Unlocking Value in Interventional Medicine

BTG plc Annual Report
and Accounts 2016

BTG is a growing international healthcare business. We provide innovative products that enable specialist physicians to serve their patients better.

We focus on Interventional Medicine therapies for cancer, emphysema and vascular disorders, and Specialty Pharmaceuticals for acute care uses.

Key achievements in 2015/16

April 2015
Commenced direct sales of DC Bead® in Europe

May 2015
REVOLENS study in France of PneumRx® Endobronchial Coils meets primary endpoint

June 2015
First patients in Singapore treated with TheraSphere®

August 2015
Health Canada approves Varithena®

December 2015
RENEW pivotal Phase III study in the US of PneumRx® Coils meets all endpoints

January 2016
First patients in South Korea treated with TheraSphere®

February 2016
First patients in the US treated with LC Bead LUMI™

March 2016
First patients treated with Vistogard®

Successful study using CroFab® for the treatment of copperhead snake envenomation

Group financial highlights

Revenue

£447.5m +22%

2014/15: £367.8m

Contribution

£165.3m +29%

2014/15: £128.3m

Operating profit[1]

£93.0m +37%

2014/15: £67.9m

Adjusted EPS[1]

21.9p +39%

2014/15: 15.7p

"We have had a good year and we are in a strong financial position to continue implementing our growth strategy."

Louise Makin
Chief Executive Officer

1 Excluding acquisition adjustments and reorganisation costs

Strategic Report

Governance

Financials

Market overview

Global markets for pharmaceuticals and medical devices are expected to increase over the coming years, fuelled by population growth, increasing longevity, technological advances, consumer empowerment and economic expansion. To benefit from these trends, healthcare companies must innovate and demonstrate value for money to physicians, patients and payers.

Healthcare market trends

The global markets for prescription pharmaceuticals and medical devices respectively were $743bn and $375bn in 2014 and are forecast to reach $987bn (4.9% CAGR) and $477bn (4.1% CAGR) respectively by 2020[1]. In 2014, North America accounted for ~45% of global pharmaceuticals sales, Europe ~25%, Asia Pacific and emerging markets ~21% and Japan ~9%[2]. By 2019, variations in regional growth rates are expected to result in North America accounting for ~43% of global pharmaceutical sales, Europe ~18%, Asia Pacific and emerging markets ~33% and Japan ~6%[3].

In the US, healthcare investment is increasing but payers are putting more emphasis on the value and clinical benefit of treatment options when formulating their coverage policies. In Europe, low growth is a result of government indebtedness and austerity programmes putting pressure on healthcare budgets. In Asia Pacific and emerging markets, growing economies are enabling governments to spend more on healthcare.

BTG's strategy

Our strategy is to develop leading positions in selected market segments by providing differentiated medical products. We target patient populations who are poorly served by existing treatment options, and who are cared for by specialist physicians with whom we can be partners in the drive to deliver better healthcare.

Our products are drugs, devices or combinations, and are often administered in a dedicated procedure; hence we serve our specialist physician customers through small, highly skilled sales and medical teams. We invest in clinical and other studies to demonstrate patient benefits and cost effectiveness, so that we can achieve appropriate market adoption, coverage and pricing. By providing physicians with new products and procedures that they can be confident address their patients' needs, we foster strong customer relationships that inform our market understanding and innovation strategy.

We operate in two medical areas, Interventional Medicine and Specialty Pharmaceuticals, and we earn royalties from our legacy Licensing activities. See pages 4-5 for more information on our business model and how we are creating value.

Regulation

The healthcare industry is highly regulated by governments globally, with strict rules overseeing research, clinical development, pharmacovigilance, manufacturing and commercial activity. In the US, EU and Japan, the regulations relating to the approval, manufacture and distribution of medical products are well established. While there are usually some modifications each year, which are intended to raise overall safety, quality and compliance, there have

been no recent significant changes and none are currently anticipated. In Asia Pacific and emerging markets, countries including China are continuing to implement regulatory changes to improve quality and oversight of medical manufacturers and suppliers.

At BTG we have developed extensive quality, pharmacovigilance and compliance systems and procedures. We also recruit highly skilled and experienced employees and provide regular training to ensure that we comply with all regulatory standards. We pay close attention to the future regulatory landscape and the potential impact of healthcare reforms. This is of particular importance when reviewing product development or acquisition opportunities. Wherever possible, we seek guidance and clearance from all regulators for studies and pathways to product approval. Where we rely on partners to gain regulatory approvals, we ensure their capabilities and compliance systems are appropriate.

Pricing

The industry is facing increased pricing pressures globally. In the US, there is a strong focus on value, with public and private payers making policy determinations based on evidence of clinical benefit and health economic benefits. In Europe, most countries have formal mechanisms to decide whether and to which patient groups approved products should be available and at what price. Austerity measures mean that governments are seeking to control costs, which is placing pressure on healthcare companies to reduce their prices.

In some Asia Pacific and emerging markets increasing healthcare spending is providing growth opportunities for healthcare companies. However, there are significant challenges relating to access to healthcare and affordability where individuals are required to pay or part-pay their healthcare costs.

BTG focuses on innovative, differentiated products that advance the treatment of underserved patient populations, and we invest to demonstrate their value. Our therapies are usually used once rather than chronically. This helps us to gain market acceptance and appropriate reimbursement coverage and pricing.

Competition

Our industry is highly competitive. Companies compete to attract and retain technical and commercial talent, to develop and acquire innovative products and to gain share in their chosen markets and geographies.

We focus on medical areas where we can develop leading positions through our capability and resources to undertake product innovation, clinical development and commercial expansion. Our strategy involves developing a deep understanding of our customer needs and being able to service them through small, highly skilled sales forces.

Currently there are no competing products for our four marketed Specialty Pharmaceutical products, all of which are niche antidotes that treat acute toxicities. In Interventional Medicine, our oncology, vascular and pulmonology products do face competition from products manufactured by other public and private medical device companies. However, all market segments are growing, and by having differentiated technologies we believe we can maintain our position in our chosen segments.

Interventional Medicine

Advances in imaging and device technology have enabled the development of innovative, precision therapies that have the potential to improve efficacy and safety and to reduce treatment and recovery times. One of the first medical disciplines to adopt minimally invasive interventions was cardiology, where coronary stents are routinely implanted instead of performing open heart surgery. Minimally invasive approaches are now being used in many medical areas, spurred on by technological advances, medical need and the desire to reduce in-hospital treatment costs using key-hole or even “pin-hole” techniques.

Our current Interventional Medicine portfolio comprises early-stage and high-growth products targeting the treatment of cancer, vascular conditions and lung disease. All of our products address unmet needs and have significant growth potential. To unlock their full value, we are investing in product innovation, geographic expansion and indication expansion.

Our Specialty Pharmaceuticals and Licensing businesses are established and provide strong cash flows to fund these investments.

1 EvaluatePharma®: World Preview 2015, Outlook to 2020
2 Statista: Sales of the global pharmaceutical market in 2014, by region
3 Statista: Projected global pharmaceutical sales for 2019, by region

Business model

We create value by acquiring, developing, manufacturing and commercialising specialist medical products that meet the needs of our customers and advance the treatment of their patients.

Business model

Our mission

To bring to market innovative products in specialist areas of healthcare in order to serve doctors and their patients better.

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.

Our four key objectives

- Financial management
- Delivering products for our key stakeholders
- People and practices
- Investing for growth

Read more on pages 10-11

Customer insight

We pride ourselves on being a trusted partner with our customers. Our products are used by specialist physicians and we provide training and ongoing support for all matters, ranging from safe use to reimbursement guidance. We also invite proposals for funding to explore the use of our products in different patient populations which helps to inform our innovation strategy. These interactions give us unique insights into our customers and the way they choose to treat their patients. We supplement insight from our customers 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.

Acquire and develop

BTG has gained a strong reputation for value creation through acquisitions and in-licensing activities. Our business development strategy is focused on opportunities that complement our current product portfolio, capabilities and overall growth strategy with a focus on late-stage development and marketed products. We typically look for opportunities where we can leverage our existing capabilities in the field of Interventional Medicine or Specialty Pharmaceuticals, whether through selling products using an established sales channel or through a new sales team that can be supported by our existing commercial infrastructure. In all cases we seek to exploit the full value of these products by investing in development, regulatory approvals and commercial activities.

For all products that we look to acquire, we undertake rigorous analysis to establish the potential size of the market opportunity, product lifecycle and competitive threats. We typically

Business segments	Product	Use
Interventional Medicine Oncology Read more on page 12	Beads	Liver tumours
	TheraSphere®	Liver tumours
Vascular Read more on page 14	EkoSonic®	Blood clots
	Varithena®	Varicose veins
Pulmonology Read more on page 16	PneumRx® Coils	Advanced emphysema
Specialty Pharmaceuticals Read more on page 18	CroFab®	Crotalid envenomation
	DigiFab®	Digoxin toxicity
	Voraxaze®	High-dose methotrexate toxicity
	Vistogard®	5-fluorouracil toxicity
Licensing royalties Read more on page 18	Zytiga®	Advanced prostate cancer
	Two-Part Hip Cup	Hip replacement
	Lemtrada™	Multiple sclerosis

focus on opportunities where proof of concept and the safety/efficacy profiles have been established, as this is often a lower-risk approach. Having identified suitable opportunities, we look to differentiate our products from others in the medical device sector by investing in studies to generate clinical data that support their approved use. We liaise with clinicians, regulators and others to determine the appropriate trial designs and our development personnel manage these activities and oversee the contract research organisations involved in conducting many of our studies.

Manufacture

We manufacture a number of products in-house and use third-party contractors to supply key materials and services. We have robust quality systems, policies, and procedures in place to ensure we meet our legal and compliance obligations. We put patient safety first in meeting and exceeding the expectations of our customers and regulatory authorities.

In the UK we manufacture Bead products and Varithena® at our site in Farnham, 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 PneumRx® Coil System is manufactured and assembled in-house at our facility in Mountain View, California.

We manufacture the ovine polyclonal antibodies CroFab® and DigiFab® at our plant in Llandysul, Wales. This complex supply chain involves raising antibodies in dedicated sheep flocks in South Australia before processing and converting them into bulk substance in Wales. The final filling and freeze-drying is carried out by a third party in the US where the products are sold. 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.

Commercialise

We sell our products directly in the US, where we have dedicated sales teams for Varithena®, our Interventional Oncology products, EkoSonic® and our Specialty Pharmaceuticals products. 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. In Europe we also have dedicated sales teams detailing our Interventional Oncology products and a sales team selling the PneumRx® Coils. We are expanding our small sales team for EkoSonic® in Europe where the majority of sales are made through distributors. In Asia we have established a direct sales force in Taiwan for our Interventional Oncology products and elsewhere in the region we use partners.

> "We are executing our strategy to achieve sustained, profitable growth."
>
> Louise Makin
> Chief Executive Officer

Chairman's statement

BTG has continued to perform well, delivering a strong financial performance and achieving significant milestones during the year.

"We have the strategy, talent and resource to achieve our long-term goals."

Garry Watts
Chairman

I am pleased to report a strong financial performance for the year, with double-digit growth in revenue and profitability. The continued delivery of our financial targets underpins the investments we are making now to deliver on our long-term objectives.

We have made significant progress during the year in implementing our growth strategy. We commenced direct sales of DC Bead® in Europe and received approval in the US for LC Bead LUMI™, which is a significant innovation in the locoregional treatment of liver cancer. After year-end, we announced the acquisition of Galil Medical and its portfolio of cryoablation products, expanding our Interventional Oncology offering into kidney and other cancers, and bringing further potential growth opportunities.

Market adoption of the varicose veins treatment, Varithena®, has been slower than we had anticipated in the US. However, feedback from customers on the product's clinical performance continues to be positive, and reimbursement coverage is gradually expanding.

We have completed the integration of PneumRx, Inc., the Interventional Pulmonology business we acquired last year. The successful completion of two clinical studies during the year supports our expansion plans in the EU and US.

The FDA approval of Vistogard® added a fourth product to our Specialty Pharmaceuticals business, highlighting our commitment to, and leadership in, important antidote therapies.

Further details of operational progress during the year can be found throughout this Strategic Report, and a summary of performance against our corporate objectives is provided on pages 10 to 11.

Governance

The Board is guided by the principles of good corporate governance and we operate a robust framework of systems and controls to maintain high standards throughout the Group. As a growing business, we pay particular attention to country-specific risks and associated relationships with partners, suppliers and customers.

Our risk management process continues to evolve. More details on our approach can be found in the Risk Report on pages 27 to 32.

Our people

The success of BTG stems from the hard work and significant contributions of our people. I thank all our employees for their professionalism and dedication, and my Board colleagues for their advice and oversight. I am also grateful to our shareholders for their feedback and ongoing support.

Outlook

There is real momentum in our business. We have the right strategy, the talent and the resources to enable us to achieve our long-term goals. Most importantly, we are in a privileged position to help our customers improve the treatment of their patients and, ultimately, that is what drives everyone at BTG.

Garry Watts
Chairman

Chief Executive Officer's review

BTG is building a leading position in the fast growing area of Interventional Medicine therapies. We are motivated by the real difference that these minimally invasive products can make to patients.

"Through our ability to fund ongoing investments we are maximising the potential of our portfolio."

Louise Makin
Chief Executive Officer

Strategy for sustained growth

Over the past decade BTG has successfully transformed from an intellectual property commercialisation company to a fast growing, specialist healthcare business. We have built a company that now develops, manufactures and sells its own unique products to specialist physicians through dedicated, efficient sales teams.

Underpinning our transformation is the solid financial foundation that we have established through our highly cash-generative Specialty Pharmaceuticals and Licensing businesses. Our strategy is to reinvest the cash generated by these businesses into our Interventional Medicine portfolio. Here we are building a portfolio of differentiated, minimally invasive therapies that have the potential to deliver efficacy and safety benefits to patients while reducing hospital stays and overall healthcare costs. We focus on medical conditions where patients are poorly served by existing treatments and which therefore offer significant growth potential.

To unlock this potential, we develop differentiated therapies, which can be medical devices, drugs, or drug-device combinations, and we invest to maximise their value to physicians.

Executing our strategy

In the past twelve months we have achieved some significant milestones and we are excited by the prospects for the business.

Interventional Oncology is the first area we invested in and is now the most advanced demonstration of our Interventional Medicine strategy. BTG is the only company providing both radiation (TheraSphere®) and embolising/chemoembolising (LC Bead®/DC Bead®) locoregional treatments for liver cancer. This gives us a unique, patient-focused and evidence-based offering to interventional oncologist customers.

Double-digit revenue growth this year reflects a strong performance by TheraSphere® and the continued growth of our Beads business, for which we commenced direct sales in European markets in April 2015. We hired our first sales representatives in Canada where we are now also selling both products directly.

We made good progress in key Asian markets. Our partner in China, SciClone Pharmaceuticals, Inc., won its first provincial tenders and the first patients were treated with DC Bead®. TheraSphere® received approval in the growing markets of Singapore and South Korea whilst in Japan our partner Eisai Co., Ltd received expanded approval for DC Bead®.

During the year we received US approval for LC Bead LUMI™, a radiopaque bead developed in collaboration with the imaging specialist Royal Philips. We anticipate EU approval in due course. We are also exploring other options outside of the liver with the development of our biodegradable bead, where we see potential to enter new markets for benign tumours.

After year-end we announced the acquisition of Galil Medical, a leader in cryoablation. This highly complementary, bolt-on acquisition enhances our offering to interventional oncologists with a suite of cryoablation products that are used for the treatment and palliative care of kidney and other cancers.

Chief Executive Officer's review continued

Additional indications in treating lung and bone metastases could result from two studies that are nearing completion. Importantly, cryoablation is a platform technology and we have the opportunity to invest to expand its use into new indications and market segments. In particular, we will explore the potential crossover in call points with our PneumRx and EKOS businesses.

The treatment of cancer continues to evolve. More effective treatments mean that more people are living longer with their cancer and that the management of an individual's cancer is likely to involve multiple treatments at different stages of disease. Interventional oncologists are exploring the potential role of locoregional approaches including cryoablation and radiation therapy alongside existing and developing treatment modalities, such as immuno-oncology. BTG's unique position as a provider of multiple interventional therapies means we are well placed to take advantage of these trends.

In Interventional Vascular, the EkoSonic® blood clot treatment device continues to deliver strong growth. There is an increasing recognition of the benefits of treating blood clots interventionally and the annual number of procedures in the US is growing strongly – from about 95,000 when we bought this business in 2013 to about 140,000 today. Over this time we have increased penetration into US hospitals, helped by the FDA clearance we received in 2014 for the treatment of life-threatening pulmonary embolism (PE).

Our plans are to build on this leadership position in the US and expand our presence in Europe and other territories. We are also developing a new control unit that will enable bilateral treatment of PE or deep vein thrombosis (DVT) and we are adding to the clinical evidence with two studies, for which we expect to complete patient enrolment this financial year.

As we approach two years since launching Varithena® in the US reimbursed sector, physician interest remains high with 792 physicians now enrolled in the training programme, up from 573 in November 2015, and we continue to receive positive feedback on its clinical performance. Despite a slower start than we had originally anticipated, reimbursement for Varithena® is gradually improving. Approximately 161 million US lives (of 320 million total US insured lives) are now covered by payers who have Varithena® on policy, with approximately 91 million lives covered by insurers who have also paid claims at appropriate rates. Further progress is anticipated during the current financial year.

The number of physicians who are regularly reordering, whilst small, is increasing, with clinics in geographies where there is good insurance coverage and clinics that specialise in treating advanced venous disease, such as leg ulcers, being more likely to reorder. We look forward to launching Varithena® in Canada and we are continuing to progress plans to develop related products to treat cosmetic leg veins and other venous disorders.

PneumRx is at an early stage of its commercial development. Our medium-term goals for this business are to expand European market adoption and reimbursement, using emerging clinical data to provide physicians and payers with confidence in patient selection, and to secure US approval. We have made good progress since completing the acquisition and continue to be excited by the large commercial potential of PneumRx and for Interventional Pulmonology overall.

In May 2015 the REVOLENS study, a trial sponsored by the French Ministry of Health, met its primary endpoint. We are now seeking national reimbursement for the PneumRx® Coils in France and anticipate a decision during the 2017 calendar year. A decision on national reimbursement in Germany is also anticipated during 2017. In December 2015 we announced positive top line data from the US RENEW trial, one of the largest randomised controlled clinical trials of a medical device in patients with severe emphysema.

Full data were presented at the American Thoracic Society meeting in May 2016 and published in the Journal of the American Medical Association. The full data analysis shows that patients with heterogeneous or homogeneous emphysema and a higher degree of lung over-inflation showed the greatest improvements in quality of life and exercise capacity versus control patients. This provides a good basis for the development of this therapy, as it will help physicians identify those patients who are most suitable for treatment with the coils.

We are now finalising the clinical module of our rolling US regulatory submission in the US. As a result of ongoing dialogue with the FDA we are adding additional usability testing data to a previously submitted module, and we now anticipate completing our rolling Premarket Approval (PMA) submission at the end of 2016.

Specialty Pharmaceuticals, which comprises a portfolio of unique rescue therapies, is an established business that delivers on average mid-to-high single digit annual revenue growth. In the period our partner Wellstat Therapeutics Corporation received FDA approval for Vistogard®, the only drug to treat patients following an overdose of the common chemotherapy drug 5-fluorouracil (5-FU), and first sales were achieved in the launch month of March 2016. We have created two dedicated field forces in order to serve our customers more effectively; one focusing on the emergency room products CroFab® and DigiFab® and the other on the oncology antidote products Voraxaze® and Vistogard®.

Royalties from our Licensing segment provide strong cash flows to help fund our investments in other parts of the business. A continued strong performance from Johnson & Johnson's Zytiga® was supplemented by strong growth in Sanofi/Genzyme's Lemtrada™ multiple sclerosis treatment.

Creating the culture for success

At BTG we believe that sustainable growth requires us to focus both on performance and on the way we do things. We are guided by our embedded values and behaviours, which inform our approach to employee recruitment, retention and development, to interactions with our stakeholders, and to corporate development activities. See page 20 – People and practices for more details.

Outlook

We are building a great business and making good progress in implementing our growth strategy. With a strong financial underpin and a focus on consistent achievement of milestones, we are in a good position to develop leading positions in our chosen market segments. Together, our portfolio, capabilities and resources represent a scalable platform for long-term, sustained growth, and we are confident of delivering significant value to all our stakeholders.

Louise Makin
Chief Executive Officer

Bringing innovative products to market

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 procedural techniques in order to deliver targeted treatments.

Our business segments

Interventional Medicine

Oncology

We have two complementary products used in the treatment of liver cancer. We recently announced the acquisition of Galil Medical potentially offering a third modality, cryoablation, which is currently used in the treatment of tumours in the kidney.

Vascular

We offer a device used to treat severe blood clots and we have a novel foam-based treatment for varicose veins.

Pulmonology

We manufacture and sell small, shape-memory metal coils used in the interventional treatment of severe emphysema.

Specialty Pharmaceuticals

Our portfolio of four niche antidote products are used in the hospital emergency room and intensive care unit setting.

Licensing

We receive royalties relating to the sales of products subject to our intellectual property.

Our objectives: progress and priorities

The corporate objectives we set to measure the performance of the business are grouped within four main categories: financial metrics; delivering products for our customers and their patients; people and practices and investing for growth.

The financial metrics all measure performance during the year; other objectives often span several years.

Objective	Progress in 2015/16
Financial management We monitor a number of financial indicators and report on four KPIs that demonstrate progress towards our long-term goals. Similar KPIs are used in the Group's various incentive plans (see pages 54 to 75) • Revenue • Contribution • Operating Profit[1] • Adjusted earnings per share[1] (EPS) For more details see the Financial Review on pages 22 to 26	• **Revenue: £447.5m** (2014/15: £367.8m) • **Contribution: £165.3m** (2014/15: £128.3m) • **Operating profit1: £93.0m** (2014/15: £67.9m) • **Adjusted EPS[1]: 21.9p** (2014/15: 15.7p)
Delivering products for our customers and their patients Our specialist physician customers and their patients are at the heart of everything we do. We deliver innovative, differentiated products that provide specialist physicians with new treatment options to address unmet patient needs. We make our products as widely available as we can, through regulatory and commercial activities that support geographic expansion, market adoption and appropriate reimbursement For more details see pages 12 to 18	• **Interventional Oncology**: commenced direct sales of Bead products in EU; TheraSphere® approved in Singapore and South Korea; first provincial tenders won in China for DC Bead®; LC Bead LUMI™ approved in US • **Interventional Vascular**: EkoSonic®: increased penetration of US hospitals to ~60%, from 40% in 2014. Progressing plans for increased EU sales and rest of world (RoW) expansion Varithena®: continued to train physicians and expand insurance coverage in US; gained regulatory approval in Canada; progressed plans for new indications • **Interventional Pulmonology**: met endpoints in REVOLENS and RENEW studies of PneumRx® Coils; progressed work on PMA modules • **Specialty Pharmaceuticals**: Vistogard® received FDA approval in December 2015; re-configured US acute sales force into emergency care and cancer therapy antidotes to optimise customer focus
People and practices As a fast-growing business, we strive to ensure that our organisational structure, capabilities and systems are scalable and fit for purpose For more details see pages 19 to 21	• Organisational capabilities: Learning and Development agenda enhanced to include new Management Development Programme; Innovation and Development portfolio prioritised • Compliance: enhancement of external framework and monitoring of partners/suppliers >60% complete • Quality: global supplier assessment process implemented; global regulatory inspection-readiness tools, templates and training developed
Investing for growth We are investing in our products and pipeline to build a sustainable business and generate long-term value for our stakeholders	• Innovation and Development portfolio prioritised to deliver a balance of nearer- and longer-term opportunities • Several in-licensing/M&A opportunities to expand the Interventional Medicine and Specialty Pharmaceuticals pipelines were assessed • Increase investment in innovation and development

1 Excluding acquisition adjustments and reorganisation costs
2 See pages 27 to 32 for a full discussion of risks and risk management

Priorities set for 2016/17	Key execution risks
• Increase Group revenues to £485m-£515m • Manage investments in commercial infrastructure to deliver increase in contribution • Grow underlying operating profit while increasing Innovation and Development investment to support long-term growth • Increase cash from operations	• Slower growth or reduced sales of early-stage Interventional Medicine products due to competition, poor reimbursement coverage or poor uptake by physicians • Higher than expected cost of sales or failure to manage overheads • Higher costs associated with innovation projects and clinical trial expenses • Higher working capital requirements
• Interventional Oncology: deliver growth in existing territories; launch DC Bead LUMI™ in the EU; expand TheraSphere® availability in Asia and South America; continue acceleration of TheraSphere® Phase III trials; progress biodegradable bead; commence vandetanib bead studies • Interventional Vascular: EkoSonic®: build US PE business; implement EU commercial plans and develop RoW plans; launch new control unit; progress OPTALYSE and ACCESS PTS studies Varithena®: deliver US growth through expanded physician usage and reimbursement coverage; progress new indications; begin sales in Canada • Interventional Pulmonology: submit PneumRx® Coil US PMA and plan US launch; build EU business and progress plans to secure full reimbursement in France and Germany • Specialty Pharmaceuticals: deliver US and RoW revenue growth through optimised Oncology and Acute Care sales footprints	• Failure to secure adequate levels of reimbursement for certain products could limit physician adoption and product growth rates • Increased competition could hinder the adoption of our products and their revenues • Failure of clinical trials or cancellation of planned studies that could potentially limit future regulatory approvals for new products in wider geographies
• Organisational capabilities: develop talent pool by providing stretch opportunities; identify needs and deliver on recruitment plans • Compliance: implement enhanced monitoring, audit, risk and remediation plans; provide tools to distributors to help them meet BTG requirements • Quality: implement new Data Integrity Policy across all BTG locations; enhance support for expanded distributor and supplier networks	• Without the right capabilities and capacity, BTG's growth plans may not be achieved • Compliance or Quality failures could result in fines and other sanctions, temporary or permanent suspension of product availability, reputational damage and subsequent loss of revenue
• Efficiently deliver prioritised Innovation and Development programme milestones; support pipeline growth through externally sourced innovation • Implement in-licensing/M&A strategy	• Failure to deliver pipeline programmes or to expand the portfolio would limit BTG's long-term growth potential

Interventional Oncology

Our Interventional Oncology franchise comprises three main products that are used in the treatment of liver cancer: TheraSphere®, glass microspheres that deliver internal radiation therapy, and LC Bead® and DC Bead®, our embolisation and chemoembolisation polymer beads.

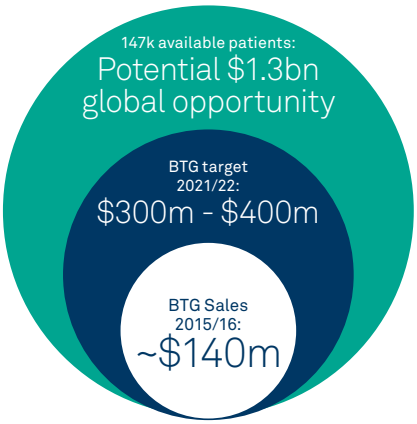
TheraSphere® is a powerful, well-tolerated liver cancer therapy that consists of millions of small glass microspheres (20 to 30 micrometres in diameter, or about a third of the width of a human hair) containing radioactive yttrium-90.

The Bead products block arteries (embolisation), starving tumours of their blood supply and nutrients. Drug-eluting beads also deliver a localised dose of a chemotherapeutic drug directly to the tumour. Both TheraSphere® and Bead products are injected by physicians into the main artery of the patient's liver through a catheter. This allows the treatment to be delivered directly to the tumour via blood flow.

About liver cancer

When cancer originates in the liver it is called "primary" liver cancer, the most common form being hepatocellular carcinoma (HCC).

Potential market size for the interventional treatment of liver cancer



This differs from "secondary" liver cancer, in which tumours in other organs have spread, or metastasised, to the liver, such as metastatic colorectal cancer (mCRC).

Unlike most cancers, the cause of HCC can often be identified in individual patients. High levels of alcohol consumption or chronic infections of hepatitis B or C cause continual damage to the liver and have been shown to be risk factors for HCC. This repeated damage to the liver can cause scarring or cirrhosis which can ultimately lead to the development of HCC. Additional and rarer causes of HCC include autoimmune diseases such as biliary cirrhosis and autoimmune hepatitis.

If diagnosed early, liver tumours can be removed and some patients are suitable for a transplant. Most liver tumours are only diagnosed at a later stage, when symptomatic, and they may have grown into large, hard-to-remove tumours that have spread widely throughout the liver. By this stage the liver may be damaged by both the cancer and underlying infections or other conditions, which means surgical resection is usually no longer an option.

For unresectable tumours, locoregional treatments including embolisation, chemoembolisation, internal radiation therapy and ablation may be used to shrink the tumours and delay disease progression.

Market potential

We estimate that the global combined annual incidence of HCC and mCRC is approximately 1.2 million people, of whom we estimate approximately 147,000 patients would be amenable to locoregional treatments taking into account access and affordability in different countries. This represents an approximate $1.3 billion global opportunity. In addition, we are exploring ways to use our products in non-hepatic indications, such as benign tumours like uterine fibroids. Our target is to increase revenues from approximately $140m today to $300m-$400m by our 2021/22 fiscal year.

Competition

Although the locoregional treatment of liver cancer is a relatively new discipline, embolisation and transarterial chemoembolisation (TACE) have become standard treatments for unresectable, intermediate-stage HCC around the world. Conventional TACE (cTACE) involves the administration of a compounded oil and drug solution emulsion followed by an embolising material. LC Bead® competes with a small number of commercially available beads and DC Bead® competes with cTACE and a small number of other beads that are capable of being loaded with chemotherapeutic drugs. BTG has a leading market position in the US and EU and we are building our presence in Asia. TheraSphere® is one of two commercially available selective internal radiation products to treat liver tumours.

Our strategy for growth

Interventional Oncology is the most advanced demonstration of BTG's Interventional Medicine strategy in which we are making simultaneous investments across three key areas to drive growth.

