue resulted mainly from higher revenues of the digoxin toxicity treatment DigiFab® following a price rise and a cyclic increase in demand from US hospitals as they replaced expired stock. Revenue from Voraxaze®, the treatment for high-dose methotrexate toxicity, also continued to grow as awareness in US hospitals and named-patient sales outside the US increased. Sales of the snakebite treatment CroFab® were steady.

Product revenues

		2014/15 £m	2013/14 £m	Change (%)	Change at CC[1] (%)
Interventional Medicine					
Interventional Oncology	TheraSphere®	44.9	24.7	82	31*
	Beads	30.6	33.4	(8)	(7)
	Total Interventional Oncology	75.5	58.1	30	13*
Interventional Vascular	EkoSonic®	33.9	20.3	67	32*
	Varithena®	1.0	–	–	–
	Total Interventional Vascular	34.9	20.3	72	35*
Interventional Pulmonology	RePneu® Coil	2.3	–	–	–
	Total Interventional Medicine	112.7	78.4	44	21*
Specialty Pharmaceuticals					
	CroFab®	61.8	62.7	(1)	4
	DigiFab®	44.7	27.3	64	65
	Voraxaze®/Other	14.6	12.3	19	20
	Total Specialty Pharmaceuticals	121.1	102.3	18	22
Licensing					
	Zytiga®	105.2	83.8	26	24
	Two-Part Hip Cup	13.8	13.0	6	3
	Lemtrada™	4.9	0.4	1,125	1,093
	Others	10.1	11.9	(15)	(15)
	Total Licensing	134.0	109.1	23	21
Total		367.8	289.8	27	22*
Non-recurring (Brachytherapy)		–	0.7	–	–
Total revenue		367.8	290.5	27	21*

1 At constant currency GBP vs USD ($1.61 vs $1.59 in prior year);
* Based on pro forma 12 month revenues

Revenue in the Licensing segment continued to be dominated by royalties from Johnson & Johnson's treatment for advanced prostate cancer, Zytiga® (abiraterone acetate), which grew by 26%. Other changes included an increase in royalties on Sanofi's Lemtrada™ (alemtuzumab) treatment for multiple sclerosis following US approval and modest growth in the Two-Part Hip Cup, with lower royalties from the remaining licensed portfolio as patent expiries occur.

Detailed product sales and Licensing revenues, including growth rates adjusted for constant currency and pro forma ownership of EKOS and TheraSphere®, are shown in the table above.

Gross profit

Gross profit was 29% higher at £253.1m (2013/14: £195.5m). The Group gross margin was 69% (2013/14: 67%).

The Interventional Medicine gross margin of 70% (2013/14: 72%) was suppressed by a fair value acquisition adjustment of £0.9m on PneumRx and by the Varithena® launch; it is expected to increase over time as sales revenues build across the portfolio. In Specialty Pharmaceuticals the gross margin increased to 86% (2013/14: 80%) driven mainly by the expiry of a royalty obligation. Licensing gross margin was slightly lower at 52% (2013/14: 53%) owing to the increased proportion of lower-margin Zytiga® revenue.

The Group gross margin is expected to remain stable at approximately 70% in the near term.

Contribution

Contribution is defined as gross profit less SG&A expenditure. Contribution increased to £128.3m (2013/14: £111.5m).

The increase in SG&A to £124.8m (2013/14: £84.0m) and reduction in contribution margin primarily reflect increased investment in the commercial capabilities of the Interventional Medicine segment. Investments include costs associated with the US launch of Varithena®, the EU interventional oncology sales force and expansion in Asia. In addition, during the year BTG settled a patent dispute with Instituto Bioclon, securing the CroFab® business to October 2018. Total expenses and one-off settlement costs were £8m.

The Specialty Pharmaceuticals and Licensing segments are more established and delivered contribution margins of 65% and 30% respectively. Driving cost efficiency in these segments enables us to invest in the commercial capabilities that will generate revenue in the Interventional Medicine segment, which currently has an 8% contribution margin. As we deliver revenue growth in the various Interventional Medicine businesses we expect the contribution of that segment, and of BTG overall, to increase.

Group financial review continued

Operating profit

Investment in research and development increased to £68.3m (2013/14: £47.2m). This planned increase reflects greater investment in a broader portfolio of innovation and development programmes, including the acceleration of the TheraSphere® Phase III trials, development of a radiopaque Bead, hardware development and studies to support indication expansion for the EkoSonic® products, ongoing regulatory, clinical and medical affairs support for the marketed products, and studies to support US approval of RePneu®. Investment in research and development is expected to increase further in the year ahead as these activities continue and the full annual costs of the RePneu® studies are absorbed.

Other operating expenses include the impact of foreign exchange. The £:$ exchange rate moved from $1.67 at the beginning of the year to $1.48 at the end of the year. BTG's exposure to US$ revenue, costs and assets resulted in a net foreign exchange gain of £6.7m (2013/14: loss of £5.0m).

Operating profit before acquisition adjustments and reorganisation costs was £67.9m (2013/14: £62.3m).

Acquisition adjustments include the fair value of inventory acquired with PneumRx (£0.9m). Amortisation of intangible assets of £28.4m (2013/14: £23.3m) has increased to reflect the full year ownership of EKOS and TheraSphere®, as well as the impact of PneumRx from January 2015. Acquisition costs, predominantly associated with the acquisition of PneumRx, were £3.7m (2013/14: £9.8m – EKOS and TheraSphere®).

Operating profit after acquisition adjustments was £34.9m (2013/14: £27.3m) reflecting the underlying growth in the business.

Operating profit[1]

£67.9m

2013/14: £62.3m

+9%

Adjusted EPS[1]

15.7p

2013/14: 14.5p

+8%

1 Excluding acquisition adjustments and reorganisation costs

Financial expense/income

The Group's net financial expense was £8.2m (2013/14: net financial income of £6.0m). This primarily comprised a loss on the mark-to-market of foreign exchange forward contracts of £6.2m (2013/14: gain of £7.5m) and an increase of £1.0m in the fair value of the contingent milestones for the EKOS and PneumRx acquisitions.

Profit before tax and taxation

The profit before tax was £26.7m (2013/14: £33.3m), principally reflecting higher revenues offset by increased investment in SG&A and research and development and the impact of the acquisition and foreign exchange movements. Group profits arise in the UK, the US and other overseas territories and as a consequence the effective tax rate is a blend of the varying tax rates in different jurisdictions.

For the current year BTG has a tax credit of £6.9m (2013/14: £9.0m charge). The tax credit is principally due to the recognition of prior losses relating to Voraxaze® and EKOS and to the acquisition of PneumRx. The overall tax credit of £6.9m comprises a current tax charge of £11.0m (2013/14: £13.7m), which reflects the benefits of the UK Patent Box legislation that allows for a lower tax charge on certain qualifying assets, and a deferred tax credit of £17.9m (2013/14: £4.7m).

The Group has additional unutilised tax losses that may be recognisable in future years, depending on the commercial success of various assets. The timing and magnitude of the losses that can be recognised are uncertain, and the Group's anticipated effective tax rate over the medium term is around 26%.

Earnings per share

Basic earnings per share on a profit after tax of £33.6m were 9.1p (2013/14: 6.8p). The adjusted earnings per share excluding acquisition adjustments and reorganisation costs were 15.7p (2013/14: 14.5p) on adjusted profit after tax of £57.8m (2013/14: £51.5m).

Balance sheet

Non-current assets

Non-current assets increased at 31 March 2015 to £838.3m (31 March 2014: £565.5m), primarily reflecting the acquisition of PneumRx. This resulted in gross additions to goodwill of £51.6m and to intangible assets of £189.9m which, when offset by amortisation and foreign exchange, resulted in net increases of £52.3m to goodwill and £190.7m to intangible assets.

The net increase of £4.2m to property, plant and equipment comprises gross additions of £10.3m mainly relating to investment in our underlying manufacturing capacity and foreign exchange offset by depreciation.

The Group's defined benefit pension scheme as measured under IAS19 Revised – Employee Benefits changed from an asset of £8.0m at 31 March 2014 to an asset of £13.2m at 31 March 2015, reflecting contributions during the year of £2.9m, an income statement credit of £0.1m and an actuarial gain of £2.2m.

Current assets

Cash and cash equivalents have increased from £38.2m to £73.8m as a result of profitable growth. The Group did not draw on its £60m multi-currency revolving credit facility during the year.

Inventory and trade and other receivables increased during the year as a result of the manufacturing of Varithena® for the US launch, underlying business growth and the acquisition of PneumRx. Inventory increased to £40.5m (31 March 2014: £27.0m) and receivables to £91.9m (31 March 2014: £75.1m). The fair value of forward contracts as at 31 March 2015 was a liability of £0.9m compared to an asset of £5.3m at 31 March 2014.

Total liabilities

Non-current liabilities increased to £171.7m (31 March 2014: £93.5m) mainly as a result of an increase in the deferred tax position to £152.4m, predominantly arising as a result of the acquisition of PneumRx.

Trade and other payables increased to £128.9m (31 March 2014: £82.5m), reflecting the underlying growth of the business and the contingent consideration payable on the acquisition of PneumRx.

Cash flow

The business generated £47.5m from operating activities (2013/14: £48.5m), reflecting business growth offset by increased investments in SG&A and research and development, together with increased working capital. During the year BTG raised £145.7m net of expenses through a placing of 18.9m new ordinary shares to fund the initial cash consideration of $231m to acquire PneumRx.

BTG ended the year with cash and cash equivalents of £73.8m (31 March 2014: £38.2m).

Summary and outlook

The business has delivered a strong overall performance and pleasingly each business segment has performed well. In addition to the continued strong financial underpin from our Specialty Pharmaceuticals and Licensing business, we are now also seeing growth in our Interventional Medicine portfolio.

To realise the full potential of our business and achieve our target of $1.25bn+ revenue in Interventional Medicine by 2021 requires ongoing investment. We will continue to expand our commercial footprint in existing and new geographies, to develop and commercialise new products and to conduct trials intended to extend the approved uses of our current products for new medical indications and patient populations.

Investing in these multiple areas to drive future growth is possible because of the strong revenue growth we are generating.

With our balanced portfolio of fast-growing and highly profitable products, and our ability to invest to drive further growth, we are confident that we can deliver sustainable, profitable growth.

Market overview

Despite macro-economic challenges, there is a growing need for improved healthcare treatments. BTG's products are sold in selected markets worldwide and we operate within three distinct segments: Interventional Medicine, Specialty Pharmaceuticals and Licensing.

The global context

Today's healthcare environment is changing. At the macro-economic level, affordability and value are under increasing scrutiny as governments adjust to ageing populations, increasing demand for access to improved medical treatments and breakthrough treatments that command high prices. In the private sector, payers are also adjusting to these changes and are examining the value and clinical benefit of treatment options to formulate their coverage policies.

Doing more with less is an overarching theme of today's healthcare system. In a cost-conscious environment, marginal improvement is not enough and products need to demonstrate real patient benefit and value in order to gain reimbursement coverage.

The cost of developing pharmaceuticals continues to rise in line with the need to develop differentiated products and to demonstrate health economic data in addition to high quality clinical data. This is now no longer limited to the development of pharmaceuticals: it has become increasingly important in the world of medical devices.

At the clinician level, there is a growing desire to treat 'smarter'. Patients have more information and control over the management of their disease than in the past. Both parties are looking for more targeted treatments that have a better safety profile and are less invasive. Innovation is playing its part with ongoing strides in imaging enabling physicians to direct treatments to the exact part of the body where they are needed most, resulting in faster treatment and recovery and better outcomes.

Our markets

We choose to operate in niche market segments where there are underserved patient populations and specialist physician groups that can be served by small sales forces. We look for opportunities to differentiate our products through innovation, and for medical areas where innovation is rewarded through appropriate product pricing and reimbursement.

We believe that in order to succeed in today's healthcare environment, it is important to get three things right: the customer experience; the clinical data package; and demonstrating value to payers. This means developing new treatment options that are backed by level 1 clinical data and offer patients improvements in efficacy, safety, and/or quality of life, and giving physicians access to new products and procedures that they can be confident address their patient's needs.

We have found opportunity in two areas: Interventional Medicine and Specialty Pharmaceuticals. We also have a Licensing business that generated royalties, although this is no longer a core activity.

Interventional Medicine

The trend towards minimally invasive, locoregional treatment is growing, enabled by advances in imaging technologies and by the development of innovative products that allow interventional specialists to undertake new procedures.

Within our Interventional Vascular portfolio we have a novel treatment for varicose veins and a device to treat blood clots. It is estimated that there are around 30 million Americans who have varicose veins of which, every year, 2.5 million become symptomatic and thus eligible for reimbursed treatment. In 2012, only 500,000 people received treatment which equates to approximately 750,000 great saphenous vein (GSV) procedures. We expect this number to grow by 8% annually to approximately 1.25 million by 2021. Varithena® is a comprehensive patient-centric treatment that has the potential to overcome many of the reasons why the majority of Americans with symptomatic varicose veins do not currently receive treatment. As a result, we are targeting Varithena® sales in the US reimbursed sector of over $250m by 2021. In addition, we are progressing pathways to develop a self-pay market for Varithena® in the US and to expand its use into other venous conditions and geographic territories.

In the US approximately 1 million people experience some form of serious blood clot every year, of which we estimate 700,000 are candidates for interventional treatment. This is still at a nascent stage, although the number of interventional procedures grew to 120,000 in 2014, from 95,000 in 2012, thanks to emerging clinical data showing benefits over standard anticoagulant therapy. EkoSonic® is a unique device that uses an ultrasound catheter to assist the delivery of a thrombolytic agent deeper into the clot. The device is backed by clinical data and is the only product on the market with a

clearance to treat pulmonary embolism, a condition that results in approximately 200,000 US deaths per year. In 2014, sales were approximately $55m and our goal is to build EkoSonic® sales to $100m to $200m by 2021.

Our Interventional Oncology franchise comprises two main products; TheraSphere®, radioembolising glass spheres and our polymer beads, both of which are used in the treatment of liver tumours. We sell both products through direct sales forces in the US and in selected markets in Europe. We also have a direct sales force to sell beads in Taiwan and we use distributor contracts in other markets where we have approval. In August 2014 we received approval from the China Food and Drug Administration for DC Bead® for the embolisation of malignant hypervascularised tumours. Approximately half of the world's liver cancer patients are in China and there is a great interest among Chinese physicians to offer new, differentiated treatment options. We are now working with our distribution partner SciClone Pharmaceuticals, Inc. on launch plans. In 2014/15, total sales for the franchise amounted to approximately $120m. Based on technical suitability of patients and affordability, we estimate that the global market for interventional treatment of liver tumours will be approximately $1.3bn by 2021; our target is to expand our sales to $300m to $400m by then.

In January 2015 we completed the acquisition of PneumRx, a commercial leader in the interventional treatment of advanced emphysema. It is estimated that there are more than 10 million people in the US and largest five EU countries with emphysema resulting in a significant economic burden on healthcare systems relating to both in-patient and out-patient care costs. There is no cure, with the current standard of care seeking to relieve symptoms through drug therapy and pulmonary rehabilitation. Until recently there was little doctors could do to help these patients, the only options being major surgery to remove the diseased portion of their lungs or give them a lung transplant. PneumRx manufactures and sells the RePneu® Coil System, a shape memory metal coil that is planted in the patient's lung that compresses the diseased tissue and allows healthy tissue to function more efficiently. Approved in the EU, sales in 2014 were approximately $25m. Now, with a fully recruited US pivotal trial, our target is to reach $250m in sales by 2021.

Specialty Pharmaceuticals

Our portfolio of antidote products is used in the emergency room setting and is sold throughout the US through our Acute Care field force of 19 representatives. CroFab®, the only currently available treatment for North American crotalid snake envenomation, is only sold in the US whereas DigiFab® and Voraxaze® are also sold through partners in other countries where approved or where permitted to be made available on a named patient basis. All these products address markets that are bounded by the number of toxic events occurring each year. In the case of CroFab® there are approximately 5,000 envenomations. For DigiFab® there is an average range of between 1% and 4% of the 16 million digoxin prescriptions that result in patient toxicity. Voraxaze® is an antidote to the toxic side effects of high dose use of the chemotherapeutic agent, methotrexate, which affects approximately 200-300 patients in the US each year.

We currently have one late-stage product in the pipeline: uridine triacetate, which is being developed by our partner Wellstat Therapeutics Corporation. This product is an antidote for the potentially life-threatening toxic side effects of overexposure to the chemotherapeutic 5-fluorouracil. Wellstat plans to submit a US NDA to the FDA which could result in approval and commercial launch in late 2016. BTG has acquired EU and US commercial rights to uridine triacetate, which it currently supplies in the EU through a distribution partner on a named patient basis.

Licensing

Although not an active strategy for BTG, we receive royalties relating to the sales of products that are subject to intellectual property and licence agreements between BTG and various partners. These royalties vary but are on average around mid-single digit percentages of partners' sales revenues. Within this segment, royalties from sales of Johnson & Johnson's prostate cancer drug Zytiga® (aberaterone acetate) are the largest contributor.

Competition

Our industry is highly competitive. Our strategy to mitigate this is to focus on niche therapeutic areas where we develop leading positions because we can compete effectively in terms of commercial footprint and the capability and resources to undertake product innovation and clinical development. Focusing on specialist areas of medicine places BTG in a strong position to in-license or acquire assets from third parties.

Regulation

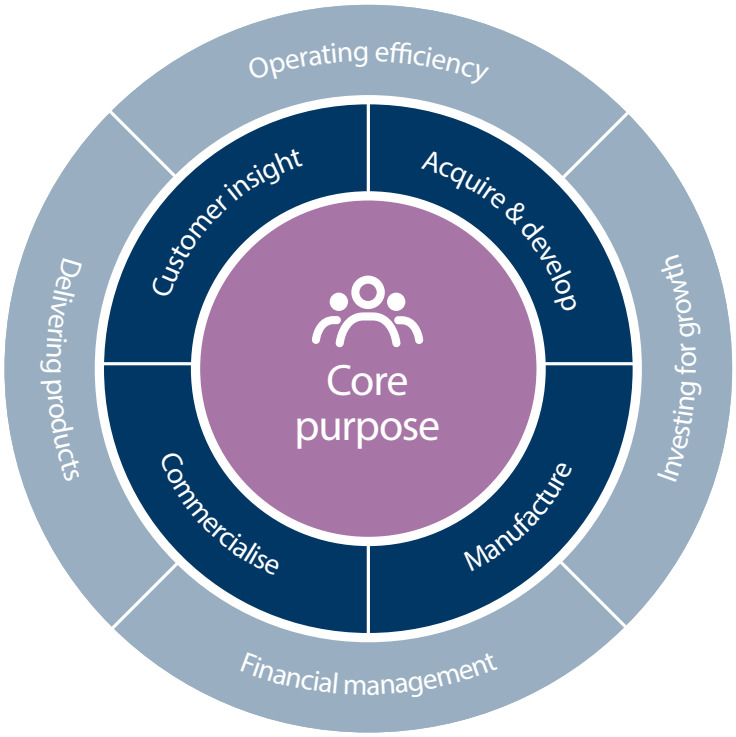
The healthcare industry is highly regulated and companies operating within this are subject to strict rules governing research, clinical development, pharmacorigilance, manufacturing and commercial activity. At BTG we have built up extensive quality, pharmacovigilance and compliance systems and procedures, as well as recruiting and training highly skilled and experienced employees, to ensure that we comply with all regulatory matters. We also pay close attention to the future regulatory landscape and the potential impact of healthcare reforms. This is of particular importance when reviewing new product or acquisition opportunities.

Risks

The market for pharmaceutical products and medical devices has inherent risks. Safety issues, competition, loss of intellectual property, regulatory issues and challenges and poor reimbursement or adoption by physicians are among the key risks for the industry. See pages 33 to 36 for BTG-specific risks.

Our business model

Core purpose: At BTG we are focused on bringing to market innovative products in specialist areas of medicine to serve doctors and patients better. Our growing portfolio of Interventional Medicine products is designed to advance the treatment of liver tumours, severe blood clots, varicose veins and advanced emphysema, while our Specialty Pharmaceuticals portfolio offers antidotes that alleviate toxicity and treat rare conditions.



Core purpose

To advance the treatment of underserved patient populations by bringing to market innovative products.

Key activities

Key activities include identifying unmet medical needs, acquiring and developing innovative products, manufacturing those products to the highest standards and selling them either directly or through partners.

Read more on pages 28 and 29

Creating value

At BTG we acquire, develop, manufacture and commercialise specialist medical products that meet the needs of our customers and advance the treatment of their patients. The core activities we undertake are designed to maximise shareholder value by using our unique customer insights, experience and internal capabilities to execute our growth strategy across a range of therapy areas and geographies.

We add value at each stage of our key activities. Our close customer relationships enable us to identify new product opportunities or ways in which our current products can be improved. We constantly assess the competitive landscape and look for ways to move into new medical areas that fit with our strategy and complement our existing portfolio and capabilities. Manufacturing feasibility is assessed at an early stage and we take appropriate precautions to de-risk our supply chain. We seek a commercial advantage by targeting specialist physicians and providing them with new treatment options that better serve their patients. We commercialise our products through small, relatively low-cost sales forces that have deep insight into their customers' needs.

Specialty Pharmaceuticals: focus on rescue medicine

CroFab® antivenom mitigates long-term damage

Walnut Hill, Alabama
Sandy Marsh was outside her home picking weeds that were popping through the rocks in her well-manicured lawn. She reached under a bench to pull a small weed, and that's when she was bitten on the finger by a poisonous snake.

Marsh said she remained calm and called 911. She told the operator that she was bitten by a pygmy rattler and she was 40 miles from Pensacola.

"The person at 911 told me to put my arm down. It's good that she said that, because I always thought you were supposed to put your arm up. She (the 911 dispatcher) was really great, telling me that you must keep it below the heart."

Within moments of her 911 call, the local Fire and Rescue, Atmore Ambulance and air paramedics were on their way to her remote home.

