



BTG

# BTG plc Interim Report and Accounts 2015

Six Months ended  
30 September 2015

Imagine where we can go.

## Financial summary

- Group revenue grew 20% to £229.6m (H1 14/15: £191.2m)
- Contribution grew 18% to £94.4m (H1 14/15: £80.1m)
- Operating profit before acquisition adjustments and reorganisation costs was £62.9m (H1 14/15: £56.8m)
- Adjusted earnings per share (excluding acquisition adjustments and reorganisation costs) were 6% higher at 14.7p (H1 14/15: 13.9p)
- Cash and cash equivalents at 30 September 2015 rose to £110.6m (£73.8m at 31 March 2015)

## Operating highlights

### Interventional Medicine

- Varithena<sup>®</sup> (polidocanol injectable foam) approved by Health Canada; steady progress in gaining insurance coverage and establishing appropriate payment levels in the US reimbursed sector
- Strong growth in sales of EkoSonic<sup>®</sup>, capitalising on clearance for use in the treatment of pulmonary embolism
- Continued growth in Interventional Oncology franchise; EU sales force now selling Beads and TheraSphere<sup>®</sup> directly; good early progress with expansion in Asia
- French-government-sponsored REVOLENS study of PneumRx<sup>®</sup> Coils achieved primary endpoint; ongoing commercial activities to secure wider reimbursement in Europe; RENEW study top-line data expected end of 2015

### Specialty Pharmaceuticals

- Wellstat Therapeutics' new drug application (NDA) for uridine triacetate accepted for review by the US Food and Drug Administration (FDA)

### Licensing

- Good growth from Lemtrada<sup>™</sup> (alemtuzumab) following US approval
- Zytiga<sup>®</sup> (abiraterone acetate) boosted by payment of backdated royalties

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## OPERATING REVIEW

BTG has made good financial and operational progress over the first half of the year. Double-digit revenue growth combined with focused cost control and operational efficiencies have resulted in increased contribution to support investment into our Interventional Medicine business. Interventional Medicine revenues grew 36% (28% at constant currency), led by strong performances from the EKOS and Interventional Oncology products, and a full six months of revenues from PneumRx. Sales of Varithena<sup>®</sup> (polidocanol injectable foam) are flat as we work to establish wider insurance coverage.

### Interventional Medicine

#### Interventional Vascular: Varithena<sup>®</sup>

US physicians using Varithena<sup>®</sup> continue to report positive clinical experiences and patient feedback. The number of physicians enrolled in the Varithena<sup>®</sup> training programme has risen to 573, from 429 in April 2015, with 264 having treated patients, or scheduling patients for treatment, up from 216 in April 2015.

As a new drug and new procedure, policy coverage and appropriate payment levels have to be established with each insurer, and consequently Varithena<sup>®</sup> insurance claims currently take significantly longer to settle than claims for established treatment options. We are making steady progress in gaining insurance coverage, with approximately 146 million US lives (110 million in April 2015) of ~320 million total US insured lives now covered by payers who have given favourable policy coverage for Varithena<sup>®</sup> and 76 million lives (50 million in April 2015) covered by payers who have also paid claims at appropriate rates for both product and procedure.

As we move through the second year of our two-year controlled launch programme we anticipate continued progress in expanding insurance coverage, more claims being settled at appropriate payment levels and a reduction in claim settlement times. Based on this expected progress and the ongoing physician interest and positive clinical experience, we expect a tipping point in physician reordering during our 2016/17 financial year, leading to strong sales growth over time. We remain confident that Varithena<sup>®</sup> can reach \$250m in annual sales by 2021 in the US reimbursed and self-pay sectors.

While continuing to expand insurance coverage in the US we will also seek to establish permanent reimbursement codes. We have recently received clarification that Varithena<sup>®</sup> has not been assigned a unique product J code and we will now progress plans to apply for permanent bundled CPT codes that cover the product and procedure costs.

We look forward to launching Varithena<sup>®</sup> in Canada in the first half of 2016, having received regulatory approval during the period, and we are continuing development of related products to treat other venous disorders, with potential approvals from 2017. This combination of geographic expansion and new indications has the potential to achieve a further \$250m in annual revenue by 2021.