New markets

Expansion into Asia is a key goal for BTG, given the high incidence of primary liver cancer. To date, we have established a hub for commercial, regulatory and medical affairs in Hong Kong to develop relationships and support our regulatory and commercial strategy, tailored to each country. In China, which alone has over half of all global primary liver cancer patients due to the high prevalence of hepatitis B, we have partnered with SciClone Pharmaceuticals, Inc. which sells DC Bead®, and in Japan our partner Eisai Co. Ltd, sells DC Bead®. BTG sells directly through our own sales force in Taiwan and works with distributors in other parts of the region. As a result TheraSphere® is now available in Hong Kong, Singapore and South Korea and we are progressing plans to gain regulatory approvals in other Asian countries.

Investing in clinical data

We invest in clinical studies to support the growth of our oncology products. We are recruiting patients in two randomised controlled clinical trials for TheraSphere®, which if successful could secure PMAs in the US in both HCC and as a second line treatment for mCRC in the liver. These indications would significantly expand the number of patients eligible for our products. With the introduction of LC Bead LUMI™, we will be conducting a number of studies to explore the benefits of imageability in tumour embolisation procedures. We are also funding a number of Investigator Initiated Studies to explore the use of our products in particular in liver cancer patient sub-populations.

Product Innovation

Product innovation is central to our Interventional Medicine growth strategy. BTG is the first company to have a commercially available embolic bead that uniquely provides real-time visible confirmation of location during the embolisation procedure and remains visible in follow-up scans. This has the potential to provide interventional oncologists with increased precision and control, and to optimise patient treatment. We are also exploring other options outside of the liver with the development of our biodegradable bead which has the potential to treat patients with benign tumours like uterine fibroids.

Galil Medical acquisition

In May 2016 we announced the acquisition of Galil Medical, a leader in the development of cryoablation. This complementary acquisition enhances our offering to interventional oncologists with products used in the treatment of kidney and other tumours.

Key facts

Liver cancer is the second most prevalent[1] cancer worldwide

Asia has the highest incidence of liver cancer per head of population, accounting for nearly 50% of the world's total[2]

Source:
1 World Health Organisation
2 Epidemiology of Viral Hepatitis and Hepatocelluar Carcinoma Gastroenterology, Vol 143, Issue 1, July 2012

FOCUS ON:

The Next Generation of Embolic Beads

LC Bead LUMI™ is the first radiopaque bead available for the embolisation of hypervascular tumours and arteriovenous malformations (AVMs). Granted FDA clearance in December 2015, it is now commercially available in the US.

"The launch of LC Bead LUMI™ has the potential to be a real game-changer in the field of embolisation. Not only does it provide doctors and patients with reassurance that the tumour has been treated in its entirety, but it allows interventional radiologists like me to refine treatment as we go, with the subsequent prospect of improved outcomes for patients."

Raj Narayanan,
Associate Professor of Clinical Radiology at the University of Miami

Interventional Vascular

Within our Interventional Vascular portfolio we have two products. The EkoSonic® Endovascular System is an ultrasonic catheter drug delivery device used in the treatment of blood clots. Varithena® is used in the treatment of varicose veins.

1,000,000
Annual occurrences of DVT, PE and PAO in the US*

700,000
Candidates for interventional treatment – $1bn market potential

140,000
Current interventional treatments

DVT – Deep Vein Thrombosis
PE– Pulmonary Embolism
PAO– Peripheral Arterial Occlusion
*Incidence source: American Heart Association

FOCUS ON:

Why use EkoSonic®?

- Only device cleared by the FDA to treat PE
- Superiority over anticoagulation medication without increase in bleeding complications
- Clinical data demonstrating favourable risk profile
- Uses up to 70% less thrombolytic
- Faster infusion time

Leading the treatment of severe blood clots

There is an increasing recognition of the benefits of treating blood clots interventionally to prevent further complications and readmission to hospital. In the US, it is estimated that around 1 million people get some form of clot each year and of those, about 70% are amenable to interventional treatment. The annual number of interventional procedures in the US is growing strongly, we estimate from about 95,000 in 2013 to over 140,000 today, and we expect this growth to continue.

The EkoSonic® Endovascular System is unique in that the ultrasound technology speeds lysis (the destruction of red blood cells) by unwinding and thinning fibrin strands that enmesh a blood clot and uses less of the potentially harmful thrombolytic agent, often tissue plasminogen activator (tPA). This acoustic action combined with the selective placement of tPA directly into the clot can offer safety and efficacy advantages compared with standard means of administering the thrombolytic agent.

Pulmonary embolism (PE)

The benefits of interventional treatment with EkoSonic® have been demonstrated in two clinical trials, one of which has resulted in it being the only interventional device cleared for use by the FDA in PE. We are adding to the clinical evidence in treating PE with another study, OPTALYSE, for which patient recruitment is progressing.

Drivers of future growth

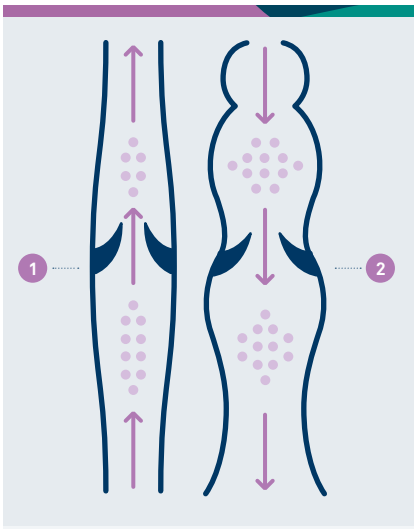
Since we bought the EKOS business in 2013 we have increased US hospital penetration from around 40% to 60%. We anticipate this progress continuing as we build on our leadership in the treatment of PE, where we are seeing increased adoption by interventional cardiologists. We also have a new, more portable control unit in development that will enhance usability and enable bilateral treatment of PE or DVT. With our strategy in place we aim to deliver annual sales in the range of $100m-$200m by the end of our 2021/22 financial year.

Varithena®: transforming the treatment of varicose veins

It is estimated that there are approximately 30 million Americans with varicose veins, of whom about 2.5 million develop symptoms which qualify them to receive reimbursed treatment by their healthcare provider. In 2014 there were about 750,000 great saphenous vein (GSV) procedures and this number is expected to grow to more than 1 million annual procedures by 2021.

How Varithena® works

Varithena® is a uniform, low-nitrogen, polidocanol microfoam, dispensed from a proprietary canister device. The physician injects a small amount of Varithena® into the malfunctioning vein through a small tube or a needle. It displaces the blood from the vein to reach and treat the vein wall; the diseased vein collapses and blood flow is diverted to healthy veins nearby. Treatment is a nonsurgical procedure (no incision is required) and usually takes less than one hour after which patients may resume light activities.



FOCUS ON:

Why varicose veins form

1. Tiny valves help the leg veins work against gravity to push blood back to the heart.
2. But if valves weaken, blood can leak backwards and pool, resulting in varicose veins.

Competition in the US reimbursed sector

Varithena® was launched in the US reimbursed sector in August 2014. Approximately 70% of reimbursed procedures are conducted in approximately 1,000 private vein clinics with the remainder primarily conducted in hospitals. Since 2005, most symptomatic varicose vein treatments involve a combination of heat ablation of the GSV and stab phlebectomy of the visible varicosities.

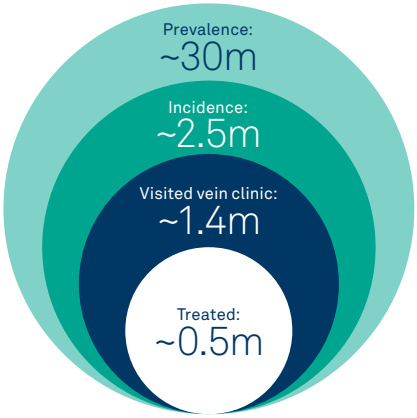
Varithena® is the only product in this market sector to receive FDA approval based on randomised Phase III trials, which demonstrated clinically meaningful improvements in both the symptoms and appearance of varicose veins using patient and physician reported outcomes instruments. A Varithena® procedure requires no sedation or tumescent anaesthesia and has no limitation on vein anatomy or diameter.

Other recent competitor developments to treat the GSV include a product that uses a combined rotating catheter tip and chemical injection and another that uses a glue to close the GSV. If patients have associated visible varicosities a second procedure such as stab phlebectomy would be required to treat these, unlike Varithena® which is a comprehensive treatment for all veins above and below the knee.

Laying the foundations for growth

Varithena® has the potential to transform the treatment of varicose veins. We are exploring opportunities in new geographies with the current product and we are progressing plans to target new indications, including cosmetic veins and other venous disorders. These opportunities could generate further sales over time.

Potential market opportunity of Varithena® in the US



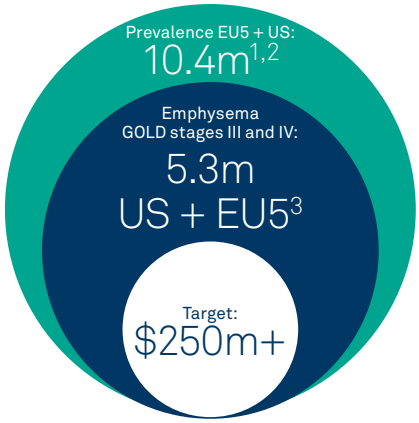
Interventional Pulmonology

The PneumRx® Coil is an interventional treatment for advanced emphysema, a debilitating lung disease that affects millions of people globally.

The PneumRx® Coil is made of nitinol shape-memory metal. Multiple coils are used in the procedure.

Emphysema is characterised by loss of the lung's natural elastic properties and increased lung volume, which make breathing difficult. There is no cure for this disease and until recently there was little doctors could offer other than major surgery applicable only to a small subset of patients, to remove the diseased portion of their lungs.

Potential market size for the PneumRx® Coil



1 Applying pooled prevalence figure of 1.8% for emphysema (Halbert, R, Natoli, J, et al. Global burden of COPD: systematic review and meta analysis. Eur Respir J 2006; 28(3): 523 532) and applying to EU 5 population;

2 Trends in COPD (Chronic Bronchitis and Emphysema): Morbidity and Mortality (Page 12). Centers for Disease Control and Prevention. National Health Interview Survey Raw Data, 1997-2011. Analysis performed by American Lung Association Research and Health Education using SPSS and SUDAAN software;

3 Assumes ~50% of emphysema patients are GOLD stages III and IV (Agusti et al. Characterisation of COPD heterogeneity in the ECLIPSE cohort. Resp. Res. 2010, 11:122)

Large market potential

There are very few treatment options for the large number of people suffering from advanced emphysema. It is estimated that there are more than 5.3 million people in the US and largest five EU countries with advanced stage emphysema, a chronic obstructive pulmonary disease (COPD), resulting in a significant health-economic burden relating to both in-patient and out-patient care costs.

The National Institutes of Health and the World Health Organisation use the GOLD (Global initiative for chronic Obstructive Lung Disease) classification to describe the severity of COPDs including emphysema. This staging system classifies people with COPD based on their degree of airflow limitation (obstruction) as measured during pulmonary function tests. GOLD staging uses four categories of severity ranging from Stage I (mild) to Stage IV (very severe). The PneumRx® Coil has clinically demonstrated success in improving lung function and quality of life in a broad range of patients in GOLD stages III and IV.

"The coils gather up and compress the diseased lung tissue and re-tension the airway network."

How the PneumRx® Coil works

The PneumRx® Coils are made of a shape-memory material called nitinol, common in medical implants like heart stents. The coils are pre-programmed in a double-loop shape. After being straightened for insertion into the lung via a bronchoscope, they gather up and compress the diseased lung tissue surrounding them, re-tensioning the airway network, as they recover their original shape. The coils are designed to improve lung function in three ways:

- compress diseased tissue, which provides room for healthier tissue to function
- re-tension the lung which may enable more efficient contraction during the breathing cycle
- tether open small airways, preventing airway collapse during exhalation

The coil procedure is performed under conscious sedation or general anaesthesia. Around ten coils are placed in a single lung to tighten the entire airway network and a full treatment involves two separate procedures, one for each side of the lung. A procedure typically takes 30-45 minutes, depending on patient anatomy and physician experience.

The PneumRx® Coil received CE mark clearance in Europe in 2010 and to date our main sales have been concentrated in key markets such as Germany, Switzerland and Turkey.

Demonstrating clinically meaningful results

In May 2015, the French government released top line data from their REVOLENS trial which showed that the PneumRx® Coils are superior to the standard of care for improving exercise capacity in patients with severe emphysema at 6 months. The results of this trial were subsequently published in the Journal of the American Medical Association (JAMA) in January 2016.

In December 2015 we announced the successful outcome of the RENEW study, a pivotal US randomised controlled clinical trial comparing the safety and efficacy of the PneumRx® Coil with a medical therapy control group in patients with severe emphysema.

The RENEW trial was one of the largest randomised controlled clinical trials to date of a medical device in patients with severe emphysema. The primary and secondary endpoints of the study were all met.

Patients treated with the PneumRx® Coils showed a statistically significant 14.6 metre between-group difference vs. control patients in change in the six minute walk test (6MWT) at 12 months, which was the study's primary endpoint.

Importantly, patients treated with the PneumRx® Coils exhibited statistically significant and clinically meaningful improvements vs. control patients at 12 months in Quality of Life as measured by the Saint George Respiratory Questionnaire (SGRQ) and in lung function, as measured by Forced Expiratory Volume in one second (FEV1).

Full data were presented at the American Thoracic Society meeting in May 2016 and published in the Journal of the American Medical Association. The full data analysis shows that patients with heterogeneous or homogeneous emphysema and a higher degree of lung over-inflation demonstrated the greatest improvements in quality of life and exercise capacity versus control patients. This provides a good basis for the development of this therapy, as it will help physicians identify those patients who are most suitable for treatment with the coils.

Commercial expansion plans

During the year we increased the size of our European team in order to build on the commercial platform in our key markets and take the PneumRx® Coils to new treatment centres. Following the successful outcome of the RENEW study, we are progressing a regulatory application with the US FDA, which could lead to US PMA approval in 2017.

In Europe we are establishing the most effective patient referral pathway by engaging with both medical pulmonologists and interventional pulmonologists, as well as with key opinion leaders (KOLs), in order to expand the awareness and knowledge of the PneumRx® Coils. Our market access teams are working with the French Ministry of Health to gain full reimbursement following the successful REVOLENS data. A similar process is under way in Germany, and we are also working with national regulators to expand reimbursement coverage across other major European markets. In the UK, NICE (National Institute for Health and Care Excellence) has granted investigational use for the PneumRx® Coils and may update this guidance on publication of further evidence.

Our target for this franchise is to reach $250m in annual sales by the end of our 2021/22 financial year.

Specialty Pharmaceuticals

Our portfolio comprises four niche antidote products that are used in hospital emergency rooms and intensive care units. These acute care products typically address conditions with small patient populations for which there are limited or no existing treatment options.

We provide antidotes to counteract the potentially life-threatening effects associated with exposure or overexposure to certain toxins. These products are sold throughout the US by two dedicated field forces and elsewhere in the world by our partners, where approved or where permitted to be made available on a named patient basis.

CroFab® is currently the only treatment for North American crotalid snake envenomation on the market for which there are on average 5,000 annual envenomations. DigiFab® is an antidote for the toxic reaction to digoxin, a common heart medicine for which there are about 16 million annual prescriptions and it is estimated that around 4% result in a toxic reaction.

Our cancer therapy drugs include Voraxaze®, 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. This product is also sold outside the US on a named-patient basis.

In December 2015 our partner Wellstat Therapeutics Corporation received US approval for Vistogard®. This product is an antidote for the potentially life-threatening side effects of overexposure to the chemotherapeutic 5-fluorouracil and we currently estimate peak annual sales of between $25 million to $35 million.

FOCUS ON:

Vistogard® oral granules

Vistogard® is the first and only treatment for early onset of severe 5-fluorouracil (5-FU) toxicity. 5-FU is a common chemotherapeutic and is received by an estimated 250,000 patients in the US annually. Toxicity occurs in approximately 5-10% of patients and there are over 1,300 deaths as a result per annum.

We continue to build value and leadership in our portfolio of rescue medicines. This year we successfully completed a study evaluating the use of CroFab® in the treatment of envenomations from the Copperhead snake, giving physicians greater confidence in using our product. We also launched our first smartphone app that can aid the public and first responders in the event of a snakebite.

> "We continue to build value and leadership in our portfolio of rescue medicines."

Licensing

We receive royalties relating to the sales of products that are subject to intellectual property licence agreements between BTG and various partners. These royalties vary but usually amount to a single digit percentage of our licensee's sales. We then typically share half of what we receive with the original source of the technology that we acquired or in-licensed. These royalties are expected to decline over time as patents on existing out-licensed products expire. Within this segment, royalties from sales of Johnson & Johnson's prostate cancer drug Zytiga® are the largest contributor.

Zytiga® royalties

£118.9m

2014/15: £105.2m

+13%

Lemtrada™ royalties

£19.8m

2014/15: £4.9m

People and practices

At BTG we value the contribution of every employee

We invest in developing people, capabilities, and systems to meet the needs of our growing business in a sustainable and responsible way. These investments are designed to help us deliver long-term value; keeping us efficient, agile and well positioned to take advantage of business opportunities as they arise.

Additional information about BTG's commitment to responsible social, environmental, and governance practices is available on the Responsibility section of our website www.btgplc.com/responsibility.

People and practices continued

BTG employees[1]	2015/16	2014/15
Management	**99**	102
Research and production	**673**	518
Sales, administration and business support	**410**	366
	1,182	986

1 Average during the year.

Our people

Every employee working at BTG contributes to and shares in our success. We look to attract and retain people who share our values and exhibit the behaviours that our future success depends on. As the Group grows, organically and through acquisition, we invest time, attention and resources in maintaining an organisational culture that we call our DNA.

Continuous learning

Our Learning & Development agenda is designed to support our growth strategy. BTG-specific content on topics such as critical thinking help reinforce our DNA and preferred ways of working. This year we started delivering our Management Development Programme in-house in order to ensure the content and facilitation meets BTG's specific needs.

An increasing percentage of employees took advantage of our Learning & Development offerings this year. We invested in new ways of delivering this content "virtually" to our increasingly geographically dispersed workforce. Participation in our virtual offerings exceeded target levels and are now our most popular delivery option.

Our new mentoring programme pairs high potential employees with senior leaders from across the business. In its first year 100% of participants surveyed said they would participate again and 81% said the program met or exceeded their expectations. In 2016 we also began enrolling senior leaders in the UK in Challenge24, an exclusive leadership programme that will introduce them to similarly bright and motivated people from other sectors to broaden their perspectives and encourage collaborative working.

To be sure we have the people and capabilities needed as the business grows, we established a new succession planning process that provides leaders with better tools to manage talent development. In addition we have piloted a one-year graduate scheme consisting of three-month rotations in key areas of the business followed by a twelve-month placement in a function mutually selected by the graduate and BTG.

Organisational change

This year our R&D function put in place new structures, processes, and behaviours to align BTG's portfolio of innovation projects to our business priorities. This is to ensure that projects are managed within resource and budget constraints and delivered on time.

A new Portfolio Review Board provides portfolio-wide oversight, helping to allocate budget and resource to the most promising projects at pre-defined milestones. In the coming year, a new Enterprise Project Management system will provide better visibility of project development plans, bringing more rigour to project timelines and improving resource and capacity planning. We have also selected a Clinical Trial Management System that, once implemented, will standardise tracking and reporting of our clinical trials and provide metrics of performance against targets and industry benchmarks. Together these tools aim to improve operational oversight and the overall productivity of our R&D.

Respecting diversity

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

Supporting our community

Each year employees at each of our major sites choose corporate charities that support one of the diseases or conditions relevant to BTG, or that benefit the local communities where we operate. During this fiscal year we donated £27,000 (2014/15: £41,000) to charitable causes. A list of the charities which we supported during the financial year can be found on our website.

Health and safety

Management regularly reviews health and safety metrics to ensure we are providing a safe work environment for our employees. Through a health and safety culture programme and increased manager focus, we halved our rate of lost time accidents as compared to the previous year, with an increasing number of employees.

Data on gender

Number of females who are:	2015/16	2014/15
Employees	**584 (49%)**	522 (47%)
Senior Managers	**73 (36%)**	78 (41%)
Leadership Team Members	**3 (25%)**	3 (23%)
Board Directors	**2 (25%)**	2 (25%)

Total lost time from accidents and illnesses (days per 100,000 hours worked)

2015/16	0.34
2014/15	0.69
Change	**-50%**

Includes all accidents and illnesses where one or more days are lost. This figure includes accidents where people have returned to work and were given alternative duties as they were not able to fulfil their normal roles.

Integrity and ethics

Every BTG employee is trained in our Code of Conduct annually to help ensure our business operates in accordance with our values and meets the requirements of our highly regulated industry. The latest version of our full Code of Conduct is available on our website. Employees are expected to take personal responsibility for ethical and compliant behaviour and to hold contractors and other third parties to the same standards. This year the compliance team exceeded our targets for due diligence reviews of our distributors.

Management relies on data to ensure the effectiveness of our compliance control framework, reviewing business unit and group level dashboards. This year we have been encouraged by a lower number of incidents but also by levels of employee incident reporting that suggest a culture of open and honest communication.

Our anti-bribery and corruption (ABAC) policy prohibits BTG employees, and those acting on their behalf, from offering anything of value as a bribe or inducement to others to make decisions that favour BTG's interests. These policies are designed to promote compliance with the UK Bribery Act, the US Foreign Corrupt Practices Act (FCPA), and other local law equivalents. This year the majority of our third party distributors were trained on our ABAC policies.

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

Protecting human rights

BTG has publicly committed to respecting international standards such as the United Nations Universal Declaration of Human Rights. In anticipation of the UK Modern Slavery Act coming into effect, the Board approved a Human Rights Statement, available on our website, summarising the internal standards and controls BTG employs to ensure slavery and human trafficking is not taking place in our business or our supply chain. This statement also satisfies the requirements of the US California Transparency in Supply Chains Act. This year we augmented the training provided to those in our quality function who audit our suppliers in order to help them detect practices that could potentially indicate human trafficking or slavery.

Environmental impact

This year our environmental impact figures include, for the first time, our PneumRx location in California and the expansion of our Camberley facility. The impact of our increasing footprint and production volumes have been offset by energy saving projects such as the installation of solar panels in Australia, upgrading fume cupboards in our labs in Farnham, and more energy efficient HVAC and lighting in our clean rooms in Wales. These efforts have contributed to a year-on-year decrease in CO_2 emissions and electricity usage per production unit and per employee. The addition of PneumRx has increased our use of water and production of waste.

Product quality

We continually enhance the systems, processes, and practices that ensure the quality of the products we produce. This year we began a programme of mock inspections at each production site designed to pressure test our systems and better understand areas of risk in advance of actual regulatory inspections and audits. Our Quality Management System continues to evolve and now includes a more efficient, risk-based approach to supply chain compliance. In the coming year, this system will expand to include the acquired EKOS and PneumRx facilities. We also plan to carry out a data integrity review to ensure we have adequate equipment, capabilities and experience in this area of increasing regulatory interest.

Access and pricing

BTG is thoughtful in how it establishes the price of its products. We ensure that a product's price is proportional to its value from the points of view of healthcare professionals, patients and payers, and allows us to continue to invest in developing new medical products. Where appropriate, BTG strives to meet the access needs of patients. For example, we have created a comprehensive Patient Assistance programme for Vistogard®, our newest acute care product, ensuring this life-saving medicine is available to patients regardless of insurance status, where financial cost may be a barrier to access.

Environmental Impact

Data	2015/16	2014/15	% Change
Total CO_2 equivalent generated (tonnes)[1–5]	**6,349**	**6,145**	**3**
CO_2 equivalent generated (tonnes) scope 1[1-5]	1,627	1,367	19
CO_2 equivalent generated (tonnes) scope 2[1-5]	4,722	4,779	-1
Total production units[1-5]	270,436	234,939	15
Total Kg CO_2 generated per production unit[1-5]	23	26	-10
Total employees[1-5, 8]	1,370	1,121	22
Total Kg CO_2 generated per employee[1-5, 8]	4,634	5,481	-15
Total electricity consumed (MWh)[1-5]	8,155	8,251	-1
Total electricity consumed per production unit[1-5]	0.0302	0.0351	-14
Total waste from our production and research sites (tonnes)[6]	**575**	**573**	**0**
Waste recycled[6]	207	258	-20
Hazardous waste – incinerated or other treatment[6]	133	114	17
Waste to landfill[6]	235	200	18
Total water consumed production and research sites (m^3)[7]	**37,205**	**34,123**	**9**

Notes

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 2015 and government websites.
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 Employee number includes all employees, plus contractors and temporary workers directly supervised by BTG employees.

Group financial review

BTG has reported another year of strong financial growth. Increasing cash generation from the Specialty Pharmaceuticals and Licensing businesses has enabled us to continue to reinvest in high growth opportunities within Interventional Medicine.

"This performance reflects our increasing financial maturity and supports the execution of our strategy to achieve sustained profitable growth."

Rolf Soderstrom
Chief Financial Officer

Ongoing monitoring of our financial KPIs is critical to achieving our long-term goals. The metrics we give reflect our maturing financial profile and are aligned with the Group's various incentive plans.

Revenue +22%

2016	**£447.5m**
2015	£367.8m
2014	£290.5m
2013	£233.7m
2012	£197.0m

Contribution +29%

2016	**£165.3m**
2015	£128.3m
2014	£111.5m
2013	£108.5m
2012	£91.8m

Operating Profit[1] +37%

2016	**£93.0m**
2015	£67.9m
2014	£62.3m
2013	£69.0m
2012	£54.0m

Adjusted EPS[1] +39%

2016	**21.9p**
2015	15.7p
2014	14.5p
2013	14.5p
2012	11.4p

1 Excluding acquisition adjustments and reorganisation costs

Product revenues

		2015/16 £m	2014/15 £m	Change (%)	Change at CC[1] (%)
Interventional Medicine					
Interventional Oncology	Beads/TheraSphere®	**91.4**	75.5	21	16
Interventional Vascular	EkoSonic®	**45.4**	33.9	34	25
	Varithena®	**1.0**	1.0	–	–
	Total Interventional Vascular	**46.4**	34.9	33	24
Interventional Pulmonology	PneumRx® Coil	**12.4**	2.3	nm	nm
	Total Interventional Medicine	**150.2**	112.7	33	27
Specialty Pharmaceuticals					
	CroFab®	**67.9**	61.8	10	2
	DigiFab®	**47.0**	44.7	5	(1)
	Voraxaze®	**16.6**	14.3	16	11
	Vistogard®	**1.3**	0.2	nm	nm
	Other	**0.3**	0.1	nm	nm
	Total Specialty Pharmaceuticals	**133.1**	121.1	10	3
Licensing					
	Zytiga®	**118.9**	105.2	13	5
	Lemtrada™	**19.8**	4.9	nm	nm
	Two-Part Hip Cup	**13.7**	13.8	(1)	(9)
	Others	**11.8**	10.1	17	12
	Total Licensing	**164.2**	134.0	23	14
Total revenue		**447.5**	367.8	22	14

1 At constant currency GBP vs USD (1.51 vs 1.61 in prior year)
nm Not meaningful

Revenue

Group revenue increased by 22% to £447.5m (2014/15: £367.8m) and by 14% at constant currency. Given the high proportion of US$ denominated revenue, movements in the US$ to sterling exchange rate influence reported revenues. The average rate for the year was $1.51 compared to $1.61 in the prior year. A five cents movement in the dollar exchange rate results in an approximate £13m change in Group revenues. In the table above we show reported product sales and Licensing revenues, together with growth rates at constant currency.

Interventional Medicine revenues were 33% higher at £150.2m (2014/15: £112.7m), a 27% increase at constant currency.

Our Interventional Medicine portfolio comprises different products at varying stages of their lifecycle. Within this segment the most advanced franchise is Interventional Oncology, which generated sales of £91.4m (2014/15: £75.5m), representing growth of 16% at constant currency in line with our annual average growth guidance. TheraSphere® continues to grow strongly. EU Beads revenue was impacted by channel disruption following the transition from a distribution arrangement to direct sales in April 2015.

We expect to realise the full benefits of selling Beads directly in Europe in the current financial year.

Interventional Vascular revenue increased to £46.4m (2014/15: £34.9m), representing 24% growth at constant currency, driven by another strong performance from the EkoSonic® blood clot treatment device. Receiving FDA clearance for use in the treatment of pulmonary embolism in 2014 has enabled us to increase sales significantly in this indication and to continue to increase penetration into US hospitals. Sales of our varicose veins treatment Varithena® were flat as we continue to establish a smooth reimbursement process. We anticipate an increase in physician reordering leading to sales growth sometime during our 2016/17 financial year.

The first full year of revenue from the PneumRx® Coil, our Interventional Pulmonology treatment for advanced emphysema, was £12.4m in line with revenue in the prior 12 months. This primarily reflects a flat performance in Germany, which accounts for ~80% of sales and where we currently have interim reimbursement.

Specialty Pharmaceuticals revenue increased to £133.1m (2014/15: £121.1m) growing by 3% at constancy currency. Sales of the snakebite antivenin CroFab® and the digoxin toxicity treatment DigiFab® were steady and there was double-digit growth from Voraxaze®, the treatment for high-dose methotrexate toxicity. At the end of the period we also recorded our first US sales of Vistogard®.

Licensing revenues grew to £164.2m (2014/15: £134.0m), a 14% increase at constant currency. Royalties from the largest contributor, Johnson & Johnson's treatment for advanced prostate cancer Zytiga®, grew to £118.9m and were enhanced by a one-off back payment of £8.5m during the year. Zytiga® royalties would be impacted if generic products are launched; we believe the earliest date for generic entry in the US could be in our 2018/19 financial year.

Royalties from Sanofi/Genzyme's Lemtrada™ grew strongly to £19.8m following US approval last year. Our royalties on Lemtrada™ will cease during our 2017/18 financial year on patent expiry. Other royalty contributors generated £25.5m in total and included our final royalties on the MRC patents, which amounted to £8.4m.

Group financial review continued

Contribution

£165.3m

2014/15: £128.3m

+29%

Contribution margin

37%

2014/15: 35%

Segment contribution margin

69%

Specialty Pharmaceuticals

38%

Licensing

7%

Interventional Medicine

Contribution

	Interventional Medicine £m	Specialty Pharmaceuticals £m	Licensing £m	Total £m
Revenue	150.2	133.1	164.2	**447.5**
Gross profit	106.4	118.0	82.3	**306.7**
SG&A	(96.2)	(25.5)	(19.7)	**(141.4)**
Contribution	10.2	92.5	62.6	**165.3**

Gross profit

Gross profit rose by 21% to £306.7m (2014/15: £253.1m) giving a gross margin of 69% (2014/15: 69%). The blended Group gross margin is expected to remain steady at around 70% in the medium term.