"I really did not realize the seriousness of it all until about half an hour later, when my arm began to swell. When the swelling got to here, she said, (pointing at a spot nearing her elbow) they decided to give me the antivenom."

She ended up with four doses of CroFab® antivenom.

Sandy's story is a great example of how a snake bite can happen while doing daily chores and how the venom can progress quite quickly. Not only did the emergency personnel act quickly, and responsibly, but they demonstrated textbook knowledge in controlling envenomation, so as to mitigate long-term damage.

Our business model continued

Key activities

Customer insight

Our products are used by specialist groups of physicians with whom we engage in a number of ways. We promote and provide training on the approved uses of our products; we offer dedicated medical support to physicians regarding the safety, efficacy or use of our products and provide data when requested; we invite proposals for funding to explore the use of our products in different patient populations to inform our innovation strategy.

These interactions give us unique insights into our customers and the way they choose to treat their patients. At BTG we see ourselves as a trusted partner with these physicians. Our innovation team specifically engages with them and the wider scientific and medical community in order to get a deeper understanding of treatment practice and trends, and to identify areas 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 market opportunities. These may be addressable with our current products and technology platforms, or they may require us to acquire and/or develop new technologies.

> "Our strategy has the potential to create significant value for our stakeholders."
>
> Louise Makin
> Chief Executive Officer

Acquire and develop

BTG has a rich history of acquisition and in-licensing activity. We look for opportunities where we can add value through our existing capabilities, such as products (or late-stage programmes) that we can sell through our own sales channels, or through a new sales team that can be supported by our existing commercial infrastructure.

We also seek to exploit our strong capabilities in areas of technology convergence, such as drug-device-procedure combination products. Here we look for opportunities where we can drive further growth by investing in development, regulatory approvals and commercial activities.

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

Our development programmes take place once a feasibility study has been assessed. Typically we look to expand the approved use of a product where the safety and efficacy profiles have already been established as this is a lower-risk approach. We prefer to focus on opportunities where proof of concept has been established and we apply strict criteria which allow us to pursue those opportunities that have the greatest chance of success.

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 involved in conducting many of our studies in order to obtain the requisite regulatory approvals to access new commercial opportunities. We also support significant large-scale clinical studies which often differentiates us from our competition within the medical devices sector. See pages 14 and 15 for more details.

Working in partnership with our customers

Developing a radiopaque bead

The ongoing advances in imaging are central to the growth in Interventional Medicine. At BTG we work closely with Key Opinion Leaders (KOLs) and have collaborated with Philips Healthcare, the US National Institute for Health and Johns Hopkins University to advance image guided transarterial embolisation procedures and develop new treatment protocols in interventional oncology. This has contributed to the development of an imageable bead that will help the interventional radiologist guide the therapy and potentially treat more effectively.
See pages 12 and 13 for more details.

Focus on manufacturing

CroFab®

The production of CroFab®, BTG's antidote for North American snakebites, involves a complex global supply chain. Here we describe the process that from start to finish can take up to eight months.

1. Salt Lake City, Utah Venom collection from live snakes at BTG's controlled facility
2. Turretfield, South Australia Dedicated sheep flock in Australia are immunised with venom to raise the required antibody serum
3. Llandysul, Wales Frozen serum arrives at our manufacturing plant in Wales where the antibodies are extracted and then shipped to the US
4. Philadelphia, Pennsylvania Final product is processed into vials, packaged and stored ready for sale by BTG's acute care sales force

Manufacture

Our Bead products and Varithena® are manufactured at our site in Farnham, UK, with Bead product development activities also taking place at our site in Alzenau, Germany and Camberley, UK. TheraSphere® is currently manufactured for us by Nordion, Inc. in Canada. Our EkoSonic® Endovascular System is manufactured at our site in Seattle, Washington and the RePneu® Coil System is manufactured and assembled in-house at our facility in Mountain View, California.

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

Certain aspects of our manufacturing supply chain are outsourced, though we remain responsible for meeting regulatory and quality requirements and for the overall safety of our products. We continue to invest in upgrading our manufacturing operations and capabilities to ensure we continue to meet all relevant standards as they evolve and to provide further capacity as the business grows.

"Rigorous quality control procedures ensure the safety and availability of our products."

Anthony Higham
Head of Manufacturing and Supply

Commercialise

We sell our products directly in the US, where we have dedicated sales teams for Varithena®, our Interventional Oncology products, for EkoSonic® and our acute care products. In 2014 we expanded our direct sales force in Europe that sells TheraSphere® and more recently we have added our Bead products to this team following the expiry of a distributor contract.

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.

Our Specialty Pharmaceuticals field force calls on emergency room doctors with our acute care products. Approximately 50% of blood clots present in emergency rooms.

Elsewhere we sell mainly through partners or distributors. We will continue to review options to sell directly in territories outside the US as we build sufficient critical mass to justify the additional investment.

Outside the US we also sell certain products on a named patient basis where those products are not yet approved but meet the required criteria to be made available.

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 from our historic licensing business.

Corporate responsibility

We aim to deliver sustainable growth and value for all of our stakeholders, be they patients, employees, investors, or the communities where we live and work. By fostering a culture of trust, integrity, and responsibility, our business will continue to play a role in improving the health and well-being of people around the world.

Approach

In this section of our Annual Report we summarise our approach and key data for the areas of social responsibility, environment, and governance that are most relevant to our business. Additional information is available on the Responsibility section of our website (www.btgplc.com/responsibility), which has recently been expanded to include information on a broader range of Social, Environmental and Governance topics.

Social responsibility

Values

Our values and the behaviours that support them are an important differentiator for BTG. These are a core part of our hiring, development, and performance review processes. As the Company grows, we invest time and effort in activities to deliberately preserve our culture and ensure that our values are reflected in the way we do business.

- **Integrity**

We will build trust in all interactions by displaying consistently high standards of ethical and professional business practice.

- **Accountability**

We will accept that we have an obligation to take responsibility and account for our actions.

- **Delivery**

We will always strive to deliver what we have committed to do, on time and to the highest standard.

- **Teamwork**

We will collaborate to achieve common goals through mutual respect, openness and flexibility.

- **Openness**

We will be open in giving, accepting and sharing ideas, knowledge, help, advice and constructive challenge.

- **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.

People

BTG values the contribution of every employee, and the part each employee plays in bringing products to market that deliver benefits to patients.

The results of this year's employee engagement survey, conducted by the Great Place to Work® institute, showed that 79% of employees feel BTG is a great place to work, up from 70% in 2012. The survey results showed improvement across all 17 categories measured as compared with our 2012 results, including a 6% improvement in employee engagement and a 6% improvement in our overall 'Trust Index' score.

This year we have made particular investments in 'Continuous Learning', including dedicated oversight of our Learning & Development programmes, the addition of two Learning & Development Specialists, and specific training offerings tailored to the needs of our business. Our induction programme, 'Bridging The Gap', is now offered globally to introduce new employees to the business and reinforce our values and culture. We have also expanded enrolment in our Management Development Programme for new managers. Our online HR system, MyHR, now helps facilitate the performance appraisal process for all employees, which includes both self-assessment and evaluation by an employee's manager.

Despite the growing number of employees and facilities, and our expanding geographic footprint, we continue to provide opportunities for all employees to interact with the Leadership Team, including monthly companywide meetings hosted by the CEO that connect employees around the world by video and teleconference.

BTG is an equal opportunities employer with a diverse employee population, and we are committed to fostering an inclusive environment and an atmosphere of mutual respect.

Data on gender[1]

Number of females who are:	2014/15	2013/14
Employees	522 (47%)	424 (50%)
Senior Managers	78 (41%)	39 (30%)
Leadership Team Members	3 (23%)	2 (18%)
Board Directors	2 (25%)	2 (25%)

1 This data excludes PneumRx, which will be included in next year's report.

Charitable giving

We see charitable giving as an important way to support and build relationships with the communities in which we live and work. Each year Corporate Charities are chosen locally by employees at each of our major sites. Wherever possible we aim to support initiatives that build stronger community relationships in the locations where we operate. During this fiscal year we donated £41,000 (2013/14: £23,363) to charitable causes.

In June of 2014 BTG supported 45 employees from across all four UK sites who took part in Trekfest, a 31 mile bike ride and 54 mile trek across the Brecon Beacons in Wales. Participants raised over £11,000 for Cancer Research UK.

In January of 2015, fires in South Australia personally impacted many in our Turretfield and Martindale facilities, prompting employees to hold regular fundraising events for local Country Fire Service (CFS) units. BTG also authorised a donation of surplus feed to local farmers who lost their crops and hay stocks due to the fires and who were struggling to feed their animals

Other employee activities in the year raised funds for charities including Cancer Research UK, American Cancer Society, St Jude's Children's Research Hospital, Leukaemia & Lymphoma Society, and Kinderhospiz Sternenzelt Mainfranken (a children's hospice association). A complete list of the charities which we supported during the financial year can be found on our website.

Environment

We continue to monitor all of our sites worldwide using the Environmental Health and Safety (EHS) Management Standards we introduced in 2012. These include carbon emissions, waste production, water and electricity usage and lost time accidents. This year's data does not reflect facilities and production related to the PneumRx acquisition completed in January of 2015, which will be included in next year's report.

Our carbon dioxide emissions and electricity usage have increased driven by increases in production, the full utilisation of the laboratory and expansion of office space in Camberley, increased headcount in our Philadelphia office, an expanding sales force, and the first year of reporting for the recently acquired facilities in Ottawa and Seattle. Efficiency projects at our production sites have helped mitigate the increase in consumption in other non-producing parts of the business.

The increase in waste is largely driven by a full year of reporting for EKOS production. Partly counteracting this increase, our Farnham and Camberley facilities now use a waste contractor that does not deliver to landfill, but instead burns any waste that cannot be recycled in a process that produces electricity. The rise in water consumption is in line with our increased production and growing number of employees.

Our rate of lost time accidents remains steady and in an effort to be open and honest in our reporting we have enhanced this metric by additionally reporting the number of work-related illnesses.

Data	2014/15	2013/14	% Change
Total CO_2 equivalent emissions generated (tonnes)[1–5]	6,145	5,229	+18
CO_2 equivalent emissions scope 1	1,367	1,576	-13
CO_2 equivalent emissions scope 2	4,778	3,653	+31
Total production units	234,939	201,228	+17
Total kg CO_2 generated per production unit	26	26	0
Total employees	1,121	895	+25
Total kg CO_2 generated per employee	5,481	5,842	-6
Total electricity consumed (MWh)	8,251	6,973	+18
Total electricity consumed (MWh) per production unit	0.0351	0.0347	+1
Total waste from our production and research sites (metric tonnes)[6]	573	471	+22
Waste recycled	258	128	+101
Hazardous waste – incinerated or other treatment	114	112	+2
Waste to landfill	200	136	+47
Total water consumption at production sites (cubic metres)[7]	34,123	28,900	+18
Total lost time accidents and illnesses (days per 100,000 hours worked)[8,9]	0.69	0.50	+38[9]

Notes

This data excludes facilities and production related to PneumRx, which will be included in next year's report.

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 2014.
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 Includes all accidents and illnesses where one or more days are lost. UK companies usually only report when three or more days are lost. This figure also includes accidents where people have returned to work and were given alternative duties as they were not able to fulfil their normal roles.
9 Work-related illnesses included for the first time in 2015. A like for like comparison of lost time attributed only to accidents show rate increase of 10% (0.55 vs 0.50).

Corporate responsibility continued

Governance

To achieve our goals and maintain the trust and confidence of all of our stakeholders, we must ensure the management of our business is underpinned by our values and ethical standards.

Code of Conduct

Our Code of Conduct encourages each employee to take individual responsibility for behaving ethically and compliantly, abiding by the letter and spirit of our Code in everything we do. All BTG employees worldwide, within all regions and functions are trained annually in the principles, policies and procedures described in the code and the ethical behaviours that are expected of them. Our MyHR system tracks adherence to code-related training requirements. The latest version of our full Code of Conduct is available on the Responsibility section of our website.

Anti-bribery and corruption

Our anti-bribery and corruption policy prohibits BTG employees, and those acting on their behalf, from offering anything of value as a bribe or inducement to make decisions that favour BTG's interests. The policy applies to individuals and organisations worldwide including those working within governments and those serving public interests, healthcare professionals, patients, suppliers, charities and advocacy groups. These policies are designed to promote compliance with the UK Bribery Act, the US Foreign Corrupt Practices Act (FCPA), and other local law equivalents.

BTG employees are expected to report potentially corrupt behaviour and BTG maintains an 'Open Door' policy to encourage open lines of communication. In no event will an employee suffer any retaliation for making a good faith report of a suspected violation. We also maintain a third party hotline for confidential reporting of illegal and unethical activity.

The Sunshine Act and Open Payments Programme

BTG is committed to upholding and maintaining standards that promote transparency of our relationship with healthcare providers. BTG collects, tracks, and reports payments to healthcare professionals (HCPs) and organisations in accordance with the US Physician Payment Sunshine Act of 2009. This year the Center for Medicare and Medicaid Services began displaying data regarding the financial relationships between manufacturers and physicians and hospitals via their Open Payments website.

Human rights and anti-slavery

BTG has publicly committed to respecting numerous international standards including the United Nations Universal Declaration of Human Rights. We obtain certifications and third party verification for key suppliers, conduct audits, and provide training on standards and procedures for employees and contractors to identify and eradicate slavery or human trafficking, were it to exist in our direct supply chain. These efforts address the requirements of the California Transparency in Supply Chain Act.

Incremental Improvements

Taking steps to increase efficiency and reduce environmental impact

We continue to invest in projects across the business designed to improve our efficiency. For example, our Wales production facility has retrofitted the Heating, Ventilation and Air Conditioning (HVAC) system with high efficiency variable speed motors that use less electricity. In Frankfurt our engineers worked closely with the FDA to find an acceptable way to lower the airflow in our clean rooms at night when they are not in use, saving electricity while maintaining the carefully controlled environment required by the regulator. These projects demonstrate our commitment to running our business in a responsible, sustainable way, and each small step helps reduce our impact on the environment.

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 identify and manage such risks, no risk management strategy can provide absolute assurance against loss or unforeseen events occurring, or mitigations proving ineffective. The Company operates in a relatively high risk sector and risk is inherent in its growth strategy.

Risk management is embedded throughout the Group's operations and functions. Risks are identified and assessed by operational staff and managers and are collated Group-wide into a composite Risk Register for review by a Risk Committee, which comprises senior members of staff representing relevant parts of the business and key functions as well as members of the Leadership Team.

Key changes during the year were to embed further the risk process in day-to-day business unit operations and assess the risks in relation to their potential impact on the business units and the wider Group achieving its 2021 corporate goals. The timeframe for assessing risks has increased from looking forward three years to assessing the risk to 2021. In addition, the materiality of each risk is assessed in relation to its impact on achieving forecast revenues and other key measures of success, in particular the 2021 target of achieving over $1.25bn in revenue in Interventional Medicine.

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 business unit Risk Registers regularly and the overall Risk Register is reviewed at least twice yearly by the Risk Committee and formally reported to the Audit Committee, following which it is considered by the Board. In the intervening periods the status of key risks are tracked and reported to the Leadership Team and 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 those risks that could have most impact on achieving the 2021 financial targets. Included within the reports to the Audit Committee is an explanation of any changes in the risks, controls or mitigation 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. The Board discussion focuses on the level of comfort that the risks being taken are appropriate in light of the Group's strategy. As part of the review the Board considers what would represent an appropriate 'risk appetite' in key areas.

Occasionally the Audit Committee will undertake a 'deep dive' assessment of a key risk to better understand its nature and to consider available mitigation options that could be deployed to better manage that risk, together with the costs, timelines and likelihood of success of those options. 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 goals and operating objectives. The list is not exhaustive although other risks are deemed less material at this time. Given the nature of our business, risks continually change.

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; the impact of competition and the successful enforcement of protecting or blocking third party intellectual property rights.

The pharmaceutical and device industries are 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 or

Risk management and principal risks continued

reimbursement levels. 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 benefit from such activities by the application of 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.

The following specifically assessed risks (not ranked) have the highest potential impact on the Group achieving its 2021 targets.

1. 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 attributes, including better efficacy or side effect profiles, cost less to produce or be offered at a lower price than BTG's product. Such competition could materially adversely impact Group revenues.

There are currently no competitive products on the market to the Specialty Pharmaceuticals products CroFab®, DigiFab® or Voraxaze®. However, future competition is possible in some cases and competing products could materially adversely impact BTG's financial results. Instituto Bioclon obtained US approval for a competitor product to CroFab® in May 2015. During the year we settled a legal action which we had initiated against Instituto Bioclon and as a result, notwithstanding US approval of their product, it is unlikely they can commercially enter the US market until October 2018 at the earliest.

Within Interventional Medicine, the Beads products compete with products from Merit Medical Limited and CeloNova Biosciences, Inc.; TheraSphere® competes globally with a product from Sirtex Medical Limited; 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 like Boston Scientific Corporation. In Licensing, Zytiga® (abiraterone acetate) competes with a number of recently approved treatments for advanced prostate cancer including Xtandi® (enzalutamide).

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

Change in 2014/15: We commenced a controlled launch of Varithena® in the US reimbursed sector, following which another non-tumescent product has been cleared for use in the treatment of varicose veins in the US (VenaSeal™). We commenced direct sales of our TheraSphere® and Beads products in certain EU countries; previous US and EU distributors (AngioDynamics and Terumo respectively) have announced plans to launch embolic beads of their own. In January we completed the acquisition of PneumRx adding the RePneu® Coil to our portfolio. There is an existing competitor in the form of the Pulmonx, Inc. valve. As noted, Bioclon have received US approval for a competitor to CroFab®.

2. Research and development

Impact: Failure to implement our research and development strategy or failure to achieve the desired safety and efficacy product profiles in our research and development programmes, 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 programmes could result from lack of organisational resource or capability deficiencies, from not aligning R&D programmes with commercial objectives; from changes in the regulatory landscape making it more difficult to conduct the planned R&D programmes or to achieve clinical results and approvals; or from the products not having the clinical benefits or safety profiles that were anticipated.

Mitigation: Capabilities and organisational capacity enhanced through recruitment; monthly monitoring of performance against goals; monitoring of regulatory landscape. The use of external resources such as contract clinical research organisations (CROs) are being more effectively leveraged alongside active development of R&D, regulatory strategies and delivery plans.

Change in 2014/15: The R&D and Innovation groups have been restructured following the appointment of Dr Melanie Lee as Chief Scientific Officer. In addition a portfolio review board has been established to oversee the execution of the Group's R&D strategy. The acquisition of PneumRx has further increased the number of studies being undertaken by the Group and its reliance on the successful execution and outcome of clinical studies to achieve its 2021 financial targets.

3. Sales compliance, reimbursement and regulatory affairs

Impact: Changes in the regulatory environment could materially adversely impact the Group's ability to commercialise or sell existing or new products in one or more geographies (whether due to an inability to obtain or the loss of marketing approvals or narrowing or withdrawal of existing approvals). The regulations and laws to which the Group is subject are complex, leading to an inherent degree of uncertainty and risk. New legislation, changes in existing legislation and/or regulatory guidance or enforcement policies or practice may result in delays or failures in bringing products to market, additional material costs or the imposition of restrictions on approval or the sale of a product or its manufacture, distribution or reimbursement, including the possible withdrawal of a product from the market or narrowing of its approval or indicated uses. Any of these actions could have a material adverse effect on the business or prospects of the Group. This is particularly the case for drug-eluting beads

which are deemed by some regulatory authorities as combination products (comprising a drug and a device), in respect of which the regulatory requirements may be less clear in certain territories.

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.

The regulations and laws, particularly in the US, are complex and often strictly enforced by governmental and regulatory authorities. Defending actual or alleged violations may require significant management time and financial commitment, even if not proven. The incidence of these investigations has risen in the US in recent years. 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, inaccurate regulatory submissions, 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. Resultant financial and other potential sanctions against the Group (or their commercial partners or their respective employees or directors) could materially adversely affect their business, financial position and prospects of the Group, in the loss of product licences or exclusion from sale of certain products.

Furthermore, the Group may be subject to price limits on reimbursement of products which are outside of its control, reducing product reimbursement or sales prices, which may have a negative impact on Group revenues. This is particularly the case in the US where a significant proportion of the Group's revenues are derived, and in light of the ongoing US healthcare reform, requiring increased rebates or discounts to be provided where products are reimbursed or paid for by public payments, including Medicaid and Medicare. Reimbursement and healthcare payment systems vary significantly by country and there can be no assurance that reimbursement approvals will be received or sustained. There can be no assurance that a product, even if approved, will obtain adequate levels of reimbursement to support commercial success. This is the case for Varithena® as a new product class in the varicose vein treatment sector. The Company has a reimbursement strategy and team supporting the commercial launch of Varithena® but ultimately there can be no assurance sufficient reimbursement will be universally adopted to support the full potential of the product in the US or elsewhere.

Mitigation: The Company has expert internal teams dedicated to each of these areas including: a Regulatory Affairs group which was strengthened and restructured during the year. That group works with a network of external advisors in relevant territories to ensure the appropriate regulations are understood and that regulatory strategies are in place and that actions are taken in a timely fashion to meet requirements to effectively support both products in development and those already approved and sold. The Regulatory Affairs group work closely with the wider R&D team to co-ordinate activities and maximise the chances of success.

The Company also has a Healthcare Compliance team which establishes robust processes and a framework intended to provide assurance that applicable sales compliance requirements are met. However, as with other areas of risk management, no assurance can be provided regarding the ability of those systems to totally mitigate compliance risk. As a consequence, ongoing monitoring and auditing is undertaken to seek to ensure any material failures are identified where possible and remediated.

The Company has also strengthened its market access (reimbursement) group over the year with a focus on Varithena® to support the commercial launch in the US.

Changes in 2014/15: The launch of Varithena® in the US in 2014 highlighted the work necessary to establish appropriate reimbursement of new products. Progress on that will continue to be a focus and a critical success factor for that product.