#### Interventional Vascular: EkoSonic<sup>®</sup> Endovascular System

The use of interventional techniques in addition to standard anticoagulation therapy to treat blood clots is increasing: approximately 140,000 interventional procedures were conducted in the US over the past year compared with approximately 95,000 procedures three years ago. The EkoSonic<sup>®</sup> Endovascular System is unique in that the ultrasound guided technology enables a smaller dose of thrombolytic drugs to penetrate deeper into the thrombus, resulting in complete clot dissolution and faster infusion time. The FDA clearance in 2014 for the treatment of life-threatening pulmonary embolism in the US makes it the only device on the market with this label.

We will continue to expand on the growing US hospital base using EkoSonic<sup>®</sup> and build on our leadership in the treatment of pulmonary embolism. We are also adding to the clinical evidence in treating this condition with another pulmonary embolism study, OPTALYSE, for which patient recruitment has commenced. By investing in clinical data, further commercial expansion and product innovation, we anticipate that EkoSonic<sup>®</sup> has the potential to achieve sustained annual sales growth of more than 20% and will achieve annual sales of \$100m to \$200m by 2021.

### Interventional Oncology

BTG has a unique patient-focused franchise, being the only company providing both radiation and embolising/chemoembolising locoregional treatments for liver cancer. A good first half performance reflects the continued growth in the US of TheraSphere<sup>®</sup> and the initial positive impact of expanding our EU sales force. We added our Beads products to this European sales force in April 2015, where the full impact of selling direct is expected to be realised in future years once we work through the transition from the previous distributor.

Geographic expansion is one of the key growth drivers of our franchise and in the period we hired our first sales representatives in Canada, who are initially detailing TheraSphere<sup>®</sup>. In Asia, our partner SciClone Pharmaceuticals,

Inc. won its first provincial tender for DC Bead<sup>®</sup> in China, where the first patient has been treated, and in Japan our partner Eisai Co., Ltd received expanded approval for DC Bead<sup>®</sup> to treat hypervascular tumours and arteriovenous malformations. TheraSphere<sup>®</sup> has been approved in the growing markets of Singapore and South Korea.

Through ongoing activities to support product innovation, geographic expansion and new indications, we expect to deliver around mid-teens revenue growth on average annually and our target is to achieve annual sales of \$300m to \$400m by 2021.

### **Interventional Pulmonology**

Emphysema is a progressive disease in which the natural architecture of the lungs is damaged and lung function declines. There are more than 5 million people with advanced emphysema (GOLD stages III and IV) in the US and five largest EU countries combined, resulting in a significant economic burden on healthcare systems from in-patient and out-patient care costs. There is no cure, and the current standard of care involving drug therapy, supplemental oxygen and pulmonary rehabilitation becomes much less effective at relieving symptoms over time.

PneumRx<sup>®</sup> Coils have been shown in European clinical studies to improve quality of life for emphysema patients. In May 2015 we reported top-line data from the French-government-sponsored REVOLENS study, showing that at six months post-treatment the PneumRx<sup>®</sup> Coils were superior to the standard of care for improving exercise capacity in patients with severe emphysema.

Interventional Pulmonology is a nascent medical field and our sales are currently concentrated in certain European markets including Germany, Turkey, Switzerland and Spain. Our commercial focus is around securing wider and full reimbursement in these and other European markets as well as raising the overall profile of this condition and of the role of the PneumRx Coils in treating it as more clinical evidence emerges.

In the US, we anticipate top-line data from the RENEW study around the end of 2015 and intend to submit a PMA application in H1 2016. A priority review has been granted which could lead to potential US approval around the end of 2016.

PneumRx has strong growth potential and we are targeting sales of \$250m by 2021.

### **Specialty Pharmaceuticals**

Specialty Pharmaceuticals is a highly cash generative business for BTG and our products are well established, niche antidotes serving bounded markets. Seasonal weather patterns in the US have led to slightly reduced wholesaler orders for the snakebite treatment CroFab<sup>®</sup> and we have also seen lower orders for the digoxin overdose treatment DigiFab<sup>®</sup> compared with the prior period, which benefitted from cyclical replacement of expired stock by US hospitals. Voraxaze<sup>®</sup>, the treatment for high-dose methotrexate toxicity, continues to grow through greater awareness in US hospitals and named-patient sales outside the US.

In the period our partner Wellstat Therapeutics filed a new drug application (NDA) in the US for uridine triacetate, a treatment for patients at risk of serious toxicity following an overdose of the chemotherapy agent 5-fluorouracil (5-FU). This was accepted for review by the FDA, with a Prescription Drug User Fee Act action date in March 2016. We have realigned our sales force into two field groups, with one focusing on CroFab<sup>®</sup> and DigiFab<sup>®</sup> and the other on oncology accounts for Voraxaze<sup>®</sup> and, if approved, uridine triacetate.