The Interventional Medicine gross margin of 71% (2014/15: 70%) reflects a fixed manufacturing cost base for the early stage Varithena® and PneumRx products, and is expected to increase over time as revenues build from these products. In Specialty Pharmaceuticals the gross margin rose to 89% (2014/15: 86%) driven by product mix and manufacturing efficiencies. Gross margin in Licensing was lower at 50% (2014/15: 52%) as a result of increased revenues from lower margin licensing streams.

Contribution

We define contribution as gross profit less selling, general and administrative (SG&A) expenditure, which broadly reflects the cash generated by the business before any investment in Research and Development (R&D) or capital activities.

In line with our commercial expansion strategy, SG&A increased over the year to £141.4m (2014/15: £124.8m).

The increase in SG&A reflects the full-year costs associated with the acquisition of PneumRx and increased investment in the commercial capabilities of the rest of the Interventional Medicine segment. Investments include costs associated with the US launch of Varithena®, for which the US sales force was increased, and the commercial expansion of our Interventional Oncology products in Europe and Asia.

Contribution increased to £165.3m (2014/15: £128.3m) and the Group contribution margin increased to 37% (2014/15: 35%).

The more established Specialty Pharmaceuticals and Licensing segments have both delivered increased contribution margins of 69% (2014/15: 65%) and 38% (2014/15: 30%) respectively. Whilst making investments to support the launch of Vistogard® we continue to seek operating efficiencies in these businesses to maximise cash generation and support our investments to deliver high growth in the Interventional Medicine business. We anticipate that the current Interventional Medicine contribution margin of 7% (2014/15: 8%) will increase over time as revenues across the portfolio increase.

Research & Development

Research and Development investments increased to £77.2m (2014/15: £68.3m) in line with the expanded innovation and development activities, primarily within Interventional Medicine, and reflecting a full year of PneumRx activities.

Patient enrolment continues into our EPOCH and STOP-HCC TheraSphere® Phase III trials, which are designed to support PMA submissions in the US. We took the decision in March 2016 to terminate the YES-P study owing to slow recruitment and a changed clinical environment; investment is being reallocated to other growth products. We are developing a new control unit and software upgrade for EkoSonic® and we have made investments in the

OPTALYSE and ACCESS PTS studies to support further indication expansion for this product. Investment continues into indication expansion and product innovation for Varithena®, and we invested in the RENEW study and other activities designed to support US approval of the PneumRx® Coils. In addition to innovation and development we invest in providing ongoing regulatory, clinical and medical affairs support for the expanded portfolio of marketed products.

We will continue to invest in Research and Development to support pipeline opportunities arising from our expanding portfolio.

Operating profit

Operating profit before acquisition adjustments and reorganisation costs was £93.0m (2014/15: £67.9m) reflecting higher revenue growth partially offset by increased SG&A and R&D investment.

Operating profit includes the impact of foreign exchange. The £:$ exchange rate moved from $1.48 at the beginning of the year to $1.44 at the end of the year. BTG's exposure to US$ assets and liabilities resulted in a net foreign exchange gain of £4.4m (2014/15: £6.7m).

Acquisition adjustments include the release of the fair value uplift of inventory acquired with PneumRx of £1.5m (2014/15: £0.9m) and amortisation of acquired intangible assets of £35.0m (2014/15: £28.4m), which has increased as a result of the acquisition of PneumRx in January 2015.

Operating profit after acquisition adjustments and reorganisation costs was £56.5m (2014/15: £34.9m)

Financial expense/income

Net financial income was £1.0m (2014/15: net financial expense of £8.2m). Included within this are fair value adjustments to contingent considerations, resulting in an income of £1.4m (2014/15: charge of £1.0m). This comprises a £12.0m ($20m) credit relating to the non-payment of the first PneumRx acquisition milestone. This was offset by a £10.6m charge relating to fair value adjustments to other contingent considerations, including a £9.0m charge relating to increasing the probability of payment of the US approval milestone for PneumRx following the successful completion of the RENEW trial. In addition, there was a gain on the mark-to-market of foreign exchange forward contracts of £1.2m (2014/15: loss of £6.2m).

Earnings per share

	2015/16 £m	2014/15 £m
Profit for year	**60.5**	33.6
Add back[1]: Fair value adjustment on acquired inventory	**0.9**	0.6
Amortisation of acquired intangible fixed assets	**23.6**	19.5
Acquisition and reorganisation costs	**–**	3.1
Fair value changes on contingent consideration	**(1.4)**	1.0
Underlying earnings	**83.6**	57.8
Underlying profit per share (p)	**21.9**	15.7

1 After taking into account the tax effect

Balance sheet

	31 March 2016 £m	31 March 2015 £m
Non-current assets	**851.3**	838.3
Current assets	**297.5**	207.6
Non-current liabilities	**(176.1)**	(171.7)
Current liabilities	**(125.0)**	(115.6)
Net assets	**847.7**	758.6

Profit before tax and taxation

Profit before tax for the year is £57.5m (2014/15: £26.7m). 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.

In the period the Group has recognised a tax credit of £3.0m (2014/15: credit of £6.9m) due principally to the recognition of historic tax losses relating to EKOS, Voraxaze® and PneumRx, plus the deferred tax impact of the amortisation of intangible assets. The Group's anticipated effective tax rate is expected to move towards 27% over the medium term once tax losses have been fully recognised.

Earnings per share

Basic earnings per share were 15.8p (2014/15: 9.1p) on a profit after tax of £60.5m (2014/15: £33.6m). The adjusted earnings per share excluding acquisition adjustments and reorganisation costs were 21.9p (2014/15: 15.7p) on an adjusted profit after tax of £83.6m (2014/15: £57.8m).

Balance sheet

Non-current assets

Non-current assets comprise goodwill, intangible assets, property, plant and equipment, other investments, deferred tax assets, employee benefits and derivative financial instruments. Non-current assets have increased to £851.3m, from £838.3m as at 31 March 2015. The most significant element of non-current assets is intangible assets of £599.2m (2014/15: £597.9m). Changes in the year reflect an increase of £23.0m relating to the purchase of the residual financial interest in Varithena® and changes in foreign currency of £15.0m, offset by intangible asset amortisation of £38.0m.

The Group's defined benefit pension scheme as measured under IAS19 Revised – Employee Benefits increased to an asset of £19.3m at 31 March 2016 from £13.2m at 31 March 2015 principally due to an increase in the discount rate used to value the defined benefit obligation.

Current assets

Current assets comprise inventories, trade and other receivables, cash and cash equivalents. Current assets have increased to £297.5m, from £207.6m at 31 March 2015. Cash and cash equivalents have increased from £73.8m to £140.4m as a result of strong cash generation from the businesses. Inventory increased to £46.5m (31 March 2015: £40.5m) and receivables increased to £106.5m (31 March 2015: £91.9m) as a result of underlying business growth.

Non-current liabilities

Non-current liabilities comprise trade and other payables, deferred tax liabilities and provisions. Non-current liabilities increased to £176.1m (31 March 2015: £171.7m). This is a result of an increase in the probability of payment of the PneumRx FDA contingent milestone, partially offset by a decrease in the deferred tax liability position, due to recognising tax losses relating to Voraxaze®, EKOS and PneumRx.

Group financial review continued

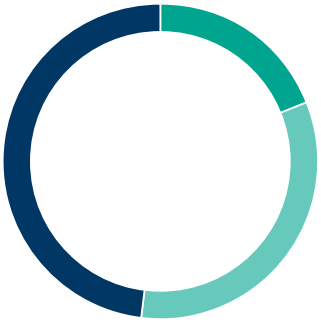
Research and Development expenditure

£77.2m

2014/15: £68.3m

+13%

Research and Development



Product innovation	19%
Existing product support	33%
Clinical trials and studies	48%

Cash flow

	31 March 2016 £m	31 March 2015 £m
Opening cash and cash equivalents	**73.8**	38.2
Operating cash flow before working capital	**108.0**	73.2
Movement in working capital	**(6.2)**	(10.5)
Cash generation from operations	**101.8**	62.7
Investing activities	**(29.9)**	(158.9)
Financing, Tax paid and others	**(5.3)**	131.8
Net change in cash	**66.6**	35.6
Closing cash and cash equivalents	**140.4**	73.8

Current liabilities

Current liabilities comprise trade and other payables, corporation tax payable provisions and derivative instruments. In current liabilities, trade and other payables increased to £114.8m (31 March 2015: £111.0m), reflecting the underlying growth of the business.

Contingent liabilities

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®. The investigation covers the period from 2003. BTG continues to cooperate fully with this investigation. As at 31 March 2016, the possibility that a material outflow of funds will be required to settle or otherwise resolve the investigation was more than remote. It was not, however, possible to make a reliable estimate of the amount that may be required to be paid.

Cash flow

Cash and cash equivalents were £140.4m. The business generated £101.8m from operating activities (2014/15: £62.7m), reflecting good cash generation in the business and favourable working capital movements. Cash outflow of £29.9m from investing activities includes £23.0m for the purchase of the residual financial interest of Varithena® and continued investment in manufacturing facilities. The prior period cash generation reflects both the acquisition of PneumRx for a net cash outflow of £147.7m and the proceeds of a share issue for a cash inflow of £147.2m.

In November 2015 the Group signed a new £100m multi-currency revolving credit facility with an option to extend by a further £100m. This facility has a three-year-term that can be extended up to five years and replaced the previous £60m facility.

Summary and outlook

Our financial strategy is to deliver double-digit compound annual revenue growth while maintaining cost discipline to enable reinvestment in our capabilities and in pipeline opportunities to underpin our long-term growth. Our results for the year show strong delivery against all these objectives which provides the foundations to achieve our goal of delivering revenues of ~$1.5bn in our 2021/22 financial year and sustained growth thereafter.

Rolf Soderstrom
Chief Financial Officer

Risk management and principal risks

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

Accountability for oversight of risk

The Group's risk management and internal control systems are the responsibility of the Board of Directors which regularly and robustly assesses those systems. The goal is to ensure the Company is able to identify, assess and effectively manage or mitigate existing and newly emerging risks. That includes oversight of the progress of agreed risk mitigation strategies and any changes to the materiality of key risks. The Board also assess the likelihood and potential impact of plausible concurrent risks and seeks to ensure that the overall risk profile of the Group is appropriate in light of its strategy.

The Board believes it has taken all reasonable steps to satisfy themselves that the risk management process is effective and fit for purpose. Nevertheless, as with all risk management processes, there remains a degree of uncertainty – planned mitigations may not be effective and unpredicted risks may arise. As a consequence there cannot be any guarantee that all risks to the business will be successfully identified, controlled or mitigated. This is particularly the case as the Company operates in a relatively high risk sector. Risk is also inherent in the Company's growth strategy.

The specific risks considered by senior management and the Board are those that are believed could cause the Group's future results, financial condition and prospects to differ materially from current expectations, including the ability to meet the objectives outlined in this Strategic Report. The Board believes it has taken all material and plausible risks into account and, based on that analysis, have confirmed the viability of the Company over the next three years as set out in the viability statement required by the 2014 UK Corporate Governance Code (see page 29, the Viability Statement).

Risk review process

BTG has a three-year financial plan which is updated annually. Performance toward that plan is monitored on a monthly basis. In addition, the Company has published 2021/22 goals, including the target of reaching $1.5bn in revenues in our 2021/22 financial year. Those goals have been built into the risk management process and, as such, form the basis on which business risks are measured.

Individuals in the business managing discrete risks on a day-to-day basis produce and update their business unit specific risk registers monthly. These registers are consolidated into a Group Risk Register which is reviewed at least twice-yearly by the Risk Committee. That Committee is chaired by the CFO, Rolf Soderstrom and comprises senior members of staff representing relevant parts of the business and key functions as well as other members of the Leadership Team. The output from the Risk Committee is formally reported, twice annually, to the Leadership Team and the Audit Committee who review the processes followed by management in identifying and managing risk throughout the Group. Included within the reports to the Audit Committee is an explanation of any material changes in the risks, controls or mitigations since the last report. The Group Risk Report is also shared and discussed with the full Board twice annually. Leading indicators of material changes in principal risks are monitored monthly by the Board via the Operational and Financial Review report. In addition, as part of the annual strategy review in September, the Board considers the key risks which could impact the business model and strategy over the longer term. That broader discussion is informed by an annual top down risk review and assessment of global macro risks undertaken in conjunction with our external advisors.

Where appropriate 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 in shaping the Group's risk appetite, to ensure it is appropriate in light of the Group's strategy. It also underpins the requirement for the Board to take a view on the risks which could affect the Group's longer-term viability and underpins the preparation of the annual Viability Statement. The Board also considers new material risks in a timely fashion as they arise.

Key enhancements to the process during the year sought to further embed risk management in day-to-day business unit operations.

Governance and risk management systems

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

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

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

Risk management and principal risks continued

Outline of BTG Governance & Risk Management Systems

Functional Area	Summary of KPIs Measured
Product quality control and assurance: Ensuring all products: • meet applicable specifications, GMP and other regulatory requirements • deliver expected efficacy and safety • are supported by necessary manufacturing and marketing licences in relevant markets	• Ensuring all products placed on a market meet applicable release criteria for the market for which they are intended • Assessment against internal operating standards and procedures and ongoing review of the scope and content of the policy framework and procedures • Testing the effectiveness of training • FDA/MHRA/Internal audit findings and delivery on remediation plans • Monitoring customer complaints, for example, product failures or adverse events (via a comprehensive pharmacovigilence system) • Monitoring completion of corrective actions for all measures reported
Compliance: Ensuring compliance by BTG Group and its principal commercial partners with applicable laws and regulations relating to the conduct of business including, for example, the UK Bribery Act, US False Claims Act, Anti-Kickback Statute and the Foreign Corrupt Practices Act and other regulations to prevent improper conduct, inaccurate regulatory submissions, off-label marketing of products, or the submission of false claims for reimbursement of products	• Collection of internal monitoring data and assessment against operational targets • Internal audit findings, auditing of commercial partners and delivery on remediation plans • Monitoring of complaints/queries/allegations to BTG reporting systems. Conduct of investigations where required • Status of training of BTG employees and commercial partners
Finance: Ensuring: • the ongoing viability of BTG's business and adequate financial resources to meet our operational and strategic objectives • all BTG employees abide by internal and external transaction and reporting standards • BTG is not subject to serious fraud or misappropriation of company assets	• Internal and external audit findings at BTG businesses and commercial partners • Adherence to budget, delegated authorities and other internal financial controls and assurance procedures • Monitoring of financial transactions • Monitoring completion of corrective actions for all measures reported
Supply chain: Ensuring: • products are delivered on time and orders completed • minimal supply chain interruptions and continuity of supply • maintenance and management of supply chains such that all internal and regulatory standards are met	• Collection of internal monitoring data and assessment against operational targets • Maintaining adequate inventories (based on risk assessments) of raw materials, intermediates and finished goods • Implementation of process and facility improvement plans • Rigorous monitoring of third party suppliers; dual sourcing implemented or being investigated where practicable

Functional Area	Summary of KPIs Measured
Environment, Health & Safety (EHS): Ensuring: • BTG operations are safe for employees, visitors and the public who interact with our business • we appropriately manage our impact on the environment • compliance with internal and external regulatory standards	• Investigation of lost time accidents (minimum one day lost) and all first aid incidents • Waste produced • Carbon footprint • Water consumption • Monitoring completion of corrective actions for all measures reported
Research & Development (R&D): Ensuring: • we protect the safety and data privacy of patients participating in our clinical studies and meet all applicable laws and regulations with respect to conduct of Research and Development (for example the requirements of Good Clinical Practice and Good Laboratory Practice) • we generate adequate data to support regulatory submissions and product approvals for intended uses • we define appropriate development plans to meet our strategic goals • we meet project specific and portfolio budgets and timelines	• Assessment against internal operating standards and procedures and ongoing review of the scope and content of the policy framework and procedures • Testing of the effectiveness of training • FDA/MHRA/Internal audit findings and delivery on remediation plans. Active monitoring of clinical studies and other activities • Detailed review of project progress against agreed stage gate milestones for further funding • Ongoing review of the portfolio as a whole against wider strategic needs
Skills and capabilities: • Ensuring the business attracts, retains and develops talented individuals of the calibre and with the capabilities needed to deliver on the Group's operations and strategy	• Assessment processes to define the future capability or development needs of the Group in light of strategy • Reviewing the competitiveness of Company reward programmes and employee benefits • Ensuring key individuals have adequate ongoing development as well as succession plans in place • Enhancing overall leadership development programmes

Viability statement

The activities of the Group, together with the factors likely to affect its future development and performance, the financial position, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report on pages 22 to 26. The Directors have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. These risks and the ways they are being managed and sought to be mitigated by a wide range of actions are summarised in this section.

Taking account of the Group's position and principal risks, the Directors assess the prospects of the Group by reviewing and discussing at least once each year the annual forecast, the three-year strategic plan and the Group risk framework. The Directors review and discuss the potential impact of each principal risk as well as the risk impact of any major events or transactions. A three-year period is considered appropriate for this assessment because:

- it is the period covered by the strategic plan; and
- it enables a higher level of confidence, even in extreme adverse events. This is due to a number of factors such as:
  - the Group has considerable financial resources together with several established mature business units that provide a strong financial underpin;
  - strong cash generation by the Group's operations and access to a £100m revolving credit facility; and
  - the Group continues to diversify its product and geographical operations.

Based on the results of this analysis, the Directors believe that the Group is well placed to manage its business risks successfully. The Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Risk management and principal risks continued

Principal risks

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

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

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

We continue to rely on third-party contractors for the supply of many key materials and services. These processes inherently carry risks of failure and loss of product and 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. With respect to internal manufacturing activity, 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 the PneumRx® Coil at a single site in San Francisco, California, USA, with the consequent possibilities for disruption to or loss of supply.

Principal Risks and changes during the course of the year

Risk detail	General mitigation strategy	Change in 2015/16

Market Access: securing adequate reimbursement for BTG's products

BTG may not be able to sell its products profitably if reimbursement by third-party payers, including government and private health insurers, is limited or unavailable. The Group may be subject to price limits on reimbursement of products which are outside of its control, reducing sales volume or prices, negatively impacting Group revenues. This is particularly the case in the US where a significant proportion of the Group's revenues are derived, and in light of the ongoing US healthcare reforms, requiring increased rebates or discounts to be provided. Third-party payers are increasingly attempting to contain healthcare costs through measures that are likely to impact the products that BTG is developing.

2015/2016 ● ↑

2014/2015 ●

Ensuring effective advocacy with payers based on accurate data and analysis to inform reimbursement decisions. Ensuring accurate and complete submissions.

BTG is seeking to utilise its expanding expertise across the portfolio, both within and outside the US. R&D plans increasingly seek to create the data likely to be required to secure the desired level of reimbursement for the applicable products after commercial launch.

The Company continues to strengthen its global market access (reimbursement) capabilities with an ongoing focus on Varithena®. Adequate levels of reimbursement continue to be secured for Varithena®. In the US, that process has been materially slower than originally envisaged and is not yet universal, adversely impacting revenue growth. Progress continues to be made based on learnings to date.

Acceptable progress continues to secure appropriate reimbursement for other products across the portfolio.

A future focus will be on supporting appropriate reimbursement levels for the PneumRx® Coil both in EU and in US following approval.

Notwithstanding progress to date, in light of the ongoing specific challenges relating to Varithena® and a more challenging external environment in the industry generally, the overall risk is assessed to have increased.

Risk detail	General mitigation strategy	Change in 2015/16

Obtaining/Maintaining product regulatory approvals

An inability to meet existing or new regulations or regulatory guidance. This may result in delays or failures in bringing products to market, additional material costs of development or the imposition of restrictions on approval or the sale of a product or its manufacture or distribution, including the possible withdrawal of a product from the market or narrowing of its approval or indicated uses. This is particularly the case for drug-eluting beads or other combination products in respect of which the regulatory requirements may be less clear in certain territories. The pharmaceutical and device industries are highly regulated in relation to the development, approval, manufacturing and sale of products. 2015/2016 ● → 2014/2015 ●	The Company has expert internal teams dedicated to ensuring compliance in each of these areas, defining regulatory strategies and supporting product approvals and maintenance of existing product licences. The process is supported by the governance systems defined above and monthly monitoring of performance against goals and of changes in the regulatory landscape. The use of external resources such as contract clinical research organisations (CROs) are being more effectively leveraged.	The Regulatory Affairs group was further strengthened and restructured during the year. 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. Successful outcomes from the PneumRx RENEW study and CroFab® Copperhead snake studies. There has been a focus during the year on preparing the PMA submission to seek US approval of the PneumRx® Coil. That is expected to be submitted in 2016. Vistogard® was approved and commercially launched in US. FDA has granted 510k clearance for and the Company has commercially launched a new product in US, LC Bead LUMI™. While progress has been made in a number of areas, the overall level of risk is deemed equivalent to the prior year.

IP/Legal challenges

BTG may be subject to challenges relating to the validity of its patents or alleging infringement by BTG of intellectual property (IP) rights of others, which might result in cessation of BTG product sales, litigation and/or settlement costs and/or loss of earnings. BTG might elect to sue third parties for their infringement of BTG's IP in order to protect current or future product revenue streams. Litigation involves significant costs and uncertainties. BTG may not be able to secure or maintain the necessary IP in relation to products acquired or in development, limiting the potential to generate value from these products and investments. Patent expiries can adversely impact the Group's revenues due to a resultant increase in competition. 2015/2016 ● ↓ 2014/2015 ●	Maintenance of the IP function as a core capability of the Group, supplemented by external expertise, which monitors third-party patent portfolios and patent applications and IP rights. Development and implementation of BTG patent filing, defence and enforcement strategies, pursuing litigation or settlement strategies where appropriate. Robust processes are in place to automate patent renewals; internal controls established to avoid disclosure of patentable material prior to filing patent applications and to protect know-how.	Currently, BTG earns significant royalties from sales of Johnson & Johnson's Zytiga®, which is subject to multiple challenges by manufacturers of generic versions seeking to enter the US and other markets. A third party inter partes review challenge of one of the core patents protecting Zytiga® has also been commenced in the US. In light of the above, generic competition in the US may occur as early as the 2018/19 financial year in US and 2020/21 financial year in EU when the ten-year post-approval data exclusivity period ends. In each case generic competition would substantially reduce the value of Zytiga® and the level of royalties received by BTG. Zytiga® will in any event be subject to existing and future competition. BTG successfully defended the CroFab® patent against third party challenge. The commercial exploitation of Varithena® may lead to further IP challenges or competition requiring the Group to initiate litigation (for example against potential generic competitors). Based on the progress of multiple IP strategies the overall risk in this area is assessed to have reduced in aggregate over the year.

Key

Increased risk	↑
Unchanged risk	→
Decreased risk	↓
High risk	●
Medium risk	●

Risk management and principal risks continued

Risk detail	General mitigation strategy	Change in 2015/16
Competition BTG's products may face competition from products that have superior attributes, including better efficacy or side effect profiles, cost less to produce or be offered at a lower price than BTG's products. There are currently no competitive products to CroFab®, DigiFab®, Voraxaze® or Vistogard® but Instituto Bioclon may launch a competitor product to CroFab® around October 2018. The Interventional Medicine bead products compete with products from Merit Medical Limited and CeloNova Biosciences, Inc. (acquired by Boston Scientific in 2015) and TheraSphere® competes with a product from Sirtex Medical Limited. Varithena® competes with other treatment modalities including heat ablation, vein stripping and physician-compounded sclerosing foam. EkoSonic® competes with other interventional clot treatment products from US companies like Boston Scientific Corporation. There is a competitor to PneumRx in the form of the Pulmonx, Inc. valve. In Licensing, Zytiga® competes with a number of other treatments for prostate cancer including Xtandi® (enzalutamide). 2015/2016 ● → 2014/2015 ●	BTG focuses on select opportunities addressing specialist segments where there are relatively high barriers to entry, for example, relating to the development and manufacturing processes, or the need to generate significant supportive clinical data to gain approval and commercial acceptance. We seek to differentiate our products by demonstrating, in clinical trials, safety and efficacy benefits, or greater patient acceptance.	We expanded our interventional oncology business into parts of Asia (with direct sales in Taiwan and Hong Kong) including China (via SciClone). In Interventional Oncology our previous EU distributor of DC Bead® (Terumo) has launched a competing chemoembolisation bead product in EU, LifePearl®. Our previous US distributor (AngioDynamics) has also announced plans to launch an embolic bead of their own in the US.
Healthcare law compliance Extensive laws and regulations relate to how BTG markets its products and interacts with its customers and payers. Failure to meet applicable requirements may result in criminal or civil proceedings against the Group, exclusion of sale of products in certain territories and material financial penalties or other sanctions against the Group (or their commercial partners, or their respective employees or directors). Defending actual or alleged violations may require significant management time and financial commitment, even if not proven. 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. 2015/2016 ● → 2014/2015 ●	A comprehensive compliance programme is in place as referred to above. Ongoing monitoring and auditing is undertaken to seek to ensure any material failures are identified where possible and remediated. The programme is continually reviewed and improved to reflect ongoing learnings and changes to the external environment.	PneumRx commercial and other activities have been incorporated into BTG's global compliance programme. BTG continues to enhance its compliance programme. Monitoring data indicates that overall the risk is reducing (but not sufficiently to change overall risk rating), excluding the potential outcome of the US Department of Justice (DOJ) investigation with respect to LC Bead® in the US. BTG continues to fully cooperate with the DOJ in relation to the investigation. At this time it is not possible to determine the outcome which could potentially include restrictions on how BTG conducts its business and the imposition of material financial penalties. There can be no guarantee that equivalent investigations will not arise with respect to other parts of the Group or that existing compliance policies and procedures will be accepted as adequate by investigating agencies.

The Strategic Report was approved by the Board on 16 May 2016.

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 diverse range of backgrounds to enable us to access a broad knowledge base. They define BTG's strategy and oversee governance, risk and business performance.

What are the responsibilities of the Board?

Our Board of Directors is 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 provides a report to shareholders on the performance of the business, what its future plans and strategies are and also submit themselves for re-election to the Board.

Garry Watts
Chairman

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

Garry is Chairman of Spire Healthcare and of Foxtons Group plc 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

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 a non-executive director with BerGenBio AS, Vectura Group plc, Evgen Pharma plc and The Cell and Gene Therapy Catapult 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 and formally served on the boards of Cizzle and Source Bioscience.

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 Quanta Fluid Solutions Ltd, Isis Innovation Ltd, Senior plc and PayPoint plc. Previously Giles was the Group Finance Director and Chief Financial Officer of Amersham plc, acquired by GE Healthcare in 2004 and previously served as director of Victrex plc. Prior to his role at Amersham, he was a partner with Arthur Andersen in the UK.

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 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, Admiral plc, Senior plc and Chemring Group plc.

Jim O'Shea
Non-Executive Director

Jim O'Shea joined BTG as a non-executive director in April 2009 and he is a member of the Nomination Committee.

He is the Chairman of Cardiome Pharma Corp, and a director of Prostrakan Group Plc, Trevi Therapeutics, Inc and Ocular Therapeutix™ 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.

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.

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

"BTG's success is fundamentally linked to good governance and we remain committed to high standards in all we do."

Dear Shareholder,

BTG's success is fundamentally linked to good governance. We remain committed to achieving high standards in all we do and aligning our business and processes around a robust governance framework. The Board retains ultimate accountability for governance and we continue to evolve our approach and make ongoing improvements as part of building a successful and sustainable company.

While building a strong governance framework we also try to ensure that we take a proportionate approach and that our processes remain fit for purpose as well as embedded within the culture of our organisation. As the Group grows, the principles of good governance give us the infrastructure to achieve our strategic goals.

The standards of behaviour we require from our employees are guided by our Code of Conduct. This is further embodied in the behaviours and ways of working that we call the BTG "DNA" – doing what is in the best interests of the Group as a whole and striving to deliver our values in all we do. We believe these core values and ways of working have been instrumental in our success to date and that retaining them is essential to our future success. It is a concept we cherish and is a focus in how we hire new employees and how we develop our next generation of leaders.

As a Board we have sought to create an environment of openness, transparency and behaviour that matches our core values. This principle has, for example, been a focus during the establishment of our direct sales teams in EU; our operations in Hong Kong and Taiwan; and the appointment of additional distributors undertaken during the year in Asia, Latin America and Europe.

We apply clear governance standards and establish processes to provide assurance they are operated in practice both within our own business and that of the partners we collaborate with.

Regular Board meetings concentrate on strategic progress and forward planning as well as operational issues, resulting in well informed debate and decision making. In addition, the annual Strategy Day is an essential part of the Board calendar. In setting the Board's agenda we ensure adequate time is given to discussions around the development and implementation of strategy, having regard to our assessment of risk and changes in the external environment.

This process, together with our overall risk management framework, was embodied in our work to support the provision of our Viability Statement as required by the 2014 edition of the UK Corporate Governance Code (the Code) issued by the Financial Reporting Council (the Viability Statement is set out on page 29). We believe the enhanced governance and risk management processes introduced by the Group in response to the Code provide us with an improved understanding of the principal risks inherent in our business operations and strategy, how they are or can be mitigated and their potential impact on the Group.

As Chairman, I am responsible for ensuring the Board operates effectively. The balance of the Board is regularly reviewed to ensure we continue to have the right skills, diversity and experience to contribute in a fast-changing environment and annual Board and Committee evaluations are carried out. We will continue to challenge ourselves and the business in this regard.

Communication with shareholders is vitally important to the Board and the CEO and CFO meet with existing and potential shareholders throughout the year. Ian Much, the Remuneration Committee Chairman, consulted with a range of major shareholders and shareholder representatives with respect to the proposed changes to executive director remuneration which are described more fully on pages 54 and 55. Communications with shareholders are coordinated during the year by the Vice President of Corporate and Investor Relations, who reports directly to the CFO, and who himself held meetings with numerous shareholders. More details can be found on pages 46 and 47.

BTG's AGM will be held on 14 July 2016 and the Board will be available to meet investors.

Our Corporate Governance Report can be found on pages 36 to 47 and includes our statement of compliance with the Code and its principles on page 37. The Directors' Remuneration Report can be found on pages 54 to 75.