In July 2014, BTG announced that it had received a subpoena from the US Department of Justice, seeking documents in relation to an investigation regarding LC Bead®, covering the period since 2003. BTG continues to cooperate fully with this investigation and at this time is unable to predict its duration or outcome. PneumRx marketing and other activities have been incorporated into BTG's global compliance programme.

Discussions with the UK MHRA and BSi continue with respect to the reclassification of the DC Bead® product in the EU which, if not resolved, could reduce the scope of the indicated uses of the product, adversely impacting the Group.

4. 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 or other intellectual property (IP) rights in order to protect current or future product revenue streams. Litigation involves significant costs and uncertainties. Failure by BTG to maintain or renew key patents might lead to loss 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

Risk management and principal risks continued

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. The landscape is generally more complex in the Interventional Medicine market place rendering IP management more challenging.

BTG may rely upon know-how and trade secrets to protect its products and maintain a competitive advantage. BTG may have to sue third parties to protect its know-how and trade secrets. Trade secrets may be inadvertently disclosed leading to loss of competitive advantage and 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 2014/15: IP management has been made more complex by the acquisition of PneumRx. BTG settled its patent litigation against a potential competitor to CroFab®. The commercial launch of Varithena® may lead to further IP challenges or competition requiring the Group to initiate litigation. The innovation and development of new products may result in IP challenges by third parties.

5. External supply chain

Impact: We rely on third-party contractors for the supply of many key materials and services. These processes inherently carry risks of failure and loss of product and 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 2014/15: The launch of Varithena® results in increased reliance on third parties for key components.

6. Internal supply chain

Impact: BTG relies on its single site in Wales for supply of manufactured antibodies and a single site in Farnham, UK, for the manufacture of the Beads and Varithena® with the consequent possibilities for disruption to, or loss of supplies resulting from, 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, Washington, USA, and its RePneu® Coil at a single site in Mountain View, California, USA, with the consequent possibilities for disruption to or loss of supply.

Mitigation: Dual sourcing is being investigated; inventories are being monitored; production changes implemented 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 2014/15: The acquisition of PneumRx and the launch of Varithena® has increased BTG's reliance on single manufacturing sites.

7. Quality and 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 2014/15: PneumRx was 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 Pharmacovigilance and other systems, which will be fully implemented during the 2015/16 year.

The strategic report was approved by the Board on 18 May 2015.

By order of the Board

Dr Paul Mussenden
Company Secretary

Governance

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

Board of Directors

Our Board of Directors come from a wide range of backgrounds to enable us to access a broad knowledge base. They define BTG's strategy and oversee its performance.

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.

Dame Louise Makin
Chief Executive Officer

Dame Louise Makin, MA, PhD (Cantab), MBA, DBE, joined BTG as Chief Executive Officer in October 2004. She is a non-executive director of Intertek Group plc and the Woodford Patient Capital Trust, 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.

Susan Foden
Non-Executive Director

Susan Foden, MA, DPhil, joined BTG as a non-executive director in March 2015 and is a member of the Remuneration Committee.

Susan is currently Chair of BerGenBio AS and Cizzle Biotech Ltd, a non-executive director with Vectura Group plc, Evgen Ltd, Source Bioscience plc and is an advisory board member for CD3 (a joint initiative between Leuven University and the European Investment Fund). Previously Susan was an Investor Director with the venture capital firm Merlin Biosciences, CEO of the technology transfer company, Cancer Research Campaign Technology Ltd and Head of Academic Liaison at Celltech Ltd.

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.

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 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.

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.

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.

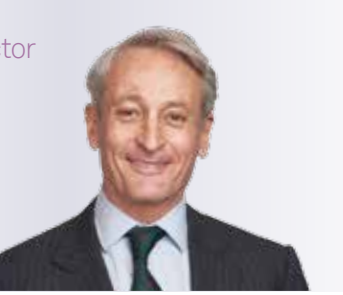
He is a director of Cardiome Pharma, Prostrakan Group Plc, and Trevi Therapeutics, Inc. and a former Chairman of the US National Pharmaceuticals Council. From 2007 to 2008, he was Vice Chairman of Sepracor, Inc., where he was also President and Chief Operating Officer from 1999 to 2007. Previously, Jim 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.

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.

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 20 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

We have continued our focus on corporate governance as the business has continued to grow.

Garry Watts
Chairman

Key actions in 2014/15

Review and evolution of our approach to risk management
External Board evaluation
Integration of PneumRx
Expansion of our governance framework to oversee operations in new geographies

Dear Shareholder,

At BTG we are committed to achieving high standards of corporate governance which we believe is fundamental to the success of our business. The Board is ultimately responsible for this and looks to improve standards as part of building a successful Company. We have a strong governance framework embedded within the culture of our organisation which goes beyond compliance to the integrity with which we operate. The standards of behaviour we require from our employees are guided by our Code of Conduct with its underlying supporting policies, procedures and management processes. During the year the Company has continued to grow both organically and by acquisition and as it does so, the principles of good governance give us the infrastructure for long-term success and will enable us to achieve our strategic goals. We seek to apply BTG's approach to governance following an acquisition, such as following the PneumRx transaction, to ensure governance is well embedded throughout the Group. As part of our growth strategy we have, during the year, commenced direct sales in a number of European geographies. As a part of that expansion, we have focused on establishing effective governance controls. The annual Strategy Day is an essential part of the Board calendar and is a crucial area of focus. Regular Board meetings also concentrate on strategic progress and forward planning as well as operational issues, resulting in well informed debate and decision making.

To achieve this requires the right leadership and accordingly the Board is composed of directors with a range of professional and sector-specific experience. The balance of the Board is regularly reviewed to ensure we continue to have the right skills and experience to operate in a fast-changing environment. During the year we have seen a change to the Board, with Dr Melanie Lee leaving to take up

the position of Chief Scientific Officer of the Company, and the appointment of Dr Susan Foden to the Board and Remuneration Committee. Details of directors can be found on pages 38 and 39.

The Board is committed to maintaining an open dialogue with shareholders and all members of the Board make themselves available to meet any shareholders throughout the year. Louise held over 150 meetings with investors, including current shareholders, and Rolf met with over 60 investors. Louise also presented at a number of conferences attended by existing and potential shareholders. Communications with shareholders are coordinated during the year by the Vice President of Corporate and Investor Relations, who reports directly to the CFO.

The Company's AGM will be held on 15 July 2015 and as usual the Board will be available to meet investors.

Our corporate governance report can be found on pages 40 to 49 and includes our statement of compliance with the Code and its principles on page 41. The directors' remuneration report can be found on pages 56 to 75.

Garry Watts
Chairman

Compliance with the UK Corporate Governance Code (the Code)

The Company supports the principles of the 2012 edition of the UK Corporate Governance Code (the Code) as published by the Financial Reporting Council (FRC).

Statement of Compliance with the provisions of the Code

The Board considers that the Company has complied fully with the Code throughout the year ended 31 March 2015. The Company has not undertaken a tender of audit services but has considered carefully the applicable regulations regarding audit firm rotation and the performance and independence of the current auditor KPMG, and recommends their reappointment. Further details are provided on page 52 of the Audit Committee report. In September 2014, the FRC published a new edition of the Code, applicable to accounting periods beginning on or after 1 October 2014. Next year's report will comment on the Company's compliance with the new provisions and it will aim to comply fully with the revised Code. However, the Company has sought to reflect these provisions in its current practices where possible. This corporate governance report, together with the directors' remuneration report, explains how the Company has applied the principles of the Code.

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.

Corporate governance report continued

Governance framework

This report details how the Company has applied the main principles of the Code:

Leadership

The Board and its Committees

The Board
The Board is responsible for the long-term success of the Company and the overall management of the business and has a schedule of matters reserved specifically for its decision or approval. The Board determines strategy and risk appetite.

Audit Committee
Assists the Board on the oversight of financial results, internal control and management of risk and compliance.

Read more on page 50

Risk Committee
Responsible for monitoring risks throughout the organisation and assessing the effectiveness of the risk control and mitigation measures implemented by the Group.

Internal Audit
Testing of the effectiveness of the internal control systems.

Remuneration Committee
Determines executive director and senior management remuneration, and ensures the policy supports the Company's strategy.

Read more on page 56

Nomination Committee
Considers the structure, size and composition of the Board and its Committees and overseas succession planning for senior roles.

Read more on page 54

Disclosure Committee
Responsible for ensuring the Company's compliance with applicable transparency and disclosure obligations.

The Leadership Team
The Leadership Team is chaired by the CEO and members include the CFO and senior management from different areas of the business.

The team is responsible for the day-to-day running of Group operations and for making recommendations to the Board on the Company's strategy and subsequent implementation.

It also ensures 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 here.

This includes responsibility 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.

Portfolio Review 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.

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.

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.

Global Quality Leadership Team
Reviews progress with overall Quality Strategy and objectives, this includes 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.

Corporate Responsibility Committee
Ensures the Group maintains high standards in this area.

The Board of Directors

A Board and Committees meeting programme is set annually for core activities which forms the basic structure of Board operation.

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 roles of the Chairman and Chief Executive are separate and distinct and the division of their responsibilities is clear. 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 judgment 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.

Matters reserved specifically for the Board include:

1. Reviewing the overall strategic development of the Company and setting its objectives, direction and policies, whilst ensuring the necessary financial and human resources are in place to support strategy. Determining the significant risks that the Company is willing to take to achieve its strategic aims and ensuring effective risk management controls are in place.
2. Setting budgets and long-term plans. Approving major investments, acquisitions and disposals, major capital expenditure and dividend policy.
3. Monitoring and reviewing Company and management performance and making key risk decisions.
4. Executive remuneration and appointments. Appointment or removal of any director or the Company Secretary.
5. Approval of the Annual Report and Accounts, preliminary and interim financial and management statements, and major public announcements.
6. Succession planning, health, safety and environmental performance and standards of ethical and social behaviour.
7. Developing robust corporate governance, legal, compliance, quality 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. Agreeing and overseeing the application of an appropriate corporate governance framework.
8. Ensuring the proper discharge of the Company's statutory and other legal, regulatory and ethical responsibilities.

Effective division of responsibilities

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

- A robust decision making process is in place by ensuring the appropriate information is made available to the Board in a timely manner and that clear decisions are made, communicated and effected.
- That the Board devotes adequate time to the right issues, such as its role in shaping strategy and managing risk.
- 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.

Executive directors
Louise Makin, CEO, 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, 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. In addition 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.

The Senior Independent Director (SID)
Giles Kerr has been the Company's SID since July 2008 and as such his principal role is to support the Chairman in his role and to work with him 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.

Non-executive directors
The non-executive directors bring wide-ranging skills and experience for the Board to draw on. They provide independent judgment and constructively challenge matters such as Company performance, strategy and risk management.

Corporate governance report continued

Board activity during the year:

Activity over the year encompassed a number of typical cyclical items, such as approval of the 2015/16 budget, preliminary results announcement, 2015 Annual Report and Accounts and the 2014 interim financial statements and announcement. Other matters included:

- Regular reviews of risk management.
- A Strategy Review day to allow the Board to oversee progress
- Commercial launch of Varithena® in the US
- The progression and ultimate approval of the acquisition of PneumRx
- Go-direct in Europe launch plan for DC Bead® and the establishment of direct sales in Taiwan
- Bioclon litigation
- Acquisition of manufacturing facility in the UK
- Analysts' review
- Pension investment strategy
- Expansion of Camberley site
- Feedback from investors

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.

Strategy day

Having transitioned the Company from being a licensing and development vehicle, following the launch of Varithena® in 2014 the Company had evolved to become a specialist healthcare business focusing in the areas of interventional vascular (Varithena® and EKOS) and interventional oncology (Therasphere and Beads).

The Company continued to consider other developing areas of interventional medicine represented by unmet patient needs and market opportunities.

The strategy review highlighted interest in the area of interventional pulmonology following which the acquisition of PneumRx during the year has established the Company as a leading business in this area.

PneumRx acquisition

Following the acquisition of PneumRx, in addition to seeking to grow the RePneu® coil business, there has been a focus on integrating PneumRx into the BTG Group governance framework covering aspects such as financial controls, healthcare compliance, quality, environmental health & safety, and risk management.

Risk management process

We recognise that whilst risk is inherent in our business, it is critical that we define and operate an effective risk management process. As such we have continued to evolve our approach to ensure risk management is embedded in each of the business units. We have enhanced the risk management function to better support the work of the Risk Committee and increased tracking and reporting of key risks and progress with mitigations to the Leadership Team and the Board.

The enhanced framework is intended to ensure risk is both managed effectively on a day-to-day basis within the business units but also that key risks are transparent to the Board and integral to our strategy discussions.

Attendance by individual directors at Board and Committee meetings since the last Annual Report

Board and committee composition and attendance	Committee memberships	Independent	Board meetings	Nomination Committee	Audit Committee	Remuneration Committee
Total number of meetings held			**7**	**3**	**3**	**5**
Number of meetings attended						
Executive directors						
Louise Makin (CEO)	None	No	7/7	n/a	n/a	n/a
Rolf Soderstrom (CFO)	None	No	7/7	n/a	n/a	n/a
Non-executive directors						
Garry Watts	Nom[2]	No[1]	7/7	3/3	n/a	n/a
Giles Kerr	Aud[2], Rem, Nom	Yes	7/7	2/3	3/3	4/5
Melanie Lee[5]	Rem	Yes	1/2	n/a	n/a	1/1
Ian Much	Aud, Rem[2], Nom	Yes	7/7	3/3	3/3	5/5
James O'Shea[3]	Nom, Rem	Yes	6/7	2/3	n/a	2/2
Richard Wohanka	Aud	Yes	6/7	n/a	3/3	n/a
Susan Foden[4]	Rem	Yes	2/2	n/a	n/a	2/2

1 Garry Watts is excluded from the determination of independence by virtue of his role as Chairman of the Company.
2 Committee Chairman.
3 James O'Shea was only a member of the Remuneration Committee from 25 September 2014 to 1 March 2015 and attended all applicable meetings.
4 Susan Foden joined the Board on 1 March 2015.
5 Melanie Lee resigned as director and member of the Remuneration Committee on 25 September 2014.

Notes
Richard Wohanka was unable to attend the July Board meeting (and AGM) due to a standing engagement in place prior to his appointment to the Board. Giles Kerr did not attend one Nomination Committee meeting where his reappointment was discussed and one Remuneration Committee meeting due to a late change of venue. James O'Shea did not attend one Nomination Committee meeting where his reappointment was being discussed and one Board meeting due to a pre-arranged engagement.
The external auditor usually attends the Audit Committee meetings and the remuneration advisers usually attend the Remuneration Committee meetings.
The table shows, for each director, number of meetings attended/number of meetings eligible to attend.
Additional specific Board sub-committee telephone meetings were held as appropriate to approve specific business activities such as the acquisition of PneumRx.
There were Board update calls when there was a larger break between scheduled meetings.

Board composition, membership and election of directors

The Board currently comprises six non-executive directors, including the Chairman, and two executive directors. On 25 September 2014, having served as a non-executive director since 2010, Melanie Lee resigned from the Board to take up the position of Chief Scientific Officer for the Company. Following an extensive recruitment process, Susan Foden joined the Board as non-executive director on 1 March 2015. Susan has a strong background in the field of Biotech and Healthcare and her significant industry experience offers a great benefit to the Company as growth plans are implemented. The names and brief biographical details of all the current directors are set out on pages 38 and 39. The Company recognises the importance of diversity, including gender diversity, and, following the changes, 25% of the members of the Board are women. Details of gender diversity in the Group below Board level can be found in the corporate responsibility area of the strategic report on pages 30 to 32.

The change of directors during the year did not affect the gender balance of the Board. As reported in the Nomination Committee report on page 54, 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 and James O'Shea, who were each reappointed for a one-year term, having both 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

Board by gender

Male	75%
Female	25%

Balance of directors

Chairman	1
Executive directors	2
Non-executive directors	5

Tenure of non-executive directors and Chairman

More than 6 years	2
4-6 years	1
2-4 years	2
0-2 years	1

Corporate governance report continued

perform effectively and demonstrates commitment to their role, including time for Board and Committee meetings and their other duties.

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 judgment 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 judgment. 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.

Conflicts of interest

To address the effect of Section 175 of the Companies Act 2006, the Company's Articles of Association 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 2015 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 its findings to the Board.

Effectiveness

Information, training and support

In advance of each meeting the directors receive an agenda and a full set of papers for each item to be discussed via a secure Board portal, accessible on an electronic device. Directors receive sufficiently detailed strategic and operational reports. The Board calendar includes an annual strategy day 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. 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. The induction process includes written information and is tailored to their experience. Sue Foden joined the Company in March and met with appropriate members of staff and visited different Company sites.

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.

All directors refresh their knowledge regularly through publications and conferences and through information provided by the Company and its advisers. Specific training during the year has included updates on social, environmental and ethical matters.

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.

The Corporate Governance Code (the Code) requires that the evaluation be carried out by external consultants at least every three years. For the last two years the evaluation had been carried out internally via a series of web-based comprehensive questionnaires. This year, SCT consultants, who had carried out the evaluation three years ago, were again asked to facilitate the evaluation.

The review was based on a number of things, including observation, a questionnaire, analysis of documentation and interviews, both with the Board and the Leadership Team.

The process confirmed that the Board provided effective leadership to the Group, being well structured with a broad range of skills and the right expertise. It is well chaired and works in a robust, evidence-based and decisive way.

Progress had been made against the objectives set for last year:

- To respond to the growing complexity of the business as well as pace of activity leading to the requirement for increased communication, additional Board calls were set up.
- To 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.
- To continue to 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.

Following the evaluation by SCT consultants this year, the Board objectives are to:

- Continue evolution of the development of the approach to risk management including 'deep dives' on key risks and 'top down' risk reviews, integrating the risk and strategy discussions.
- Enhance the annual strategy review with additional interim discussions regarding specific elements of the strategy.
- Continue progression with enhancing the capabilities of the Group, including those of the Board and having in place succession plans for senior staff and Board members, taking into account its evolving strategy.
- Continue to enhance the induction programme for new directors, tailored for individual needs and understanding.

Accountability

Financing reporting and internal control

The statement of directors' responsibilities in relation to the preparation of the financial statements is set out on page 78 and the auditor's statement on the respective responsibilities of directors and the auditor is included within its report set out on pages 80 to 82.

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 accurate, transparent, balanced and understandable in the view they give of the Company's progress and prospects.

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

The criteria applied by the directors, in judging the effectiveness of these controls, are that they allow the maximisation of shareholder value by exploiting business opportunities whilst ensuring that risks are properly identified and managed 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.

To strengthen the control framework of the business, the Group has established an Internal Audit group supported externally by PricewaterhouseCoopers (PwC). Further information can be found in the Audit Committee report on pages 50 to 53.

Structure and reporting

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

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

Compliance and the review of risk and risk management are embedded throughout the Group. The Audit Committee has reviewed the detailed reports on Risk, Internal Audit and Compliance and reported its findings to the Board (see the Audit Committee report on pages 50 to 53 for more detail). The Board has reviewed the risk management process and confirms that ongoing processes and systems ensure that the Group continues to be compliant with the guidance on internal control issued by the Code.

The Group has a system and key experts 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 will audit its major licensees to ensure compliance with the terms of the relevant agreements.

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

Corporate governance report continued

Corporate policies, values and compliance

All employees receive periodic training on the key requirements of BTG's Code of Conduct. It 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. Periodic 'lunch and learn' sessions are run updating staff on key issues affecting the business and online tools are utilised for training.

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 50 to 53.

BTG places great emphasis on the embedded behaviours and values that define the Company and have been integral in building the Company that it is today and believe them to be key for continuing success. A Companywide meeting is held each month where all sites join via videoconference. Louise Makin updates employees on different aspects of the business and presentations are given by employees from all areas of the business.

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 4 December 2014 the Company completed a placing of 18,867,925 new ordinary shares at a price of £7.95 per share, raising a total of approximately £150m (before expenses). The purpose of the placing was to fund the completion of the acquisition of PneumRx which was announced on 4 December 2014 and completed on 8 January 2015. As part of that placing, Invesco Asset Management (who immediately prior to the undertaking of the placing held 22.95% of the issued share capital of the Company) subscribed for 3,255,000 ordinary shares at the placing price representing a total consideration at the placing price of £25.9m, representing 0.896% of the market capitalisation of the Company as at the close of business on 4 December 2014. The completion of the placing resulted in Invesco holding a total of 23.85% of the issued share capital of the Company as at 5 December 2014. 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 29 on page 119 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, Vice President of Corporate and Investor Relations and Company Secretary. The Committee reviews all significant items of business within the Group regularly, and on an ad hoc basis if required, and maintains an Insider List recording both those employed within the Group and at external advisers who may have access to inside information. Whenever individuals are placed on or removed from the List they are notified accordingly and advised of their responsibilities.

Remuneration

The Remuneration Committee has responsibility for agreeing remuneration policy and the individual remuneration of all executive and non-executive directors and members of the Leadership Team. The Remuneration Committee is formed exclusively of non-executive directors and its report can be found on pages 56 to 75.

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, and Close Period and AGM statements. 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.

During the year the Company hosted two site visits at our facility in Camberley, Surrey for analysts and investors. Both visits were based around our Interventional Medicine business and visitors received presentations from the commercial leaders responsible for Varithena®, EKOS and Interventional Oncology. A tour of the laboratories was given as well as demonstrations of the products.

As part of our ongoing efforts to broaden our investor base, we launched a Level 1 sponsored ADR programme in February 2015. This offers US investors a platform on which to invest in our Company and aims to raise our profile with a large pool of potential investors.

The CEO and CFO meet regularly with institutional investors with support from the Investor Relations department. The Chairman, Senior Independent Director and other directors are available to meet with major shareholders on request. As part of his role as the Senior Independent Director, Giles Kerr is available to shareholders when contact with the executive directors or the Chairman may not be appropriate. No 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 and all press releases, is published in the Investor Relations area 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 gives private shareholders the opportunity 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 Chairmen of the Audit, Remuneration and Nomination Committees will be present at the AGM to answer shareholders' questions and the Board is available after the meeting for an informal discussion with shareholders.