We anticipate that our deep understanding of our customers and strong relationships within relevant hospitals will ensure the continued leadership of this business as a provider of niche antidote products. Following two years of 20%+ growth, we anticipate a reversion to more typical mid-to-high single digit average annual revenue growth in future.

### **Licensing**

Strong revenue growth in the first half was driven by Sanofi/Genzyme's Lemtrada<sup>™</sup> (alemtuzumab) following its approval in the US for the treatment of multiple sclerosis. Revenues for Zytiga<sup>®</sup> (abiraterone acetate), Johnson & Johnson's treatment for advanced prostate cancer, were also higher, boosted by an £8.5m payment for backdated royalties.

## FINANCIAL REVIEW

BTG's first-half results reflect the Group's long-term objective of achieving sustained, profitable growth by using the increasing cash generation from the Specialty Pharmaceuticals and Licensing businesses to invest in high growth opportunities in Interventional Medicine. These results include a full six month's contribution from PneumRx, following the acquisition in January 2015. Given the high proportion of US\$ denominated revenue, movements in the US\$ to sterling exchange rate influence reported revenues. The average rate for the period was \$1.54 compared to \$1.68 in the prior period. We have shown constant currency growth where appropriate.

### Revenue

Group revenue grew by 20% to £229.6m (H1 14/15: £191.2m) and by 12% at constant currency.

Interventional Medicine revenues were 36% higher at £70.5m (H1 14/15: £51.8m) and 28% in constant currency. A strong performance from our Interventional Oncology franchise was led by sales growth of 32% from TheraSphere<sup>®</sup>. This was partially offset by lower EU Beads revenue owing to ongoing channel disruption as we took back rights from a distributor at the beginning of April 2015 so that we could sell both products directly. We expect it to take approximately 12 months for this transition to fully unwind.

Interventional Vascular revenue increased by 40% to £21.0m (H1 14/15: £15.0m) driven by the increasing use of EkoSonic<sup>®</sup> in US hospitals following the FDA clearance for use in the treatment of pulmonary embolism. Sales of our varicose veins treatment Varithena<sup>®</sup> were flat as we continue to establish insurance coverage through the second year of our two-year controlled launch. Our first full six months of revenues in Interventional Pulmonology were £6.3m, resulting from European sales of our PneumRx<sup>®</sup> Coils.

Specialty Pharmaceuticals revenue in the first half rose marginally to £78.2m (H1 14/15: £77.8m) though were down 7% in constant currency. This reflects US seasonal weather patterns and reduced wholesaler orders of the snakebite treatment CroFab<sup>®</sup>. Lower revenues of the digoxin toxicity treatment DigiFab<sup>®</sup> are a result of a cyclical replacement of stock in US hospitals in the prior period. Revenue from Voraxaze<sup>®</sup>, the treatment for high-dose methotrexate toxicity, continued to grow as awareness in US hospitals and named patient sales outside the US increased.

Revenues in the Licensing segment were up by 31% to £80.9m (H1 14/15: £61.6m) growing 23% in constant currency. They continued to be dominated by royalties from Johnson & Johnson's treatment for advanced prostate cancer, Zytiga<sup>®</sup> (abiraterone acetate), which were enhanced by a one-off back payment of £8.5m. The recent US approval of Sanofi/Genzyme's Lemtrada<sup>™</sup> (alemtuzumab) treatment for multiple sclerosis has driven the increase in royalties whilst there has been flat growth in the Two-Part Hip Cup and modest royalties from the remaining licensed portfolio as patent expiries occur.

Detailed product sales and licensing revenues, including growth rates adjusted for constant currency are shown in the table below.