Garry Watts
Chairman

Compliance with the UK Corporate Governance Code (the Code)

In September 2014, the Financial Reporting Council (FRC) published the 2014 edition of the Code. The Code contains broad principles and specific provisions which set out standards of good practice in relation to **leadership, effectiveness, remuneration, accountability** and **relations with shareholders**. Our Corporate Governance Report is structured to report against these key areas and together with the Nomination Committee Report, the Audit Committee Report and the Directors' Remuneration Report, we describe how we have applied the Code's main principles and complied with its provisions.

Statement of Compliance with the provisions of the Code

The Board considers that the Group has complied fully with the Code throughout the year ended 31 March 2016. The Group 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 LLP, and recommends their reappointment. Further details are provided on page 50 of the Audit Committee Report.

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

Our governance framework

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

Leadership

The Board and its Committees

The Board
- Responsible for the long-term success of the Company and overall management of the business.
- Has a schedule of matters reserved specifically for its decision or approval.
- Determines governance, strategy and risk appetite.

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

Read more on page 48

Risk Committee
- Responsible for monitoring risks throughout the organisation and assessing the risk control and mitigation measures implemented by the Group.
- Conducting work to support the assessment of the Viability Statement by the Board.

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

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

Read more on page 54

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

Read more on page 52

Disclosure Committee
- Responsible for ensuring the Company's compliance with applicable transparency and disclosure obligations including those related to the management of price sensitive information.

The Leadership Team
- Chaired by the CEO
- Members include the CFO and senior management from different areas of the business and functions.
- Responsible for the day-to-day running of Group operations and making recommendations to the Board on strategy and subsequent implementation.
- Ensures the capabilities are in place to deliver on strategy and annual objectives.
- Ensures the internal controls in place to manage and assess risk are fully complied with. This includes responsibility for maintaining a system to ensure that the Group is compliant with all applicable healthcare laws (such as US Federal and State requirements) that relate to the commercial operations of the Group.

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

Operational Leadership Team
- Responsible for ensuring that the manufacturing and supply chain are tightly controlled and their operations are optimised, as far as practicable, 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 efficacy.
- 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
- Provides guidance and leadership in regards to social, environmental, and governance issues of most relevance to BTG to ensure the Group maintains appropriate standards in this area.

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

The Board of Directors

A Board and Committees meeting programme is set annually for core activities which forms the basic structure of Board operation. Meetings are also held on an ad hoc basis as needed to respond to important issues arising during the year.

While, as a unitary board, the executive and non-executive directors are collectively responsible for the success of the Group and have fiduciary duties to shareholders, their roles are strictly delineated. The roles of the Chairman and Chief Executive are separate and distinct and the division of their responsibilities is clear. The executive directors have direct responsibility for the business operations of the Group, while the non-executive directors are responsible for bringing independent and objective 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 Group's strategy, overseeing risk, shaping proposals on succession planning and constructively challenging the executive directors where they consider it appropriate.

Key matters reserved specifically for the Board include:

Group Strategy and Management

- Reviewing the overall strategic development of the Group 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 Group is willing to take to achieve its strategic aims and ensuring effective risk management controls are in place.

Financial and Internal Controls

- Setting budgets and long-term plans.
- Approving major investments, acquisitions and disposals, major capital expenditure and dividend policy.
- Monitoring and reviewing Group and management performance and making key risk decisions.
- Approval of the Annual Report and Accounts, preliminary and interim financial and management statements, and major public announcements.

Board membership and Committees

- Executive remuneration and appointments. Appointment or removal of any director or the Company Secretary.

Corporate Governance

- Succession planning, health, safety and environmental performance and standards of ethical and social behaviour.
- Developing robust corporate governance, legal, compliance, quality and risk management procedures aimed at safeguarding the Group's reputation and assets, staff and patients and meeting its legal, regulatory and other obligations.
- Ensuring the integrity of its financial information and business conduct.
- Agreeing and overseeing the application of an appropriate corporate governance framework.
- Ensuring the proper discharge of the Group's statutory and other legal, regulatory and ethical responsibilities.

Board activity during the year

The key areas of Board activity and oversight during the year are set out on the next page.

Effective division of responsibilities

Chairman
Garry Watts
Chairman since joining the Board on 1 January 2012
Responsible for leading the Board, creating conditions for overall Board and individual director effectiveness, promoting constructive debate and for ensuring:

- A robust decision making process is in place based on all appropriate information being provided to the Board in a timely manner. Ensure clear decisions are made, communicated and effected.
- The Board gives adequate time to the right issues, such as its role in shaping strategy, managing risk and ensuring adequate organisational capabilities and capacity.
- The Board environment is productive and the Board and its Committees have appropriate composition and diversity, experience and expertise with regard to the Company's needs.
- Board committees are properly structured.
- The Board discharges its responsibilities with respect to risk management and governance generally.
- Necessary relationships of mutual respect and open communication are fostered between executive directors and non-executive directors. Providing support and advice while respecting the executive responsibility.
- Effective communication with shareholders and other stakeholders.
- Appropriate oversight of business performance.

Executive directors
Louise Makin (CEO)
Rolf Soderstrom (CFO)
Louise Makin is primarily responsible for the running of the Group and for executing the Group strategy in line with the risk appetite defined by the Board and the Company values.

Rolf Soderstrom is responsible for all financial reporting, tax and financial control aspects of the Group, providing support to Louise and the wider activities of the Group as required. In addition they are both 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 views 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
In the role since July 2008
Principally to support the Chairman in his role and to work with him and other directors to resolve any significant issues that may arise. Other responsibilities are:

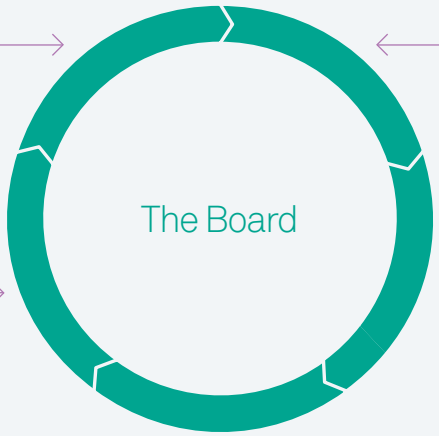
- Supporting the Chairman's delivery of objectives, and leading his evaluation.
- Leading the non-executive directors in the oversight of the Chairman and ensuring there is a clear division of responsibility between the Chairman and CEO.
- Being available to shareholders to express concerns which the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

Non-executive directors
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.

Board Activity during the year

Strategy
- Annual strategy day and deep dive presentations from each of the business units over the year
- Review of the Varithena® growth strategy
- Go-Direct commercial launch in Europe
- On-going assessment of M&A opportunities
- On-going assessment of R&D portfolio

Business performance
- Oversight of the financial performance of the business
- Approved the 2016/17 budget and three-year plan
- Reviewed the half-year and annual results, announcements and analyst presentations
- Approved the Annual Report and Accounts
- Established a new revolving credit facility (RCF)
- Reviewed and approved material litigation and settlement of a contractual dispute



Governance and shareholders
- Discussed the outcome of the Board and Committees evaluations and agreed recommendations
- Regularly reviewed feedback from institutional investors
- Endorsed the Human Rights statement published on the Group's website
- Updated the terms of reference for the Nomination, Audit and Remuneration Committees

Internal control and risk
- Regular review of the risk management system; deep dives into specific areas, including competition and cyber risk. Review of principal risks, potential impact and support for the Viability Statement. Participation of representative Board members in the Risk Committee meetings
- External review of financial controls by EY
- Review of proposed development and restructuring plan for Finance group
- Review of reports from the Audit Committee (including summary of Internal Audit and Compliance reports)
- Review of progress of internal investigations and the investigation being undertaken by the Department of Justice in relation to LC Bead®

Leadership and people
- Discussed the composition of the Board and its committees, including succession planning
- Reviewed the enhanced leadership development plans of the Group and the specific development plans for senior talent in the Group, including succession planning for senior roles
- Regular review of hiring of key capabilities to the Group deemed required for the delivery of the future strategy

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

Board & committee composition & attendance	Committee memberships	Independent	Board meetings	Nomination Committee	Audit Committee	Remuneration Committee
Total number of meetings held			**7**	**4**	**4**	**6**
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]	n/a	7/7	4/4	n/a	n/a
Giles Kerr	Aud[2], Rem, Nom	Yes	7/7	3/4	4/4	6/6
Ian Much	Aud, Rem[2], Nom	Yes	7/7	4/4	4/4	6/6
James O'Shea	Nom	Yes	7/7	3/4	n/a	n/a
Richard Wohanka	Aud	Yes	6/7	n/a	2/4	n/a
Susan Foden	Rem	Yes	7/7	n/a	n/a	6/6

1. Garry Watts is excluded from the determination of independence by virtue of his role as Chairman of the Group.
2. Committee Chairman.

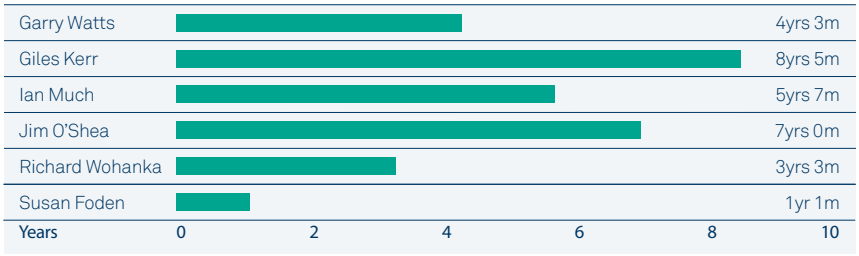
Notes

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 and Audit Committee meetings in November and May due to changes of date. Giles Kerr and James O'Shea did not attend Nomination Committee meetings where their reappointments were discussed.

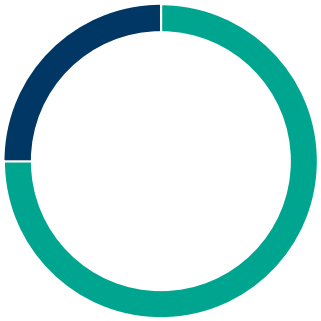
The external auditor attends the Audit Committee meetings and the remuneration advisers usually attend the Remuneration Committee meetings.

Additional specific Board sub-committee telephone meetings were held as appropriate to approve specific business activities.

Tenure of non-executive directors and Chairman as at 31 March 2016



Board by gender



Male	**75%**
Female	**25%**

Balance of directors

Chairman	**1**
Executive directors	**2**
Non-executive directors	**5**

Board composition, membership and election of directors

The Board currently comprises six non-executive directors, including the Chairman, and two executive directors. There have been no changes during the year.

The names and brief biographical details of all the current directors are set out on pages 34 and 35. The Group recognises the importance of diversity, including gender diversity, and 25% of the members of the Board are women. As reported in the Nomination Committee report on page 52, the Committee reviews Board composition on a regular basis to ensure that, as the business evolves, the Board continues to have the necessary skills and experience to support it.

Details of gender diversity in the Group below Board level can be found in the People and practices area of the strategic report on pages 19 to 21.

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 further 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 perform effectively and demonstrates commitment to their role, including time for Board and Committee meetings and their other duties. As Giles Kerr will have served for 9 years this coming year, a process has begun to appoint his successor in the role of chair of the Audit Committee.

"The focus is on ensuring the Board is operating effectively and regularly reviews its performance."

Independence

The Board applies a rigorous process in order to satisfy itself that its non-executive directors remain independent. The Board reviews this question 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 Group'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 2016 Board meeting all directors were asked to review and make any necessary amendments to their existing declarations.

The Company Secretary has reviewed the latest declarations and has confirmed that no conflicts are believed to have arisen. 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. 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 locations in the UK and US enabling non-executive directors an additional opportunity to visit other Company sites.

When they join the Group, each director receives a comprehensive induction. The induction process includes written information and meetings with a cross section of senior managers and is tailored to their experience.

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 Group and its advisers. Specific training during the year has included updates on compliance, social, environmental and ethical matters and developing digital healthcare trends.

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

Board visit to EKOS, Seattle

In September 2015 the Board visited the EKOS business in Seattle. Here they met with employees in order to gain a greater understanding of the business, which included a tour of the manufacturing facility to see how the ultrasonic devices are made. Non-executive directors, Ian Much and Richard Wohanka, joined two of the EKOS sales team to get an insight into their daily interactions with physicians. The annual strategy meeting and a Board meeting also took place at the site.

Performance evaluation

The Board recognises that an evaluation of its performance is an important factor in ensuring our continued effectiveness and development.

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

In line with the requirement of the Code for an external evaluation at least every three years, SCT Consultants Ltd carried out the review last year. This year the Board and its committees carried out an internal review of progress against the objectives set following last year's evaluation, as well as its overall performance during the year through a series of comprehensive web-based questionnaires.

Performance evaluation

Key 2015 objectives	Progress
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.	• Introduction of an annual top down global macro level risk review facilitated by the Group's external advisers and reviewing principal risks to support the Viability Statement; • Further embedding risk management into the business operations, reviewed on a monthly basis via the performance management review process and Operational and Financial Review report to the Board; • Additional deep dive risk reviews of each business segment and specific areas including cyber risk and competition risk.
Enhance the annual strategy review with additional interim discussions regarding specific elements of the strategy.	• Interim business segment reviews introduced as well as a comprehensive bi-annual R&D review. R&D strategy review underway.
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 the Group's evolving strategy.	• Continuation of enhanced leadership development plans; • In depth Board review of capability needs monitored monthly via Operational and Financial Review.
Continue to enhance the induction programme for new directors, tailored for individual needs.	• Refined by providing more in depth business reviews and site visits.

Key 2016 objectives

In response to the results of this year's evaluation the following Board objectives have been set for 2016:

- Continue to focus on the identification of key strategic options and risks and further integration of the risk management process into the process for formation and review of strategy;
- Continue the improvement of the risk management process and specifically the top down risk review as well as further definition of risk appetite; a continued focus on the impact of structural changes in the healthcare industry generally and how ex-US markets such as EU and Asia operate;
- Further review of the R&D strategy of the Group;
- Greater focus on contingency plans for people and having succession plans in place for senior staff.

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 Group's progress and prospects.

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

The criteria applied by the directors, in judging the effectiveness of these controls, are that they allow the maximisation of shareholder value by exploiting business opportunities while ensuring that risks are properly identified and managed and the Group's legal, regulatory and other obligations are met. The controls are regularly reviewed to ensure that they enable the proper management of business risks.

To strengthen the control framework of the business, the Group has an Internal Audit group supported externally by PwC. In addition, a review of our internal controls was carried out by EY. Further information can be found in the Audit Committee report on pages 48 to 51.

Structure and reporting

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

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

Compliance and the review of risk and risk management are embedded throughout the Group. The Audit Committee has reviewed the detailed reports on Risk, Internal Audit and Compliance and reported its findings to the Board (see the Audit Committee report on pages 48 to 51 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 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. There is a comprehensive learning and development programme which gives employees the opportunity to take part in training covering a wide range of skills including those in leadership and technology, as well as periodic 'lunch and learn' sessions to update employees on key issues affecting the business.

The Board, through the Audit Committee, has reviewed the effectiveness of the internal controls of the Group. The controls described above operate and are embedded within the day-to-day business. There is an ongoing process for identifying, evaluating and managing significant risks faced by the Group. A reporting structure has been in place throughout the year up to the date of approval of the financial statements and is regularly reviewed by the directors and is in accordance with the Code. Further information is given in the Audit Committee report on pages 48 to 51.

BTG places great emphasis on the embedded behaviours and values that define the Group which have been integral in building the organisation to date and we believe them to be key for continuing success. A companywide meeting is held each month where all sites join via video conference. 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 Group entered into technology commercialisation and revenue sharing agreements with these organisations prior to Giles Kerr joining the Board. The Group has licensed the intellectual property rights covered by these agreements to independent third-party companies that are developing and/or selling the licensed products. Under these licence agreements, the Group is entitled to receive milestone payments and/or royalties on sales of the products sold by the third-party licensees.

Under the various revenue sharing agreements, the Group pays a share of any income it receives to Oxford University or 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. As Giles has no influence over any aspect of these agreements in his role outside the Group, the Company considers that his independence in relation to the Group is not compromised.

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

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

See note 29 on page 120 for additional related party disclosures.

Market Abuse Directive

The Group 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. Systems and procedures for maintaining insider lists are being updated so that the Group can meet the requirements of the new Market Abuse Regulation, which becomes effective on 3 July 2016.

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 54 to 75.

Relations with Shareholders

Communications with investors is given a high priority and the Group is committed to regular and open dialogue with all current and potential shareholders. The main points of contact for major shareholders are the CEO, the CFO and the Group's Investor Relations team. Meetings with investors are principally to ensure a common understanding and awareness of the Group's strategy, performance and policies and the views of investors are regularly communicated back to the Board.

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

The Group formally reports its results twice a year with full-year results announced in May and interim results in November, supplemented by Close Period and AGM statements. The CEO and CFO give presentations of these results to the Group's institutional shareholders, analysts and the media. The presentations are broadcast live on the internet for the information of all 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/investors) for access by all shareholders. In addition, through the website, individuals can register to receive electronic copies of all announcements on the day they are issued.

The AGM provides the Board with an opportunity to communicate with, and answer questions from, private and institutional shareholders. The Chairmen of the Audit, Nomination and Remuneration Committees are available at the Annual General Meeting to answer questions.

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

IR calendar/activity 2015/16

April 2015

Investor roadshows:
- New York/Chicago (CEO, IR)
- Copenhagen & Helsinki (CEO, IR)

May 2015

Investor roadshow:
- London, Scotland (CEO, CFO, IR)

Conferences:
- Deutsche Bank Healthcare, Boston (CEO, IR)

Sales briefing:
- Deutsche Bank (CEO, CFO, IR)
- JP Morgan Cazenove (CEO, CFO, IR)

June 2015

Investor roadshows:
- New York (CEO, IR)
- Birmingham (IR)

Conferences:
- Jefferies Global Healthcare, New York (CEO, IR)
- JP Morgan Cazenove Healthcare, London (CEO, IR)

July 2015

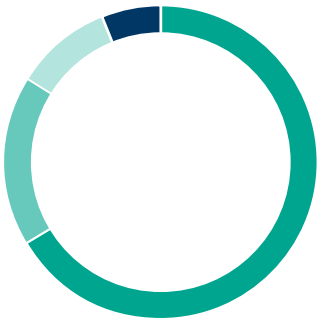
Investor roadshows:
- Frankfurt (IR)
- Zurich, Geneva, (CEO, IR)
- **Annual General Meeting**

September 2015

Investor roadshow:
- Leeds, Manchester, Liverpool (IR)

Conferences:
- JP Morgan Cazenove Mid-cap, London (CEO, IR)
- Goldman Sachs Medtech, London (CEO, IR)
- Morgan Stanley Global Healthcare, New York (CEO, IR)
- BAML Global Healthcare, London (CEO, IR)
- Citi Mid-cap, London (CEO, IR)

Investor contact by location



	Number of meetings
United Kingdom	235
United States and Canada	66
Europe	38
Rest of the World	23

Investor contact by management type

	Attendance
CEO	34%
CFO	13%
IR	53%

appropriate. Garry Watts and Ian Much met with major shareholders at their request as part of a wider shareholder consultation exercise with respect to the development of the executive director remuneration policy to be proposed to shareholders for approval at the AGM.

Annual General Meeting

The AGM will be held at 10.30 am on Thursday 14 July 2016, 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 Group'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 Group 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 introduced mandatory poll voting on all resolutions put to the AGM. The results of the voting will be disclosed and subsequently published in a market announcement and on BTG's website following the meeting.

November 2015

Investor roadshows:
- London (CEO, CFO, IR)
- Paris (CEO, IR)

Conferences:
- Jefferies Global Healthcare, London (CEO, IR)
- JP Morgan Cazenove "Best of British", London (CEO, IR)

December 2015

Investor roadshows:
- Sydney, Melbourne (CFO, IR)
- Glasgow, Edinburgh (IR)

Conferences:
- Deutsche Bank EU Healthcare, London (CEO, IR)

January 2016

Conferences:
- JP Morgan Global Healthcare, San Francisco (CEO, CFO, IR)

Sales briefing:
- RBC (CEO, CFO, IR)

February 2016

Investor roadshow:
- Chicago, New York (CFO, IR)

Conferences:
- RBC Global Healthcare, New York (CFO, IR)

Sales briefing:
- Stifel (CEO, IR)

March 2016

Investor roadshow:
- Dublin (IR)

Conferences:
- Credit Suisse EU Healthcare, London (CFO, IR)

Sales briefing:
- Deutsche Bank (CEO, IR)

Audit Committee report

Dear Shareholder,

As Chairman of the Audit Committee, I am pleased to present our report for the year ended 31 March 2016. This report details the work of the Committee over the past year, fulfilling our responsibilities to provide effective governance over the Group's financial activities. Our role is to assist the Board in carrying out its oversight responsibilities in relation to financial reporting, internal controls and risk management, as well as maintaining an appropriate relationship with the external auditor.

In order to do this, the Committee reviews and, where necessary, seeks to enhance the integrity of the Group's internal controls, its financial reporting and the way the risks are assessed, managed and reported. The Committee also oversees compliance as well as the performance of both the internal and external audit functions. The Committee devotes a significant part of its time to these areas. The highly regulated environment in which the Group operates enhances the need to ensure our processes remain fit for purpose, particularly in light of the growth in size, complexity and international reach of the Group. During the year the Group began direct sales of DC Bead® and Bead Block® in 11 European countries and continued the steady expansion into Asia with the interventional oncology products DC Bead® and TheraSphere®. Sales were also enhanced by the addition of a number of distributors in other EU, Asian and Latin American territories. Consequently the Committee also sought to enhance the distributor due diligence, selection, compliance, training, monitoring and audit programmes, particularly those relating to anti-bribery and anti-corruption.

The Committee has continued the work commenced last year to implement the changes made by the 2014 edition of the Corporate Governance Code (the Code) which apply to the Group for the first time this year. The changes have strengthened the role of the Committee. Throughout the year there remained a focus on the approach to risk management across the Group, driving the process more fully into the day to day operations of the business units, and also focusing on risks external to BTG, in the general healthcare industry and at a more macro-economic level. Further consideration was given to potential emergent risks and the integration of the risk review process in the discussion of longer-term strategy. The Code has also introduced the requirement for companies to produce a Viability Statement to provide shareholders with an improved understanding of the Board's view on the longer-term viability of the Group. The process undertaken and the Statement can be found on page 29 of the Strategic Report.

A review of BTG's internal controls and processes was conducted by EY. In addition, an internal evaluation was undertaken of the external auditors (KPMG) and the internal audit function (outsourced to PwC). The results are described on pages 50 and 51 respectively.

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

Committee members	Date of appointment to the Committee
Giles Kerr (Committee Chairman)	6 November 2007
Ian Much	1 November 2010
Richard Wohanka	1 January 2013

There were four Committee meetings during the year, at key times in the Group's financial reporting and audit calendar. Details of attendance can be found on page 41.

Committee composition

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 are available on the Group's website, or from the Company Secretary on request.

A review of the Committee was carried out during the year. The Board is satisfied that the current members have the range and depth of financial knowledge and experience necessary to effectively fulfil their responsibilities. The Code requires that the Committee has at least one member with recent and relevant financial experience, and the Board is satisfied that Giles Kerr meets these requirements, being a Fellow of the Institute of Chartered Accountants and Director of Finance at Oxford University. As Chairman, Giles receives additional remuneration to compensate him for his additional responsibilities, as set out on page 75. He is supported by the other members who bring substantial experience in international business areas, as well as financial expertise to the deliberations of the Committee, enabling it to work effectively and to challenge management. More information is given in the directors' biographies on pages 34 and 35.

In light of the fact that Giles Kerr will have served as a non-executive director of the Group and Chair of the Committee for 9 years in September, the decision has been taken to recruit another non-executive director to fulfil that role. The selection process has begun as outlined on page 53. It is anticipated that the new appointee will work closely with Giles to ensure an effective transition.

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 are normally invited to attend meetings. The external auditor always attends Committee meetings. The Company Secretary, Paul Mussenden serves as secretary to the Committee.

At least once a year, immediately following a Committee meeting, a meeting is held separately with the external and internal auditors to give them the opportunity to discuss matters without management being present.

Activities

A summary of how the Committee discharged its responsibilities during the year is shown below:

Area of review	Activities undertaken
Financial reporting	• Review of the Group's half-year and full-year results • Consideration of whether the Annual Report and Accounts 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 • 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 twelve months from the date of approval of the financial statements • Review of the work underpinning the Viability Statement • Advise the Board on the Viability Statement • Review of the Group's taxation
External auditor	• Review of External Auditor, including independence • Review of the scope, nature and resource planning for half-year review and full-year audit • 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 compliance systems and policies • Review by external auditors of internal controls and processes • Review of the Group's whistle-blowing policy and any allegations arising from it • Review of the results of internal compliance monitoring and auditing • Review of the Group's tax affairs • EY review of internal controls • Review of internal investigations (including the investigation commenced by the US Department of Justice in June 2014 with respect to LC Bead®) and Internal Investigations Policy
Internal audit	• 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 • Review of the performance of PwC who lead the internal audit function
Committee governance	• Review of Committee terms of reference • Completion of effectiveness review

Time spent by the Committee during the year

Financial reporting	20%
External audit (inc. non-audit services)	18%
Risk management and compliance (inc. whistle-blowing)	26%
Internal audit	16%
Governance/policy/other	11%
Tax	9%

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 Group 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 on the following page. 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.

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 Intangibles 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 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 past acquisitions and the assumptions made in setting up the deferred tax liability on acquired intangibles. No acquisition took place this year.
- Investigation and contingent liabilities: The Committee received and critically reviewed the progress of any relevant items and the likelihood and ability to estimate any potential outflows including the ongoing Department of Justice investigation.
- 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 and senior members of the finance team evaluated the external auditor performance using a detailed questionnaire which included questions related to the audit team, the approach, communication, audit quality, governance, independence and interaction with internal audit and reporting. The performance of the external auditor was deemed satisfactory. There is good senior level understanding of the business and its complexities which permits the auditor to exercise good judgment while maintaining an efficient process. The Committee has discussed with the auditor the need to maintain a high level of robust challenge to ensure a high quality audit.

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 2016 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 is mindful of the ongoing consultations regarding EU Audit reform and how this will be implemented into UK regulation.

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	Fees £'000
US tax compliance services	370
Other compliance related services	54

Total fees paid to the Group'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.

Each year, the Committee considers the reappointment of the external auditor and makes a recommendation to the Board. KPMG has been the Group's sole external auditor since the Group 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 as part of this process, 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. Following analyses of the results of the questionnaire and taking into account the complexity of the business, 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 Group's interests to commence a tender process at this time. Following this review, 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 EU Audit reform framework and the Competition & Markets Authority (CMA) Order, the Group still intends to consider an external audit tender, at the latest, nearer the time of the next audit partner rotation, currently scheduled for 2018. The Group may however put the audit out for tender 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

Ensuring the effectiveness of the Group's risk management and internal control systems is the responsibility of the full Board. Additional details of our approach to risk management and the specific principal risks that may affect the business are given on pages 27 to 32 in the Strategic Report.

The Committee, on behalf of the Board, undertakes the monitoring and assessment of the risk management process and internal controls effectiveness and reports to the Board on its findings twice-yearly. The goal is to ensure the Company is able to identify, assess and effectively manage or mitigate existing and newly emerging risks. The Committee's review focuses on financial, operational, anti-bribery, regulatory and healthcare law compliance risks and controls for the year under review and up to the date of this Annual Report and Accounts. This year the Committee included additional measures to consider the key risks which could impact the business model and strategy over the longer term.

The Committee discharges these duties using a combination of reports from management, Internal Audit and the external auditor reviews. A risk management reporting structure has been in place throughout the year and up to the date of approval of the financial statements and is regularly reviewed by the directors in accordance with the Code. During the year, a thorough review of the risk management reporting structure took place which included a deep dive on cyber-security and a top down risk review and assessment of global macro risks. The overall risk assessment structure 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 reviews the potential impact of material litigation and other contingencies, taking into account the assessment of internal and external legal counsel and other advisers as appropriate.

The Group operates a Risk Committee which is chaired by the CFO, Rolf Soderstrom and comprises senior members of staff representing relevant parts of the business and key functions as well as other members of the Leadership Team. The output from the Risk Committee is formally reported, twice annually, to the Audit Committee who reviews the processes followed by management in identifying and managing risk throughout the Group. This Group Risk Report is also shared and discussed with the full Board twice annually and individual risks may be considered by the Board as they arise throughout the year. Leading indicators of material changes in principal risks are monitored monthly by the Board via the Operational and Financial Review 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 and various employee trainings are details of the Group's whistle-blowing policy.

Anti-bribery and anti-corruption policy

The Group has continued to operate its anti-bribery and anti-corruption (ABAC) policy introduced in 2010 in response to the UK Bribery Act 2010. This has included the conduct of due diligence on existing and new key business partners who may act on behalf of the Group in higher risk areas of business. Further enhancements were completed during the year, which included the implementation of a more rigorous third party questionnaire for higher risk areas, the use of interactive technology to standardise how the Group collects and analyses third party data, and further integration of this information into business segment analysis to aid a more selective application of audit rights.

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.

The internal audit plan focuses on financial controls and compliance with healthcare laws. 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.

During the year the Committee evaluated the performance of the internal auditor using the same methodology applied to the external auditor. In general, performance of the internal audit group was deemed satisfactory. Utilising PwC permitted greater access to specialists, providing for strong governance advice and has resulted in a high quality of analysis. To further strengthen internal audit in 2016/17 there will be a focus on increasing its connection across senior members of the business and adding an internal audit member to the Group's Risk Committee.

Committee evaluation

The review of the Committee and its effectiveness was internally 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. In summary the evaluation supported:

- the continued enhancement and development of the Finance Function, including the addition of new key capabilities and a review of finance systems;
- a more detailed review of the performance of the auditors as well as the internal auditors (already completed as described above); and
- continued bedding down of the improvements made over the year to the risk management process, and continuation of the horizon scanning externally focused emergent risk reviews.