The AGM will be held at 10.30 am on Wednesday 15 July 2015, 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-presentations. 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.

In line with best practice, the Company has decided to introduce mandatory poll voting this year on all resolutions put to the AGM. The results of the voting on all resolutions will be disclosed and subsequently published in a market announcement and on the Company's website following the meeting.

Audit Committee report

Dear Shareholder,

The Audit Committee's key objectives are to provide effective governance over the Group's financial activities. It reviews and enhances integrity of the Group's internal controls, its financial reporting and the way the Group assesses, manages and reports risk and compliance as well as the performance of both the internal and external audit functions. A significant part of the Committee's time is spent on these areas, and the highly regulated environment in which the Company operates only enhances the need to ensure our processes remain fit for purpose.

The 2014 version of the Corporate Governance Code (the Code) which will apply to next year's annual report, will further strengthen the role of the Committee. The Committee already puts focus on areas subject to change in the Code, such as the robust assessment of principal risks and how these are managed and mitigated as well as internal control systems.

During the year we have spent more time building on our understanding of the risk management processes and reviewing the risks. The whole risk management process has been thoroughly reviewed and there have been changes in the Risk Management Committee following this review.

The Board, after taking advice from the Audit Committee, 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 position and 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	Member since
Giles Kerr (Committee Chairman)	6 November 2007
Ian Much	1 November 2010
Richard Wohanka	1 January 2013

There were three Committee meetings during the year. Details of attendance can be found on page 45.

Committee members' qualifications

The Committee's composition was reviewed during the year and the Board is satisfied that the current members have the breadth of knowledge and experience necessary to effectively fulfil the Committee's responsibilities. Giles Kerr has a strong financial background, he 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 75. 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. More information is given in the directors' biographies on pages 38 and 39.

Committee meetings

Only members of the Audit Committee are entitled to attend meetings, however the CEO, CFO, Group Financial Controller, Internal Auditor and Corporate Risk and Compliance Officer also normally attend meetings. The external auditor always attends Committee meetings. The Company Secretary or his deputy serves as secretary to the Committee.

Time spent by the Committee during the year

Internal audit	13%
External audit (inc. non-audit services)	19%
Financial reporting	21%
Tax	10%
Risk management and compliance (inc. whistleblowing)	26%
Governance/policy/other	11%

Activities

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

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 on the following page
	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 and considering whether there were any material uncertainties to the Group's ability to continue to adopt this basis over a period of at least 12 months from the date of approval of the financial statements
	Current and deferred tax
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
	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 acquisition made in 2015 so far as it relates 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
	Externally facilitated effectiveness review

Financial reporting

The detailed monitoring of the integrity of the annual and half year results is a key role of the Committee and includes a review of the significant financial reporting judgments 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 judgments 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, judgments and disclosures during the course of the year:

- *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 acquisition and the assumptions made in setting up the deferred tax liability on acquired intangibles
- *Acquisition accounting*: The Group completed the acquisition of PneumRx during the year. The Committee discussed the key assumptions and judgments applied by management in satisfying the requirements of IFRS 3 and reviewed valuation reports prepared by an independent third party including valuation of the contingent consideration. Note 32 contains further details of acquisition accounting
- *Presentation format of Consolidated Income Statement*: The Group's Consolidated Income Statement on page 83 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
- *Other matters*: During the course of the year, the Committee received updates from management on Group corporate structure, tax strategy, the adoption of new accounting standards and the potential impact of future accounting standards. In particular, the Committee discussed the potential impacts of IFRS 15 *'Revenue from Contracts with Customers'*.

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 2015 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 auditors may not be used, areas where they may be used subject to the agreement of the Committee and areas where prior approval is not required. Areas where prior approval is not required include audit-related services as specified in the APB Ethical Standards for Auditors and other services, that are routine in nature, where the fee is not significant in the context of the audit fee and where the conduct of such services will not adversely impact auditor independence or objectivity.

The Committee 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	256
	Others	–

Total fees paid to the Company's auditor, KPMG, are shown in note 6 on page 99. The Committee believes that the use of KPMG was appropriate and efficient in the circumstances and that independence was preserved as a partner other than the audit partner was responsible for the work and the fees paid were insignificant in the context of the size of KPMG as a whole.

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 has been audit engagement partner as from the year ended 31 March 2014. 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. The Committee reviews annually whether it is an appropriate time to undertake an external audit tender and this year, taking into account the complexity of the business, the speed that changes continue to take place and the services offered by KPMG and their independence, as well as guidance issued by the Financial Reporting Council (FRC), the Committee concluded that it would not be in the Company's interests to commence a tender process. Following this review, which included considering 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 transitional arrangements under the new EU Audit reform framework and the Competition & Markets Authority's Order, the Company still intends to consider external audit tender, at the latest, nearer the time of the next audit partner rotation, currently scheduled for 2018. The Company may however put the audit out for tender at any time before this date. The Committee will continue to monitor the

consultations regarding how the EU Regulation will be implemented in the UK, and will comply with any new applicable requirements.

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 manage appropriately 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. During the year, a thorough review of the risk management reporting structure took place and changes made to enhance the process.

The Risk Committee, chaired by the CFO and including employees from the appropriate sections of the business, reviews risk throughout the business. The membership of the Committee was considered as part of the review and some changes made. 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. 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. 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.

Historically, the Group had a Compliance Steering Committee, which was 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. Given the importance of compliance, a change was made during the year to move this responsibility to the Leadership Team to provide direct oversight. The Leadership Team, therefore, 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 the results are reported to the Audit Committee alongside the risk management report.

Additional details of risk management and principal risks that may affect the business are given on pages 33 to 36 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. Enhancements were made to the review process during the year to further strengthen our approach.

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. The internal audit function is supported by PwC under the direction of the Audit Committee.

Committee evaluation

As part of corporate governance, the review of the Committee and its effectiveness was externally facilitated this year. The results and recommendations for improvement were reported to the Board. The Committee was found to be functioning well, with an effective reporting relationship with the Board and providing a good balance between in-depth assessment, diagnosis and analysis and a clear practical approach.

Nomination Committee report

Dear Shareholder,

The Committee 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.

Having regard for the key capabilities required for the Company to deliver its strategy, I was pleased to be able to announce the move of Melanie Lee from the Board to join the Leadership Team as Chief Scientific Officer.

As a consequence, we took the opportunity to further diversify the breadth of experience on the Board with the appointment of Susan Foden, someone with rich experience in our sector, in March this year.

Garry Watts
Chairman of the Nomination Committee

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.

Committee members	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

There were three Committee meetings during the year. Details of attendance can be found on page 45.

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

The key responsibilities of the Committee are:

- To regularly review 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 CEO, 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.

Time spent by the Committee during the year

Diversity matters	8%
Non-executive search	42%
Succession planning and reappointment of directors	42%
Governance/other	8%

Activities

The principal activities during the year related to:

- The appointment of Susan Foden as a non-executive director
- The reappointment of the Chairman and non-executive directors Giles Kerr and James O'Shea. James and Giles were each reappointed for 12 months, subject to being re-elected at the Annual General Meeting as they each had served on the Board for more than six years. 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 remains an area of focus in light of the continued rapid growth of the Group

Appointment process

Following the resignation of Melanie Lee as a non-executive director to become the Group's Chief Scientific Officer, Susan Foden was appointed to the Board as an independent non-executive director.

When considering Board appointments, the Committee considers what areas of expertise would the Board most benefit from and draws up a full description of the role, desired skills and capabilities accordingly. Gender diversity was an important part of the process, as was diversity in background. Russell Reynold Associates was appointed to support the appointment process, given their experience of fulfilling such roles and have not provided any other recruitment services to the Company.

The Committee carried out a rigorous interview and selection process and shortlisted candidates were also interviewed by the other non-executive directors and the CEO. The Committee, taking into account the views of the other directors and the Board's requirements recommended to the Board that Susan Foden be appointed as a non-executive director and also as a member of the Remuneration Committee, given her experience on other Boards. Following a discussion, the Board accepted the recommendation and Susan Foden was appointed to the Board and as a member of the Remuneration Committee with effect from 1 March 2015.

Following Susan's appointment, and that of any new non-executive director, 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.

Succession planning

The development of talent below Board level is seen as extremely important and an area of focus for the Board. BTG continues to build an internal leadership pipeline for senior roles and the director of HR updates the Board regularly on progress. In addition to traditional Management Development Programmes, the Group has expanded the learning and development opportunities for leaders of people across the business, allowing a pool of talented leaders to be created and increasing the probability of retaining them through meaningful development and career opportunity.

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

Diversity

The benefits of diversity across all areas of the Group are recognised by the Board. The Company had two female directors on the Board and following the appointment of Susan Foden and the stepping down of Melanie Lee, the Board retains its 25% female Board representation. This is a percentage which the Company would like to retain in the future. It is of the utmost importance to maintain strong leadership and we will therefore continue to appoint only the most appropriate candidates to the Board.

The policy on diversity applies across all levels of the Group and further details can be found in the corporate responsibility section on pages 30 to 32.

Committee evaluation

As part of the externally facilitated Board evaluation process, a review of the Committee was carried out and was found to be functioning effectively, with clear and well-focused processes.

Garry Watts
Chairman of the Nomination Committee

Directors' remuneration report

Dear Shareholder

I am pleased to present the directors' remuneration report for the year ended 31 March 2015.

Overall it has been a positive year for the Company and I have taken the opportunity to describe below some of the major developments which set the context within which remuneration decisions have been made.

As previously communicated, the Committee undertook a strategic review of the approach to remuneration in 2013 to ensure it was aligned with the Company's goal of sustainable profitable growth and the creation of long-term value for our shareholders. The revised remuneration policy was put to a shareholder vote at the 2014 Annual General Meeting and was approved by 95.1% of shareholders. There is no requirement to vote on the policy again this year as no changes are being proposed at this time. The Performance Share Plan (PSP) Multiplier award structure introduced in 2013 will be reviewed by the Committee this year and the overall policy will be required to be put to a binding shareholder vote again in 2017. In the interim the Annual Report on Remuneration will continue to be subject to the advisory shareholder vote at the AGM. The 2014 Annual Report on Remuneration was approved by 99.3% of shareholders at the 2014 AGM.

Structure of the report

The report is divided into three parts: (i) the 'Annual Statement' summarising the business context in which the Committee has operated; (ii) the 'Directors' Remuneration Policy Report'; and (iii) the 'Annual Report on Remuneration' which provides shareholders with details of the major decisions made by the Committee and the remuneration actually delivered to the Company's directors during the 2014/15 financial year.

The full Policy Report has been included again this year for information only. The chart showing remuneration scenarios on page 62 has however been updated to reflect proposed 2015 remuneration levels. Additional information has been included to assist with comprehension.

2015 Annual Statement

The Committee reviews the Company's remuneration strategy at least annually. In light of the significant changes to the policy approved by shareholders in 2014 no changes have been made during the year.

We believe executive directors should be incentivised to promote the long-term success of the Company and rewarded based on performance and by reference to transparent and demanding performance targets, reflecting best practice. In June 2014, awards were granted under the PSP. The Core award element of the awards will be capable of vesting in June 2017 subject to EPS and relative Total Shareholder Return (TSR) performance conditions measured over three financial years. In line with our Policy, the executive directors will then have the opportunity to roll-over these awards so that they are at risk and in return receive a Multiplier award that can reduce or enhance the awards based on TSR performance measured over five years to 31 March 2019. In addition, as a result of a successful period of sustained growth, 100% of the shares subject to the 2011 PSP were due to vest in 2014. However, both of the executive directors instead elected to roll-over 100% of the shares that would otherwise have vested, in order to receive an equivalent Multiplier award, putting their entire awards at risk for a further two years. Vesting of the 2011 Core and Multiplier awards will be assessed in 2016 based on relative TSR performance over the full five-year period from grant. This election to roll-over vesting, at risk, demonstrates the executive directors' commitment to the long-term success of the Company.

Shareholding guidelines for the executive directors were increased two years ago (to 250% of salary for Louise Makin and 150% of salary for Rolf Soderstrom) and both currently have shareholdings significantly in excess of these guidelines, aligning their interests with those of shareholders.

Progress during the year:

The Company has continued its strategy of both organic and acquisitive growth and realised a number of significant milestones during the year. These include:

- The commercial launch of Varithena® in the United States, which represents a significant development for the Company's Interventional Medicine business
- EKOS Corporation securing FDA approval for the use of the EkoSonic® device in a new indication (pulmonary embolism) and delivering 67% revenue growth from prior year reported revenues
- Establishment of direct sales activities in Europe by the Interventional Oncology business, with that business unit achieving revenue growth of 30% overall from prior year reported revenues
- Opening of offices in Taiwan and Hong Kong as part of the Group's Asia strategy and approval of DC Bead® in China where the Company has partnered with SciClone Pharmaceuticals, Inc.
- The acquisition of PneumRx completed in January, providing the Company with a presence in the new area of Interventional Pulmonology
- Settlement of the patent dispute in the US relating to use of snake antivenoms, securing the Company's leadership in the area, with the Specialty Pharmaceutical business achieving 18% revenue growth from prior year reported revenues

As a result, there has been a significant increase in shareholder value over the course of the year, with the share price increasing from 545.5p on 1 April 2014 to 715.0p on 31 March 2015. The above events contributed to the assessment that the Company and executive directors each met substantially all of their financial and operations bonus criteria, which will result in an 89% bonus payout for the executive directors (70% of which related to Company objectives and 30% of which related to personal performance).

The personal and corporate objectives are targets that are linked to the longer-term development of the business. They are therefore commercially sensitive as they relate to the measures that will drive developments over the next three to five years.

Whilst the financial targets are being fully disclosed the Committee is only able to provide a high level summary of the personal and corporate non-financial targets.

The Group has seen revenues grow 87% over the last three years, an approximate 98% increase in the number of employees and an increase in market capitalisation of approximately 150% over the same period. As a result of this financial performance and sustained growth, there will be 100% vesting under the 2012 Option and PSP awards, subject to the decision to be made by each director whether to roll-over 50% or 100% of the PSP amounts that would otherwise vest, in order to receive an equivalent Multiplier award that can increase or decrease the actual level of awards vesting based on relative TSR performance up to the end of year five after grant. With respect to the 2012 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 June 2015. Vesting will occur in June 2017 in relation to any part of the Award for which an election is made.

The 2015 salary increases for both the executive directors were 3%, compared to an average of those to be awarded to the wider workforce at 3.9% (with the full range of increases across the Company being 0 to 15%). This change resulted in salaries for the year starting 1 April 2015 of £586,327 for Louise Makin and £384,310 for Rolf Soderstrom.

At the time of his reappointment on 1 January 2015, the annual fee for the Chairman, Garry Watts (which had been fixed for his initial three-year term) was increased from £175,000 to £235,000 (10% p.a.) and again fixed for a further three years.

We continue to be committed to maintaining an open dialogue with shareholders and welcome feedback. We hope for the continued support of shareholders at the AGM on 15 July 2015 where you will be invited to vote on the 2015 Annual Remuneration Report.

Ian Much
Remuneration Committee Chairman

18 May 2015

Directors' remuneration report continued

Directors' Remuneration Policy Report (restated from the 2014 Annual Report)

The present Policy was approved by binding shareholder vote at the AGM on 16 July 2014 and became formally effective from that date.

The Policy enables 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, provide a balanced market-competitive package for the executive team which is aligned with shareholder interests. The Committee will, however, 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 enables the Company to recruit and retain 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 74.
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 market practice. 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	A reward that is linked 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, including the executive directors, participate (except PneumRx employees who joined during the year and who will be integrated into current arrangements for the next fiscal year). 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 part of the 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.

Directors' remuneration report continued

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. Ensure 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 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 rollover 50% or 100% of any 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 71 and 72 . 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).

Element	Purpose and link to strategy	Operation	Maximum	Performance targets
Pension	Provides competitive retirement benefits that reward sustained contribution.	For longer serving employees: participation in contributory defined benefit pension arrangements up to a scheme specific cap or HMRC defined limits. For more recent hires and provision above the cap: defined contribution pension provision and/or cash allowances.	Defined benefit provision: 1/60ths accrual up to cap (reviewed annually), normal retirement age of 60. Defined contribution or cash allowance: 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]
Shareholding 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, they 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

Footnotes

1 In line with the Investment Association's 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 2015 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.

Directors' remuneration report continued

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.

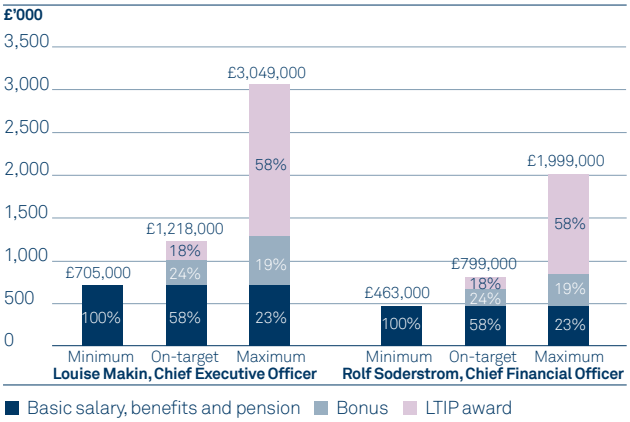
If an event occurs which results in the annual bonus plan or PSP performance conditions and/or targets being deemed no longer appropriate (e.g. a material acquisition or divestment) the Committee will have the ability to adjust appropriately the measures and/or targets and alter weightings, provided 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 71 and 72 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



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 Long Term Incentive Plan (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 2015.
- The value of taxable benefits is based on the cost of supplying those benefits (as disclosed) for the year ending on 31 March 2015.
- 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 individual, corporate financial and 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 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 outperformance 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 2014/15 were 3.9%. General workforce increases, effective June 2015, will range between 0% 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 PneumRx employees who joined during the year and 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, Germany and Canada, and a Stock Purchase Plan in the US. These are described in more detail below.

Directors' remuneration report continued

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.

Prior to the approval of this remuneration policy, 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, German and Canadian 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 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, 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 £65,500 for being on the Board of Intertek Group during the year to 31 March 2015 (2014: £65,500). 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 11 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.

Directors' remuneration report continued

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

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

Non-executive	Date of first appointment	Notice period (months)	Date of expiry of current contract
Garry Watts	1 January 2012	6	31 December 2017
Giles Kerr	1 October 2007	3	30 September 2015
Ian Much	1 August 2010	3	31 July 2016
James O'Shea	2 April 2009	3	31 March 2016
Richard Wohanka	1 January 2013	3	31 December 2015
Susan Foden	1 March 2015	3	28 February 2018

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.

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

Annual report on remuneration

This part of the report has been prepared in accordance with Part 3 of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The Annual Remuneration Report will be put to an advisory shareholder vote at the 2015 AGM. The information on pages 56 to 73 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

Committee member	Member since
Ian Much (Chairman)	28 September 2010
Giles Kerr	3 November 2009
Melanie Lee*	23 March 2011 to 25 September 2014
James O'Shea	25 September 2014 to 1 March 2015
Susan Foden	1 March 2015

Details of attendance at meetings are shown in the table on page 45.
* Melanie Lee resigned as a director of the Company and member of the Remuneration Committee to join the Company's Leadership Team.

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 to 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 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 Group's 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 2014/15 were: New Bridge Street £105,521 (2013/14: £165,343).

Directors' remuneration report continued

Single figure for total remuneration (audited)

		Salary/fees[4] £'000	Benefits[5] £'000	Bonus paid in cash[4] £'000	Bonus paid in shares[1] £'000	Long-term incentives[2] £'000	Pension[3] £'000	Other[6] £'000	Total remuneration £'000
Executive directors									
Louise Makin	2015	569	2	509	–	402	127	4	1,613
	2014	550	1	453	–	622	125	6	1,757
Rolf Soderstrom	2015	373	2	334	–	298	75	–	1,082
	2014	361	1	297	–	357	72	–	1,088
Non-executive directors									
Garry Watts	2015	190	–	–	–	–	–	–	190
	2014	175	–	–	–	–	–	–	175
Giles Kerr	2015	60	–	–	–	–	–	–	60
	2014	50	–	–	–	–	–	–	50
Melanie Lee[7]	2015	22	–	–	–	–	–	–	22
	2014	41	–	–	–	–	–	–	41
Ian Much	2015	55	–	–	–	–	–	–	55
	2014	47	–	–	–	–	–	–	47
James O'Shea	2015	45	–	–	–	–	–	–	45
	2014	41	–	–	–	–	–	–	41
Richard Wohanka	2015	45	–	–	–	–	–	–	45
	2014	41	–	–	–	–	–	–	41
Susan Foden[8]	2015	4							4
	2014	0	–	–	–	–	–	–	0

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 2015 this figure does not include the Core PSP award as the Core and Multiplier awards are treated as a single award and the Core award will be shown in 2016 if no election is made and both Core and Multiplier in 2017 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 2016 and the remainder is part of the Multiplier award in 2017. The 2014 figure has been restated to reflect the actual share price of vesting of the 2011 share options (6 July 2014: 657.5p)

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 £42,108 (2014: £43,694), 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. In addition, all directors receive limited benefits relating to travel, accommodation and hospitality in relation to the performance of their directors' duties.

6 Other shows the value of vested Sharesave options.

7 Fees paid to Melanie Lee in 2015 were for the period to her resignation on 25 September 2014.

8 Fees paid to Susan Foden in 2015 were for the period from her appointment to the Board on 1 March 2015.

Annual bonus for the year to 31 March 2015 (audited)

For the year ended 31 March 2015 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.

The trading profit measure, used for both bonuses and the 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 cash flow measure adjusts for restructuring and acquisition costs only.

Following the acquisition of PneumRx in January 2015, the Remuneration Committee did not adjust the original bonus targets to reflect the budgeted impact of the Board-approved acquisition plans due to the proximity to year end. Consequently, the actual metrics for the 2014/15 bonus have been adjusted to exclude the impact of the acquisition.