		H1 15/16 (£m)	H1 14/15 (£m)	Change (%)	Change at CC <sup>1</sup> (%)
<b>Interventional Medicine</b>					
<b>Interventional Oncology</b>	TheraSphere <sup>®</sup>	26.4	20.0	32%	25%
	Beads	16.8	16.8	0%	-5%
	<b>Total Interventional Oncology</b>	<b>43.2</b>	<b>36.8</b>	<b>17%</b>	<b>11%</b>
<b>Interventional Vascular</b>	EkoSonic <sup>®</sup>	20.6	14.6	41%	30%
	Varithena <sup>®</sup>	0.4	0.4	0%	0%
	<b>Total Interventional Vascular</b>	<b>21.0</b>	<b>15.0</b>	<b>40%</b>	<b>29%</b>
<b>Interventional Pulmonology</b>	PneumRx <sup>®</sup> Coils	6.3	-	-	-
	<b>Total Interventional Medicine</b>	<b>70.5</b>	<b>51.8</b>	<b>36%</b>	<b>28%</b>
<b>Specialty Pharmaceuticals</b>					
	CroFab <sup>®</sup>	52.6	49.1	7%	-2%
	DigiFab <sup>®</sup>	17.2	21.9	-21%	-27%
	Voraxaze <sup>®</sup> / Other	8.4	6.8	24%	18%
	<b>Total Specialty Pharmaceuticals</b>	<b>78.2</b>	<b>77.8</b>	<b>1%</b>	<b>-7%</b>
<b>Licensing</b>					
	Zytiga <sup>®</sup>	61.2	50.6	21%	13%
	Two-Part Hip Cup	5.9	5.8	2%	-7%
	Lemtrada <sup>™</sup>	8.2	1.3	531%	476%
	Others	5.6	3.9	44%	45%
	<b>Total Licensing</b>	<b>80.9</b>	<b>61.6</b>	<b>31%</b>	<b>23%</b>
<b>Total</b>		<b>229.6</b>	<b>191.2</b>	<b>20%</b>	<b>12%</b>

<sup>1</sup>At constant currency GBP vs USD (\$1.54 vs \$1.68 in prior year)

We anticipate that full year revenue will be in the lower half of our guidance range of £410m to £440m.

### Gross profit

Gross profit of £159.3m (H1 14/15: £135.3m) rose 18% reflecting a gross margin of 69% (H1 14/15: 71%). A fair value adjustment relating to the PneumRx acquisition reduced gross profit by £1.5m. The Interventional Medicine gross margin of 70% (H1 14/15: 73%) is expected to increase over time as revenues build across the portfolio. In Specialty Pharmaceuticals the gross margin increased to 88% (H1 14/15: 85%) driven by cost efficiencies and product mix. Licensing gross margin held steady at 51% (H1 14/15: 51%). The blended Group gross margin is expected to remain stable at approximately 70% in the near term.

### Contribution

Contribution is defined as gross profit less selling, general and administrative (SG&A) expenditure and broadly reflects the cash generated by the business before any investment in research & development (R&D) or capital activities. During the period SG&A increased in line with expectations to £64.9m (H1 14/15: £55.2m) and contribution increased to £94.4m (H1 14/15: £80.1m). The contribution margin was 41% (H1 14/15: 42%).

The expected increase in SG&A primarily reflects 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<sup>®</sup>, for which the US sales force was increased, and the commercial expansion of our Interventional Oncology products in Europe and Asia.

The Specialty Pharmaceuticals and Licensing segments are more established and delivered contribution margins of 74% (H1 14/15: 69%) and 37% (H1 14/15: 28%) respectively. Maintaining disciplined cost control in these segments enables us to invest in the commercial capabilities that will generate revenue in the Interventional Medicine segment, which currently has a 10% contribution margin. As we deliver revenue growth in the various Interventional Medicine businesses we expect the contribution of this segment to increase.

Group SG&A is expected to be in the range £142m to £148m for the full year.

## Operating profit

Investment in research and development increased to £33.6m (H1 14/15: £27.2m). This planned increase reflects greater investment in a broader portfolio of innovation and development programmes, including development of innovative Bead products, hardware development and studies to support indication expansion for the EkoSonic<sup>®</sup> products, the acceleration of the TheraSphere<sup>®</sup> Phase III trials, studies to support US approval of the PneumRx<sup>®</sup> Coils and ongoing regulatory, clinical and medical affairs support for the expanded portfolio of marketed products. Over the full year R&D expenditure is expected to be in the range £75m to £85m.

The Group's exposure to the US\$ revenues and costs have resulted in the recognition of foreign exchange gains of £0.6m (H1 14/15: £3.6m gain).

Operating profit before acquisition adjustments and reorganisation costs was £62.9m (H1 14/15: £56.8m) reflecting higher revenue growth partially offset by reinvestment in SG&A and R&D supporting Interventional Medicine.

Acquisition adjustments include the fair value of inventory acquired with PneumRx (£1.5m). Amortisation of intangible assets of £17.2m (H1 14/15: £13.1m) has increased to reflect the impact of PneumRx, which was acquired in January 2015.