Giles Kerr
Chairman of the Audit Committee

Nomination Committee report

Dear Shareholder,

I am pleased to present to you the report of the Nomination Committee for the year ended 31 March 2016. Our key objective is to ensure that the Board has the appropriate mix of skills, experience, knowledge and expertise to lead the Group, we also help develop and ensure the delivery of the Group's strategy and seek to meet our other commitments such as the creation of long-term shareholder value and to effectively manage risk. We regularly review the structure of the Board and its Committees against the current and future needs of the Group, taking into account changes in the Group's business and strategy and the environment in which the Group operates.

We will continue to monitor Board and Committee composition regularly and progress our succession planning programme in light of our evolving needs.

Garry Watts
Chairman of the Nomination Committee

Committee members	Date of appointment to the Committee
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 four Committee meetings during the year. Details of attendance can be found on page 41.

The Committee and its membership

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

Committee meetings

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

The key responsibilities of the Committee:

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

Time spent by the Committee during the year

Composition and balance	33%
Governance/effectiveness	11%
Succession planning and re-appointment of directors	56%

Activities

The principal activities during the year related to:

- The reappointment of non-executive directors Giles Kerr, Richard Wohanka and James O'Shea. Giles and James were each reappointed for a further 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.
- We have commenced a search to seek to appoint a new non-executive director to the Board who would also act as chair of the Audit Committee, given that this coming year Giles Kerr will have served in that role for 9 years.
- Discussing succession planning for the Group's Leadership team, including the CEO and CFO and the Group's senior managers in key positions.
- Review of Board capability in the context of the annual strategy discussion.
- 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. As in previous years this is an area of focus as the business continues to grow and it is considered in the context of both organic growth and acquisitions. Progress to address perceived capability gaps is regularly reviewed.

Appointment process

When considering Board appointments, the Committee considers what areas of expertise the Board most benefits from and accordingly draws up a full description of the role, desired skills and capabilities. It also considers the future needs of the Group. Diversity, including gender diversity, plays an important part in the process. The Group appoints external consultants to support the process, ensuring appropriate experience of recruiting for such roles.

A rigorous interview and selection process is carried out by the Committee on behalf of the Board and shortlisted candidates will also be interviewed by the other non-executive directors and the CEO. Taking into account their views and the Board's requirements, the Committee will make a recommendation to the Board.

To ensure a full understanding of BTG is developed, newly appointed directors will undergo a comprehensive induction programme. As part of this process each new director is given a full briefing on the financial and operating history of the Group and details of its strategy, risk management and governance processes, operating plans, budgets and forecasts for future years. Arrangements are also made for them to meet with senior executives at both a group and business segment level and additional bespoke training may be undertaken based on individual needs. Site visits are encouraged. A review is undertaken of the content of recent Board and Committee discussions including a range of Board reports, minutes and historical actions. A briefing on corporate governance and directors' responsibilities will be given and the opportunity to attend external courses is also available, as it is for all directors.

Succession planning

The development of talent below Board level is also 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 Head 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 to give them learning opportunities closely related to the leadership challenges they face on a regular basis. By focusing on creating a pool of talented leaders we are increasing the probability of retaining them through meaningful development and career opportunity and building the internal capability needed to become a FTSE 100 organisation.

The Committee also reviews succession plans and provisions for emergency cover of key managers.

Diversity

The benefits of diversity across all areas of the Group are recognised by the Board which currently comprises 75% men and 25% women. However it is of the utmost importance that the Board continues to provide strong leadership and, therefore, will continue to appoint only the most appropriate candidates.

The policy on diversity applies across all levels of the Group and further details can be found in the People and practices section on pages 19 to 21.

Committee evaluation

As part of the internal annual Board evaluation process, a review of the Committee was carried out and it was found to be functioning effectively, with clear and well-focused processes. The ongoing need to continue to focus on the assessment of the future composition of the Board and its capabilities in light of the longer-term strategic plans of the Group was emphasised. This will be reflected in the future work of the Committee, which will also include a further review of contingency and succession plans for key people.

Garry Watts
Chairman of the Nomination Committee

Directors' Remuneration report

Ian Much

Annual Statement from the Remuneration Committee Chairman

Dear Shareholder,

I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2016.

Overall it has been a positive year for the Group 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.

In light of the significant growth and development of the Group over the last three years, the Committee has undertaken a strategic review of its approach to remuneration to ensure it remains aligned with the Group's goal of sustainable profitable growth and the creation of long-term value for our shareholders. The current remuneration policy has been in place since 2013 and was formally approved by shareholders (with 95.1% voting in favour) at the 2014 Annual General Meeting. At the time of its introduction, the Committee undertook to formally review the policy before the expiry of the current Performance Share Plan (PSP) in July 2016. Having undertaken this review, we are proposing a revised policy which will take effect from the beginning of the current financial year, subject to its approval by way of a binding shareholder vote at the 2016 AGM. The Annual Report on Remuneration will also be subject to an advisory shareholder vote at the AGM.

Changes for 2016/17

To provide context we note that since 2010 the value and performance of the business has grown significantly, as shown in the table below:

31 March 2010
- Share price 178.3p
- Turnover £98.5m
- EPS 4.4p
- Employees 268

31 March 2016
- Share price 621.5p
- Turnover £447.5m
- EPS 15.8p
- Employees 1,209

The existing remuneration arrangements introduced in 2013 were designed to strike an appropriate balance between rewarding short-term execution whilst encouraging the long-term creation of value through enhanced rewards for delivery of significant value to shareholders. In particular they were intended to provide additional opportunities for increased rewards to the executive directors if Group performance was maintained over a five rather than just a three-year cycle. At that time, the Group had not fully achieved its transition from being an intellectual property licensing and R&D based organisation funded by royalties to a commercial company driven by its own product sales. The Committee wished to ensure that management was focused not only on the approval and launch of Varithena® but the development of longer-term value across the portfolio, enhancing product development programmes and acquisition opportunities which sought to consolidate its position as a leader in interventional medicine.

Since 2013 Varithena® has been launched in the US and the Group has made a number of acquisitions (notably EKOS, TheraSphere® and PneumRx) and expanded commercial operations in US, EU and Asia. The Group has, as a consequence, successfully continued its transformation to become a more diverse specialist healthcare company, focusing on the exciting area of interventional medicine with a range of businesses including a number in new areas. Over the medium-term, management will need to remain focused on growing sales and profits in the Interventional Medicine business, including from Varithena® and the development of the PneumRx business. Both executive directors now have a pipeline of the three-year Core and five-year Multiplier awards that will run potentially until 2020. The Committee therefore believes that it would be appropriate to re-balance the incentive arrangements so that there is a greater focus on successful short-term execution while maintaining an appropriate focus on longer-term shareholder value creation but without increasing the overall quantum of executive director pay.

In developing the proposed changes to our policy we have consulted with our major shareholders and the major representative bodies. The vast majority were supportive of the proposals which are explained in more detail overleaf.

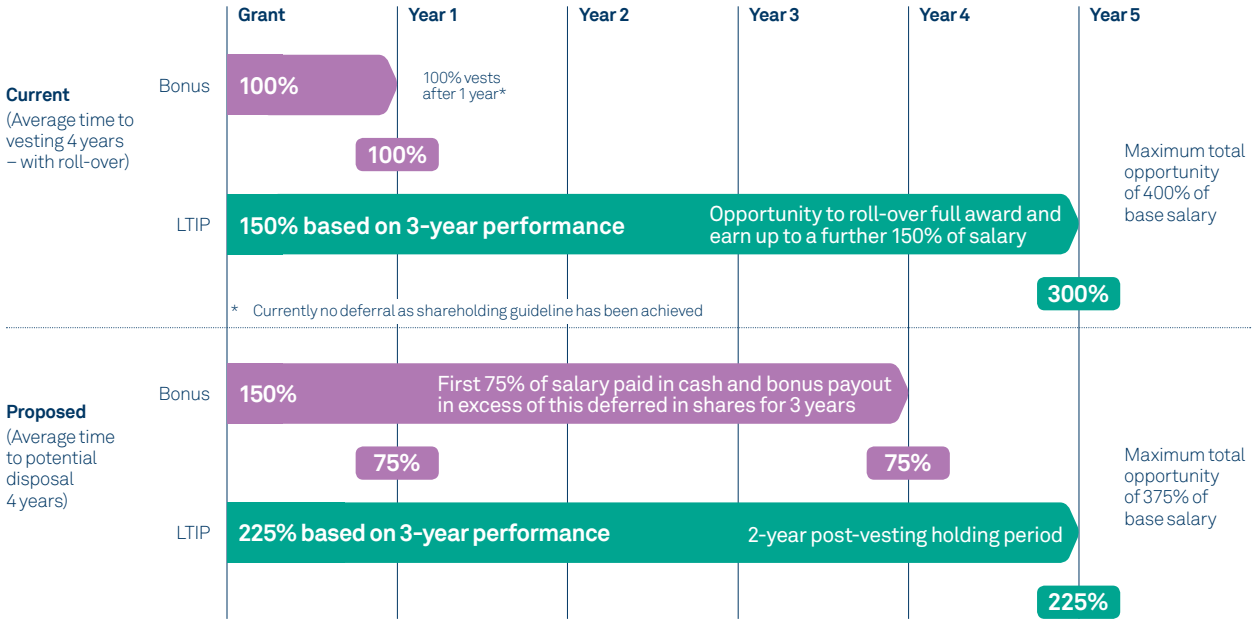
In summary, the new policy involves the following changes:

- We will simplify the current LTIP awards of three-year Core awards and five-year Multiplier awards, which result in an overall LTIP opportunity of 300% of salary. This will be replaced by a three-year PSP award of up to 225% of salary. Performance measures will remain largely unchanged. Subject to approval of the new policy, it is intended that the first award under the revised LTIP would be granted shortly after the 2016 AGM in July.

- Future vested PSP awards will be subject to a further two-year holding period, maintaining the long-term nature of the plan.
- The maximum annual bonus opportunity will be increased from 100% to a maximum of 150% of salary with the first 75% of salary of any bonus award paid in cash and any bonus awarded in excess of 75% of salary compulsorily deferred into shares to be held for a further three years. The deferral would apply irrespective of whether or not the applicable shareholding guideline has been met (currently no bonus deferral occurs as the guidelines have been met by both executive directors). The approach to setting bonus performance metrics will be largely unchanged and the Committee will continue to ensure targets are appropriately challenging in light of the increased quantum.
- The share ownership guideline for the CFO will be increased from 150% of salary to 200% of salary to bring his guideline into line with current best practice. The CEO guideline will remain at 250% of salary. As at 31 March 2016, Louise Makin's and Rolf Soderstrom's current shareholdings are worth approximately 577% and 298% of salary, respectively.

The impact of these changes on the time horizon over which remuneration is received is illustrated below. The proposed changes will maintain the long-term focus of executive director remuneration and the headline maximum variable pay opportunity (as a percentage of salary) will reduce. In recognition of this fact and her sustained contribution to the performance of the Group and the increase in the scope of her responsibilities over time, we intend to implement a one-off realignment of Louise Makin's salary as described later in this Statement.

Impact change diagram



Review of 2015/16 outcomes

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

- Continued growth in the Interventional Oncology franchise; EU sales force now selling Beads and TheraSphere® directly; good early progress with expansion in Asia
- Strong growth in sales of EkoSonic®, capitalising on the receipt of clearance from US FDA for use in the treatment of pulmonary embolism
- Varithena® approved by Health Canada; steady progress in gaining insurance coverage and establishing appropriate payment levels in the US reimbursed sector
- French government-sponsored REVOLENS study of PneumRx® Coils achieved primary endpoint; ongoing commercial activities to secure wider reimbursement in Europe; Positive data from RENEW study of PneumRx® Coil announced in December 2015 where both primary and secondary endpoints were met
- Wellstat Therapeutics Corporation received FDA approval for Vistogard® and BTG commenced US commercial sales
- 510k clearance received for LC Bead LUMI™ in US
- Good growth in royalties from Lemtrada™ following US approval
- Zytiga® revenue boosted by payment of backdated royalties.

The overall review of the year supported the assessment that the Group and executive directors each met a substantial part of their financial and operational bonus criteria (paid out in cash, 70% of which related to Group objectives and 30% of which related to individual corporate objectives), which will result in a 74.8% bonus payout for the executive directors.

Following on from the review of the policy for executive directors, the Committee has decided to implement a one-off realignment of the CEO's salary, increasing it to £650,000 being a total of approximately 11% (comprising an exceptional adjustment of approximately 8%, plus the 3% average increase for BTG employees with effect from 1 April, 2016). The combination of the reduced variable pay opportunity in the new policy with an increase in salary results in an overall remuneration opportunity for the CEO similar to her current total pay. It is anticipated that future increases in the CEO's salary during the life of the revised remuneration policy would be no higher than the average for the wider workforce. The CFO's salary will be increased by 3% in line with the average increase for BTG employees.

The existing PSP consists of three-year Core awards which, to the extent to which the awards vest, may be put at risk in exchange for an additional five-year Multiplier award. The key developments during the year were as follows:

- In June 2015, awards were granted under the PSP. The Core award element of the awards will be capable of vesting in June 2018 subject to adjusted EPS and relative Total Shareholder Return (TSR) performance conditions measured over three financial years. If the executive directors decide to roll-over 50% or 100% of the Core awards due to vest in 2018, the associated Multiplier award can reduce or enhance these awards based solely on relative TSR performance measured over five years to 31 March, 2020
- As disclosed last year, the Core award granted in 2012 became capable of vesting in June 2015. Both of the executive directors 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 2012 Core and Multiplier awards will be assessed in 2017 based on relative TSR performance over the full five-year period from the grant date of the original award.

- As a result of BTG's financial performance and sustained growth over the last three years, there will be 100% vesting under the 2013 PSP awards, subject to the decision to be made by each director whether or not to roll-over 50% or 100% of the PSP amounts that would otherwise vest, in order to receive an equivalent Multiplier award. If no such election is made, vesting will occur in July 2016. Vesting will occur in July 2018 in relation to any part of the award for which an election is made
- The Core and Multiplier awards for the PSP awards granted in 2011 will vest in full in July 2016 as a result of relative TSR performance over five years from 1 April 2011. Over the full five-year performance period, BTG achieved a TSR of 175.2%, more than 120% above the performance of the FTSE 250.

We continue to be committed to maintaining an open dialogue with shareholders and welcome further feedback. We hope for the continued support of shareholders at the AGM on 14 July 2016 where you will be invited to vote on the 2016 Annual Remuneration Report (and this annual statement), and the new Remuneration Policy and Performance Share Plan.

Ian Much
Remuneration Committee Chairman
16 May 2016

Structure of the Report

The report is divided into three parts: (i) the 'Annual Statement' (above) summarising the business context in which the Committee has operated; (ii) the '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 Group's directors during the 2015/16 financial year.

Directors' Remuneration Policy Report

This part of our Directors' remuneration report sets out the remuneration policy for the Group that has been prepared in accordance with Part 4 of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and, if approved by shareholders at the 2016 AGM, will apply from the beginning of the current financial year until the 2019 AGM.

The Policy enables the Group to offer a package of rewards that:

- is sufficiently competitive to enable the Group to attract and retain the management talent it needs to ensure the Group is successful;
- supports the achievement of the Group's strategy by providing the potential to receive significant rewards linked to the long-term performance of the Group;
- 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 Group's changing needs as it grows and the strategy evolves.

The Committee believes that the salary, annual bonus with deferral, long-term incentives with a five-year time horizon from grant to potential sale of vested shares, demanding share ownership guidelines, and forfeiture provisions, together 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 specifics of the proposed Directors' Remuneration Policy are as follows.[1,3]

Summary of proposed Directors' Remuneration Policy

Element	Purpose and link to strategy	Operation	Maximum	Performance targets
Base salary	Provides market competitive fixed remuneration that takes account of individual responsibilities, and enables the Group to recruit and retain executives that are capable of delivering the Group's strategic objectives.	Set at a broadly mid-market level, salaries are normally reviewed annually with effect from 1 April taking account of individual responsibilities, experience and performance.	Other than to reflect a change in the size and complexity of the role or Group or to reflect experience in the role, salary increases will normally be no higher than the average increases taking place across the Group (taking into account, where appropriate, the relevant pay groups).	None, although overall individual and corporate performance is a factor considered when reviewing salaries. Details of the salary review in the period are set out on page 74.
Benefits	Provide a competitive package of benefits that assists with attracting and retaining employees.	These mainly comprise medical benefits and permanent health insurance, but the components will have regard to the market practice in the location of any future appointment. This could include relocation allowances or other appropriate benefits. Any reasonable business related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit. Executive directors are eligible for other benefits which are introduced for the wider workforce on broadly similar terms.	The quantum of benefits will be in line with local market practice. The value of each benefit is based on the cost to the Group which may vary from year to year.	N/A
Annual bonus	A reward that is linked to the Group's short-term aims and value creation objectives. Deferral of part of the bonus under the Deferred Share Bonus Plan (DSBP) provides an element of lock-in and alignment with shareholders.	All employees including the executive directors participate. Paid as a mix of cash and deferred shares under the DSBP. From 2016, the first 75% of salary of any bonus will be paid in cash, with any bonus paid in excess of 75% of salary compulsorily deferred into shares for three years. DSBP awards are structured as conditional awards over shares. From 2016, both the cash and deferred portion of bonuses are subject to clawback and malus.[6] Dividend equivalents may be paid on the shares awarded as part of the DSBP.	Maximum of 150% of salary for executive directors.	Performance targets for the executive directors are set annually by the Committee and focus on Group financial performance measures such as revenue, trading profit, operating cash flow (although the Committee has discretion to select other measures) and performance against a number of corporate and individual objectives intended to stimulate future growth. Financial objectives account for the majority of the bonus. Targets are set annually on a sliding scale with 50% of maximum bonus potential normally payable for on-target performance and up to 25% of maximum bonus potential payable for performance at threshold. The Committee has discretion to adjust the bonus pay-out if in its opinion, the pay-out would not otherwise appropriately reflect the performance achieved. In addition, the Committee must be satisfied that a minimum level of financial performance has been achieved before any bonus is paid. If, in exceptional circumstances, it was decided to apply upward discretion, it would first be discussed with major shareholders and the reasons fully disclosed in the annual report on remuneration for the relevant year.

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 pharmaceuticals company to an earnings-driven international specialist healthcare company. Ensures remuneration includes a strong emphasis on the delivery of growth, sustained financial performance and superior shareholder returns.	Annual awards of performance shares are made under the PSP, vesting of which is subject to the achievement of targets measured over a minimum of three financial years.[2,5] Starting with awards granted in 2016, a two-year holding period applies upon vesting of awards, during which shares may not be sold (other than to pay tax and national insurance). Awards of performance shares are subject to clawback and malus.[6] Executives are entitled to receive dividend equivalents in respect of vested awards.	Maximum award of 225% of salary.	Awards prior to 2016 are subject to conditions which are described in the annual report on remuneration on pages 70 and 71. Awards will be granted subject to a combination of financial and total shareholder return measures, tested over a period of at least three years. The Committee may introduce or re-weight performance measures so that they are directly aligned with the Group's strategic objectives for each performance period. No more than 25% of each element vests at median/threshold performance, rising to full vesting at upper quartile/stretch performance. Details of the targets for these awards are provided in the annual report on remuneration. The Committee has the discretion in certain circumstances to grant and/or settle an award in cash. In practice this will only be used in exceptional circumstances for executive directors.
Pension	Provides competitive retirement benefits that reward sustained contribution.	For longer serving employees: participation in contributory defined benefit pension arrangements up to a scheme specific cap or HMRC defined limits. For more recent hires and provision above the cap: defined contribution pension provision and/or cash allowances.	Defined benefit provision: 1/60ths accrual up to cap (reviewed annually), normal retirement age of 60. Defined contribution or cash allowance: up to 25% of salary.	N/A
All-employee share plans	Encourages employees to acquire shares in BTG, increasing alignment with shareholders.	Executive directors can participate in BTG's save-as-you-earn scheme which is open to all UK employees. A US Internal Revenue Service 423 Plan with standard terms is operated for US employees.	Participation limits are those set by the relevant tax authorities from time to time.	N/A[4]
Shareholding guidelines	Provide alignment between executives and shareholders.	Executive directors are required to build significant shareholdings in the Group.[7] Executive directors may sell vesting shares to meet tax and national insurance liabilities. In addition, provided they have achieved and continue to meet the applicable shareholding guideline level, they will be permitted to sell shares over and above those required to meet their tax liabilities and national insurance liabilities within 30 day periods after either (i) the announcement of the Group's results and completion of related investor roadshow or (ii) the date of subsequent vesting of shares with respect to the period to which those results relate (in either case subject to agreement with the Chairman and any other legal restrictions on share dealings).	CEO: 250% of salary. CFO: 200% of salary.	N/A

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 2006 PSP. Awards granted under the 2006 PSP consist of a Core award and a Multiplier award and executive directors are able to roll-over 0%, 50% or 100% of any Core award that would vest in return for a Multiplier award that could increase or decrease the value of the Core award, vesting after five years from the date of grant, subject to performance conditions. The full structure of these awards is outlined in the policy approved at the 2013 AGM.

3 A description of how the Group intends to implement the policy set out in this table for 2016 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 All awards granted post 1 July 2011 under the DSBP, PSP and ESOP are subject to clawback and malus in the event of a material misstatement of the financial results of the Group for the financial year to which an award relates being discovered, an error in the calculation of performance for an award or individual misconduct resulting in dismissal. The same principle was adopted in 2015 with respect to the annual bonus.

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

Committee discretions

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

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

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

Outstanding share incentive awards that remain unvested or unexercised at the date of this report, as detailed on pages 70 and 71 of the annual report on remuneration, remain eligible for vesting or exercise based on their original award terms.

Remuneration at a glance

The Group's policy results in a significant portion of remuneration received by executive directors being dependent on Group performance. The chart on the following page illustrates how the total pay opportunities for the executive directors vary under three different performance scenarios: minimum, on-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.

Choice of performance measures and approach to target setting

Annual bonus arrangements for the executive directors are normally split between corporate financial and individual non-financial objectives with the financial targets normally 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 growth goals. The 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 will normally require the Group to maintain or improve on the prior year performance with the stretch target requiring significant out performance above plan.

For awards to be granted under the PSP in 2016, the metrics will be split between adjusted EPS and relative TSR outperformance of a general market index (for the 2016 awards this will be against the constituents of the FTSE 250), which ensures focus on sustainable growth and superior returns to shareholders (with the weighting between TSR and adjusted EPS determined by the Committee annually). The choice of financial metric, comparator index for TSR and weighting between each measure for awards will remain under review. 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 the remuneration policy.

BTG's workforce includes a high proportion of highly qualified scientists, technicians and professionals who 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 increase awarded to BTG's general workforce for 2015/16 was 3%. General workforce increases, effective June 2016, will range between 1% and 15%.

How executive directors' remuneration policy relates to the wider Group

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

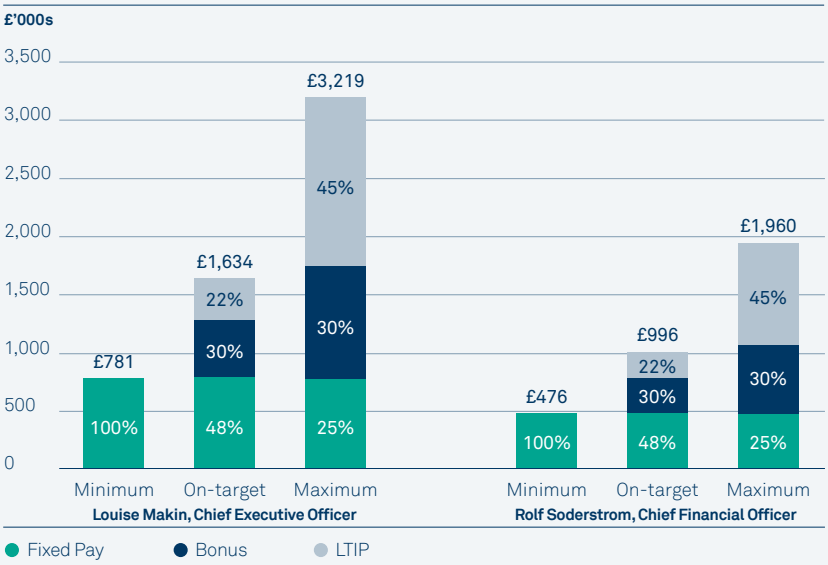
As explained above, salaries for the Group's wider workforce are benchmarked externally against comparable companies within the sector and wider industry. The Group aims to ensure that all employees' salaries are positioned around a mid-market level for the role taking account of performance and individual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

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

All employees 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 Group 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 Group 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 Group 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.

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 (75% of salary) and 25% vesting of the PSP award (56.25% of salary).

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

- Salary levels (on which other elements of the package are calculated) are based on those as at 1 April 2016
- The value of taxable benefits is based on the cost of supplying those benefits (as disclosed) for the year ended 31 March 2016
- Pension levels have been estimated at 20% of base salary levels
- The executive directors can participate in all employee share schemes on the same basis as other employees. The value that may be received under these schemes is subject to tax approved limits. For simplicity, the value that may be received from participating in these schemes has been excluded from the above charts
- Amounts have been rounded to the nearest £1,000
- No account has been taken of share price growth or dividends on vested shares.

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 them.

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.

In developing its proposals for the changes to the remuneration policy for approval at the 2016 AGM, the Committee has engaged with its largest shareholders and major representative bodies regarding changes to the executive directors' remuneration arrangements, in particular the changes to the long-term incentive arrangements and the repositioning of the CEO's salary.

Approach to recruitment and promotions

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

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

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

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

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

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

Legacy arrangements

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

External appointments

The Board believes that it may be beneficial to the Group for executives to hold non-executive directorships outside the Group. Any such appointments are subject to approval by the Board and the director may retain any fees received. Louise Makin received fees of £66,333 for being on the Board of Intertek Group during the year to 31 March 2016 (2015: £65,500) and £25,581 for being on the Board of Woodford Patient Capital Trust during the year to 31 March 2016 (2015: £0). 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 Group and from the executive.
Termination payment	The Group may terminate the contracts of the executive directors with immediate effect by making a payment in lieu of notice. 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 12 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 Group 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 Group's policy on new directors' service contracts is that, in line with the best practice provisions of the Code, they should be terminable by the Group on a maximum of one year's notice and contracts should not provide for predetermined compensation in the event of termination or provision for enhanced payments in the event of a takeover of the Group. Provisions permitting the Group to make any termination payments by instalments, and requiring directors to mitigate their loss in such circumstances, will be included in new contracts. The Remuneration Committee will exercise discretion in determining whether termination payments should be paid by instalments, taking account of the reason for the departure of the director and their prior performance. Other than in gross misconduct situations, the Group would expect to honour the contractual entitlements of terminated directors.

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

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

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

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

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

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

Non-executive	Date of 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 2016
Ian Much	1 August 2010	3	31 July 2016
James O'Shea	2 April 2009	3	31 March 2017
Richard Wohanka	1 January 2013	3	31 December 2018
Susan Foden	1 March 2015	3	28 February 2018

Non-executive directors' and Chairman's fees

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

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

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

Annual report on remuneration

This part of the report has been prepared in accordance with Part 3 of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). The Annual Remuneration Report will be put to an advisory shareholder vote at the 2016 AGM. The information on pages 54 to 72 has been audited.

About the Remuneration Committee and its advisers

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

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

Members	Committee member	Date of appointment to the Committee
	Ian Much (Chairman)	28 September 2010
	Giles Kerr	3 November 2009
	Susan Foden	1 March 2015
	Details of attendance at meetings are shown in the table on page 41.	
Other attendees at Remuneration Committee meetings	The Chairman (Garry Watts), CEO (Louise Makin), CFO (Rolf Soderstrom) and Head of HR (Yvonne Rogers) may attend meetings by invitation, other than when their own remuneration is being considered. The Company Secretary (Paul Mussenden) serves as secretary to the Committee.	
Committee evaluation	During the year the Committee carried out a review of its effectiveness and the results, along with recommendations for improvement, were reported to the Board. The Committee was found to be operating effectively, with good oversight, engagement and debate of issues. The emphasis would remain on ensuring the maintenance of a strong link between remuneration and performance and strategy, and aligned with shareholder interests.	
Committee advisers	The Committee appoints its own advisers as it sees fit and has appointed NBS (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 Group with advice on matters specific to the US employment market. The Group also uses Willis Towers Watson and PwC to advise on remuneration issues. The fees paid to the Committee's advisers (NBS) in 2015/16 were: £172,816 (2014/15: £105,521).	

Single figure for total remuneration (audited)

		Salary/fees[1] £'000	Benefits[2] £'000	Bonus paid in cash[1] £'000	Bonus paid in shares[3] £'000	Long-term incentives[4] £'000	Pension[5] £'000	Other[6] £'000	Total remuneration £'000
Executive Directors									
Louise Makin	2016	586	1	439	–	2,288	127	3	3,444
	2015	569	2	509	–	395	127	4	1,606
Rolf Soderstrom	2016	384	1	287	–	1,586	77	–	2,335
	2015	373	2	334	–	293	75	–	1,077
Non-executive Directors									
Garry Watts	2016	235	–	–	–	–	–	–	235
	2015	190	–	–	–	–	–	–	190
Giles Kerr	2016	65	–	–	–	–	–	–	65
	2015	60	–	–	–	–	–	–	60
Ian Much	2016	60	–	–	–	–	–	–	60
	2015	55	–	–	–	–	–	–	55
James O'Shea	2016	50	–	–	–	–	–	–	50
	2015	45	–	–	–	–	–	–	45
Richard Wohanka	2016	50	–	–	–	–	–	–	50
	2015	45	–	–	–	–	–	–	45
Susan Foden[7]	2016	50							50
	2015	4	–	–	–	–	–	–	4
Ex-Directors									
Melanie Lee[8]	2016	–	–	–	–	–	–	–	–
	2015	22	–	–	–	–	–	–	22

1 All directors' fees, salaries and bonuses are subject to UK income tax.

2 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.

3 Element of bonus deferred into the DSBP.

4 Awards are included in the financial year in which the performance conditions end. The share price used is the three month average share price to the end of the financial year. For 2016 this figure does not include the 2013 Core PSP award as the Core and Multiplier awards are treated as a single award and the Core award will be shown in 2017 if no election is made and both Core and Multiplier in 2018 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 2017 and the remainder is part of the Multiplier award in 2018. The 2015 figure has been restated to reflect the actual share price on the date that the 2012 share options become exercisable (1 June 2015: 709.0p). The LTIP figure for 2016 relates to the 6 July 2011 Core and 6 July 2014 Multiplier awards. Share price appreciation over the five-year period to 31 March 2016 contributed materially to the total remuneration figure for 2016. Details can be found on page 68.