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. During 2014/15 the Committee assessed that incremental amounts associated with the settlement of an International Trade Commission (ITC) filing against Instituto Bioclon of Mexico and Rare Disease Therapeutics, Inc. (RDT) of Tennessee, could be adjusted.

For the financial year to 31 March 2015 they are calculated as follows:

	Revenue £m	Trading profit £m	Cash flow £m
Revenue/profit before tax/operating cash flow	367.8	26.7	35.6
Adjustments:			
Derivatives and group foreign exchange movements	–	10.7	–
Amortisation and impairment of business combination intangibles	–	28.4	–
Proceeds from fundraising	–	–	(145.8)
Payments in relation to PneumRx	–	–	147.1
Restructuring and acquisition costs	–	5.5	3.7
ITC settlement	–	6.2	6.2
PneumRx	(2.3)	2.7	1.5
Revenue/trading profit/operating cash flow for bonus purposes	365.5	80.2	48.3

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

		Performance required				Louise Makin	Rolf Soderstrom
						Pay out – Cash	Pay out – Cash
Measure	As a percentage of maximum bonus opportunity	Threshold (£m)	Target (£m)	Stretch (£m)	Actual (£m)	% of salary	% of salary
Corporate financial targets							
Revenue	23⅓%	340.0	345.0	360.0	365.5	23%	23%
Trading profit	23⅓%	75.5	76.4	79.6	80.2	23%	23%
Operating cashflow	23⅓%	46.4	47.3	50.5	48.3	18%	18%
Individual corporate objectives[1]	**30%**					25%	25%
Total	**100%**					89%	89%

Note:
1 Covering execution across the business segments including relating to R&D and Innovation and supply chain; developing the organisational and leadership; and progression of the Interventional Medicine strategy including considering appropriate acquisitions.

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

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 2015 bonus earned is to be paid in cash.

Vesting of LTIP awards

Awards granted on 1 June 2012 under both the Executive Share Option Scheme and the Performance Share Plan are based on performance to the year ending 31 March 2015. The Performance conditions for these awards are as follows:

2012 LTIP

Metric	Condition	Threshold target	Stretch target	Actual	% Vesting
Cumulative trading profit (50%)	Three year normalised trading profit period	£133.4m	£177.4m	£198.1m	50%
TSR (50%)	Three year comparison with index between median and upper quartile	Median (TSR: 41.4%) (Rank 65)	Upper Quartile (TSR: 110.5%) (Rank 33)	TSR: 130.4% Rank: 19	50%
			Total Vesting		100%

TSR has been calculated for the Committee by NBS.

Share options and performance share awards 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).

Directors' remuneration report continued

2012 Option vesting details (audited)

		Number of shares at grant	Number of shares to vest	Number of shares to lapse	Total	Estimated Value*
Louise Makin	Options	122,288	122,288	–	122,288	£402,328
Rolf Soderstrom	Options	90,673	90,673	–	90,673	£298,314

* Value estimated as not fully vested until 1 June 2015 and is based on the closing share price on 31 March 2015 of 715.0p per share less the exercise price of 386.0p per share.

The 2012 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 2012 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 2012 PSP will not be granted until a valid election has been made.

LTIP awards made during the year (audited)

On 6 June 2014 and 9 June 2014, 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
Louise Makin	Core and Multiplier award	300% of salary of £569,250**	604.0p	282,740	12.5%***	£1,707,750	Core award: three financial years to 31 March 2017 Multiplier award: five financial years to 31 March 2019
Rolf Soderstrom	Core and Multiplier award	300% of salary of £373,117**	604.0p	185,322	12.5%***	£1,119,345	
Louise Makin	2011 Multiplier award	150% of 2011 conditional award	657.5p	224,746	0%****	£1,477,704	Five financial years from 1 April 2011 to 31 March 2016
Rolf Soderstrom	2011 Multiplier award	150% of 2011 conditional award	657.5p	155,869	0%****	£1,024,838	

* Percentage of Core and Multiplier award.

** 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.

*** 25% of Core awards vest at threshold.

**** These awards have been attached to the 2011 Core Award that would otherwise have vested in July 2014. This gives effect to the Multiplier mechanism approved by shareholders at the 2013 AGM, which provides executive directors with an opportunity to place their 2011 Core Awards at risk in return for a matching Multiplier Award. Depending on performance against the Multiplier performance condition the Core Award could be reduced, potentially to zero, as described in the Policy Table.

The number of awards under the 2014 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*	EPS in the financial year to 31 March 2017	Relative TSR ranking against the FTSE 250 Index (as at 1 April 2014) for the period from 1 April 2014 to 31 March 2017
	50% of the Core award	50% of the Core award
0%	< 20.3p (below threshold)	Below median
25%	20.3p (threshold)	Median
100%	28.3p (stretch)	Upper quartile

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

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 2014) for the period from 1 April 2014 to 31 March 2019	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 below.

Outstanding share awards (audited)

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

Louise Makin

Date of grant/award	Exercise price (p)/market price on date of award (p)	At 1 April 2014	Granted in year	Exercised	Lapsed	At 31 March 2015	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	201.30	199,253	–	–	–	199,253	13 July 2013 to 12 July 2020	
6 July 2011[1]	298.90	163,356		10,036	–	153,320	6 July 2014 to 5 July 2021	648.0
1 June 2012[3]	386.00	122,288	–	–	–	122,288	1 June 2015 to 31 May 2022	
Sharesave								
4 July 2011	219.52	822	–	822	–	–	1 September 2014 to 1 March 2015	659.5
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	
22 July 2014	498.67	–	2,165	–	–	2,165	1 September 2017 to 1 March 2018	
Total option awards						**666,572**		
Performance share awards								
6 July 2011[1]	286.60	149,831	–	–	–	149,831	6 July 2016	
6 July 2011[2]	286.60	10,036	–	4,562	5,474	–	6 July 2014	
1 June 2012[3]	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	
9 June 2014	604.00	–	141,370	–	–	141,370	9 June 2017	
	604.00	–	141,370	–	–	141,370	9 June 2019	
6 July 2014[1]	657.50	–	224,746	–	–	224,746	6 July 2016	
Deferred share awards								
22 July 2011	286.60	53,288	–	53,288	–	–	22 July 2014	619.9
1 June 2012	380.54	54,192	–	–	–	54,192	1 June 2015	
Total other awards						**1,253,165**		
Total awards						**1,919,737**		

1 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 elected to receive a Multiplier award as an alternative to the vesting of the 2011 PSP shares as a Core award and on 6 July 2014 a Multiplier award of 224,746 was granted.

2 On 6 July 2011 Louise was granted an HMRC tax approved market value option over 10,036 shares at an option price of 289.9 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 298.9p the number of shares deliverable under the PSP award will reduce so that their value remains equal to approximately £30,000. The market value on 4 July 2014 (the dealing day immediately prior to vesting) was 657.5p and Louise received 4,562 shares worth £29,995.15 under the PSP and realised a gross gain (i.e. before tax and after payment of the total option excercise costs of £29,997.60) of approximately £35,036 on the exercise of the CSOP (share price of exercise being 648p), giving rise to an aggregate gain under the PSP award and the CSOP of £64,598 (the gross gain on 10,036 free share awards of 648p being £65,033).

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).

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.

Directors' remuneration report continued

Rolf Soderstrom

Date of grant/award	Exercise price (p)/market price on date of award (p)	At 1 April 2014	Granted in year	Exercised	Lapsed	At 31 March 2015	Exercise period/ vesting date	Share price on exercise (p)
Share option awards								
31 July 2009	179.25	102,649	–	–	–	102,649	31 July 2012 to 30 July 2019	
13 July 2010	201.30	129,514	–	–	–	129,514	13 July 2013 to 12 July 2020	
6 July 2011	298.90	99,658	–	–	–	99,658	6 July 2014 to 5 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								
6 July 2011[1]	286.60	103,913	–	–	–	103,913	6 July 2016	
1 June 2012[2]	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	
9 June 2014	604.00	–	92,661	–	–	92,661	9 June 2017	
	604.00	–	92,661	–	–	92,661	9 June 2019	
6 July 2014[1]	657.50	–	155,869	–	–	155,869	6 July 2016	
Deferred share awards								
22 July 2011	286.60	34,637	–	34,637	–	–	22 July 2014	619.9
1 June 2012	380.54	35,225	–	–	–	35,225	1 June 2015	
Total other awards						**846,031**		
Total awards						**1,271,633**		

1 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 elected to receive a Multiplier award as an alternative to the vesting of the 2011 PSP shares as a Core award and on 6 July 2014 a Multiplier award of 155,869 was granted.

2 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).

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.

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 3.1% of the 10% in ten years and 2.7% of the 5% in ten years in accordance with the Association of British Insurers (ABI) guidance on dilution limits.

Directors' pensions (audited)

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 £10,206 (2014: £9,870) to the Fund, representing 7% of her salary up to the earnings cap and the Company contributed £46,364 (2014: £31,725).

Louise Makin receives a cash payment in lieu of pension to the 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 (audited)

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 2015 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	514,732	–	–	Yes	539,752	1,198,973	122,288	54,192
Rolf Soderstrom	184,252	–	–	Yes	331,821	810,806	90,673	35,225
Non-executive directors								
Garry Watts	10,000	N/A						
Giles Kerr	–							
Ian Much	–							
James O'Shea	–							
Richard Wohanka	26,500							
Susan Foden	–							

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 2014 to 2015
• Salary[1]	3.5%
• Benefits	6%
• Bonus	0.4%
Average per UK employee[2]	
• Salary	3.9%
• Benefits	18.0%
• Bonus	9.9%

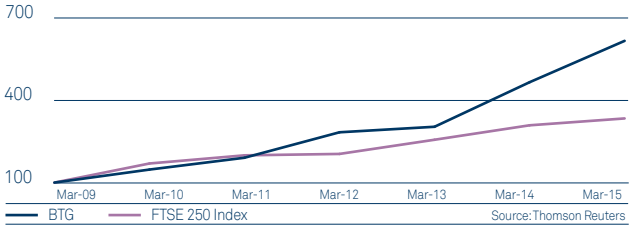
1 BTG employs a high proportion of highly-qualified scientists, technicians and professionals whose skills are highly sought after and whose retention is important to BTG's success. BTG keeps salaries under review. General workforce salary increases in 2014 ranged between 2% and 15%.

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.

Directors' remuneration report continued

Total shareholder return

The performance of the Company's ordinary shares compared with the FTSE 250 (excluding Investment Trusts) (the Index) for the six-year period ended on 31 March 2015 is shown in the graph below.



This graph shows the value, by 31 March 2015, of £100 invested in BTG plc on 31 March 2009 compared with the value of £100 invested in the FTSE 250 Index on the same date. The other points plotted are the values at intervening financial year-ends

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

The middle market price of an ordinary share on 31 March 2015 was 715.0p. During the year the share price ranged from a low of 496.5p to a high of 830.0p.

Total remuneration for the Chief Executive Officer over time

	2010	2011	2012	2013	2014	2015
Total Remuneration (£'000)	1,351	1,489	1,944	2,073	1,757	**1,613**
Bonus outturn (%)	79%	70%	95%	100%	82%	**89%**
LTIP vesting (%)	100%	89%	80%	92%	100%	**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 2014 to the financial year ending 31 March 2015.

	2015 £m	2014 £m	Percentage change
Overall expenditure on pay	100.2	63.7	+57%
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 increase in headcount of the Group in the year through both organic growth and the impact of current and prior year acquisitions.

How the 2014 policy will be applied in 2015 onwards

2015 salary review

The executive directors' salaries were reviewed in March 2015 and a 3% increase took effect from 1 April 2015 (this is equal to the average salary increase provided to UK employees).

The current salaries as at 1 April 2015 are as follows:

	Salary as at 1 April 2015	Salary as at 1 April 2014	Increase %
Louise Makin	£586,327	£569,250	3%
Rolf Soderstrom	£384,310	£373,117	3%

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

For the year 2015/16, 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 59.

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 (1/3 weighting), trading profit (1/3 weighting) and operating cash (1/3 weighting). Full retrospective disclosure of the financial targets and performance against them will be seen in next year's Annual Remuneration Report. The individual and corporate metrics will also be disclosed to the extent possible given their commercial sensitivity.

The measures for the Core awards made under the PSP will be as disclosed in the policy table on page 60.

Targets for the Core awards made during 2015/16 will be measured in the final year of the three year period (the 2017/18 financial year) and are as follows:

	EPS in the year ending 31 March 2018	TSR relative to FTSE 250 over 3 financial years ending 31 March 2018	Percentage of each element that vests
Below threshold	Less than 23.0p	Less than median	0%
Threshold	23.0p	Median	25%
Between threshold and stretch	23.0p to 30.3p	Between median and upper quartile	25% to 100% on a straight line basis
Stretch	30.3p 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 2015 remuneration

Set out in the table below are the fees paid for the year ended 31 March 2015 and proposed fees for the year ended 31 March 2016.

Director	As from 1 April 2015 £	As from 1 April 2014 £	% increase
Chairman[1]	235,000	175,000	34%
Non-executive director	50,000	45,000	11%
Senior independent director fee	5,000	5,000	0%
Audit Committee chairmanship fee	10,000	10,000	0%
Remuneration Committee chairmanship fee	10,000	10,000	0%

1 The fee is fixed until 31 December 2017.

Note:
Last year a benchmarking exercise was carried out by NBS in relation to non-executive director fees which found that fees were below median against similar sized companies and also the sector comparator taking account of the time commitments of the current non-executive directors. As a result, the fees were adjusted in two phases, the second phase taking place this year.

Shareholder voting at the Annual General Meeting

At last year's Annual General Meeting held on 16 July 2014, the following votes were received from shareholders:

	Remuneration Report		Remuneration Policy	
Votes cast in favour	281,900,881	99.28%	271,700,032	95.08
Votes cast against	2,030,989	0.72%	14,049,824	4.92
Total votes cast	283,931,870	100%	285,749,856	100%
Abstentions	2,976,181		1,158,195	

Approval

This report was approved by the Board on 18 May 2015 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 2015.

Strategic report

The strategic report can be found on pages 2 to 36 and incorporates the Group's business model, growth strategy, business objectives, financial review, market overview, a description of risk management and principal risks facing the business and corporate responsibility. The principal activity of the Group is the business of an international specialist healthcare company, developing innovative products in specialist areas where current treatment options are limited. The results of the Group are set out in detail on pages 83 to 87 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 36 and incorporated into this report by reference:

- The Chairman's Statement on pages 4 and 5, the Chief Executive's review on pages 6 and 7 and the 'At a glance' section on page 2 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 33 to 36
- 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 30 to 32

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 2015 are shown in the Consolidated Income Statement on page 83 and the Consolidated Statement of Financial Position on page 85. The directors do not recommend the payment of a dividend for the year (2013/14: nil). The results of the Group for the year are explained further on pages 20 to 23.

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 38 and 39.

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 election or re-election annually. The Board is proposing the election of Susan Foden, who has been appointed since the last AGM, and the re-election of all the other directors.

In accordance with the Company's articles of association, throughout the year the Company has maintained 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 56 to 75. None of the directors had an interest in any contract of significance to which the Company or any of its subsidiaries was party during the year.

Corporate governance

A report on corporate governance may be found on pages 40 to 49.

Environmental matters

Our greenhouse gas emissions have been calculated as carbon dioxide equivalents, these are disclosed in the corporate responsibility section of the strategic report on pages 30 to 32.

Share capital and shareholders

As at 31 March 2015 the issued share capital of the Company was £38,177,670.30, divided into 381,776,703 shares of 10p each. During the year the share capital increased by 20,190,169 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 18,867,925 new ordinary shares in December 2014. 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 108. At 31 March 2015, the Company had 9,361 shareholders (2014: 9,766). Further details of shareholdings and Company reporting dates may be found on page 131.

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 114.

Details of outstanding share options and awards are set out in note 23 to the financial statements on pages 112 to 114.

As at 15 May 2015, 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	80,901,054	21.19
M&G Investment Management Ltd	25,843,710	6.76
Woodford Investment Management	25,137,550	6.58
AXA Investment Management	22,812,414	5.98
Aviva Investors	19,535,392	5.12
Old Mutual Plc	18,053,383	4.72
BlackRock Investment Management Ltd	15,402,488	4.03
Standard Life Investments Ltd	15,212,886	3.98
Schroders Plc	14,274,133	3.74
Legal & General Investment Management Ltd	11,612,837	3.04

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/responsibility/corporate-governance/.

Change of control

There are a number of agreements with third parties with terms that take effect after, or terminate upon, a change of control of the 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 Interventional Medicine and Specialty Pharmaceuticals. The Group spent £68.3m (2013/14: £47.2m) 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 115 to 119.

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 36.

The directors have reviewed the current and projected financial position of the Group, making reasonable assumptions about future performance and taking into account the Group's cash balances and available financial facilities. On the basis of this review, and after making due enquiries, the directors have a reasonable expectation that the 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 (2014: nil).

Annual General Meeting

The AGM of the Company will be held at 10.30 am on 15 July 2015 at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH. Matters to be considered at the meeting include resolutions to receive the Annual Report and Accounts, to 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 reappoint KPMG LLP as auditor and to authorise the directors to determine its remuneration.

By order of the Board

Dr Paul Mussenden
Company Secretary

18 May 2015

Statement of directors' responsibilities in respect of the annual report and accounts 2015 and the financial statements

The directors are responsible for preparing the Annual Report and Accounts, 2015 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 judgments 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.

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

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the 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.

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

The directors' report comprising pages 76 to 77, 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

18 May 2015

Financials

Financial statements, notes and other key data.

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 2015 set out on pages 83 to 128. 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 2015 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 Group financial statements the risks of material misstatement that had the greatest effect on our Group audit were as follows:

Recoverability of goodwill (£183.8m) and other intangible assets (£597.9m)

Refer to page 52 (Audit Committee statement), page 90 (accounting policy) and page 104 (financial disclosures).

The risk:	Our response:
The assessment of the recoverability of goodwill and other intangible assets requires significant judgment in determining the forecast future performance of the cash generating units to which goodwill is allocated. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability, this is one of the key judgmental areas that our audit is concentrated on.	In this area our audit procedures included the following: • We considered the Group's impairment analysis, understood and challenged the key judgments and sensitivities and assessed the impact that each of these have in determining whether an impairment exists. • In particular, we challenged management's assessment of the revenue projections; by reference to those achieved historically and external market data where available in terms of market size and expectations of market share; and assessed the discount rate. • We compared the sum of the discounted future cash flows to the Group's market capitalisation to assess the reasonableness of those cash flows. • We also assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to reasonably possible changes in key assumptions reflected the risks inherent in the valuation of goodwill.

Recognition of deferred tax assets

Refer to page 52 (Audit Committee statement), page 96 (accounting policy) and page 100 (financial disclosures).

The risk:	Our response:
The Group has significant tax losses which have been acquired as part of the business combinations or from past business performance. There is inherent uncertainty involved assessing both the availability of losses and in forecasting future taxable profits, which determines the extent to which deferred tax assets are or are not recognised. This is one of the key judgmental areas that our audit is concentrated on.	Our audit procedures included using our own tax specialists to assist us in the following: • We considered the appropriateness of management's assumptions and estimates in determining the level of losses to recognise. We have assessed management's view of the likelihood of generating sufficient future taxable profits to support the recognition of deferred tax assets, in particular with regard to recent product launches, performance trends and acquisitions. • We assessed management's analysis of the historic losses acquired on the EKOS acquisition and which of those were impacted by a change of control clause. • We assessed whether the Group's disclosures about the sensitivity of the recognition of deferred tax assets to reasonably possible changes in key assumptions reflected the associated inherent risks. • We also considered any offset of liabilities and assets to assess if this is appropriate.

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, determined with reference to a benchmark of Group revenue of which it represents 1.6%. We consider Group revenue to be the most appropriate benchmark as revenue remains a key performance indicator of the Group monitored by stakeholders.

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 identified misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Of the Group's 25 reporting components, we subjected 14 to audits for group reporting purposes and 2 to specified risk-focused audit procedures . The latter 2 were not individually financially significant enough to require an audit for Group reporting purposes, but did present specific individual audit risks that needed to be addressed. In aggregate our audit procedures covered 99% of total Group revenue; 96% of Group profit before taxation; and 99% of total Group assets.

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. Component materialities were all set, or approved, by the Group audit team, and ranged from £0.1m to £5.9m, having regard to the mix of size and risk profile of the Group across the components. The work on three of the 16 components, in the USA and Australia, was performed by component auditors and the rest by the Group audit team.

The Group audit team visited 13 component locations in the USA and UK. Telephone conference meetings were also held with all component auditors including the three that were not physically visited by the Group audit team. At these visits and meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.

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.

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 Audit Committee report 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 77, in relation to going concern; and
- the part of the Corporate governance statement on pages 40 to 49 relating to the Company's compliance with the ten provisions of the 2012 UK Corporate Governance Code specified for our review.

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

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

Scope and responsibilities

As explained more fully in the Directors' responsibilities statement set out on page 78, 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/auditscopeukco2014a, 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

18 May 2015

Consolidated income statement

	Note	Year ended 31 March 2015 Results before acquisition adjustments and reorganisation costs £m	Year ended 31 March 2015 Acquisition adjustments and reorganisation costs £m	Year ended 31 March 2015 Total £m	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
Revenue	4	**367.8**	**–**	**367.8**	290.5	–	290.5
Cost of sales		**(113.8)**	**(0.9)**	**(114.7)**	(93.1)	(1.9)	(95.0)
Gross profit	4	**254.0**	**(0.9)**	**253.1**	197.4	(1.9)	195.5
Operating expenses:							
Amortisation of acquired intangible assets	13	**–**	**(28.4)**	**(28.4)**	–	(23.3)	(23.3)
Foreign exchange gains/(losses)		**6.7**	**–**	**6.7**	(5.0)	–	(5.0)
Selling, general and administrative expenses		**(124.8)**	**–**	**(124.8)**	(84.0)	–	(84.0)
Operating expenses: total		**(118.1)**	**(28.4)**	**(146.5)**	(89.0)	(23.3)	(112.3)
Research and development		**(68.3)**	**–**	**(68.3)**	(47.2)	–	(47.2)
Profit on disposal of property, plant and equipment and intangible assets		**0.3**	**–**	**0.3**	1.1	–	1.1
Acquisition and reorganisation costs	5	**–**	**(3.7)**	**(3.7)**	–	(9.8)	(9.8)
Operating profit	6	**67.9**	**(33.0)**	**34.9**	62.3	(35.0)	27.3
Financial income	8	**0.1**	**–**	**0.1**	8.2	–	8.2
Financial expense	9	**(7.3)**	**(1.0)**	**(8.3)**	(0.8)	(1.4)	(2.2)
Profit before tax		**60.7**	**(34.0)**	**26.7**	69.7	(36.4)	33.3
Tax credit/(charge)	10			**6.9**			(9.0)
Profit for the year				**33.6**			24.3
Basic earnings per share	11			**9.1p**			6.8p
Diluted earnings per share	11			**9.0p**			6.7p

All activity arose from continuing operations.

The notes on pages 88 to 123 form part of these financial statements.

Consolidated statement of comprehensive income

	Note	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Profit for the year		**33.6**	24.3
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign exchange translation differences	19	**41.6**	(32.4)
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain/(loss) on defined benefit pensions scheme	22	**2.2**	(6.0)
Deferred tax on defined benefit pension scheme asset		**(1.8)**	0.8
Other comprehensive income for the year		**42.0**	(37.6)
Total comprehensive income for the year		**75.6**	(13.3)

The notes on pages 88 to 123 form part of these financial statements.

Consolidated statement of financial position

	Note	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Assets			
Non-current assets			
Goodwill	12	**183.8**	123.6
Intangible assets	13	**597.9**	397.9
Property, plant and equipment	14	**35.5**	31.3
Other investments	15	**3.0**	3.0
Deferred tax asset	10	**4.9**	0.8
Employee benefits	22	**13.2**	8.0
Derivative financial instruments	21	**–**	0.9
		838.3	565.5
Current assets			
Inventories	16	**40.5**	27.0
Trade and other receivables	17	**91.9**	75.1
Corporation tax receivable	10	**1.4**	1.5
Derivative financial instruments	21	**–**	4.4
Cash and cash equivalents	18	**73.8**	38.2
		207.6	146.2
Total assets		**1,045.9**	711.7
Equity			
Share capital	19	**38.2**	36.1
Share premium account	19	**433.8**	288.7
Merger reserve		**317.8**	317.8
Other reserves	19	**9.4**	(32.2)
Retained earnings		**(40.6)**	(80.0)
Total equity attributable to equity holders of the parent		**758.6**	530.4
Liabilities			
Non-current liabilities			
Trade and other payables	20	**17.9**	2.6
Deferred tax liabilities	10	**152.4**	90.4
Provisions	25	**1.4**	0.5
		171.7	93.5
Current liabilities			
Trade and other payables	20	**111.0**	79.9
Derivative instruments	21	**0.9**	–
Corporation tax payable	10	**3.2**	7.4
Provisions	25	**0.5**	0.5
		115.6	87.8
Total liabilities		**287.3**	181.3
Total equity and liabilities		**1,045.9**	711.7

The notes on pages 88 to 123 form part of these financial statements.

The financial statements were approved by the Board on 18 May 2015 and were signed on its behalf by:

Dame Louise Makin
Chief Executive Officer

Rolf Soderstrom
Chief Financial Officer

Registered No: 2670500

Consolidated statement of cash flows

	Note	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Profit after tax for the year		**33.6**	24.3
Tax	10	**(6.9)**	9.0
Financial income	8	**(0.1)**	(8.2)
Financial expense	9	**8.3**	2.2
Operating profit		**34.9**	27.3
Adjustments for:			
Profit on disposal of property, plant and equipment and intangible assets		**(0.3)**	(1.1)
Amortisation of intangible assets	13	**29.5**	24.3
Depreciation on property, plant and equipment	14	**5.5**	3.4
Share-based payments		**5.6**	5.3
Pension scheme funding	22	**(2.9)**	(3.3)
Fair value adjustments		**0.9**	1.9
Cash from operations before movements in working capital		**73.2**	57.8
Increase in inventories		**(11.4)**	(0.5)
Increase in trade and other receivables		**(14.9)**	(12.6)
Increase in trade and other payables		**14.8**	10.9
Increase/(decrease) in provisions		**1.0**	(0.1)
Cash from operations		**62.7**	55.5
Corporation tax paid	10	**(15.2)**	(7.0)
Net cash inflow from operating activities		**47.5**	48.5
Investing activities			
Interest (paid)/received	9	**(0.1)**	0.2
Purchases of intangible assets	13	**(1.4)**	(0.9)
Purchases of property, plant and equipment	14	**(9.8)**	(11.6)
Acquisition of businesses net of cash acquired	32	**(147.7)**	(260.3)
Net proceeds from disposal of property, plant and equipment and intangible assets		**0.1**	3.2
Net cash outflow from investing activities		**(158.9)**	(269.4)
Cash flows from financing activities			
Proceeds of share issues	19	**147.2**	103.4
Other financing activities		**(1.0)**	(0.7)
Net cash inflow from financing activities		**146.2**	102.7
Increase/(decrease) in cash and cash equivalents		**34.8**	(118.2)
Cash and cash equivalents at start of year		**38.2**	158.7
Effect of exchange rate fluctuations on cash held		**0.8**	(2.3)
Cash and cash equivalents at end of year	18	**73.8**	38.2

The notes on pages 88 to 123 form part of these financial statements.

Consolidated statement of changes in equity

	Share capital £m	Share premium £m	Merger reserve[1] £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 April 2013	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**

	Share capital £m	Share premium £m	Merger reserve[1] £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 April 2014	36.1	288.7	317.8	(32.2)	(80.0)	530.4
Profit for the year	–	–	–	–	33.6	33.6
Foreign exchange translation differences	–	–	–	41.6	–	41.6
Actuarial gain on defined benefit pension scheme	–	–	–	–	2.2	2.2
Deferred tax on defined benefit pension scheme asset	–	–	–	–	(1.8)	(1.8)
Total comprehensive income for the year	–	–	–	41.6	34.0	75.6
Transactions with owners:						
Issue of BTG plc ordinary shares	2.1	145.1	–	–	–	147.2
Movement in shares held by the Trust	–	–	–	–	(0.2)	(0.2)
Share-based payments	–	–	–	–	5.6	5.6
At 31 March 2015	**38.2**	**433.8**	**317.8**	**9.4**	**(40.6)**	**758.6**

1 For further details on the merger reserve see note 19.

The notes on pages 88 to 123 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 2015 comprise the results of the Company and its subsidiary undertakings (together referred to as the 'Group') and the Group's interest in associates.

The financial statements were approved for issue by the Board on 18 May 2015.

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

IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and other standards adopted by the EU do not 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.

IFRS 15 'Revenue from Contracts with Customers' was issued by the IASB in May 2014, effective for accounting periods beginning on or after 1 January 2017. It has not yet been endorsed by the EU. The Group is currently assessing the impact, if any, of IFRS 15 on the Group's consolidated financial statements.

Going concern basis

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the 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 36. The key liquidity risks faced by the Group are considered to be the failure of banks where funds are deposited and the failure of key licensees, distribution partners, wholesalers or insurers.

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

- 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.

Acquisition adjustments and reorganisation costs

The consolidated income statement includes a separate column to disclose acquisition adjustments and reorganisation costs arising on corporate acquisitions. Significant adjustments relate to the acquisitions of:

- PneumRx Inc. in January 2015;
- EKOS Corporation in July 2013;
- Targeted Therapies Division of Nordion Inc. in July 2013;
- Biocompatibles International Plc in January 2011; and
- Protherics PLC in 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 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. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiary undertakings are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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.

Notes to the consolidated financial statements continued

2. Significant accounting policies continued

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 IFRS 3 – 'Business Combinations'.

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

(ii) Amortisation

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

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

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

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

The following useful economic lives are applied:

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

(iii) Income statement disclosure

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

(iv) Subsequent expenditure

Expenditure subsequent to the initial acquisition of intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(v) Impairment

If an intangible asset is considered to have suffered impairment in value it is written down to its estimated recoverable amount in accordance with the Group's policy on impairment (see note 2(m)).

Notes to the consolidated financial statements continued

2. Significant accounting policies continued

(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.

(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 levels 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.

Notes to the consolidated financial statements continued

2. Significant accounting policies continued

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 IFRS 1 (First-time Adoption of International Financial Reporting Standards), IFRS 2 (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.

The share option programme allows Group employees to acquire shares of the Company, subject to certain criteria. The fair value of options granted is recognised as an expense of employment in the income statement with a corresponding increase in equity. The fair value is measured at the date of grant and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black-Scholes 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 considerations which are recognised at fair value. Fair value adjustments to contingent considerations are reassessed at subsequent reporting periods and adjustments are taken when changes to the assumptions are required.

(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 IAS 18, paragraph 14 is wholly-satisfied. Where sales arrangements specify a second element of revenue contingent upon a specified event, this revenue is not recognised until this event has occurred and it is certain that the economic benefit triggered by this event will flow to the Group. In cases where product is sold to a customer with a right of replacement, the Group views the transaction as a multi-element arrangement and a portion of the value from the sale is deferred and allocated to the replacement right based on the fair value of the replacement right. 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 IAS 18 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.

(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) Financial income

Financial income comprises interest income receivable 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.

(w) Financial expense

Financial expense comprises 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, other financing costs and borrowings.

Notes to the consolidated financial statements continued

2. Significant accounting policies continued

(x) 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.

(y) 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.

(z) 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.

(aa) 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 judgments 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

Judgments 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 judgments 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 IFRS 3 (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;
- Contingent consideration; where the present value of future performance and other milestones are estimated using acquisition date trading assumptions and forecasts to assess the likelihood of payments to be made; 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.

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.

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.

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.

4. Operating segments

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

The acquisition of PneumRx Inc. on 7 January 2015 is included within the Interventional Medicine operating segment. The acquisitions 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 2015			
	Interventional Medicine[1] £m	Specialty Pharmaceuticals £m	Licensing £m	Total £m
Revenue	**112.7**	**121.1**	**134.0**	**367.8**
Cost of sales	**(33.5)**	**(17.1)**	**(64.1)**	**(114.7)**
Gross profit	**79.2**	**104.0**	**69.9**	**253.1**
Selling, general and administrative expenses	**(70.1)**	**(24.9)**	**(29.8)**	**(124.8)**
Contribution	**9.1**	**79.1**	**40.1**	**128.3**
Amortisation and impairment of acquired intangibles assets				**(28.4)**
Foreign exchange gains				**6.7**
Research and development				**(68.3)**
Profit on disposal of property, plant and equipment and intangible assets				**0.3**
Acquisition and reorganisation costs				**(3.7)**
Operating profit				**34.9**
Financial income				**0.1**
Financial expense				**(8.3)**
Profit before tax				**26.7**
Tax credit				**6.9**
Profit for the year				**33.6**
Unallocated assets				**1,045.9**

1 2015 Cost of Sales includes a £0.9m release of a fair value adjustment to inventory purchased on the acquisition of PneumRx Inc. on 7 January 2015 within the Interventional Medicine segment. This represents the release 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 continued

4. Operating segments continued

	Year ended 31 March 2014			
	Interventional Medicine[2] £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				33.6
Tax charge				(9.0)
Profit for the year				24.3
Unallocated assets				711.7

2 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 release of a fair value uplift applied to inventory purchased on acquisition recognised through the income statement as the product is sold.

Revenue analysis

Analysis of revenue, based on the geographical location of customers and the source of revenue is provided below:

Geographical analysis

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
USA	**327.1**	256.1
Europe	**31.1**	26.5
Other regions	**9.6**	7.9
	367.8	290.5

Revenue from major products and services

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Product sales	**233.8**	180.1
Royalties	**134.0**	110.4
	367.8	290.5

Major customers

Products that utilise the Group's intellectual property rights are sold by licensees. Royalty income is derived from over 60 licences. One licence individually generated royalty income in excess of 10% of Group revenue of £105.2m (2014: One licence generated £83.8m).

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 during the year ended 31 March 2015 or 31 March 2014.

5. Acquisition and reorganisation costs

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
PneumRx Inc. acquisition costs	**(2.8)**	–
EKOS Corporation acquisition costs	**–**	(4.1)
Targeted Therapies division of Nordion Inc. acquisition costs	**–**	(5.7)
Other	**(0.9)**	–
Total charge for the year	**(3.7)**	(9.8)

The Group considers 'acquisition and reorganisation costs' to include transaction costs of completing the acquisition and those costs resulting directly from decisions to rationalise both operating sites and business operations (see accounting policies in note 1).

6. Operating profit

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

	Note	Year ended 31 March 2015 £m	Year ended 31March 2014 £m
Depreciation of property, plant and equipment	14	**5.5**	3.4
Amortisation and impairment of intangible assets	13	**29.5**	24.3
Net foreign exchange (gains)/losses		**(6.7)**	5.0
Research and development expenses		**68.3**	47.2
Staff costs	7	**100.2**	63.7
Operating lease rentals payable on property		**2.5**	2.3
Acquisition adjustments and reorganisation costs	5	**3.7**	9.8

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

	Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts:	**170**	165
Fees payable to the Company's auditor and its associates for other services:		
Audit of the Company's subsidiaries pursuant to legislation	**300**	295
Audit of Pension scheme trust	**11**	11
Other audit-related assurance services	**54**	54
Taxation compliance services	**256**	48
All taxation advisory services not covered above	**–**	53
All assurance services not covered above	**–**	5

A description of the work of the Audit Committee is set out in the corporate governance statement on pages 50 to 53 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 continued

7. Staff costs

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

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Salaries	**81.3**	48.0
Social security costs	**8.8**	6.9
Defined contribution pension costs	**4.1**	2.9
Defined benefit pension costs	**0.4**	0.6
Equity-settled transactions	**5.6**	5.3
	100.2	63.7

Key management personnel are considered to be the directors and their remuneration is disclosed within the Remuneration report on pages 56 to 75. In addition to the disclosures in the Remuneration report, the charge to income in respect of equity-settled transactions of key management personnel, in accordance with IFRS 2, was £1.9m (2014: £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 2015	Year ended 31 March 2014
Management	**102**	68
Research and production	**518**	396
Sales, administration and business support	**366**	312
	986	776

8. Financial income

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Interest receivable on money-market and bank deposits	**0.1**	0.2
Fair value changes of foreign exchange forward contracts	**–**	7.5
Other	**–**	0.5
Financial income	**0.1**	8.2

9. Financial expense

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Fair value changes of foreign exchange forward contracts	**6.2**	–
Fair value changes on contingent consideration	**1.0**	1.4
Others	**1.1**	0.8
Financial expense	**8.3**	2.2

10. Tax

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

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Current tax		
UK corporation tax charge	**–**	–
Overseas corporate tax charge	**12.2**	14.5
Adjustments in respect of prior years	**(1.2)**	(0.8)
Total current taxation	**11.0**	13.7
Deferred taxation		
Deferred tax credit	**(17.9)**	(5.0)
Adjustment to tax rates	**–**	0.3
Total tax (credit)/charge for the year	**(6.9)**	9.0

In addition to the tax (credit)/charge in the income statement, a deferred tax credit of £1.8m (2014: £0.8m credit) has been recognised in the consolidated statement of other comprehensive income.

UK corporation tax is calculated at 21% (2014: 23%) 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 2015 £m	Year ended 31 March 2014 £m
Profit before tax	**26.7**	33.3
Tax using UK corporation tax rate of 21% (2014: 23%)	**5.6**	7.6
Effect of overseas tax rates	**2.2**	4.3
Change in unrecognised deferred tax assets	**(11.6)**	(3.1)
Non-deductible expenses	**1.4**	4.9
Effect of UK patent box deduction	**(3.7)**	(2.8)
Adjustment to tax rates	**–**	0.3
Adjustments in respect of prior years	**(0.8)**	(2.2)
	(6.9)	9.0

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

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Current assets		
UK corporation tax receivable	**1.4**	0.9
Overseas corporate tax receivable	**–**	0.6
	1.4	1.5
Current liabilities		
Overseas corporate tax payable	**3.2**	7.4
	3.2	7.4

Deferred taxation

The movements in the deferred tax asset and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12, Income Taxes) during the year are as shown below. The deferred tax asset and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balance net.

Deferred tax asset

	2015 £m	2014 £m
Deferred tax asset recognised at 1 April	**0.8**	0.9
Income statement credit	**4.2**	–
Currency movements	**(0.1)**	(0.1)
Deferred tax asset recognised at 31 March	**4.9**	0.8

The deferred tax asset relates to tax losses in the UK and short term timing differences in Australia. The UK losses have been recognised using a tax rate of 20% (2014: no UK losses recognised) and the short-term timing differences in Australia have been recognised using a tax rate of 30% (2014: 30%). The directors are of the opinion, based on recent and forecast trading, that the level of profits in the UK and Australia in the forthcoming years will lead to the realisation of the respective assets.

Notes to the consolidated financial statements continued

10. Tax continued

Deferred tax liability

The deferred tax liability of £152.4m (2014: £90.4m) represents the net position after taking into account the offset of deferred tax assets against deferred tax liabilities in each jurisdiction. Deferred tax liabilities predominantly arise on intangible assets recognised on acquisitions (£186.2m) and pension surplus (£4.6m). Deferred tax assets relate to brought forward trading losses and short-term timing differences. The table below summarises the gross and net position at each balance sheet date:

	Deferred tax assets £m	Deferred tax liabilities £m	Net deferred tax liability £m
At 1 April 2013	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 1 April 2014	22.5	(112.9)	(90.4)
Adjustments re prior years	(0.5)	0.1	(0.4)
Acquisitions	11.0	(74.0)	(63.0)
Income statement (debit)/credit	3.6	10.4	14.0
Other comprehensive income (credit)	–	(1.8)	(1.8)
R&D tax credits	0.3	–	0.3
Reclassification	0.5	(0.5)	–
Currency movements	1.5	(12.6)	(11.1)
At 31 March 2015	**38.9**	**(191.3)**	**(152.4)**

A reduction in the rate of UK corporation tax to 20% from 1 April 2015 was substantively enacted on 17 July 2013. The rate of 20% from 1 April 2016 was substantively enacted on 25 March 2015. The UK deferred tax assets and liabilities at 31 March 2015 have been calculated based on the rate of 20%.

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 2018.

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

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

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Tax losses	**121.4**	142.4
Deductible temporary differences	**21.6**	14.8
	143.0	157.2

11. Earnings per share

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

	Year ended 31 March 2015	Year ended 31 March 2014
Profit for the financial year (£m)	**33.6**	24.3
Profit per share (p)		
Basic	**9.1**	6.8
Diluted	**9.0**	6.7
Number of shares (m)		
Weighted average number of shares – basic	**367.9**	355.2
Effect of share options on issue	**5.4**	4.6
Weighted average number of shares – diluted	**373.3**	359.8

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

	Year ended 31 March 2015	Year ended 31 March 2014
Profit for the financial year (£m)	**33.6**	24.3
Add back:		
Fair value adjustment on acquired inventory[(a)]	**0.6**	1.2
Amortisation of acquired intangible fixed assets[(b)]	**19.5**	15.3
Acquisition and reorganisation costs[(c)]	**3.1**	9.3
Fair values changes on contingent consideration[(d)]	**1.0**	1.4
Underlying earnings	**57.8**	51.5
Underlying profit per share (p)		
Basic	**15.7**	14.5
Diluted	**15.4**	14.3

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:

a. In the year ended 31 March 2015 there was £0.3m tax impact (2014: £0.7m) on fair value adjustment of inventory acquired of £0.9m (2014: £1.9m).
b. The release of deferred tax liability of £8.9m (2014: £8.0m) has been deducted from the amortisation and impairment of acquired intangible assets of £28.4m (2014: £23.3m) as shown in the consolidated income statement.
c. In the year ended 31 March 2015 there was a £0.6m tax impact on reorganisation costs of £3.7m. In the year ended 31 March 2014 there was £0.5m tax impact on reorganisation costs of £9.8m.
d. No tax adjustments (2014: nil) were required on the fair value changes on the contingent consideration of £1.0m (2014: £1.4m).

Notes to the consolidated financial statements continued

12. Goodwill

	Note	£m
At 1 April 2013		59.2
Acquisitions	32	71.1
Exchange differences		(6.7)
At 1 April 2014		123.6
Acquisitions	32	51.6
Exchange differences		8.6
At 31 March 2015		**183.8**
Accumulated impairment losses		
At 1 April 2013, 1 April 2014 and 31 March 2015		–
Net book value at 31 March 2015		**183.8**
Net book value at 1 April 2014		**123.6**
Net book value at 1 April 2013		**59.2**

During the year ended 31 March 2015 additions to Interventional Medicine goodwill of £51.6m related to the acquisition of PneumRx Inc. (see note 32).

During the year ended 31 March 2014 additions to Interventional Medicine goodwill of £71.1m related to the acquisitions of EKOS Corporation and the Targeted Therapies Division of Nordion Inc. (see note 32).

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 2015.

Goodwill arose on the acquisitions of Protherics PLC and Biocompatibles International plc, EKOS Corporation, the Targeted Therapies Division of Nordion Inc. and PneumRx 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 £147.3m (2014: £87.1m) as relating to Specialty Pharmaceuticals £16.4m (2014: £16.4m), and in relation to Licensing, £20.1m (2014: £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 cash flows were based include market share and gross margin for the marketed products, individual probability-adjusted cash flow models for all in-process research and development and an assessment of the net present value of future net royalty income for licensed patents.