5 Pension consists of a cash supplement in lieu of employer pension contributions following the changes to pension legislation. In addition, for Louise Makin, it includes £39,674 (2015: £42,108), representing the value of the increase in the year of her pension entitlement in the defined benefit BTG Pension Fund.

6 Other shows the value of vested Sharesave options.

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

8 Fees paid to Melanie Lee in 2015 were for the period to her retirement from the Board on 25 September 2014.

Annual bonus for the year to 31 March 2016 (audited)

For the year ended 31 March 2016 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, trading profit, cash generation and individual KPIs intended to drive future growth in the business. The Committee set threshold and stretch as well as intermediate 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 is a normalised measure relating to earnings before amortisation of intangibles, restructuring and acquisition costs, group foreign exchange movements and movements in derivatives. The cashflow measure adjusts for restructuring and acquisition costs only. The Remuneration Committee may adjust the final outcome upwards or downwards in the event that an exceptional event occurs, which, in the Committee's opinion, materially affected the bonus out-turn.

During 2015/16 the Committee assessed that adjustments should be made for each of the following: (i) the positive impact from the foreign exchange translation; and (ii) the negative impact of the incremental amounts paid to purchase the residual financial interest of the originator of the Varithena® foam sclerotherapy technology (Cabrera purchase).

For the financial year to 31 March 2016 they are calculated as follows:

	Revenue £m	Trading profit £m	Cashflow £m
Revenue/profit before tax/operating cash flow	447.5	57.5	66.6
Adjustments to calculate trading profit:			
Derivatives and group foreign exchange movements	–	1.7	–
Amortisation of business combination intangibles	–	35.0	–
Fair value adjustment on PneumRx inventory	–	1.5	–
Fair value adjustment on business combination contingent considerations	–	(1.4)	–
Adjusted revenue/trading profit/operating cash flow	447.5	94.3	66.6
Remuneration Committee adjustments:			
Translational foreign exchange impacts	(25.7)	(12.4)	–
Cabrera purchase	–	2.0	23.0
Adjusted revenue/trading profit/operating cash flow for bonus purposes	421.8	83.9	89.6

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

Measure	As a percentage of maximum bonus opportunity	Performance required			Actual (£m)	Louise Makin	Rolf Soderstrom
		Threshold (£m)	Target (£m)	Stretch (£m)		Pay out – Cash % of salary	Pay out – Cash % of salary
Corporate Financial Targets							
Revenue	23⅓%	410.0	425.0	441.2	421.8	10.5%	10.5%
Trading profit	23⅓%	72.5	80.5	86.7	83.9	18%	18%
Operating cashflow	23⅓%	8.7	19.5	31.1	89.6	23.3%	23.3%
Individual Corporate Objectives	**30%**	Covering execution across the business segments including relating to R&D and Innovation; developing organisational capabilities and leadership; and progression of the Interventional Medicine strategy including early phase assets. Individual objectives are not disclosed in more detail due to their commercial sensitivity.				23%	23%
Total	**100%**					74.8%	74.8%

The above table 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 under the policy in operation for the 2015 bonus year is dependent on the achievement of the share ownership guidelines with no deferral if the guidelines have been met. As both executive directors have achieved the guideline levels, bonuses for 2015 have been paid in cash. Following changes to the policy, commencing with the financial year ending 31 March 2017, the first 75% of salary of any bonus will be paid in cash, with any bonus paid in excess of 75% of salary compulsorily deferred into shares for three years, irrespective of whether the applicable shareholding guideline has been met.

Vesting of LTIP awards

Core awards granted on 6 July 2011 together with the associated Multiplier awards granted on 6 July 2014 and Core awards granted on 17 July 2013 under the Performance Share Plan will vest in July 2016 based on performance to the year ended 31 March 2016 (subject to a decision by the executive directors to roll-over 50% or 100% of the 2013 Core awards).

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

2011 LTIP – Core and Multiplier (included in single figure for total remuneration)

The Core awards granted in July 2011 were subject to 50% cumulative trading profit and 50% TSR targets over the three years to 31 March 2014. All that time, full vesting was achieved on both elements due to performance of £173.4m trading profit compared to a stretch target of £101.7m, and TSR performance of 164.2% compared to an upper quartile target of 96.4%. Vesting of all Core awards were deferred and put at risk in 2014 and in return each director was eligible to receive Multiplier awards, with both elements capable of vesting in July 2016, subject to TSR performance over the five years to 31 March 2016. Both the deferred Core awards and the Multiplier awards are expected to vest in full in July 2016 as shown in the tables below:

Metric	Condition	Threshold Target 0% vesting	Stretch Target 100% vesting – Core 0% vesting – Multiplier	Outperformance Target 100% vesting – Multiplier	Median	Actual BTG	% Vesting
TSR – 2011 Core and Multiplier	Five-year comparison with index	Median minus 66.66%	Median	Median plus 100%	54.7%	175.2%	100%

TSR has been calculated for the Committee by NBS.

		Number of shares at grant	Vesting outcome	Number of shares to vest	Estimated Value*	Value at grant of core award**	Value attributable to share price appreciation**
Louise Makin	6 July 2011 Core award	149,831	100%	149,831	**£915,018**	£447,845	£467,173
	6 July 2014 Multiplier award	224,746	100%	224,746	**£1,372,524**	£671,766	£700,758
Rolf Soderstrom	6 July 2011 Core award	103,913	100%	103,913	**£634,597**	£310,596	£324,001
	6 July 2014 Multiplier award	155,869	100%	155,869	**£951,892**	£465,892	£486,000

* Value estimated as not fully vested until 6 July 2016 and is based on the three month average share price to 31 March 2016 of 610.7p per share.

** Estimated value based on the share price at the date of grant, 6 July 2011, of 298.9p, compared to the estimated realised value at date of vesting due to share price appreciation.

2013 LTIP (not included in single figure for total remuneration)

Metric	Condition	Threshold Target	Stretch Target	Actual*	% Vesting
EPS (50%)	Adjusted EPS in the financial year to 31 March 2016	17.7p	24.1p	25.5p	100%
TSR (50%)	Three-year comparison with index between median and upper quartile	Median TSR: 37.3%	Upper Quartile TSR: 73.0%	TSR:82.1%	100%
			Total Vesting		100%

TSR has been calculated for the Committee by NBS.

* In accordance with the performance condition, in determining the outcome against the adjusted EPS performance targets the Committee took into account the impact of acquisitions completed since the date of grant of the awards. Adjusted EPS has been reduced to reflect the impact of acquisitions that, at the time, were expected to be accretive by 2016; and increased to reflect the impact of acquisitions that, at the time, were expected to be dilutive by 2016.

	(p)
Adjusted EPS	21.9
EKOS and TheraSphere	(1.2)
PneumRx	4.8
Revised Adjusted EPS	25.5

		Number of shares at grant	Vesting outcome	Number of shares to vest***	Estimated Value*	Value at grant of Core awards**	Value attributable to share price appreciation**
Louise Makin	17 July 2013 PSP	208,807	100%	208,807	£1,275,184	£824,996	£450,188
Rolf Soderstrom	17 July 2013 PSP	136,864	100%	136,864	£835,828	£540,750	£295,079

* Value estimated as not fully vested until 17 July 2016 and is based on the three month average share price to 31 March 2016 of 610.7p per share.

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

*** If Core awards are deferred in July 2016, each director will have the Core awards plus the associated Multiplier awards (Louise Makin 417,614 awards and Rolf Soderstrom 273,728 awards) subject to a five-year TSR condition.

The 2013 performance share awards are subject to the multiplier mechanism approved by shareholders at the 2013 AGM. As a result the number of shares that are capable of vesting under the 2013 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. This election must be made before the shares vest in July 2016. The Core awards will not vest until 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.

LTIP awards made during the year (audited)

On 1 June 2015 and 8 June 2015, 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	2012 Multiplier award	150% of 2012 conditional award	709.5p	186,063	0%***	£1,320,117	Five financial years from 1 April 2012 to 31 March 2017
Rolf Soderstrom	2012 Multiplier award	150% of 2012 conditional award	709.5p	137,961	0%***	£978,833	
Louise Makin	2015 Core and Multiplier award	300% of salary of £586,327*	699.5p	251,462	12.5%**	£1,758,977	Core award: three financial years to 31 March 2018 Multiplier award: five financial years to 31 March 2020
Rolf Soderstrom	2015 Core and Multiplier award	300% of salary of £384,310*	699.5p	164,822	12.5%**	£1,152,930	

* 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.

** 50% of the 2015 award comprises a Core award and the remaining 50% comprises a Multiplier award that can only be received if the executive director puts at risk their Core award for a further two years after vesting. 25% of the Core award (i.e. 12.5% of the total award) vests at threshold.

*** These awards have been attached to the 2012 Core award that would otherwise have vested in June 2015. This gives effect to the Multiplier mechanism approved by shareholders at the 2013 AGM, which provides executive directors with an opportunity to place their 2012 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.

The number of awards under the 2015 Core award that will vest will be determined according to the satisfaction of the following performance conditions (each performance condition applies to 50% of a Core award)

Percentage of vesting of that portion of an award*	Adjusted EPS in the financial year to 31 March 2018	Relative TSR ranking against the constituents of the FTSE 250 Index (as at 1 April 2015) for the period from 1 April 2015 to 31 March 2018
	50% of the Core award	50% of the Core award
0%	< 23.0p (below threshold)	Below median
25%	23.0p (threshold)	Median
100%	30.3p (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 2015) for the period from 1 April 2015 to 31 March 2020	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 2015	Granted in year	Exercised	Lapsed	At 31 March 2016	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	298.90	153,320		–	–	153,320	6 July 2014 to 5 July 2021	
1 June 2012	386.00	122,288	–	–	–	122,288	1 June 2015 to 31 May 2022	
Sharesave								
20 July 2012	320.16	1,124	–	1,124	–	–	1 October 2015 to 1 April 2016	599.0
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	
23 July 2015	504.40	–	713	–	–	713	1 October 2018 to 1 April 2019	
Total option awards						**666,161**		
Performance share awards								
6 July 2011[1]	286.60	149,831	–	–	–	149,831	6 July 2016	
1 June 2012[2]	380.54	124,042	–	–	–	124,042	1 June 2017	
17 July 2013[3]	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	
1 June 2015[2]	709.50	–	186,063	–	–	186,063	1 June 2017	
8 June 2015	699.50	–	125,731	–	–	125,731	8 June 2018	
	699.50	–	125,731	–	–	125,731	8 June 2020	
Deferred share awards								
1 June 2012	380.54	54,192	–	54,192	–	–	1 June 2015	704.9
Total other awards						**1,636,498**		
Total awards						**2,302,659**		

1 In 2014, 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 In 2015, Louise elected to receive a Multiplier award as an alternative to the vesting of the 2012 PSP as a Core award and on 1 June 2015 a Multiplier award of 186,063 was granted.

3 Performance shares awarded in 2013 were subject to an EPS and a relative TSR condition against the FTSE 250 (both of equal weighting). The EPS condition required a threshold performance of 17.7p and stretch performance of 24.1p. 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).

Footnote

Unless otherwise stated the Group's TSR will be compared with that of a peer group comprising FTSE 250 companies.

Rolf Soderstrom

Date of grant/award	Exercise price (p)/market price on date of award (p)	At 1 April 2015	Granted in year	Exercised	Lapsed	At 31 March 2016	Exercise period/ vesting date	Share price on exercise (p)
Share options								
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	
23 July 2015	504.40	–	1,784	–	–	1,784	1 October 2018 to 1 April 2019	
Total option awards						**427,386**		
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[3]	395.10	136,864	–	–	–	136,864	17 July 2016	
	395.10	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	
1 June 2015[2]	709.50	–	137,961	–	–	137,961	1 June 2017	
8 June 2015	699.50	–	82,411	–	–	82,411	8 June 2018	
	699.50	–	82,411	–	–	82,411	8 June 2020	
Deferred share awards								
1 June 2012	380.54	35,225	–	35,225	–	–	1 June 2015	704.9
Total other awards						**1,113,589**		
Total awards						**1,540,975**		

1 In 2014, Rolf 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 In 2015, Rolf elected to receive a Multiplier award as an alternative to the vesting of the 2012 PSP as a Core award and on 1 June 2015 a Multiplier award of 137,961 was granted.

3 Performance shares awarded in 2013 were subject to an EPS and a relative TSR condition against the FTSE 250 (both of equal weighting). The EPS condition required a threshold performance of 17.7p and stretch performance of 24.1p. 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).

Footnote

Unless otherwise stated the Group's TSR will be compared with that of a peer group comprising FTSE 250 companies.

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 Group's share plans comply with recommended guidelines on dilution limits and the Group has always operated within these limits. Assuming none of the extant options lapse and will be exercised and, having included all exercised options, the Group has utilised 3.5% of the 10% in ten years and 3.0% 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 £10,458 (2015: £10,206) to the Fund, representing 7% of her salary up to the earnings cap and the Group contributed £52,141 (2015: £46,364).

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)

Subject to approval of the new policy at the 2016 AGM executive directors will continue to be required to build and maintain a holding of Group shares worth at least 250% of salary in the case of the CEO and 200% of salary in the case of the CFO. As at the date of this report they have already met such requirements.

		Vested unexercised nil cost options			Vested unexercised market value options	Subject to performance conditions		
Executive Directors	Beneficially owned at 31 March 2016 and at the date of this report	PSP	DSBP	Guideline met?	Options	PSP	Options	DSBP
Louise Makin	544,377	–	–	Yes	662,040	1,636,498	–	–
Rolf Soderstrom	184,252	–	–	Yes	422,494	1,113,589	–	–
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

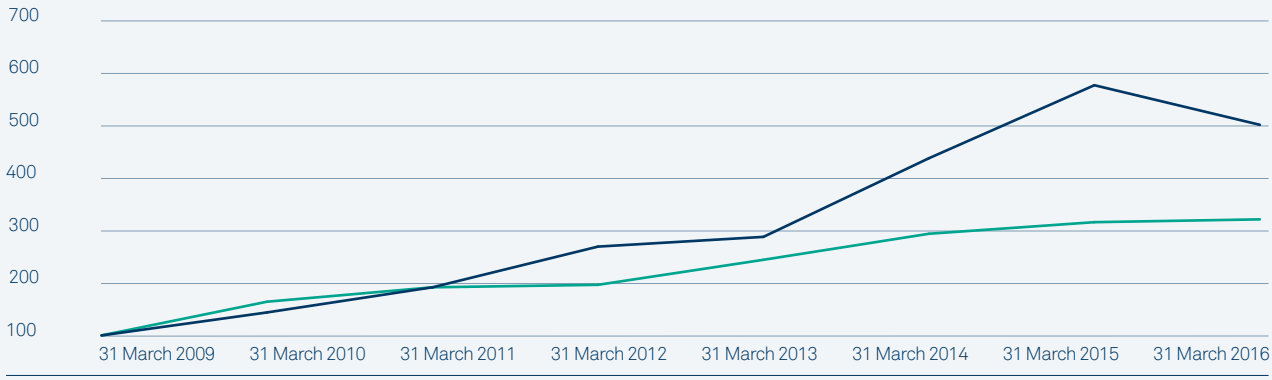
CEO	% change from 2015 to 2016
• Salary	3.0%
• Benefits	(19.3)%
• Bonus	(13.8)%
Average per UK employee[1]	
• Salary	4.4%
• Benefits	(5.1)%
• Bonus[2]	(17.8)%

1 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.

2 UK employee bonus based on estimated average payout for 31 March 2016.

Total shareholder return

The performance of the Group's ordinary shares compared with the FTSE 250 (the Index) for the seven-year period ended on 31 March 2016 is shown in the graph below.



Source: Thomson Reuters

This graph shows the value, by 31 March 2016, 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.

BTG FTSE 250

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

The middle market price of an ordinary share on 31 March 2016 was 621.5p. During the year the share price ranged from a low of 520.5p to a high of 787.5p.

Total remuneration for the Chief Executive Officer over time

	2010	2011	2012	2013	2014	2015	2016
Total Remuneration (£,000)	1,351	1,489	1,944	2,073	1,757	1,606	3,444
Bonus Outturn (%)	79%	70%	95%	100%	82%	89%	75%
LTIP Vesting (%)	100%	89%	80%	92%	100%	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. 2016 reflects the vesting of the 2011 Core awards and the related 2014 Multiplier award.

Relative importance of spend on pay

The table below illustrates the change in expenditure by the Group on remuneration paid to all the employees of the Group and distributions to shareholders from the financial year ended 31 March 2015 to the financial year ended 31 March 2016.

	2016 (£m)	2015 (£m)	Percentage change
Overall expenditure on pay	116.2	100.2	16%
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 the prior year acquisition of PneumRx.

How the policy will be applied in 2016 and onwards

2016 salary review

Average increases for BTG's UK employees for 2016 were 3%. The executive directors' salaries were reviewed in March 2016 and the following increases took effect from 1 April 2016.

	Salary as at 1 April 2016	Salary as at 1 April 2015	Increase %
Louise Makin	£650,000	£586,327	10.9%
Rolf Soderstrom	£395,839	£384,310	3%

Louise Makin's salary has increased to reflect her sustained performance in the role and the increasing size and complexity of the business. In order to reposition her salary, it will be increased by 7.9% plus the 3% average increase for BTG employees this year. The CFO's salary has increased in line with the workforce to £395,839.

Performance targets for the annual bonus and LTIP awards to be granted (subject to approval of the new policy)

The bonus opportunity for 2016 will increase to 150% of salary for both directors and for the year 2016/2017, 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 58.

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

Targets for the PSP awards made during 2016/17 will be measured in the final year of the three-year period (the 2018/19 financial year) and are as follows:

	Adjusted EPS in the year ending 31 March 2019	TSR relative to the constituents of the FTSE 250 over 3 financial years ending 31 March 2019	Percentage of each element that vests
Below threshold	Less than 25.2p	Less than median	0%
Threshold	25.2p	Median	25%
Between threshold and stretch	25.2p to 32.8p	Between median and upper quartile	25% to 100% on a straight line basis
Stretch	32.8p or higher	Upper quartile or higher	100%
		Payouts for performance between Threshold and Stretch calculated on a straight line basis	

The Committee considered these to be appropriately stretching targets, having regard to the anticipated expiry of royalty licences, ongoing increased investment in R&D and an increase in the Group's medium term effective tax rate. Targets have been set assuming constant currency.

Non-executive director 2016 remuneration

Set out in the table below are the fees paid for the year ended 31 March 2016 and proposed fees for the year ending 31 March 2017.

Director	As from 1 April 2016 £	As from 1 April 2015 £	% increase
Chairman[1]	235,000	235,000	0%
Non-executive director[2]	52,000	50,000	4%
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, with no additional fee paid for his role as Chair of the Nomination Committee.

2 The aggregate basic fee paid in the year ended 31 March 2016 was £485,000 with special remuneration of £25,000 paid in total to the Audit and Remuneration Committee Chairmen and Senior Independent Director.

Shareholder voting at the Annual General Meeting

At last year's Annual General Meeting held on 15 July 2015, the following votes were received from shareholders:

	Remuneration Report	Percentage of eligible votes
Votes cast in favour	317,812,265	99.47%
Votes cast against	1,706,341	0.53%
Total votes cast	319,518,906	100%
Abstentions	644,080	

Approval

This report was approved by the Board on 16 May 2016 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 2016.

Principal Activity

The principal activity of the Group is the business of healthcare: focusing on Interventional Medicine therapies for liver cancer, emphysema and vascular disorders, Specialty Pharmaceuticals for acute care uses, and a licensing business.

Strategic Report

The Group is required by the Companies Act 2006 to set out a fair and balanced review of the business, including the performance and development of the Group during the year and at the year end and a description of the principal risks it faces. This information is contained within the strategic report which can be found on pages 2 to 32 and incorporated into this report by reference:

- The Chairman's Statement on page 6, the Chief Executive's review on pages 7 and 8 and the Market Overview on pages 2 and 3 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 27 to 32.
- Information relating to the environment, employees and stakeholders, health and safety, ethical considerations (including reporting of response to the UK Modern Slavery Act), charitable donations and policies regarding its employees is set out on pages 19 to 21.

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

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

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

Results and dividends

The results for the year and the financial position at 31 March 2016 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 (14/15: nil). The results of the Group for the year are explained further on pages 22 to 26.

Directors and their powers and interests

The directors of the Group at the date of this report, together with their biographical details and dates of appointment, are shown on pages 34 and 35.

The Board confirms that each of the directors who served during the year has been formally appraised during the period. All the directors continue to demonstrate commitment to the Group, the Board and to their role. In accordance with the UK Corporate Governance Code (the Code), all directors of the Company will stand for election or re-election annually.

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 54 to 75. None of the directors had an interest in any contract of significance to which the Company or any of its subsidiaries was party during the year.

Corporate governance

A report on corporate governance can be found on pages 36 to 47.

Environmental matters

Our greenhouse gas emissions have been calculated as carbon dioxide equivalents, these are disclosed in the People and Practices section of the strategic report on pages 19 to 21.

Share capital and shareholders

As at 31 March 2016 the issued share capital of the Company was £38,299,158, divided into 382,991,577 shares of 10p each. During the year the share capital increased by 1,214,874 shares due to the exercise and vesting of share awards by employees and former employees under the Company's employee share schemes. The Company has only one class of shares and there are no restrictions on voting rights or on the holding or transfer of these securities.

Details of the movements in the Company's share capital are shown in note 19 to the financial statements on page 108. At 31 March 2016, the Company had 9,178 shareholders (2015: 9,361). 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 115.

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

As at 13 May 2016, the Company had been notified of the interests held, directly or indirectly, in 3% or more of the Company's issued share capital, set out in the table above right.

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 Group'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 Group. The rules for the election and re-election of directors are set out in the Articles however in line with the Code, the directors will stand for annual re-election at the AGM. The articles are available on the Group's website at btgplc.com/responsibility/corporate-governance/

Share capital and shareholders

	Shareholding	% holding
Invesco Asset Management	86,084,177	22.48%
Novo A/S	44,173,492	11.53%
Woodford Investment Management	31,574,541	8.24%
AXA Investment Managers	22,418,717	5.85%
M&G Investment Management	18,706,406	4.88%
Aviva Investors	18,652,447	4.87%
Standard Life Investments	16,018,069	4.18%
Schroder Investment Management	13,566,930	3.54%

Change of control

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

Research and Development

Research and Development (R&D) is an important part of the Group's activities focusing in the areas of Interventional Medicine and Specialty Pharmaceuticals. The Group spent £77.2m (2014/15: £68.3m) 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 116 to 119.

Going concern

The Group's business activities together with the factors affecting its performance, position and future development are set out within the strategic report on pages 2 to 32

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

Viability Statement

In accordance with the 2014 edition of the Code, directors are also required to provide a broader assessment of viability over a longer period. This statement, assessing the viability of the Group over the three-year period of that assessment can be found on page 29 of the strategic report.

Political donations

The Group did not make any political donations during the financial year (2014/15: nil).

Annual General Meeting

The AGM of the Company will be held at 10.30 am on 14 July 2016 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. In addition, shareholders will be asked to approve the new Directors' Remuneration Policy and the BTG Performance Share Plan 2016. A summary of the new policy can be found in the Directors' Remuneration Report on pages 54 to 75.

Disclosure of information to the auditor

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

Auditor

Resolutions will be proposed at the forthcoming AGM, to reappoint KPMG LLP as auditor and to authorise the directors to determine its remuneration.

By order of the Board

Dr Paul Mussenden
Company Secretary
16 May 2016

Statement of directors' responsibilities in respect of the annual report 2016 and the financial statements

The directors are responsible for preparing the Annual Report 2016 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 Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

We confirm that to the best of our knowledge:

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

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

The directors' report comprising pages 76 and 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:

Dame Louise Makin
Chief Executive Officer

Rolf Soderstrom
Chief Financial Officer
16 May 2016

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 2016 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 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2. Our assessment of risks of material misstatement

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

Recoverability of other intangible assets: £599m (2015: £598m) and goodwill: £188m (2015: £184m).
Risk vs 2015 .

Refer to page 48 (Audit Committee statement), page 89 (accounting policy) and page 105 (financial disclosures).

The risk:	Our response:
The assessment of the recoverability of other intangible assets and goodwill requires significant judgement in determining the future prospects and cash flows of the cash generating units to which other intangible assets and goodwill are allocated. Due to the challenges in expanding reimbursement coverage for Varithena® and PneumRx® Coils and the risk in obtaining required clinical and regulatory approvals there is inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability. The carrying values of other intangible assets for Varithena® and PneumRx at 31 March 2016 were £22 million and £189 million respectively.	In this area our procedures included the following: • Evaluating the Group's key assumptions and methodologies, in particular those in respect of assets or CGUs where impairment indicators exist: Varithena, an early stage asset, or where headroom is lower: PneumRx, a more recent acquisition and also an early stage asset. • In particular, we critically challenged the assumed revenue projections by reference to those achieved historically, and external market data, where available, in terms of market size and expectations of market share. • We used our own valuation specialists to critically challenge the discount rates used by the Group and benchmarked to those used by an external peer group. • We critically assessed the other assumptions used by the Group using our own assessments and a comparison to recent performance in relation to key inputs such as forecast revenue over the next three years, operating margins and cash flow growth. • We applied sensitivities to the assumptions used by the Group in its impairment calculations to evaluate the impact on the headroom for each CGU. This included a consideration of the historical accuracy of the Group's forecasting for Varithena since launch and for PneumRx since ownership to inform our own assessments noted above. • To assess the reasonableness of the forecast discounted cash flows, we compared the sum of those future cash flows to the Group's market capitalisation. • We also assessed whether the Group's disclosures (see Note 12) about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the key risks inherent in the valuation of other intangible assets and goodwill.

Active government (DOJ) investigation. New risk.

Refer to page 48 (Audit Committee statement), page 89 (accounting policy) and page 115 (financial disclosures).

The risk:	Our response:
In the normal course of business, contingent liabilities may arise from government investigations into the Group's compliance with laws and regulations. The amounts involved could have a significant impact on the results of the Group if the potential exposures were to materialise. Management applies significant judgement when determining whether, and how much, to provide for such investigations. We focused on this area due to the active investigation by the US Department of Justice regarding LC Bead® covering the period since 2003, the magnitude of potential exposure, and the inherent complexity and judgement in whether to provide for or disclose this exposure.	Having made enquiries of Directors to obtain their view on the status of the significant investigations, our principal procedures included the following: • We discussed the nature and status of exposures with in-house legal counsel and obtained letters from the Group's external legal counsel to corroborate management's position for significant investigations. • We considered legal expenses incurred during the year, monitored external sources and considered assessments made of the probability of adverse outcomes and the reliability of estimating any obligation. • We assessed the appropriateness of provisions recorded in the financial statements, or the rationale for not recording a provision, and the completeness and accuracy of disclosures in respect of contingent liabilities in light of the procedures above.

Recognition of deferred tax assets: Risk vs 2015.

Refer to page 48 (Audit Committee statement), page 89 (accounting policy) and page 101 (financial disclosures).

The risk:	Our response:
The Group has significant tax losses which have been acquired as part of business combinations or from past business performance. There is inherent uncertainty involved assessing both the availability of losses and in forecasting future taxable profits, which determines the extent to which deferred tax assets are recognised. This is one of the key judgmental areas that our audit is concentrated on.	Our procedures included the following: • We evaluated the appropriateness of management's key assumptions and estimates, in particular the likelihood of generating sufficient future taxable profits to support the recognition of deferred tax assets, in reference to recent product launches, performance trends and acquisitions. • Upon acquisition of EKOS, using KPMG tax specialists, we critically assessed the Group's analysis of the historic losses acquired and which of those were impacted by a change of control clause. In the current year we reviewed these assessments and conclusions for their appropriateness. • 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.

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

Materiality for the Group financial statements as a whole was set at £4.0 million (2015: 6.0 million), determined, as last year, with reference to a benchmark of Group revenue, of which it represents 0.9% reflecting consensus levels (2015: 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 reported to the audit committee any corrected or uncorrected misstatements identified exceeding £0.2m (2015: £0.3m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 25 (2015: 25) reporting components, we subjected 14 (2015:14) to audits for Group reporting purposes and 1 (2015: 2) to specified risk-focused audit procedures on key working capital captions. The latter was not individually financially significant enough to require an audit for Group reporting purposes, but did present specific individual risks that needed to be addressed. In aggregate our audit procedures covered 88% (2015: 99%) of total Group revenue; 95% (2015: 96%) of Group profit before taxation; and 96% (2015: 99%) of total Group assets.

The group 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 team, and ranged from £0.2m to £3.9m (2015: £0.1m to £5.9m), having regard to the mix of size and risk profile of the Group across the components. The group team performed the work on recoverability of other intangible assets and goodwill, active government investigation by the US Department of Justice and recognition of deferred tax assets. Of the 15 components noted above, two are based in the USA, one in Australia and eight within sites in the UK (England and Wales), these were all audited by KPMG component teams. The remaining 4 components were audited by the group team.

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

The group team visited two (2015: three) component locations in the USA and England. Video or telephone conference meetings were also held with all component auditors including those that were not physically visited by the group team (Australia and Wales). At these visits and meetings, the findings reported to the group team were discussed in more detail, and any further work required by the group team was then performed by the component auditor.

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 on the disclosures of principal risks

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

- the Directors' viability statement on page 29, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the three years to 31 March 2019; or
- the disclosures in Note 1 of the Financial Statements concerning the use of the going concern basis of accounting.