Cash flow projections for all assets were included for a period equal to the estimated useful economic life of the assets. No terminal values were applied. All cash flows were discounted back to present value using a pre-tax discount rate of between 7% (2014: 7%) to 26% (2014: 23%) 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 into account the stage of development of the asset, the therapeutic area targeted and any known specific characteristics of the asset. Market share and overall market size are assessed by reference to independent industry market reports.

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

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

Group	Note	Developed technology £m	Contractual relationships £m	In-process research and development £m	Computer software £m	Patents £m	Purchase of contractual rights £m	Total £m
Cost								
At 1 April 2013		**235.1**	**41.5**	**5.8**	**0.8**	**14.5**	**18.4**	**316.1**
Acquisitions	32	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 1 April 2014		**428.5**	**38.6**	**22.3**	**1.1**	**13.1**	**17.0**	**520.6**
Acquisitions	32	109.2	–	80.4	–	0.3	–	189.9
Additions		–	–	–	0.2	1.2	–	1.4
Disposals		–	–	–	–	–	(9.5)	(9.5)
Currency movements		40.1	3.5	3.1	0.1	2.0	1.0	49.8
At 31 March 2015		**577.8**	**42.1**	**105.8**	**1.4**	**16.6**	**8.5**	**752.2**
Amortisation								
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 1 April 2014		**57.4**	**38.3**	**5.8**	**0.4**	**10.8**	**10.0**	**122.7**
Provided during the year		28.4	–	–	0.3	0.6	0.2	29.5
Write back on disposals		–	–	–	–	–	(9.5)	(9.5)
Currency movements		5.8	3.5	–	–	2.0	0.3	11.6
At 31 March 2015		**91.6**	**41.8**	**5.8**	**0.7**	**13.4**	**1.0**	**154.3**
Net book value								
At 31 March 2015		**486.2**	**0.3**	**100.0**	**0.7**	**3.2**	**7.5**	**597.9**
At 1 April 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

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 the RePneu® Coil System (Europe) acquired in PneumRx Inc., EkoSonic® acquired in EKOS Corporation (see note 32), TheraSphere® acquired in the Targeted Therapies Division of Nordion Inc. (see note 32), 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 2015 £m	31 March 2014 £m	Remaining amortisation period at 31 March 2015
RePneu® (Europe)	**108.9**	–	14.8 years
EkoSonic®	**110.5**	105.8	13.3 years
TheraSphere®	**94.4**	90.3	13.3 years
CroFab®	**67.5**	63.3	18.7 years
DigiFab®	**21.8**	20.5	18.7 years
DC Bead® and LC Bead®	**77.0**	84.1	10.8 years

In-process research and development

Additions to in-process research and development includes the RePneu® Coil System (US) acquired in PneumRx Inc. in the year ended 31 March 2015 and the Targeted Therapies assets acquired in the Targeted Therapies Division of Nordion Inc. in the year ended 31 March 2014 (see note 32).

	31 March 2015 £m	31 March 2014 £m	Remaining amortisation period at 31 March 2015
RePneu® (US)	**81.5**	–	–
Targeted Therapies assets	**17.8**	15.9	–

Notes to the consolidated financial statements continued

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 2013		1.7	17.4	17.7	5.6	42.4
Acquisitions	32	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 1 April 2014		**5.0**	**14.9**	**17.0**	**8.5**	**45.4**
Acquisitions	32	–	–	0.3	–	0.3
Additions		0.9	0.2	3.3	5.9	10.3
Disposals		–	–	(2.4)	(0.1)	(2.5)
Transfers		3.9	–	3.0	(6.9)	–
Currency movements		0.1	(0.9)	–	(0.4)	(1.2)
At 31 March 2015		**9.9**	**14.2**	**21.2**	**7.0**	**52.3**
Depreciation						
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 1 April 2014		**1.0**	**2.7**	**10.3**	**0.1**	**14.1**
Provided during the year		1.1	0.3	4.1	–	5.5
Disposals		–	–	(2.5)	–	(2.5)
Currency movements		–	(0.2)	(0.1)	–	(0.3)
At 31 March 2015		**2.1**	**2.8**	**11.8**	**0.1**	**16.8**
Net book value at 31 March 2015		**7.8**	**11.4**	**9.4**	**6.9**	**35.5**
Net book value at 1 April 2014		4.0	12.2	6.7	8.4	31.3
Net book value at 1 April 2013		1.2	14.5	4.2	5.5	25.4

15. Other investments

	2015 £m	2014 £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 2015 £m	31 March 2014 £m
Raw materials and consumables	**14.9**	12.0
Work in progress	**10.2**	11.5
Finished goods	**15.4**	3.5
	40.5	27.0

In the year ended 31 March 2015 a fair value adjustment of £0.9m was recognised through cost of sales (see note 4) leaving £1.5m fair value uplift recognised on the acquisition of PneumRx Inc. remaining (see note 32).

In the year ended 31 March 2014 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 Corporation remaining (see note 32).

Inventory to the value of £3.4m (2014: £1.8m) was written off through cost of sales.

17. Trade and other receivables

	31 March 2015 £m	31 March 2014 £m
Due within one year		
Revenues receivable, net of provisions	**38.7**	28.8
Other debtors	**10.6**	9.0
Prepayments and accrued income	**42.6**	37.3
	91.9	75.1

Managing credit risk:

'Revenues receivable, net of provisions' represents marketed product sales sold both directly and through distribution agreements for the year to 31 March 2015 and certain other amounts receivable under licence agreements.

The ageing of these amounts was as follows:

	2015 Gross £m	2015 Provision £m	2014 Gross £m	2014 Provision £m
Not past due	**31.0**	**–**	24.8	–
0-30 days	**4.7**	**–**	2.7	–
31-90 days	**1.3**	**(0.2)**	0.9	–
>90 days	**2.6**	**(0.7)**	0.9	(0.5)
Total	**39.6**	**(0.9)**	29.3	(0.5)

Provisions for bad debts of £0.9m (2014: £0.5m) have been made to write down the value of doubtful receivables to estimated recoverable amounts. The charge for the year to 31 March 2015 in respect of provisions for bad debts was £0.4m (2014: £0.2m credit).

18. Cash and cash equivalents

	31 March 2015 £m	31 March 2014 £m
Bank balances	**73.8**	38.2
Cash and cash equivalents in statement of cash flows	**73.8**	38.2

Notes to the consolidated financial statements continued

19. Equity

Other reserves are analysed as follows:

	Translation reserve £m	Fair value reserve £m	Total other reserves £m
At 1 April 2013	0.1	0.1	0.2
Total recognised income and expense	(32.4)	–	(32.4)
At 1 April 2014	(32.3)	0.1	(32.2)
Total recognised income and expense	41.6	–	41.6
At 31 March 2015	**9.3**	**0.1**	**9.4**

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	**2015 £m**	Number	2014 £m
At 1 April	**361,586,534**	**36.1**	328,276,871	32.8
Issued for cash	**20,190,169**	**2.1**	33,309,663	3.3
At 31 March	**381,776,703**	**38.2**	361,586,534	36.1

In December 2014, BTG completed a share placing for a total of 18,867,925 new ordinary shares at a price of 795p per placing share, raising proceeds of £150.0m being £145.7m net of expenses.

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 exercise of share options.

Share options

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

20. Trade and other payables

	31 March 2015 £m	31 March 2014 £m
Amounts falling due within one year		
Trade payables	**10.8**	14.0
Accruals and deferred income	**81.6**	59.3
Contingent consideration	**15.1**	3.4
Other creditors	**3.5**	3.2
	111.0	79.9
Amounts falling due after more than one year		
Accruals and deferred income	**0.3**	0.3
Contingent consideration	**17.6**	2.1
Other creditors	**–**	0.2
	17.9	2.6

21. Derivative financial instruments

	31 March 2015 £m	31 March 2014 £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 due within one year	**0.9**	–
Derivative instrument liabilities	**0.9**	–

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

At 31 March 2015 the Group had forward contracts to sell US$237m in the period to March 2016 at rates in the range £1:US$1.49 - £1:US$1.51. The fair value of these derivative financial instruments was marked to market at 31 March 2015 as a liability at £0.9m.

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 - £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.

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 2015, all other variables being unchanged, would result in an increase of £8.3m within 'Financial expense' in the income statement and a fair value liability of £9.2m within 'Derivative instruments' within assets. A 5% weakening of the US$ would result in a £7.7m decrease in 'Financial expense' and a fair value asset of £6.8m within 'Derivative instruments' within assets.

22. Retirement benefit schemes

Defined benefit scheme

For eligible UK employees the Group operates a funded pension plan providing benefits based on final pensionable emoluments. The plan was closed to new entrants as of 1 June 2004. The plan is a registered scheme under the provisions of Schedule 36 of the Finance Act 2004 and 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 IAS 19.

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 2015/16 is £2.9m (2014/15 actual: £2.9m).

The IAS 19 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 IAS 19 best-estimate principle), and the IAS 19 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 IAS 19 measure shows a surplus while the funding measure shows a deficit, with associated deficit recovery contributions payable by the Group.

The Group has taken professional advice and concluded that it has no requirement to adjust the balance sheet in respect of either a current surplus or a minimum funding requirement under IFRIC14. This is on the basis that the Group has an unconditional right to a refund of a current or projected future surplus at some point in the future.

The following table sets out the key IAS 19 assumptions used for the plan:

	31 March 2015	31 March 2014	31 March 2013
Retail price inflation	**3.1% p.a.**	3.6% p.a.	3.6% p.a.
Discount rate	**3.2% p.a.**	4.4% p.a.	4.4% p.a.
Life expectancy at age 60 of a male age 60 at the accounting date	**88.5**	88.4	87.5
Life expectancy at age 60 of a male age 40 at the accounting date	**91.0**	90.8	89.1

Notes to the consolidated financial statements continued

22. Retirement benefit schemes continued

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 2015 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 CMI 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 in 2015 (2014: 1.5%/1.25% p.a. for males and females respectively).

The following table sets out related IAS 19 assumptions used:

	31 March 2015	31 March 2014	31 March 2013
Pension increases in deferment – RPI inflation	**3.1% p.a.**	3.6% p.a.	3.6% p.a.
Pension increases in payment – RPI inflation	**3.1% p.a.**	3.6% p.a.	3.6% p.a.
Pension increases in payment – inflation capped at 2.5%	**2.1% p.a.**	2.3% p.a.	2.3% p.a.
General salary increases	**3.1% p.a.**	3.6% p.a.	3.6% 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 2015 £m	31 March 2014 £m	31 March 2013 £m
Present value of defined benefit obligation	**(124.9)**	(110.9)	(110.7)
Fair value of scheme assets	**138.1**	118.9	121.0
Net asset recognised in the statement of financial position	**13.2**	8.0	10.3

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

The IAS 19 expense is made up of the current service cost, plan administrative expenses, interest cost on the defined benefit obligation and interest income on 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 2015	31 March 2014	31 March 2013
Equity instruments	**10%**	16%	15%
Diversified growth funds	**11%**	14%	14%
Liability driven investment	**29%**	0%	0%
Absolute return bonds	**20%**	0%	0%
Illiquid inflation assets	**15%**	0%	0%
Inflation linked bonds	**0%**	55%	56%
Corporate bonds	**0%**	14%	14%
Cash/net current assets	**15%**	1%	1%

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

At 31 March 2015, all asset classes have quoted prices in active markets, with the exception of the illiquid inflation assets which are priced and traded on a monthly basis.

At 31 March 2014, all asset classes had 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 ended 31 March 2015 are as follows:

Year ended 31 March 2015	Obligation £m	Plan Assets £m	**Net asset/ (liability) £m**
Beginning of the year	**(110.9)**	**118.9**	**8.0**
Employer's part of the current service cost	(0.3)	–	**(0.3)**
Interest (cost)/income	(4.8)	5.2	**0.4**
Contributions by the employer	–	2.9	**2.9**
Contributions from plan members	(0.1)	0.1	**–**
Actuarial gain – experience	0.7	15.5	**16.2**
Actuarial loss – financial assumptions	(14.0)	–	**(14.0)**
Benefits paid	4.5	(4.5)	**–**
End of the year	**(124.9)**	**138.1**	**13.2**

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 ended 31 March 2014 are as follows:

Year ended 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
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 loss – demographic assumptions	(1.8)	–	(1.8)
Benefits paid	4.8	(4.8)	–
End of the year	**(110.9)**	**118.9**	**8.0**

The actual return on the plan assets over 2015 was a gain of £20.7m (2014: loss of £1.0m).

The weighted average duration of the defined benefit obligation at the end of the reporting period is 15 years (2014: 16 years).

The administrative costs shown above are nil as they paid directly by the Group and are expensed separately outside IAS 19.

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 2015 £m**	31 March 2014 £m	**31 March 2015 £m**	31 March 2014 £m	**31 March 2015 £m**	31 March 2014 £m
Discount Rate	Decrease 0.1%	**1.9**	1.7	**2.2**	1.5	**(0.3)**	0.2
RPI inflation	Increase 0.1%	**1.7**	1.4	**1.8**	1.4	**(0.1)**	–
Life expectancy	Increase 1 year	**4.1**	3.7	**–**	–	**4.1**	3.7

The sensitivity information has been derived using projected cash flows valued using the relevant assumptions and membership profile as at 31 March 2015. The sensitivity methodology has not changed from prior years. Extrapolation of these results beyond the sensitivity figures shown may not be appropriate.

Defined contribution schemes

The Group offers defined contribution pension schemes for its employees. The total income statement charge in relation to these schemes was £4.1m (2014: £2.9m).

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.

Notes to the consolidated financial statements continued

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 Remuneration report on pages 56 to 75.

Option pricing

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

	31 March 2015	31 March 2014
Risk-free interest rate	0.5% – 1.3%	0.4% – 1.0%
Dividend yield	Nil	Nil
Volatility	25% – 30%	29% – 31%
Expected lives of options and awards granted under:		
• Share option plan	3 years	3 years
• Sharesave plan	3.37 years	3.37 years
• Stock purchase plan	2.13 years	2.13 years
• Performance share plan	3 – 5 years	3 – 5 years
• Deferred share bonus plan	3 years	3 years
Weighted average fair value for share option plan grants in the year	389.7p	161.7p
Weighted average fair value for sharesave grants in the year	202.3p	136.3p
Weighted average fair value for stock purchase plan grants in the year	153.5p	96.0p
Weighted average fair value for performance share awards in the year	504.2p	323.4p
Weighted average fair value for deferred share bonus awards in the year	599.0p	368.0p

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 Remuneration report on pages 56 to 75 for further information.

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

	2015 Number of share options (000)	2015 Weighted average exercise price (p)	2014 Number of share options (000)	2014 Weighted average exercise price (p)
Share options				
Outstanding at 1 April	**1,565**	**269.6**	1,682	262.3
Granted during year	**66**	**631.6**	26	395.1
Lapsed during year	**–**	**–**	(54)	273.2
Exercised during year	**(341)**	**271.9**	(89)	117.2
Outstanding at 31 March	**1,290**	**287.7**	1,565	269.6
Exercisable at 31 March	**872**	**222.3**	676	186.8
Sharesave plan				
Outstanding at 1 April	**510**	**274.0**	459	245.2
Granted during year	**268**	**498.7**	208	289.5
Lapsed during year	**(33)**	**310.2**	(62)	272.7
Exercised during year	**(170)**	**220.4**	(95)	161.2
Outstanding at 31 March	**575**	**392.5**	510	274.0
Exercisable at 31 March	**–**	**–**	–	–
Stock purchase plan				
Outstanding at 1 April	**93**	**339.9**	95	305.3
Granted during year	**181**	**530.0**	62	332.0
Lapsed during year	**(18)**	**402.7**	(24)	340.0
Exercised during year	**(35)**	**349.5**	(40)	248.8
Outstanding at 31 March	**221**	**489.0**	93	339.9
Exercisable at 31 March	**–**	**–**	–	–

Options outstanding at 31 March 2015

	Number (000)	Weighted exercise price (p)	Latest exercise date year ended 31 March
Share options granted in year ended 31 March			
2010	290	179.3	2020
2011	329	201.3	2021
2012	253	298.9	2022
2013	333	384.1	2023
2014	19	395.1	2017
2015	66	631.6	2018
	1,290		
Sharesave plan options granted in year ended 31 March			
2013	126	320.2	2016
2014	184	289.5	2017
2015	265	498.7	2018
	575		
Stock purchase plan options granted in year ended 31 March			
2014	46	332.0	2016
2015	175	530.0	2017
	221		

Notes to the consolidated financial statements continued

23. Share based payments continued

Performance share awards

Following approval of the Performance Share Plan by shareholders at the 2006 AGM, the Company has made awards to the executive directors and other employees with a vesting period of three years. In 2013, amendments to the rules of the Plan and the terms of new performance conditions were approved at the AGM. These included the opportunity for executive directors only to voluntarily elect to carry-forward and put at risk for a further two years shares that would have vested under the core award after three years into a multiplier award.

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:

	2015 Number of share awards (000)	2014 Number of share awards (000)
Performance share awards		
Outstanding at 1 April	**4,142**	3,361
Granted during year	**1,891**	2,000
Lapsed during year	**(112)**	(350)
Exercised during year	**(775)**	(869)
Outstanding at 31 March	**5,146**	4,142
Exercisable at 31 March	**–**	–
Senior Management Performance Share Plan		
Outstanding at 1 April	**123**	142
Granted during year	**–**	–
Lapsed during year	**(25)**	(19)
Exercised during year	**(98)**	–
Outstanding at 31 March	**–**	123
Exercisable at 31 March	**–**	–

Deferred share bonus plan

The Company established a deferred share bonus plan. The executive directors, members of the leadership team and certain other senior staff have part of their bonus awarded in shares. The shares will vest on the third anniversary of the grant date.

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

	2015 Number of share awards (000)	2014 Number of share awards (000)
Outstanding at 1 April	**570**	757
Granted during year	**41**	192
Lapsed during year	**(3)**	(37)
Exercised during year	**(172)**	(342)
Outstanding at 31 March	**436**	570
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 Remuneration report on pages 56 to 75.

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 2015 the Trust held 321,341 (31 March 2014: 720,699) shares in BTG plc and a further 12,596 (31 March 2014: 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 Performance Share Plan, the Deferred Share Bonus Plan or the Senior Management Performance Share Plan.

25. Provisions

	2015			2014		
	Leases £m	**Other £m**	**Total £m**	Leases £m	Other £m	Total £m
At 1 April	**0.9**	**0.1**	**1.0**	0.8	0.2	1.0
Provisions utilised during year	**–**	**–**	**–**	–	–	–
Provisions made during year	**0.9**	**–**	**0.9**	0.2	–	0.2
Provisions released during the period	**–**	**–**	**–**	(0.1)	(0.1)	(0.2)
Difference on exchange	**–**	**–**	**–**	–	–	–
At 31 March	**1.8**	**0.1**	**1.9**	0.9	0.1	1.0
Balance due within one year	**0.4**	**0.1**	**0.5**	0.4	0.1	0.5
Balance due after more than one year	**1.4**	**–**	**1.4**	0.5	–	0.5
	1.8	**0.1**	**1.9**	0.9	0.1	1.0

Lease provisions relate to dilapidation provisions and represent the estimated cost of restoring sites to their original state.

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 transitions from distribution agreements 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 majority of 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.

Notes to the consolidated financial statements continued

26. Financial risk management objectives and policies continued

A significant element of the Group's revenue is denominated in US dollars with the remainder split between sterling, euros and other currencies. The majority of the Group's operating expenses are in sterling and US dollars with smaller elements in euros, Canadian dollars and Australian dollars. Where possible, anticipated foreign currency operating expenses are matched to foreign currency revenues. The excess exposure over and above this natural hedge, to the extent that cash flows are predictable, is managed using forward contracts (see note 21).

Sensitivity analysis

A 5% weakening of the US$ at 31 March 2015 would have resulted in the following decrease in profit:

	31 March 2015 £m	31 March 2014 £m
Decrease in Profit	**3.6**	2.0

Interest rate risk

The Group seeks to mitigate partially against increased interest rates whilst 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 2015 £m	31 March 2014 £m
Total equity – capital and reserves attributable to BTG shareholders	**758.6**	530.4
Total assets	**1,045.9**	711.7
Equity ratio	**72.5%**	74.5%

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.

Fair values

The fair values of the Group's financial assets and liabilities, together with the carrying values shown in the statement of financial position, are as follows:

	Designated at fair value £m	Forward contracts at fair value £m	Available for sale £m	Amortised cost £m	Total carrying value £m	Fair value[1] £m
31 March 2014						
Cash and cash equivalents	–	–	–	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	–
Trade and other payables (excluding contingent consideration)	–	–	–	(77.0)	(77.0)	–
Contingent consideration	(5.5)	–	–	–	(5.5)	(5.5)
31 March 2015						
Cash and cash equivalents	**–**	**–**	**–**	**73.8**	**73.8**	**–**
Forward contracts	**–**	**(0.9)**	**–**	**–**	**(0.9)**	**–**
Other investments	**3.0**	**–**	**–**	**–**	**3.0**	**3.0**
Trade and other receivables	**–**	**–**	**–**	**91.1**	**91.1**	**91.1**
Trade and other payables (excluding contingent consideration)	**–**	**–**	**–**	**(96.2)**	**(96.2)**	**–**
Contingent consideration	**(32.7)**	**–**	**–**	**–**	**(32.7)**	**(32.7)**

1 The Group has not disclosed the fair values for financial instruments such as trade receivables and trade payables because their carrying amounts are a reasonable approximation of their fair value.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 – quoted prices in active markets for identical assets and liabilities

Level 2 – observable inputs other than quoted prices in active markets for identical assets and liabilities

Level 3 – unobservable inputs

Notes to the consolidated financial statements continued

26. Financial risk management objectives and policies continued

Fair value hierarchy of financial assets and liabilities

At 31 March 2014	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
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)
At 31 March 2015				
Financial assets recognised at fair value				
Investments	**–**	**3.0**	**–**	**3.0**
Financial liabilities recognised at fair value				
Forward contracts	**–**	**(0.9)**	**–**	**(0.9)**
Fair value of other contingent consideration	**–**	**–**	**(32.7)**	**(32.7)**

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:

- contingent consideration payable on achievement of revenue targets and product approval by PneumRx following the acquisition of PneumRx Inc. in January 2014 (see note 32(a) for valuation methodology);
- contingent consideration payable on achievement of revenue targets by EKOS following the acquisition of EKOS Corporation in July 2013 (see note 32(c) for valuation methodology);
- 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.

	2015 £m	2014 £m
At 1 April	**(5.5)**	(0.8)
Acquisitions	**(28.7)**	(17.5)
Movements in Fair Value	**(1.0)**	(0.9)
Paid during the year	**3.5**	11.9
Currency movements	**(1.0)**	1.8
At 31 March	**(32.7)**	(5.5)

Contractual maturity analysis of financial assets/(liabilities)

Forward foreign exchange contracts that mature within:	**31 March 2015 £m**	31 March 2014 £m
0 – 3 months	**(0.3)**	1.3
3 – 6 months	**(0.2)**	1.1
6 – 12 months	**(0.4)**	2.0
>12 months	**–**	0.9
Total	**(0.9)**	5.3

Net gains and losses on financial assets and liabilities

Foreign exchange gains of £6.7m (2014: losses of £5.0m) were recognised within Operating profit in relation to settlement of trade receivables and payables.

The Group recognised a fair value loss of £6.2m (2014: gain of £7.5m) relating to forward foreign exchange contracts within 'Financial expense' (2014: 'Financial income').

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 2015 Property £m	31 March 2014 Property £m
Within one year	**2.8**	2.5
Between two and five years	**7.3**	6.5
	10.1	9.0

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

The Group leases a number of offices and facilities primarily in the UK, the US, Canada, Germany, Asia-Pacific and Australia. 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 2015 the Group is committed to invest nil under these agreements (2014: 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 £7.5m in litigation costs (2014: £1.5m) predominantly relating to the settlement of a patent dispute with Instituto Bioclon.

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. 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 48 concerning Giles Kerr, payments made by BTG to Oxford University and Isis Innovations Ltd under the relevant licence agreements were £5,000 for the year ended 31 March 2015 (nil during the year ended 31 March 2014). There are no amounts still outstanding and payable by BTG under these agreements as at 31 March 2015 (2014: nil).

Key management personnel are considered to be the directors and their remuneration is disclosed within the Remuneration report on pages 56 to 75.

30. 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 $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 was 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 were included within Net proceeds from disposal of property and equipment and intangible assets in the cash flow statement.

Notes to the consolidated financial statements continued

31. Group entities

The subsidiary undertakings of BTG plc at 31 March 2015 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 Ltd	Ordinary	Development, management and commercialisation of IPR
BTG International Inc. Delaware, USA	Common stock	Research, development, and sale of pharmaceutical products
Protherics UK Ltd	Ordinary	Research, development, manufacture and sale of pharmaceutical products
BTG Australasia Pty Ltd Australia	Ordinary	Manufacture and sale of pharmaceutical products
Protherics Utah Inc. Tennessee, USA	Common stock	Research, development, manufacture and sale of pharmaceutical products
Biocompatibles International Ltd*	Ordinary	Investment and management of group companies
Biocompatibles UK Ltd	Ordinary	Development, management and commercialisation of IPR
Biopolymerix Inc. Delaware, USA	Common stock	Dormant company
Biocompatibles Inc. Delaware, USA	Common stock	Distribution of Bead products, TheraSphere® and Varithena®
BTG International Germany GmbH Germany	No par value shares	Research and development
Provensis Inc. Delaware, USA	Common stock	Dormant company
BTG International Canada Inc. Canada	Common shares	Support of Interventional Medicine business
BTG International Asia Ltd Hong Kong, China	Ordinary	Sales support for the interventional medicine business
EKOS Corporation Delaware, USA	Common stock	Manufacture and commercialisation of therapeutic ultrasound devices
PneumRx, Inc. Delaware, USA	Common stock	Development, manufacture and commercialisation of the RePneu® Coil System
PneumRx GmbH Germany	No par value shares	Commercialisation and sale of the RePneu® Coil System
BTG International Healthcare Ltd	Ordinary	Group financing
BTG International Healthcare Inc. Delaware, USA	Common stock	Group financing
BTG International Healthcare LLC Delaware, USA	Ordinary	Group financing

* Indicates direct subsidiary of BTG plc.

32. Business combinations

Acquisitions during the year ended 31 March 2015

a) PneumRx acquisition

BTG completed the acquisition of 100% of PneumRx on 7 January 2015 for an initial cash consideration of £153.4m ($231.0m) and up to $245m in contingent consideration based upon performance related future milestones. The contingent consideration had a carrying value equal to its fair value of £28.8m using acquisition date trading assumptions and probability adjusted forecasts to assess the likelihood of revenue and FDA approval milestone payments to be made. The final determination of these fair values will be completed as soon as possible but no later than one year from the acquisition date.

PneumRx owns, manufactures and distributes RePneu® Coil System (RePneu®), a minimally invasive treatment for advanced emphysema, which seeks to enhance patients' quality of life by improving lung function and exercise capacity. At the date of acquisition, RePneu® was in 11 European countries and had a fully recruited US pivotal clinical trial under way. A decision on US approval is anticipated during 2016. The acquisition complements BTG's Interventional Medicine platform, expanding it into the emerging area of Interventional Pulmonology.

At acquisition, intangible assets principally comprised £109.2m relating to RePneu® (Europe) developed technology and £80.4m relating to RePneu® (US) in-process research and development assets. The estimated useful life of the developed technology is 15 years, and amortisation expense is recorded on a straight-line basis. Goodwill arising of £51.6m, which is not deductible for tax purposes, was assigned to the Interventional Medicine operating segment. Goodwill includes the values of tax impacts, assembled workforce and future potential indications for RePneu® which at the time of acquisition did not meet the criteria for recognition as separate intangible assets.

Under the terms of the acquisition agreement, BTG may be due to make further contingent consideration payments dependent upon PneumRx achieving certain revenue targets and US FDA approval.

The contingent consideration payments include up to $20m payable if PneumRx meets a global revenue target in calendar year 2015 of US$35m and US$60m payable if US FDA approval is received before 31 December 2017. During the year, no contingent consideration payments were made and £0.9m of discount unwind was recognised in the income statement. The remaining contingent consideration payments on the Statement of Financial Position are 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	0.3	189.6	189.9
Property, plant & equipment	0.3	–	0.3
Current assets:			
Inventories	0.9	2.4	3.3
Trade and other receivables	2.6	–	2.6
Cash and cash equivalent	6.2	–	6.2
Liabilities			
Current liabilities:			
Trade and other payables	(8.8)	–	(8.8)
Non-current liabilities:			
Net deferred tax liabilities	–	(62.9)	(62.9)
Assets acquired	1.5	129.1	130.6
Goodwill			51.6
Total assets acquired			182.2
Cash consideration paid			153.4
Contingent consideration			28.8
Total Consideration			182.2
Cash and cash equivalents included in undertaking acquired			6.2
Cash consideration paid			(153.4)
Net cash outflow arising on acquisition and in cash flow statement			(147.2)

b) Other acquisitions

On 6 August 2014, the Group acquired the site and certain assets and processes associated with PEM manufacture from its existing contract manufacturing organisation, SCM Pharma Limited, for a consideration of approximately £0.5m plus transaction fees. The Company expects to increase throughput through these assets to support the growth of the recently approved and launched Varithena®.

Notes to the consolidated financial statements continued

32. Business Combinations continued

Acquisitions during the year ended 31 March 2014

In July 2013, BTG completed the acquisitions of EKOS Corporation (EKOS) and the Targeted Therapies division of Nordion Inc.

c) 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 deemed final and there have been no adjustments to the preliminary assessment 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 was estimated using an income approach, using the excess earnings method. The estimated useful life of the technology was 15 years, and amortisation expense is recorded on a straight-line basis. Goodwill arising of £47.8m, which is not deductible for tax purposes, was 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 agreement, 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 2014 of $5.4m (£3.5m) (2014: in respect of 2013 $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)

d) 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 ($200.8m). The purchase price allocation is deemed final and there have been no adjustments to the preliminary assessment 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 £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 was estimated using an income approach, using the excess earnings method. The estimated useful life of the technology was 15 years, and amortisation expense is recorded on a straight-line basis. Goodwill arising of £23.3m, which is not deductible for tax purposes, was assigned to the Interventional Medicine operating segment. Goodwill includes the values of tax impacts and assembled workforce.

	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

During the year ended 31 March 2015, PneumRx Inc. contributed revenues of £2.3m and an operating loss before acquisition adjustments and reorganisation costs of £2.7m in the period since acquisition. If the acquisition had taken place on 1 April 2014, 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 £379.1m and £64.2m respectively.

During the year ended 31 March 2014, 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.

33. Post balance sheets events

In May 2015, BTG purchased the residual financial interest of the originator of the Varithena® foam sclerotherapy technology for a one-off cash payment of £23m, ensuring that the business retains 100% of the future value of Varithena®.

Company statement of financial position

	Note	31 March 2015 £m	31 March 2014 £m
Assets			
Non-current assets			
Investment in subsidiaries	4	**764.6**	617.5
		764.6	617.5
Current assets			
Trade and other receivables	5	**70.6**	72.0
Cash and cash equivalents		**0.5**	–
		71.1	72.0
Total assets		**835.7**	689.5
Equity			
Share capital	6	**38.2**	36.1
Share premium account	6	**433.8**	288.7
Merger reserve	6	**317.8**	317.8
Retained earnings	6	**43.5**	44.2
Total equity attributable to equity holders of the parent	6	**833.3**	686.8
Liabilities			
Current liabilities			
Trade and other payables	7	**2.4**	2.7
Total liabilities		**2.4**	2.7
Total equity and liabilities		**835.7**	689.5

The notes on pages 126 to 128 form part of these financial statements.

The financial statements were approved by the Board on 18 May 2015 and were signed on its behalf by:

Dame Louise Makin
Chief Executive Officer

Rolf Soderstrom
Chief Financial Officer

Registered No: 2670500

Company statement of cash flows

	Note	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Loss after tax for the year	2	**(6.1)**	(4.6)
Decrease/(increase) in trade and other receivables	5	**1.4**	(99.8)
Decrease in trade and other payables	7	**(0.3)**	–
Other		**1.7**	1.0
Net cash outflow from operating activities		**3.3**	(103.4)
Investing activities			
Increase of investment in subsidiary companies		**(143.4)**	–
Net cash outflow from investing activities		**(143.4)**	–
Cash flows from financing activities			
Proceeds of share issue	6	**147.2**	103.4
Net cash inflow from financing activities		**147.2**	103.4
Increase in cash and cash equivalents		**0.5**	–
Cash and cash equivalents at start of year		**–**	–
Cash and cash equivalents at end of year		**0.5**	–

Company statement of changes in equity

	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**

	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total equity £m
At 1 April 2014	36.1	288.7	317.8	44.2	686.8
Loss for the year	–	–	–	(6.1)	(6.1)
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(6.1)	(6.1)
Transactions with owners:					
Issue of BTG plc ordinary shares	2.1	145.1	–	–	147.2
Movement in shares held by the Trust	–	–	–	(0.2)	(0.2)
Share-based payments	–	–	–	5.6	5.6
At 31 March 2015	**38.2**	**433.8**	**317.8**	**43.5**	**833.3**

The notes on pages 126 to 128 form part of these financial statements.

Notes to the company financial statements

1. Accounting policies

The accounting policies adopted in the preparation of these Company financial statements are the same as those set out in note 2 to the Group financial statements with the addition of the following:

Investments

Investments in subsidiaries are stated at cost less provision for impairment.

Accounting for transactions under common control

Where the Company acquires or disposes of shares in another Group company either in a share for share exchange or as an acquisition or disposal of part of the business, the cost or proceeds are determined by reference to the fair value of the consideration received (i.e. the fair value of the company in which shares have been received) at the date of transfer.

If the Company receives shares following the sale of its subsidiary or part of its business, any gain or loss is credited or charged to the income statement. Where the Company issues shares following the acquisition of a subsidiary or part of another business, any gain or loss is credited or charged to reserves.

Share-based payments

The Company has elected to apply IFRS 2 to all share-based awards and options granted post 7 November 2002 that had not vested by 1 January 2005. The carrying amount of an investment in a subsidiary is increased to the extent that share-based payments relate to employees of that subsidiary. Share-based payment expenses relating to employees of the Company are expensed within the income statement.

These policies have been applied consistently to the periods presented.

The functional currency of the Company is sterling and all values are rounded to the nearest £0.1m except where otherwise indicated.

2. 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 £6.1m (2014: £4.6m).

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

	Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
The auditing of accounts of the Company	**96**	94
Audit related assurance services	**56**	54

3. Staff costs

The employees are based in the United Kingdom.

Disclosures of individual director's remuneration and associated costs required by the Companies Act 2006 and specified by the Financial Services Authority are on pages 56 to 75 within the Remuneration report and form part of these audited accounts.

The employees of the Company are members of the Group pension schemes as detailed in note 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 2013	369.3
Transfers of investments to subsidiary companies	244.1
Share based payments	4.1
At 1 April 2014	617.5
Increase of investment in subsidiary companies	143.4
Share based payments	3.7
At 31 March 2015	**764.6**

During the year ended 31 March 2015, BTG plc increased its investment in BTG International (Holdings) Ltd by £143.4m.

During the year ended 31 March 2014, 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 31 to the Group financial statements.

5. Trade and other receivables

	31 March 2015 £m	31 March 2014 £m
Due within one year		
Prepayments	**0.7**	0.8
Amounts owed by subsidiary undertakings	**69.9**	71.2
	70.6	72.0

6. Capital and reserves

	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total £m
Company					
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 1 April 2014	36.1	288.7	317.8	44.2	686.8
Loss for financial year	–	–	–	(6.1)	(6.1)
Total recognised loss for the year	–	–	–	(6.1)	(6.1)
Movement in shares held by Trust	–	–	–	0.2	0.2
Other share capital issued	2.1	145.1	–	–	147.2
Share-based payments	–	–	–	5.6	5.6
At 31 March 2015	**38.2**	**433.8**	**317.8**	**43.5**	**833.3**

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 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 December 2014, BTG completed a share placing for a total of 18,867,925 new ordinary shares at a price of 795p per placing share, raising proceeds of £150.0m being £145.7m net of expenses.

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 2015 £m	31 March 2014 £m
Amounts falling due within one year		
Accruals and deferred income	**2.4**	2.7

The directors consider the fair value to be equal to the book value.

Notes to the company financial statements continued

8. Financial assets and liabilities

	Designated at fair value £m	Amortised cost £m	Total carrying value £m
31 March 2014			
Cash and cash equivalents	–	–	–
Trade and other receivables	–	72.0	72.0
Trade and other payables	–	(2.7)	(2.7)
31 March 2015			
Cash and cash equivalents	**–**	**0.5**	**0.5**
Trade and other receivables	**–**	**70.6**	**70.6**
Trade and other payables	**–**	**(2.4)**	**(2.4)**

The Company has not disclosed the fair values for financial instruments such as trade receivables and trade payables because their carrying amounts are a reasonable approximation of their fair value

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 BTG Group, the Company does not have significant exposure to movements in market prices and accordingly no additional disclosure is provided. There are no foreign currency balances within the Company's statement of financial position.

Capital Management

Details of the Company's objectives with respect to managing capital are disclosed in note 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 48 concerning Giles Kerr, payments made by BTG to Oxford University and Isis Innovations Ltd under the relevant licence agreements were £5,000 for the year ended 31 March 2015 (nil during the year ended 31 March 2014). There are no amounts still outstanding and payable by BTG under these agreements as at 31 March 2015 (2014: nil).

Key management personnel are considered to be the directors and their remuneration is disclosed within the Remuneration report on pages 56 to 75.

Five year financial record
For the years ended 31 March

Consolidated Income statement

	2015[1,4] £m	2014[2,4] £m	2013[4] £m	2012 £m	2011[3] £m
Revenue	**367.8**	290.5	233.7	197.0	111.4
Cost of sales	**(114.7)**	(95.0)	(67.2)	(56.3)	(34.1)
Gross profit	**253.1**	195.5	166.5	140.7	77.3
Selling, general and administrative expenses	**(124.8)**	(84.0)	(58.0)	(48.9)	(33.7)
Contribution	**128.3**	111.5	108.5	91.8	43.6
Amortisation and impairment of acquired intangible assets	**(28.4)**	(23.3)	(43.4)	(30.7)	(10.0)
Amortisation of repurchase of contractual rights	**–**	–	–	–	(9.6)
Foreign exchange gains/(losses)	**6.7**	(5.0)	3.1	2.6	(2.0)
Research and development	**(68.3)**	(47.2)	(41.2)	(39.7)	(32.1)
Profit on disposal of assets and investments	**0.3**	1.1	0.4	0.2	1.5
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	**(3.7)**	(9.8)	0.1	(1.1)	(3.8)
Operating profit/(loss)	**34.9**	27.3	25.7	19.9	(13.8)
Net financial (expense)/income	**(8.2)**	6.0	(1.6)	3.1	3.0
Profit/(loss) before tax	**26.7**	33.3	24.1	23.0	(10.8)
Tax credit/(charge)	**6.9**	(9.0)	(7.7)	(8.4)	20.0
Profit/(loss) after tax for the year	**33.6**	24.3	16.4	14.6	9.2
Earnings per share					
Basic	**9.1p**	6.8p	5.0p	4.5p	3.4p
Diluted	**9.0p**	6.7p	5.0p	4.4p	3.4p

1 The results for the year ended 31 March 2015 include the results of PneumRx Inc. from the date of acquisition, being 7 January 2015.
2 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.
3 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.
4 Only financial years 2015, 2014 and 2013 reflect IAS 19 revised.

Five year financial record continued
For the years ended 31 March

Consolidated statement of financial position

	2015[1,4] £m	2014[2,4] £m	2013[4] £m	2012 £m	2011[3] £m
Goodwill	**183.8**	123.6	59.2	59.2	59.2
Intangible assets	**597.9**	397.9	209.2	246.0	271.0
Property, plant and equipment	**35.5**	31.3	25.4	22.0	24.8
Other investments	**3.0**	3.0	3.0	3.0	2.7
Deferred tax asset	**4.9**	0.8	0.9	1.0	0.9
Employee benefits	**13.2**	8.0	10.3	–	–
Biological assets	**–**	–	–	0.3	0.3
Derivative financial instruments	**–**	0.9	–	–	–
Total non-current assets	**838.3**	565.5	308.0	331.5	358.9
Current assets	**207.6**	146.2	236.9	174.3	129.6
Total assets	**1,045.9**	711.7	544.9	505.8	488.5
Equity					
Share capital	**38.2**	36.1	32.8	32.7	32.7
Share premium account	**433.8**	288.7	188.6	188.3	188.2
Merger reserve	**317.8**	317.8	317.8	317.8	317.8
Reserves	**9.4**	(32.2)	0.2	(4.0)	(3.7)
Retained earnings	**(40.6)**	(80.0)	(104.8)	(128.6)	(142.7)
Total equity	**758.6**	530.4	434.6	406.2	392.3
Total non-current liabilities	**171.7**	93.5	44.7	41.3	43.9
Total current liabilities	**115.6**	87.8	65.6	58.3	52.3
Total liabilities	**287.3**	181.3	110.3	99.6	96.2
Total equity and liabilities	**1,045.9**	711.7	544.9	505.8	488.5

1 The statement of financial position for 31 March 2015 includes the assets and liabilities acquired from PneumRx Inc. during the year.
2 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.
3 The statement of financial position for 31 March 2011 includes the assets and liabilities acquired from Biocompatibles International plc during the year.
4 Only financial years 2015, 2014 and 2013 reflect IAS 19 revised.

Consolidated cash flow statement

	2015[1][4] £m	2014[2][4] £m	2013[4] £m	2012 £m	2011[3] £m
Net cash from/(used in) operating activities	**47.5**	48.5	55.5	47.2	(12.0)
Net cash used in investing activities	**(158.9)**	(269.4)	(4.5)	(3.9)	(5.5)
Net cash from/(used in) financing activities	**146.2**	102.7	0.2	(0.2)	(0.6)
Increase/(decrease) in cash and cash equivalents	**34.8**	(118.2)	51.2	43.1	(18.1)
Effect of exchange rate fluctuations on cash held	**0.8**	(2.3)	0.6	0.1	(0.8)
Cash and cash equivalents at start of year	**38.2**	158.7	106.9	63.7	82.6
Cash and cash equivalents at end of year	**73.8**	38.2	158.7	106.9	63.7

1 The results for the year ended 31 March 2015 include the results of PneumRx Inc. from the date of acquisition, being 7 January 2015.
2 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.
3 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.
4 Only financial years 2015, 2014 and 2013 reflect IAS 19 revised.

Shareholder information

Financial calendar

Circulation of Annual Report for the year ended 31 March 2015	12 June 2015
Annual General Meeting	15 July 2015
Announcement of interim results for the six months ended 30 September 2015	November 2015
Preliminary announcement of annual results for the year ended 31 March 2016	May 2016

Shareholders

At 31 March 2015 there were 9,361 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	8,581	91.7	5,751,097	1.5
5,001 – 50,000	510	5.4	7,845,609	2.0
50,001 – 100,000	70	0.7	4,919,503	1.3
100,001 – 500,000	111	1.2	25,467,777	6.7
Over 500,000	89	1.0	337,792,717	88.5
Total	**9,361**	**100.0**	**381,776,703**	**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	1,059	11.3	370,316,414	97.0
Private shareholders	8,126	86.8	10,148,882	2.7
Limited companies	58	0.6	410,271	0.1
BTG Employee Share Trust	1	–	321,341	0.1
Insurance companies and pension funds	117	1.3	579,795	0.1
	9,361	**100.0**	**381,776,703**	**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) 20 3367 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, at their address shown below, where the register is held.

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Shareholder information

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 33 to 36 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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