6. 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 position and 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' Statements, set out on pages 77 and 29, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on pages 36 to 49 relating to the company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

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

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

16 May 2016

Consolidated income statement

	Note	Year ended 31 March 2016 Results before acquisition adjustments and reorganisation costs £m	Year ended 31 March 2016 Acquisition adjustments and reorganisation costs £m	Year ended 31 March 2016 Total £m	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
Revenue	4	**447.5**	**–**	**447.5**	367.8	–	367.8
Cost of sales		**(139.3)**	**(1.5)**	**(140.8)**	(113.8)	(0.9)	(114.7)
Gross profit	4	**308.2**	**(1.5)**	**306.7**	254.0	(0.9)	253.1
Operating expenses:							
Amortisation of acquired intangible assets	13	**–**	**(35.0)**	**(35.0)**	–	(28.4)	(28.4)
Foreign exchange gains		**4.4**	**–**	**4.4**	6.7	–	6.7
Selling, general and administrative expenses		**(141.4)**	**–**	**(141.4)**	(124.8)	–	(124.8)
Operating expenses: total		**(137.0)**	**(35.0)**	**(172.0)**	(118.1)	(28.4)	(146.5)
Research and Development		**(77.2)**	**–**	**(77.2)**	(68.3)	–	(68.3)
Profit on disposal of property, plant and equipment and intangible assets		**–**	**–**	**–**	0.3	–	0.3
Other operating expenses		**(1.0)**	**–**	**(1.0)**	–	–	–
Acquisition and reorganisation costs	5	**–**	**–**	**–**	–	(3.7)	(3.7)
Operating profit	6	**93.0**	**(36.5)**	**56.5**	67.9	(33.0)	34.9
Financial income	8	**1.4**	**3.0**	**4.4**	0.1	–	0.1
Financial expense	9	**(1.8)**	**(1.6)**	**(3.4)**	(7.3)	(1.0)	(8.3)
Profit before tax		**92.6**	**(35.1)**	**57.5**	60.7	(34.0)	26.7
Tax credit	10			**3.0**			6.9
Profit for the year				**60.5**			33.6
Basic earnings per share	11			**15.8p**			9.1p
Diluted earnings per share	11			**15.6p**			9.0p

All activity arose from continuing operations.

Consolidated statement of comprehensive income

	Note	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Profit for the year		**60.5**	33.6
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation differences	19	**18.7**	41.6
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of the net defined benefit liability asset	22	**3.3**	2.2
Deferred tax on defined benefit pension scheme asset		**(1.1)**	(1.8)
Other comprehensive income for the year		**20.9**	42.0
Total comprehensive income for the year		**81.4**	75.6

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

Consolidated statement of financial position

	Note	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
ASSETS			
Non-current assets			
Goodwill	12	**187.9**	183.8
Intangible assets	13	**599.2**	597.9
Property, plant and equipment	14	**35.7**	35.5
Other investments	15	**1.4**	3.0
Deferred tax asset	10	**6.8**	4.9
Employee benefits	22	**19.3**	13.2
Derivative financial instruments	21	**1.0**	–
		851.3	838.3
Current assets			
Inventories	16	**46.5**	40.5
Trade and other receivables	17	**106.5**	91.9
Corporation tax receivable	10	**1.8**	1.4
Derivative financial instruments	21	**2.3**	–
Cash and cash equivalents	18	**140.4**	73.8
		297.5	207.6
Total assets		**1,148.8**	1,045.9
EQUITY			
Share capital	19	**38.3**	38.2
Share premium		**434.8**	433.8
Merger reserve		**317.8**	317.8
Other reserves	19	**28.1**	9.4
Retained earnings		**28.7**	(40.6)
Total equity attributable to equity holders of the parent		**847.7**	758.6
LIABILITIES			
Non-current liabilities			
Trade and other payables	20	**27.5**	17.9
Deferred tax liabilities	10	**147.0**	152.4
Provisions	25	**1.6**	1.4
		176.1	171.7
Current liabilities			
Trade and other payables	20	**114.8**	111.0
Derivative financial instruments	21	**3.0**	0.9
Corporation tax payable	10	**5.8**	3.2
Provisions	25	**1.4**	0.5
		125.0	115.6
Total liabilities		**301.1**	287.3
Total equity and liabilities		**1,148.8**	1,045.9

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

The financial statements were approved by the Board on 16 May 2016 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 2016 £m	Year ended 31 March 2015 £m
Profit after tax for the year		**60.5**	33.6
Tax credit	10	**(3.0)**	(6.9)
Financial income	8	**(4.4)**	(0.1)
Financial expense	9	**3.4**	8.3
Operating profit		**56.5**	34.9
Adjustments for:			
Profit on disposal of property, plant and equipment and intangible assets		**–**	(0.3)
Amounts written off investments	15	**1.6**	–
Amortisation of intangible assets	13	**38.0**	29.5
Depreciation and impairment on property, plant and equipment	14	**6.6**	5.5
Share-based payments		**6.7**	5.6
Pension scheme funding	22	**(2.9)**	(2.9)
Fair value adjustments		**1.5**	0.9
Cash from operations before movements in working capital		**108.0**	73.2
Increase in inventories		**(7.6)**	(11.4)
Increase in trade and other receivables		**(14.4)**	(14.9)
Increase in trade and other payables		**14.7**	14.8
Increase in provisions		**1.1**	1.0
Cash from operations		**101.8**	62.7
Corporation tax paid		**(6.2)**	(15.2)
Net cash inflow from operating activities		**95.6**	47.5
Investing activities			
Interest paid		**–**	(0.1)
Purchases of intangible assets	13	**(24.3)**	(1.4)
Purchases of property, plant and equipment	14	**(6.2)**	(9.8)
Acquisition of businesses net of cash acquired	31	**–**	(147.7)
Other		**0.6**	–
Net proceeds from disposal of property, plant and equipment and intangible assets		**–**	0.1
Net cash outflow from investing activities		**(29.9)**	(158.9)
Cash flows from financing activities			
Proceeds of share issues	19	**1.1**	147.2
Other financing activities		**(1.1)**	(1.0)
Net cash inflow from financing activities		**–**	146.2
Increase in cash and cash equivalents		**65.7**	34.8
Cash and cash equivalents at start of year		**73.8**	38.2
Effect of exchange rate fluctuations on cash held		**0.9**	0.8
Cash and cash equivalents at end of year	18	**140.4**	73.8

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 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
Remeasurements of the net defined benefit liability asset	–	–	–	–	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**

	Share capital £m	Share premium £m	Merger reserve[1] £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 April 2015	38.2	433.8	317.8	9.4	(40.6)	758.6
Profit for the year	–	–	–	–	60.5	60.5
Foreign exchange translation differences	–	–	–	18.7	–	18.7
Remeasurements of the net defined benefit liability asset	–	–	–	–	3.3	3.3
Deferred tax on defined benefit pension scheme asset	–	–	–	–	(1.1)	(1.1)
Total comprehensive income for the year	–	–	–	18.7	62.7	81.4
Transactions with owners:						
Issue of BTG plc ordinary shares	0.1	1.0	–	–	–	1.1
Movement in shares held by the Trust	–	–	–	–	(0.1)	(0.1)
Share-based payments	–	–	–	–	6.7	6.7
At 31 March 2016	**38.3**	**434.8**	**317.8**	**28.1**	**28.7**	**847.7**

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

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

1. General information

BTG plc (the 'Company') is a company incorporated and domiciled in the United Kingdom and listed on the London Stock Exchange. The consolidated financial statements of the Company for the year ended 31 March 2016 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 16 May 2016.

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

Accounting standards adopted in the year

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

Accounting standards issued but not 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 2018. The Group is currently assessing the impact, if any, of IFRS 15 on the Group's consolidated financial statements.

IFRS 16 'Leases' was issued by the IASB in January 2016, effective for accounting periods beginning on or after 1 January 2019. The Group is currently assessing the impact, if any, of IFRS 16 on the Group's consolidated financial statements.

Going concern basis

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

This conclusion has been reached having considered the effect of liquidity risk on the Group's ability to operate effectively. Currently, liquidity risk is not considered a significant business risk to the Group given its level of net cash and cash flow projections. The Group does not currently require significant levels of debt financing to operate its business. Further details of the Group's policies and objectives around liquidity risk are given in note 26 to the Accounts and are discussed in the Strategic Report on pages 2 to 34. The key liquidity risks faced by the Group are considered to be the failure of banks where funds are deposited and the failure of key licensees, distribution partners, wholesalers or insurers.

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

- The Group's principal licensees are global industry leaders in their respective fields and the Group's royalty-generating intellectual property consists of a broad portfolio of licensees;
- Many of the Group's products are life-saving in nature, providing some protection against an uncertain economic outlook; and
- In November 2015, the Group signed a £100m multi-currency revolving credit facility providing access to funds for a period of three years to November 2018 with the option to extend for a further two years. 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 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 future periods 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.

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 to the income statement upon disposal of the investment.

(e) Derivative financial instruments

Derivative financial instruments are recognised at fair value and are 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 derived from observable inputs from active markets at the balance sheet date.

(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, being its operating segments, 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	up to 20 years
Purchase of contractual rights	2 to 10 years

(iii) Income statement disclosure

Amortisation relating to acquired intangibles is shown on the face of the income statement within Amortisation of acquired intangibles. Other amortisation is shown within Cost of sales, Selling, general and administrative expenses or Research and Development.

(iv) Subsequent expenditure

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

(v) Impairment

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

(h) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(m)).

(ii) Depreciation

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

Buildings and improvements	10 to 20 years
Leasehold improvements	2 to 10 years
Plant and machinery	3 to 15 years
Furniture and equipment	2 to 15 years
Motor vehicles	5 years
Computer hardware	3 to 5 years

Depreciation is not charged until the asset is brought into use. The residual value is reassessed annually.

2. Significant accounting policies continued

(iii) Income statement disclosure

Depreciation and impairment of property, plant and equipment is included within Cost of sales, Selling, general and administrative expenses or Research and Development in the income statement.

Profits and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in Profit/loss on sale of property, plant and equipment and intangible 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 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 Cost of sales, Selling, general and administrative expenses or Research and Development 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.

Past service cost is recognised immediately through the Income Statement.

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

(iii) Share-based payments

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 and contingent liabilities

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 or accrual 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.

2. Significant accounting policies continued

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.

A contingent liability is disclosed in the notes to the accounts, but not recognised on the statement of financial position, if a material outflow of economic benefit is required to settle a legal or constructive obligation as a result of a past event where the probability of such an outflow is less than probable but more than remote or the liability cannot be reliably estimated.

(q) Trade and other payables

Trade and other payables are not interest bearing and are stated at amortised cost except for contingent considerations which are recognised at fair value. Fair value adjustments to contingent considerations are reassessed at subsequent reporting periods and adjustments are taken to the income statement when changes to the assumptions are required.

(r) Revenue recognition

Revenue represents amounts received or receivable in respect of the sale of products to customers during the year, net of trade discounts given 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) Products

The Group recognises revenue for product sales when each condition of IAS 18, paragraph 14 is wholly-satisfied. Where sales arrangements specify a second element of revenue contingent upon a specified event, this revenue is not recognised until this event has occurred and it is certain that the economic benefit triggered by this event will flow to the Group. In cases where product is sold to a customer with a right of replacement, the Group views the transaction as a multi-element arrangement and a portion of the value from the sale is deferred and allocated to the replacement right based on the fair value of the replacement right. Revenue is recognised net of rebates and returns and 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 license 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 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, revenue sharing costs, and amortisation of other intangibles.

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.

(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.

2. Significant accounting policies continued

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 judgements and key sources of estimation uncertainty

Critical accounting judgements

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

Acquisitions

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

In addition to significant fair value adjustments in relation to intangible assets, the Group has recognised other fair value adjustments on assets and liabilities acquired. Each adjustment has been calculated in line with the requirements of IFRS 3 (revised). The most significant of these relate to:

- Deferred tax; where deferred tax liabilities arising on acquired intangible assets have been recognised which rely on judgement about the territory in which future profits will be made. 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.

Contingent liability

A contingent liability disclosure is made in note 25. In July 2014, the Group announced that it had received a subpoena from the US Department of Justice, seeking documents in relation to an investigation regarding LC Bead®. The investigation covers the period from 2003. BTG continues to cooperate fully with this investigation. As at 31 March 2016, the possibility that a material outflow of funds will be required to settle or otherwise resolve the investigation was more than remote. It was not, however, possible to make a reliable estimate of the amount that may be required to be paid.

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, against which the losses can be offset. 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.

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 2016			
	Interventional Medicine[1] £m	Specialty Pharmaceuticals £m	Licensing £m	Total £m
Revenue	**150.2**	**133.1**	**164.2**	**447.5**
Cost of sales	**(43.8)**	**(15.1)**	**(81.9)**	**(140.8)**
Gross profit	**106.4**	**118.0**	**82.3**	**306.7**
Selling, general and administrative expenses	**(96.2)**	**(25.5)**	**(19.7)**	**(141.4)**
Contribution	**10.2**	**92.5**	**62.6**	**165.3**
Amortisation of acquired intangible assets				**(35.0)**
Foreign exchange gains				**4.4**
Research and Development				**(77.2)**
Profit on disposal of property, plant and equipment and intangible assets				**–**
Other operating expenses				**(1.0)**
Acquisition and reorganisation costs				**–**
Operating profit				**56.5**
Financial income				**4.4**
Financial expense				**(3.4)**
Profit before tax				**57.5**
Tax credit				**3.0**
Profit for the year				**60.5**
Unallocated assets				**1,148.8**

1 2016 Cost of sales includes a £1.5m 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.

4. Operating segments continued

	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 of acquired intangible 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.

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 2016 £m	Year ended 31 March 2015 £m
USA	**393.1**	327.1
Europe	**42.3**	31.1
Other regions	**12.1**	9.6
	447.5	367.8

Revenue from major products and services

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Product sales	**283.3**	233.8
Royalties	**164.2**	134.0
	447.5	367.8

Major customers

The Group's products are sold both directly and through distribution agreements in the USA, Europe and Asia Pacific region. No individual customer generated income in excess of 10% of the Group revenue during the year ended 31 March 2016 or 31 March 2015.

Products that utilise the Group's intellectual property rights are sold by licensees. Royalty income is derived from over 50 licences. One licence individually generated royalty income in excess of 10% of Group revenue of £118.9m (2015: £105.2m).

5. Acquisition and reorganisation costs

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
PneumRx, Inc. acquisition costs	–	2.8
Other	–	0.9
Total charge for the year	–	3.7

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 2016 £m	Year ended 31 March 2015 £m
Depreciation and impairment of property, plant and equipment	14	**6.6**	5.5
Amortisation of intangible assets	13	**38.0**	29.5
Net foreign exchange gains		**(4.4)**	(6.7)
Research and Development expenses		**77.2**	68.3
Staff costs	7	**116.2**	100.2
Operating lease rentals payable on property		**2.5**	2.5
Acquisition adjustments and reorganisation costs	5	**–**	3.7

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

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**168**	170
Fees payable to the Company's auditor and its associates for other services:		
Audit of the company's subsidiaries pursuant to legislation	**290**	300
Audit of Pension scheme trust	**11**	11
Other Audit related assurance services	**54**	54
Taxation compliance services	**370**	256

A description of the work of the Audit Committee is set out in the corporate governance statement on pages 48 to 51 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

7. Staff costs

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

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Salaries	**94.0**	81.3
Social security costs	**10.4**	8.8
Defined contribution pension costs	**5.0**	4.1
Defined benefit pension costs	**0.1**	0.4
Equity-settled transactions	**6.7**	5.6
	116.2	100.2

Key management personnel are considered to be the directors and their remuneration is disclosed within the Remuneration Report on pages 54 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 £2.6m (2015: £1.9m).

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 2016 Number	Year ended 31 March 2015 Number
Management	**99**	102
Research and production	**673**	518
Sales, administration and business support	**410**	366
	1,182	986

8. Financial income

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Interest receivable on money-market and bank deposits	**0.2**	0.1
Fair value changes of foreign exchange forward contracts	**1.2**	–
Fair value changes on contingent considerations	**3.0**	–
Financial income	**4.4**	0.1

Fair value changes on contingent considerations relate to the PneumRx acquisition and comprise a £12.0m credit relating to the non-payment of the first revenue milestone and a £9.0m charge relating to the US regulatory milestone.

9. Financial expense

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Fair value changes of foreign exchange forward contracts	**–**	6.2
Fair value changes on contingent considerations	**1.7**	1.0
Others	**1.7**	1.1
Financial expense	**3.4**	8.3

The Group recognised a fair value expense of £1.6m (2015: £0.1m) related to the contingent milestones for the EKOS acquisition within Financial expense.

10. Tax

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

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Current tax		
UK corporation tax charge	**–**	–
Overseas corporate tax charge	**11.7**	12.2
Adjustments in respect of prior years	**(2.2)**	(1.2)
Total current taxation	**9.5**	11.0
Deferred taxation		
Deferred tax credit	**(13.8)**	(17.9)
Adjustment to tax rates	**1.3**	–
Total deferred taxation	**(12.5)**	(17.9)
Total tax credit for the year	**(3.0)**	(6.9)

In addition to the tax credit in the income statement, a deferred tax charge of £1.1m (2015: £1.8m charge) has been recognised in the consolidated statement of other comprehensive income relating to the deferred tax on the pension fund surplus.

UK corporation tax is calculated at 20% (2015: 21%) 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 2016 £m	Year ended 31 March 2015 £m
Profit before tax	**57.5**	26.7
Tax using UK corporation tax rate of 20% (2015: 21%)	**11.5**	5.6
Effect of overseas tax rates	**4.2**	2.2
Recognition of tax losses[1]	**(15.2)**	(8.2)
Change in unrecognised deferred tax assets	**(0.4)**	(3.4)
Non-deductible expenses	**–**	1.4
Effect of UK patent box deduction	**(4.4)**	(3.7)
Intra group transfer of subsidiary undertaking	**2.4**	–
Adjustment to tax rates	**1.3**	–
Adjustments in respect of prior years[2]	**(2.4)**	(0.8)
	(3.0)	(6.9)

1 The increased recognition of historic tax UK and US losses arises from sustained profitability of the related underlying businesses.

2 The prior year adjustment arises mainly from a reassessment of prior year US tax liabilities.

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

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Current assets		
UK corporation tax receivable	**1.8**	1.4
	1.8	1.4
Current liabilities		
Overseas corporate tax payable	**5.8**	3.2
	5.8	3.2

10. Tax continued

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

	2016 £m	2015 £m
Deferred tax asset recognised at 1 April	**4.9**	0.8
Income statement credit	**1.3**	4.2
Reclassification	**0.5**	–
Currency movements	**0.1**	(0.1)
Deferred tax asset recognised at 31 March	**6.8**	4.9

The deferred tax asset relates to tax losses in the UK and short-term timing differences in the UK and Australia. The UK losses and timing differences have been recognised using a tax rate of 18-20% (2015: 20%) depending on when they will be used. The short-term timing differences in Australia have been recognised using a tax rate of 30% (2015: 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.

Deferred tax liability

	Liabilities Acquired intangibles £m	Liabilities Pension fund surplus £m	Liabilities Short-term timing differences £m	Assets Tax losses £m	Assets Short-term timing differences £m	Net deferred tax liability £m
At 1 April 2014	(109.2)	(2.8)	(0.9)	20.7	1.8	(90.4)
Adjustments re prior years	–	–	0.1	(0.6)	0.1	(0.4)
Acquisitions	(73.1)	–	(0.9)	11.0	–	(63.0)
Income statement credit	8.7	–	1.7	–	3.6	14.0
Other comprehensive income charge	–	(1.8)	–	–	–	(1.8)
R&D tax credits	–	–	–	–	0.3	0.3
Reclassification	–	–	(0.5)	–	0.5	–
Currency movements	(12.6)	–	–	–	1.5	(11.1)
At 31 March 2015	**(186.2)**	**(4.6)**	**(0.5)**	**31.1**	**7.8**	**(152.4)**
Adjustment re prior years	0.1	–	–	1.0	0.1	1.2
Income statement credit/(charge)	11.2	(1.0)	0.6	(1.9)	1.1	10.0
Other comprehensive income charge	–	(1.1)	–	–	–	(1.1)
R&D tax credits	–	–	–	–	0.2	0.2
Reclassification	–	–	–	–	(0.4)	(0.4)
Currency movements	(5.3)	–	–	0.5	0.3	(4.5)
At 31 March 2016	**(180.2)**	**(6.7)**	**0.1**	**30.7**	**9.1**	**(147.0)**

The deferred tax liability of £147.0m (2015: £152.4m) represents the net position after taking into account the offset of deferred tax assets against deferred tax liabilities in each jurisdiction.

The rate of 20% from 1 April 2016 was substantively enacted on 25 March 2015. The rate of 19% from 1 April 2017 and the rate of 18% from 1 April 2020 were substantively enacted on 26 October 2015. A proposed rate of 17% from 1 April 2020 was announced on 16 March 2016 but has not yet been substantively enacted. These will reduce the Company's future current tax charge accordingly. The UK deferred tax assets and liabilities at 31 March 2016 have been calculated based on the substantively enacted rates at which the timing differences are expected to unwind.

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. 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 2016 £m	Year ended 31 March 2015 £m
UK tax losses	**59.4**	84.1
US tax losses	**22.4**	37.3
Deductible temporary differences	**27.0**	21.6
	108.8	143.0

11. Earnings per share

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

	Year ended 31 March 2016	Year ended 31 March 2015
Profit for the financial year (£m)	**60.5**	33.6
Profit per share (p)		
Basic	**15.8**	9.1
Diluted	**15.6**	9.0
Number of shares (m)		
Weighted average number of shares – basic	**382.6**	367.9
Effect of share options on issue	**5.7**	5.4
Weighted average number of shares – diluted	**388.3**	373.3

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

	Year ended 31 March 2016	Year ended 31 March 2015
Profit for the financial year (£m)	**60.5**	33.6
Add back:		
Fair value adjustment on acquired inventory[(a)]	**0.9**	0.6
Amortisation of acquired intangible fixed assets[(b)]	**23.6**	19.5
Acquisition and reorganisation costs[(c)]	**–**	3.1
Fair values changes on contingent consideration[(d)]	**(1.4)**	1.0
Underlying earnings	**83.6**	57.8
Underlying profit per share (p)		
Basic	**21.9**	15.7
Diluted	**21.5**	15.4

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 2016 there was £0.6m tax impact (2015: £0.3m) on fair value adjustment of inventory acquired of £1.5m (2015: £0.9m).

b. The release of deferred tax liability of £11.4m (2015: £8.9m) has been deducted from the amortisation and impairment of acquired intangible assets of £35.0m (2015: £28.4m) as shown in the consolidated income statement.

c. In the year ended 31 March 2015 there was £0.6m tax impact on reorganisation costs of £3.7m.

d. There was no tax impact (2015: nil) on the contingent consideration fair value gain of £3.0m or the fair value loss of £1.6m (2015: fair value loss of £1.0m).

12. Goodwill

	Note	£m
At 1 April 2014		123.6
Acquisitions	31	51.6
Exchange differences		8.6
At 31 March 2015		183.8
Exchange differences		4.1
At 31 March 2016		**187.9**
Accumulated impairment losses		
At 1 April 2014, 1 April 2015 and 31 March 2016		–
Net book value at 31 March 2016		**187.9**
Net book value at 1 April 2015		183.8
Net book value at 1 April 2014		123.6

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

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 2016.

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 £151.4m (2015: £147.3m), as relating to Specialty Pharmaceuticals £16.4m (2015: £16.4m), and in relation to Licensing, £20.1m (2015: £20.1m).

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

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

Cash flow projections for all assets were included for a period equal to the estimated useful economic life of the assets. No terminal values were applied. All cashflows were discounted back to present value using a pre-tax discount rate of between 7% (2015: 7%) to 29% (2015: 26%) representing the range of asset classes being tested including established royalty streams, launched 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 healthcare 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 probability of product launch, market opportunity and overall market size. Industry average statistics are used to assess the probability of product launch, taking in to account the stage of development of the asset, the therapeutic area targeted and any known specific characteristics of the asset. Market opportunity and overall market size are assessed by reference to independent industry market reports.

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

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

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

13. Intangible assets

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 2014		**428.5**	**38.6**	**22.3**	**1.1**	**13.1**	**17.0**	**520.6**
Acquisitions	31	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**
Additions		–	–	–	0.4	0.9	23.0	24.3
Disposals		(0.3)	(1.0)	–	–	–	–	(1.3)
Currency movements		15.1	1.0	3.2	–	0.7	0.2	20.2
At 31 March 2016		**592.6**	**42.1**	**109.0**	**1.8**	**18.2**	**31.7**	**795.4**
Amortisation								
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**
Provided during the year		34.7	0.4	–	0.3	0.3	2.3	38.0
Write back on disposals		(0.3)	(1.0)	–	–	–	–	(1.3)
Currency movements		3.3	0.9	–	–	1.0	–	5.2
At 31 March 2016		**129.3**	**42.1**	**5.8**	**1.0**	**14.7**	**3.3**	**196.2**
Net book value								
At 31 March 2016		**463.3**	**–**	**103.2**	**0.8**	**3.5**	**28.4**	**599.2**
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

Amortisation relating to acquired intangibles of £35.0m (2015: £28.4m) is shown on the face of the income statement within Amortisation of acquired intangibles. Other amortisation is shown within Cost of sales, Selling, general and administrative expenses or Research and Development.

Developed technology

Developed technology includes the PneumRx® Coil (Europe) acquired in PneumRx, Inc. (see note 31), EkoSonic® acquired in EKOS Corporation, TheraSphere® acquired in the Targeted Therapies Division of Nordion Inc., 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 2016 £m	31 March 2015 £m	Remaining amortisation period at 31 March 2016
PneumRx® Coil (Europe)	**104.9**	108.9	13.8 years
EkoSonic®	**105.5**	110.5	12.3 years
TheraSphere®	**90.1**	94.4	12.3 years
CroFab®	**66.0**	67.5	17.7 years
DigiFab®	**21.3**	21.8	17.7 years
DC Bead® and LC Bead®	**69.9**	77.0	9.8 years

13. Intangible assets continued

In-process Research and Development

Acquisition increases to in-process Research and Development includes the PneumRx® Coil (US) acquired in PneumRx, Inc. in the year ended 31 March 2015 (see note 31).

	31 March 2016 £m	31 March 2015 £m
PneumRx® Coil (US)	**84.2**	81.5
Targeted Therapies Assets	**18.4**	17.8

Purchase of contractual rights

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®. This addition has been included in purchase of contractual rights and the asset is being amortised through Cost of sales.

	31 March 2016 £m	31 March 2015 £m	Remaining amortisation period at 31 March 2016
Varithena®	**21.0**	–	9.6 years

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 2014		**5.0**	**14.9**	**17.0**	**8.5**	**45.4**
Acquisitions	31	–	–	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**
Additions		0.1	0.2	2.4	3.5	6.2
Disposals		–	–	(1.8)	–	(1.8)
Transfers		0.5	1.3	2.0	(3.8)	–
Currency movements		–	0.4	0.4	0.3	1.1
At 31 March 2016		**10.5**	**16.1**	**24.2**	**7.0**	**57.8**
Depreciation						
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**
Provided during the year		0.7	0.9	4.7	–	6.3
Impairment		–	–	0.3	–	0.3
Disposals		–	–	(1.7)	–	(1.7)
Currency movements		0.1	–	0.3	–	0.4
At 31 March 2016		**2.9**	**3.7**	**15.4**	**0.1**	**22.1**
Net book value at 31 March 2016		**7.6**	**12.4**	**8.8**	**6.9**	**35.7**
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

15. Other investments

	2016 £m	2015 £m
At 1 April	**3.0**	3.0
Additions	**–**	–
Impairment charge	**(1.6)**	–
At 31 March	**1.4**	3.0

Other investments comprise non-current equity investments 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 asset is impaired, the impairment charge is recognised in the income statement within 'other operating expenses', 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 2016 £m	31 March 2015 £m
Raw materials and consumables	**16.4**	14.9
Work in progress	**14.7**	10.2
Finished goods	**15.4**	15.4
	46.5	40.5

In the year ended 31 March 2016 a fair value adjustment of £1.5m was recognised through cost of sales (see note 4) leaving nil fair value uplift recognised on the acquisition of PneumRx, Inc. remaining (see note 31).

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 31) at 31 March 2015.

Inventory to the value of £3.4m (2015: £3.4m) was written off through Cost of sales.

17. Trade and other receivables

	31 March 2016 £m	31 March 2015 £m
Due within one year		
Revenues receivable, net of provisions	**41.9**	38.7
Other debtors	**12.1**	10.6
Prepayments and accrued income	**52.5**	42.6
	106.5	91.9

Revenues receivable, net of provisions represents product sales sold both directly and through distribution agreements and certain other amounts receivable under licence agreements.

The ageing of these amounts was as follows:

	2016 Gross £m	2016 Provision £m	2015 Gross £m	2015 Provision £m
Not past due	**35.0**	**–**	31.0	–
0-30 days	**4.4**	**–**	4.7	–
31-90 days	**1.5**	**–**	1.3	(0.2)
> 90 days	**1.7**	**(0.7)**	2.6	(0.7)
Total	**42.6**	**(0.7)**	39.6	(0.9)

Provisions for bad debts of £0.7m (2015: £0.9m) are held to write down the value of doubtful receivables to estimated recoverable amounts. The charge for the year to 31 March 2016 in respect of provisions for bad debts was £0.2m (2015: £0.4m credit).

18. Cash and cash equivalents

	31 March 2016 £m	31 March 2015 £m
Bank balances	**140.4**	73.8
Cash and cash equivalents in statement of cash flows	**140.4**	73.8

19. Equity

Other reserves are analysed as follows:

	Translation reserve £m	Fair value reserve £m	Total other reserves £m
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
Total recognised income and expense	18.7	–	18.7
At 31 March 2016	**28.0**	**0.1**	**28.1**

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	2016 £m	Number	2015 £m
At 1 April	**381,776,703**	**38.2**	361,586,534	36.1
Issued for cash	**1,214,874**	**0.1**	20,190,169	2.1
At 31 March	**382,991,577**	**38.3**	381,776,703	38.2

The shares issued during the year ended 31 March 2016 were as a result of the exercise of share options.

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. The remainder of shares issued in the 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

	Note	31 March 2016 £m	31 March 2015 £m
Amounts falling due within one year			
Trade payables		**16.0**	10.8
Accruals and deferred income		**94.8**	81.6
Contingent consideration	26	**–**	15.1
Other creditors		**4.0**	3.5
		114.8	111.0
Amounts falling due after more than one year			
Accruals and deferred income		**0.3**	0.3
Contingent consideration	26	**27.2**	17.6
		27.5	17.9

21. Derivative financial instruments

	31 March 2016 £m	31 March 2015 £m
Contracts with positive fair values:		
Forward foreign exchange contracts due within one year	**2.3**	–
Forward foreign exchange contracts due after more than one year	**1.0**	–
Derivative instrument assets	**3.3**	–
Contracts with negative fair values:		
Forward foreign exchange contracts due within one year	**3.0**	0.9
Derivative instrument liabilities	**3.0**	0.9

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

At 31 March 2016 the Group had forward contracts to sell US$295m in the period to March 2018 at rates in the range £1:US$1.40 – £1:US$1.56. The fair value of these derivative financial instruments was marked to market at 31 March 2016 as an asset at £0.3m.

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.

The fair value gain of £1.2m (2015: loss of £6.2m) for the year associated with these forward contracts was included within Financial income (2015: Financial expense).

A 5% strengthening of the US$ against sterling as at 31 March 2016, all other variables being unchanged, would result in a decrease of £10.3m within 'Financial income' in the income statement and a fair value liability of £10.6m within 'Derivative instruments' within assets. A 5% weakening of the US$ against sterling would result in a £10.3 m increase in 'Financial income' and a fair value asset of £10.0m 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 next formal actuarial valuation will be measured as at 31 March 2016. The results of this valuation exercise, undertaken by the Trustees of the scheme, are expected in 2017.

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 2016/17 is £2.9m (2015/16 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. On the basis of the same advice the Group does not believe that the conclusion would be affected by the Exposure Draft changes, published on 18 June 2015, currently being proposed to IFRIC14.

22. Retirement benefit schemes continued

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

	31 March 2016	31 March 2015	31 March 2014
Retail price inflation	**3.0% p.a.**	3.1% p.a.	3.6% p.a.
Discount rate	**3.4% p.a.**	3.2% p.a.	4.4% p.a.
Life expectancy at age 60 of a male age 60 at the accounting date	**88.7**	88.5	88.4
Life expectancy at age 60 of a male age 40 at the accounting date	**91.1**	91.0	90.8

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 2016 and 2015 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 2016 (2015: 1.5%/1.25% p.a. for males and females respectively).

The following table sets out related IAS 19 assumptions used:

	31 March 2016	31 March 2015	31 March 2014
Pension increases in deferment – RPI inflation	**3.0% p.a.**	3.1% p.a.	3.6% p.a.
Pension increases in payment – RPI inflation	**3.0% p.a.**	3.1% p.a.	3.6% p.a.
Pension increases in payment – inflation capped at 2.5%	**2.0% p.a.**	2.1% p.a.	2.3% p.a.
General salary increases	**3.0% p.a.**	3.1% 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 2016 £m	31 March 2015 £m	31 March 2014 £m
Present value of defined benefit obligation	**(119.0)**	(124.9)	(110.9)
Fair value of scheme assets	**138.3**	138.1	118.9
Net asset recognised in the statement of financial position	**19.3**	**13.2**	**8.0**

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 2016	31 March 2015	31 March 2014
Equity instruments	**10%**	10%	16%
Diversified growth funds	**9%**	11%	14%
Liability driven investment	**31%**	29%	0%
Absolute return bonds	**19%**	20%	0%
Illiquid inflation assets	**16%**	15%	0%
Inflation linked bonds	**0%**	0%	55%
Corporate bonds	**0%**	0%	14%
Cash/net current assets	**15%**	15%	1%

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

At 31 March 2016 and 31 March 2015, all asset classes have/had quoted prices in active markets, with the exception of the illiquid inflation assets which are priced and traded on a monthly basis.

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 2016 are as follows:

Year ended 31 March 2016	Obligation £m	Plan assets £m	Net asset/ (liability) £m
Beginning of the year	**(124.9)**	**138.1**	**13.2**
Employer's part of the current service cost	(0.5)	–	**(0.5)**
Interest income/(cost)	(4.0)	4.4	**0.4**
Administrative costs	–	–	**–**
Contributions by the employer	–	2.9	**2.9**
Contributions from plan members	(0.1)	0.1	**–**
Actuarial (loss)/gain – experience	1.2	(2.2)	**(1.0)**
Actuarial gain – financial assumptions	5.0	–	**5.0**
Actuarial loss – demographic assumptions	(0.7)	–	**(0.7)**
Benefits paid	5.0	(5.0)	**–**
End of the year	**(119.0)**	**138.3**	**19.3**

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 income/(cost)	(4.8)	5.2	**0.4**
Administrative costs	–	–	**–**
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 – demographic assumptions	(14.0)	–	**(14.0)**
Benefits paid	4.5	(4.5)	**–**
End of the year	**(124.9)**	**138.1**	**13.2**

The actual return on the plan assets over 2016 was a gain of £2.2m (2015: gain of £20.7m).

The weighted average duration of the defined benefit obligation at the end of the reporting period is 15 years (2015: 15 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 2016 £m**	31 March 2015 £m	**31 March 2016 £m**	31 March 2015 £m	**31 March 2016 £m**	31 March 2015 £m
Discount rate	Decrease 0.1%	**1.7**	1.9	**2.2**	2.2	**(0.5)**	(0.3)
RPI inflation	Increase 0.1%	**1.5**	1.7	**1.9**	1.8	**(0.4)**	(0.1)
Life expectancy	Increase 1 year	**3.9**	4.1	**–**	–	**3.9**	4.1

The sensitivity information has been derived using projected cash flows valued using the relevant assumptions and membership profile as at 31 March 2016. 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 £5.0m (2015: £4.1m).

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

23. Share based payments

Share options

The Group makes awards under an equity-settled share option plan that entitles employees to purchase shares in the Company. In accordance with the rules of the plan, options are granted at the market price of the shares on the date of grant with a vesting period of generally three years. They may only be exercised upon the attainment of certain performance criteria. If the performance criteria are not met by the date specified at the time of grant, the options do not vest and will lapse. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the options vest unless the conditions under which they leave are such that they are considered to be a 'good leaver'. In this case their options remain exercisable for a limited period of time. For further details of current awards, see the Remuneration Report on pages 54 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 2016	31 March 2015
Risk-free interest rate	**0.7%-1.4%**	0.5%-1.3%
Dividend yield	**Nil**	Nil
Volatility	**26%-28%**	25%-30%
Expected lives of options and awards granted under:		
• Share option plan	**3 years**	3 years
• Sharesave plan	**3.44 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	**353.2p**	389.7p
Weighted average fair value for sharesave grants in the year	**222.6p**	202.3p
Weighted average fair value for stock purchase plan grants in the year	**158.4p**	153.5p
Weighted average fair value for performance share awards in the year	**469.6p**	504.2p
Weighted average fair value for deferred share bonus awards in the year	**681.5p**	599.0p

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 2013 and later years have a market condition based on a TSR measure using the FTSE 250 companies. Earlier share options and performance shares used a TSR measure based on 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) or 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 54 to 75 for further information.

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

	2016 Number of share options (000)	2016 Weighted average exercise price (p)	2015 Number of share options (000)	2015 Weighted average exercise price (p)
Share options				
Outstanding at 1 April	**1,290**	**222.3**	1,565	269.6
Granted during year	**145**	**688.5**	66	631.6
Lapsed during year	**(12)**	**495.0**	–	–
Exercised during year	**(112)**	**380.5**	(341)	271.9
Outstanding at 31 March	**1,311**	**322.4**	1,290	287.7
Exercisable at 31 March	**1,085**	**254.4**	872	222.3
Sharesave plan				
Outstanding at 1 April	**575**	**392.5**	510	274.0
Granted during year	**221**	**504.4**	268	498.7
Lapsed during year	**(56)**	**439.5**	(33)	310.2
Exercised during year	**(123)**	**320.2**	(170)	220.4
Outstanding at 31 March	**617**	**442.9**	575	392.5
Exercisable at 31 March	**–**	**–**	–	–
Stock purchase plan				
Outstanding at 1 April	**221**	**489.0**	93	339.9
Granted during year	**93**	**567.0**	181	530.0
Lapsed during year	**(48)**	**503.8**	(18)	402.7
Exercised during year	**(37)**	**332.0**	(35)	349.5
Outstanding at 31 March	**229**	**543.3**	221	489.0
Exercisable at 31 March	**–**	**–**	–	–

Options outstanding at 31 March 2016:

	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	213	386.0	2023
2014	19	395.1	2017
2015	66	631.6	2018
2016	141	688.5	2019
	1,311		
Sharesave plan options granted in year ended 31 March			
2014	170	289.5	2017
2015	239	498.7	2018
2016	208	504.4	2019
	617		
Stock purchase plan options granted in year ended 31 March			
2015	146	530.0	2017
2016	83	567.0	2018
	229		

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:

	2016 Number of share awards (000)	2015 Number of share awards (000)
Performance share awards		
Outstanding at 1 April	**5,146**	4,142
Granted during year	**1,711**	1,891
Lapsed during year	**(307)**	(112)
Exercised during year	**(911)**	(775)
Outstanding at 31 March	**5,639**	5,146
Exercisable at 31 March	**–**	–
Senior Management Performance Share Plan		
Outstanding at 1 April	**–**	123
Granted during year	**112**	–
Lapsed during year	**–**	(25)
Exercised during year	**–**	(98)
Outstanding at 31 March	**112**	–
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:

	2016 Number of share awards (000)	2015 Number of share awards (000)
Outstanding at 1 April	**436**	570
Granted during year	**48**	41
Lapsed during year	**(7)**	(3)
Exercised during year	**(218)**	(172)
Outstanding at 31 March	**259**	436
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 54 to 75.

24. BTG Employee Share Trust

The Group includes an employee share trust, the BTG Employee Share Trust (the 'Trust'), which is administrated in Jersey. It holds shares for the general benefit of all employees who may eventually become legally entitled to them. At 31 March 2016 the Trust held 43,010 (31 March 2015: 321,341) shares in BTG plc and a further 12,596 (31 March 2015: 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

	2016			2015		
	Leases £m	**Other £m**	**Total £m**	Leases £m	Other £m	Total £m
At 1 April	**1.8**	**0.1**	**1.9**	0.9	0.1	1.0
Provisions utilised during year	**(0.2)**	**(0.1)**	**(0.3)**	–	–	–
Provisions made during year	**0.1**	**1.5**	**1.6**	0.9	–	0.9
Provisions reversed during the period	**–**	**(0.2)**	**(0.2)**	–	–	–
At 31 March	**1.7**	**1.3**	**3.0**	1.8	0.1	1.9
Balance due within one year	**0.1**	**1.3**	**1.4**	0.4	0.1	0.5
Balance due after more than one year	**1.6**	**–**	**1.6**	1.4	–	1.4
At 31 March	**1.7**	**1.3**	**3.0**	1.8	0.1	1.9

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

Contingent liability

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®. The investigation covers the period from 2003. BTG continues to cooperate fully with this investigation. As at 31 March 2016, the possibility that a material outflow of funds will be required to settle or otherwise resolve the investigation was more than remote. It was not, however, possible to make a reliable estimate of the amount that may be required to be paid.

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 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 November 2015, the Group signed a £100m multi-currency revolving credit facility providing access to funds for a period of three years to November 2018 with a with the option to extend for a further two years. This replaced the previous £60m facility. The £100m revolving credit facility 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, euros, Canadian dollars and Australian dollars. As a result the Group's sterling income statement, balance sheet and cash flows may be affected by movements in sterling exchange rates with these currencies. The Group's primary objective with respect to managing foreign exchange risk is to provide certainty over the value of future cash flows.

A significant element of the Group's revenue is denominated in US dollars with the remainder split between sterling, euros 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 2016 would have resulted in the following decrease in profit before tax:

	31 March 2016 £m	31 March 2015 £m
Decrease in Profit	**5.4**	3.6

Interest rate risk

The Group does not consider the impact of interest rate risk to be material to its results or operations and accordingly no sensitivity analysis is shown.

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. 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 2016 £m	31 March 2015 £m
Total equity – capital and reserves attributable to BTG shareholders	**847.7**	758.6
Total assets	**1,148.8**	1,045.9
Equity ratio	**73.8%**	72.5%

The Group is not subject to regulatory capital adequacy requirements as known in the financial services industry.

26. Financial risk management objectives and policies continued

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.

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	Amortised Cost £m	Total carrying value £m	Fair value[1] £m
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	–
Trade and other payables (excluding contingent consideration)	–	–	(96.2)	(96.2)	–
Contingent considerations	(32.7)	–	–	(32.7)	(32.7)
31 March 2016					
Cash and cash equivalents	**–**	**–**	**140.4**	**140.4**	**–**
Forward contracts	**–**	**0.3**	**–**	**0.3**	**–**
Other investments	**1.4**	**–**	**–**	**1.4**	**1.4**
Trade and other receivables	**–**	**–**	**106.5**	**106.5**	**–**
Trade and other payables (excluding contingent consideration)	**–**	**–**	**(115.1)**	**(115.1)**	**–**
Contingent considerations	**(27.2)**	**–**	**–**	**(27.2)**	**(27.2)**

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

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

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

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

Level 3 – unobservable inputs

Fair value hierarchy of financial assets and liabilities

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

At 31 March 2016				
Financial assets recognised at fair value				
Investments	**–**	**1.4**	**–**	**1.4**
Forward contracts	**–**	**0.3**	**–**	**0.3**
Financial liabilities recognised at fair value				
Fair value of other contingent consideration	**–**	**–**	**(27.2)**	**(27.2)**

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 at 31 March 2016 predominately represent:

- contingent consideration payable on achievement of revenue targets and product approval by PneumRx following the acquisition of PneumRx, Inc. in January 2015 (see note 31 for valuation methodology);
- Level 3 financial liabilities at 31 March 2015 predominantly represent:
- contingent consideration payable on achievement of revenue targets and product approval by PneumRx following the acquisition of PneumRx, Inc. in January 2015 (see note 31 for valuation methodology);
- contingent consideration payable on achievement of revenue targets by EKOS following the acquisition of EKOS Corporation in July 2013;
- 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.

	Note	2016 £m	2015 £m
At 1 April		**(32.7)**	(5.5)
Acquisitions		**–**	(28.7)
Movements in Fair Value	8, 9	**1.3**	(1.0)
Paid during the year		**4.8**	3.5
Currency movements		**(0.6)**	(1.0)
At 31 March		**(27.2)**	(32.7)

The Group recognised a fair value credit of £12.0m relating to the non-payment of the first revenue milestone and a £9.0m charge relating to the US regulatory milestone for the PneumRx acquisition within Financial income (2015: £0.9m charge in Financial expense). The Group recognised a fair value expense of £1.6m (2015: £0.1m) related to the contingent milestones for the EKOS acquisition within Financial expense.

Contractual maturity analysis of financial assets/ (liabilities)

Forward foreign exchange contracts that mature within:	31 March 2016 £m	31 March 2015 £m
0-3 months	**(0.9)**	(0.3)
3-6 months	**(1.1)**	(0.2)
6-12 months	**1.3**	(0.4)
>12 months	**1.0**	–
Total	**0.3**	(0.9)

Net gains and losses on financial assets and liabilities

Foreign exchange gains of £4.4m (2015: gains of £6.7m) were recognised within Operating profit in relation to cash balances, intercompany trading balances and settlement of trade receivables and payables.

The Group recognised a fair value gain of £1.2m (2015: loss of £6.2m) relating to forward foreign exchange contracts within 'Financial income' (2015: 'Financial expense').

Estimation of fair values

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

Other investments

These comprise both listed and unlisted investments, available-for-sale. The figure recorded in the statement of financial position (note 15) is the best estimate of fair value.

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.

Contingent considerations

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 and the probability of achieving milestones.

27. Operating leases

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

	31 March 2016 Property £m	31 March 2015 Property £m
Within one year	**3.3**	2.8
Between two and five years	**6.1**	7.3
	9.4	10.1

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

The Group leases a number of offices and facilities primarily in the UK, the US, Canada, Germany, Asia-Pacific and Australia. 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

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 £nil in patent litigation costs (2015: £7.5m 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 45 concerning Giles Kerr, payments made by BTG to Oxford University and Isis Innovations Ltd under the relevant licence agreements were £24,000 for the year ended 31 March 2016 (£5,000 for the year ended 31 March 2015). There are no amounts still outstanding and payable by BTG under these agreements as at 31 March 2016 (2015: nil).

Key management personnel are considered to be the directors and their remuneration is disclosed within the Remuneration Report on pages 54 to 75.

30. Group entities

The subsidiary undertakings of BTG plc at 31 March 2016 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
Biocompatibles, Inc. Delaware, USA	Common stock	Distribution of Bead products, TheraSphere® and Varithena®
Biocompatibles International Ltd*	Ordinary	Investment and management of Group companies
Biocompatibles UK Ltd	Ordinary	Development, management and commercialisation of IPR
BTG Australasia Pty Ltd Australia	Ordinary	Manufacture and sale of pharmaceutical products
BTG Employee Share Schemes Ltd Guernsey	Ordinary	Trustee company
BTG International Asia Limited Hong Kong, China	Ordinary	Sales support for the Interventional Medicine business
BTG International Canada Inc. Canada	Common shares	Support of Interventional Medicine business
BTG International Germany GmbH Germany	No par value shares	Research and Development and sale of Bead products and TheraSphere®
BTG International Healthcare Inc. Delaware, USA	Common stock	Group financing
BTG International Healthcare LLC Delaware, USA	Ordinary	Group financing
BTG International Healthcare Ltd	Ordinary	Group financing
BTG International Inc. Delaware, USA	Common stock	Research, development and sale of pharmaceutical products
BTG International Ltd	Ordinary	Development, management and commercialisation of IPR
BTG International (Holdings) Ltd *	Ordinary	Holding company
BTG Management Services Ltd	Ordinary	Investment and management of Group companies
EKOS Corporation Delaware, USA	Common stock	Manufacture and commercialisation of therapeutic ultrasound devices
PneumRx GmbH Germany	No par value shares	Sale of the PneumRx® Coil System
PneumRx, Inc. Delaware, USA	Common stock	Development, manufacture and commercialisation of the PneumRx® Coil System
PneumRx Ltd	Ordinary	Commercialisation and sale of the PneumRx® Coil System
Protherics Medicines Development Ltd	Ordinary	Development, management and commercialisation of IPR
Protherics Utah Inc. Tennessee, USA	Common stock	Manufacture and sale of pharmaceutical products
Protherics UK Ltd	Ordinary	Research, development, manufacture and sale of pharmaceutical products
Provensis Ltd*	Ordinary	Development and commercialisation of IPR
Provensis Inc. Delaware, USA	Common stock	Dormant company

* Indicates direct subsidiary of BTG plc.

31. 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 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.

PneumRx owns, manufactures and distributes PneumRx® Coils, 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, PneumRx® Coils were in 11 European countries and had a fully recruited US pivotal clinical trial underway. Following the successful outcome of the RENEW study, the Group is currently progressing a regulatory application with the US FDA, which could lead to US PMA approval in 2017. 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 PneumRx® Coil (Europe) developed technology and £80.4m relating to PneumRx® Coil (US) in-process research and development assets. The estimated useful life of the developed technology was 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 the PneumRx® Coil 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 included US$20m payable if PneumRx met a global revenue target in calendar year 2015 of US$35 million and US$60 million payable if US FDA approval is received before 31 December 2017. During the year ended 31 March 2016 no contingent consideration payments were made and a £3.0m fair value movement credit was recognised in the income statement comprising a £12.0m credit relating to the non-payment of the first revenue milestone and a £9.0m charge relating to the US regulatory milestone. 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 equivalents	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)

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.

32. Post balance sheets events

On 6 May 2016 the Group announced that it had entered into an agreement to acquire Galil Medical for an initial cash consideration of US$84.5m and up to US$25.5m in future regulatory and commercial milestone payments in respect of the period to 31 December 2018.

Company financial statements
Statement of financial position

	Note	31 March 2016 £m	31 March 2015 £m
Assets			
Non-current assets			
Investment in subsidiaries	4	**768.7**	764.6
		768.7	764.6
Current assets			
Trade and other receivables	5	**69.1**	70.6
Cash and cash equivalents		**0.5**	0.5
		69.6	71.1
Total assets		**838.3**	835.7
Equity			
Share capital	6	**38.3**	38.2
Share premium account	6	**434.8**	433.8
Merger reserve	6	**317.8**	317.8
Retained earnings	6	**41.5**	43.5
Total equity attributable to equity holders of the parent	6	**832.4**	833.3
Liabilities			
Current liabilities			
Trade and other payables	7	**5.9**	2.4
Total liabilities		**5.9**	2.4
Total equity and liabilities		**838.3**	835.7

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

The financial statements were approved by the Board on 16 May 2016 and were signed on its behalf by:

Dame Louise Makin
Chief Executive Officer

Rolf Soderstrom
Chief Financial Officer

Registered No. 2670500

Statement of cash flows
for the year ended 31 March 2016

	Note	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Loss after tax for the year	2	**(8.6)**	(6.1)
Decrease in trade and other receivables	5	**1.4**	1.4
Increase/(decrease) in trade and other payables	7	**3.7**	(0.3)
Other		**2.4**	1.7
Net cash outflow from operating activities		**(1.1)**	(3.3)
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	**1.1**	147.2
Net cash inflow from financing activities		**1.1**	147.2
Increase in cash and cash equivalents		**–**	0.5
Cash and cash equivalents at start of year		**0.5**	–
Cash and cash equivalents at end of year		**0.5**	0.5

Statement of changes in equity

	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total £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**

	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total equity £m
At 1 April 2015	38.2	433.8	317.8	43.5	833.3
Loss for the year	–	–	–	(8.6)	(8.6)
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(8.6)	(8.6)
Transactions with owners:					
Issue of BTG plc ordinary shares	0.1	1.0	–	–	1.1
Movement in shares held by the Trust	–	–	–	(0.1)	(0.1)
Share-based payments	–	–	–	6.7	6.7
At 31 March 2016	**38.3**	**434.8**	**317.8**	**41.5**	**832.4**

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 £8.6m (2015: £6.1m)

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

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
The auditing of accounts of the Company	**98**	96
Audit related assurance services	**54**	56

3. Staff costs

The employees are based in the United Kingdom.

Disclosures of individual Director's remuneration and associated costs required by the Companies Act 2006 and specified by the Financial Conduct Authority are on pages 54 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.

4. Investment in subsidiary undertakings

	£m
Cost	
At 1 April 2014	617.5
Transfers of investments to subsidiary companies	143.4
Share based payments	3.7
At 1 April 2015	764.6
Increase of investment in subsidiary companies	–
Share based payments	4.1
At 31 March 2016	**768.7**

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

A list of the Company's principal subsidiary undertakings is shown in note 30 to the Group financial statements.

5. Trade and other receivables

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Due within one year		
Prepayments	**0.7**	0.7
Amounts owed by subsidiary undertakings	**68.4**	69.9
	69.1	70.6

6. Capital and reserves

	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total £m
Company					
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 1 April 2015	38.2	433.8	317.8	43.5	833.3
Loss for financial year	–	–	–	(8.6)	(8.6)
Total recognised loss for the year	–	–	–	(8.6)	(8.6)
Movement in shares held by Trust	–	–	–	(0.1)	(0.1)
Other share capital issued	0.1	1.0	–	–	1.1
Share-based payments	–	–	–	6.7	6.7
At 31 March 2016	**38.3**	**434.8**	**317.8**	**41.5**	**832.4**

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:

1. The acquisition of Protherics PLC on 4 December 2008 and includes directly attributable costs of issuing the shares of £0.4m.
2. The acquisition of Biocompatibles International plc on 27 January 2011 and includes directly attributable costs of issuing of shares of £1.1m.

Details of Company share capital are disclosed in note 19 to the Group financial statements. Details of share options granted by the Company are set out in note 23 to the Group financial statements. Details of shares in the Company held by subsidiaries are shown in note 24 to the Group financial statements.

In 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.

7. Trade and other payables

	31 March 2016 £m	31 March 2015 £m
Due within one year		
Accruals and deferred income	**2.7**	2.4
Amounts owed to subsidiary undertakings	**3.2**	–
	5.9	2.4

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

8. Financial assets and liabilities

	Amortised cost £m	Total carrying value £m
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)
31 March 2016		
Cash and cash equivalents	**0.5**	**0.5**
Trade and other receivables	**69.1**	**69.1**
Trade and other payables	**(5.9)**	**(5.9)**

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 November 2015, the Group signed a £100m multi-currency revolving credit facility providing access to funds for a period of three years to November 2018 with a with the option to extend for a further two years. This replaced the previous £60m facility. The £100m revolving credit facility 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 45 concerning Giles Kerr, payments made by BTG to Oxford University and Isis Innovations Ltd under the relevant licence agreements were £24,000 for the year ended 31 March 2016 (£5,000 during the year ended 31 March 2015). There are no amounts still outstanding and payable by BTG under these agreements as at 31 March 2016 (2015: nil).

Key management personnel are considered to be the directors and their remuneration is disclosed within the Remuneration Report on pages 54 to 75.

Five-year financial record
For the year ended 31 March

Consolidated income statement

	2016 £m	2015[1] £m	2014[2] £m	2013 £m	2012[3] £m
Revenue	**447.5**	367.8	290.5	233.7	197.0
Cost of sales	**(140.8)**	(114.7)	(95.0)	(67.2)	(56.3)
Gross profit	**306.7**	253.1	195.5	166.5	140.7
Selling, general and administrative expenses	**(141.4)**	(124.8)	(84.0)	(58.0)	(48.9)
Contribution	**165.3**	128.3	111.5	108.5	91.8
Amortisation and impairment of acquired intangible assets	**(35.0)**	(28.4)	(23.3)	(43.4)	(30.7)
Foreign exchange gains/(losses)	**4.4**	6.7	(5.0)	3.1	2.6
Research and Development	**(77.2)**	(68.3)	(47.2)	(41.2)	(39.7)
Profit on disposal of assets and investments	**–**	0.3	1.1	0.4	0.2
Amounts written off property, plant and equipment	**–**	–	–	(1.8)	(3.0)
Amounts written off associates and investments	**–**	–	–	–	(0.2)
Other operating expenses	**(1.0)**	–	–	–	–
Acquisition and reorganisation costs	**–**	(3.7)	(9.8)	0.1	(1.1)
Operating profit	**56.5**	34.9	27.3	25.7	19.9
Net financial income/(expense)	**1.0**	(8.2)	6.0	(1.6)	3.1
Profit before tax	**57.5**	26.7	33.3	24.1	23.0
Tax credit/(charge)	**3.0**	6.9	(9.0)	(7.7)	(8.4)
Profit after tax for the year	**60.5**	33.6	24.3	16.4	14.6
Earnings per share					
Basic	**15.8p**	9.1p	6.8p	5.0p	4.5p
Diluted	**15.6p**	9.0p	6.7p	5.0p	4.4p

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 Financial year 2012 does not reflect IAS 19 revised.

Five-year financial record continued
For the year ended 31 March

Consolidated statement of financial position

	2016 £m	2015[1] £m	2014[2] £m	2013 £m	2012[3] £m
Goodwill	**187.9**	183.8	123.6	59.2	59.2
Intangible assets	**599.2**	597.9	397.9	209.2	246.0
Property, plant and equipment	**35.7**	35.5	31.3	25.4	22.0
Other investments	**1.4**	3.0	3.0	3.0	3.0
Deferred tax asset	**6.8**	4.9	0.8	0.9	1.0
Employee benefits	**19.3**	13.2	8.0	10.3	–
Biological assets	**–**	–	–	–	0.3
Derivative financial instruments	**1.0**	–	0.9	–	–
Total non-current assets	**851.3**	838.3	565.5	308.0	331.5
Current assets	**297.5**	207.6	146.2	236.9	174.3
Total assets	**1,148.8**	1,045.9	711.7	544.9	505.8
Equity					
Share capital	**38.3**	38.2	36.1	32.8	32.7
Share premium account	**434.8**	433.8	288.7	188.6	188.3
Merger reserve	**317.8**	317.8	317.8	317.8	317.8
Reserves	**28.1**	9.4	(32.2)	0.2	(4.0)
Retained earnings	**28.7**	(40.6)	(80.0)	(104.8)	(128.6)
Total equity	**847.7**	758.6	530.4	434.6	406.2
Total non-current liabilities	**176.1**	171.7	93.5	44.7	41.3
Total current liabilities	**125.0**	115.6	87.8	65.6	58.3
Total liabilities	**301.1**	287.3	181.3	110.3	99.6
Total equity and liabilities	**1,148.8**	1,045.9	711.7	544.9	505.8

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 Financial year 2012 does not reflect IAS 19 revised.

Consolidated cash flow statement

	2016 £m	2015[1] £m	2014[2] £m	2013 £m	2012[3] £m
Net cash from/(used in) operating activities	**95.6**	47.5	48.5	55.5	47.2
Net cash used in investing activities	**(29.9)**	(158.9)	(269.4)	(4.5)	(3.9)
Net cash from/(used in) financing activities	**–**	146.2	102.7	0.2	(0.2)
Increase/(decrease) in cash and cash equivalents	**65.7**	34.8	(118.2)	51.2	43.1
Effect of exchange rate fluctuations on cash held	**0.9**	0.8	(2.3)	0.6	0.1
Cash and cash equivalents at start of year	**73.8**	38.2	158.7	106.9	63.7
Cash and cash equivalents at end of year	**140.4**	73.8	38.2	158.7	106.9

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 Financial year 2012 does not reflect IAS 19 revised.

Shareholder information

Financial calendar

Circulation of annual report for the year ended 31 March 2016	14 June 2016
Annual General Meeting	14 July 2016
Announcement of interim results for the six months ended 30 September 2016	November 2016
Preliminary announcement of annual results for the year ended 31 March 2017	May 2017

Shareholders

At 31 March 2016 there were 9,178 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	8,405	91.6	5,655,092	1.5
5,001 – 50,000	532	5.8	7,958,818	2.1
50,001 – 100,000	68	0.7	4,691,097	1.2
100,001 – 500,000	92	1.0	21,226,141	5.5
Over 500,000	81	0.9	343,460,429	89.7
Total	**9,178**	**100.0**	**382,991,577**	**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	1,073	11.7	372,534,928	97.3
Private shareholders	7,930	86.4	9,553,722	2.5
Limited companies	57	0.6	358,032	0.1
BTG Employee Share Trust	1	–	43,010	–
Insurance companies and pension funds	117	1.3	501,885	0.1
	9,178	**100.0**	**382,991,577**	**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 0371 664 0445 (telephone dealing – calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable international rate. Lines are open between 8 am – 4.30 pm, Monday to Friday excluding public holidays in England and Wales). Full terms, conditions and risks apply and are available on request or by visiting www.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.

Registered office and head office

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Shareholder information continued

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 27 to 32 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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