## Financial expense/income

The Group's net financial income was £8.7m (H1 14/15: net financial expense of £5.2m). During the period a £12.7m (\$20m) liability relating to the first PneumRx acquisition milestone payment was released as the likelihood of payment was deemed remote. This was offset by £5.2m of fair value adjustments to other contingent considerations. In addition there was a gain on the mark-to-market of foreign exchange forward contracts of £1.7m (H1 14/15: loss of £3.4m).

## Profit before tax and taxation

Profit before tax for the Group's interim period is £52.9m (H1 14/15: £37.6m). Group profits arise in the UK, the United States 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 charge of £1.6m (H1 14/15: credit of £1.6m). The effective tax rate of 3% is due to a combination of utilisation of tax losses plus the deferred tax impact on the amortisation of intangible assets and deferred tax assets. The Group's anticipated effective tax rate is expected to move toward 26% over the medium term as tax losses are utilised.

## Earnings per share

Basic earnings per share were 13.4p (H1 14/15: 10.8p). The adjusted earnings per share excluding acquisition adjustments and reorganisation costs were 14.7p (H1 14/15: 13.9p).

## Balance sheet

Non-current assets have decreased to £834.2m from £838.3m as at 31 March 2015. The principal movements relate to the purchase of the residual financial interest of the originator of the Varithena<sup>®</sup> foam sclerotherapy technology for a one-off cash payment of £23.0m which is capitalised as an intangible asset. This is offset by intangible asset amortisation of £18.5m, property, plant and equipment depreciation of £3.2m and foreign exchange movements.

The Group's defined benefit pension scheme as measured under IAS19 *Revised – Employee Benefits* increased to an asset of £17.0m at 30 September 2015 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 have increased to £246.3m from £207.6m at 31 March 2015. Cash and cash equivalents have increased from £73.8m at 31 March 2015 to £110.6m as a result of underlying profitable growth. Inventory remained stable at £39.6m (31 March 2015: £40.5m) and receivables increased to £94.0m (31 March 2015: £91.9m) as a result of underlying business growth.

Non-current liabilities decreased to £147.1m (31 March 2015: £171.7m). Principal movements included a decrease in the deferred tax liability position from £152.4m at 31 March 2015 to £145.2m, due to recognising tax losses predominantly arising subsequent to the acquisition of PneumRx. The reclassification of a PneumRx contingent milestone from non-current to current liabilities reduced non-current trade and other payables by £17.5m.

In current liabilities, trade and other payables increased to £121.8m (31 March 2015: £111.0m), reflecting the underlying growth of the business and movements in the PneumRx contingent consideration milestones.

## **Cash flow**

The business generated £68.1m from operating activities (H1 14/15: £54.3m), reflecting good cash generation in the business offset by the cash outflow of £23.0m for the one-off cash payment for the purchase of the residual financial interest of the Varithena<sup>®</sup>. BTG ended the period with cash and cash equivalents of £110.6m (31 March 2015: £73.8m).

In November 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 replaces the existing £60m facility.

## **SUMMARY AND OUTLOOK**

The Group has delivered a good overall financial performance in the first six months of the year and is on track for double digit revenue growth over the full year. We will continue to drive our financial strategy of optimising the cash generation in our Specialty Pharmaceuticals and Licensing businesses so that we can make the necessary investments to drive sustained, profitable growth and achieve our vision to become a world leader in Interventional Medicine therapies.



## CONDENSED CONSOLIDATED INCOME STATEMENT for the six months ended 30 September 2015

	Note	Six months ended 30 September 2015			Six months ended 30 September 2014		
		Results before acquisition adjustments and reorganisation costs £m	Acquisition adjustments and reorganisation costs £m	Total £m	Results before acquisition adjustments and reorganisation costs £m	Acquisition adjustments and reorganisation costs £m	Total £m
<b>Revenue</b>	2	<b>229.6</b>	-	<b>229.6</b>	191.2	-	191.2
Cost of sales	2	<b>(68.8)</b>	<b>(1.5)</b>	<b>(70.3)</b>	(55.9)	-	(55.9)
<b>Gross profit</b>	2	<b>160.8</b>	<b>(1.5)</b>	<b>159.3</b>	135.3	-	135.3
<i>Operating Expenses:</i>							
Amortisation of acquired intangible assets		-	<b>(17.2)</b>	<b>(17.2)</b>	-	(13.1)	(13.1)
Foreign exchange gains	3	<b>0.6</b>	-	<b>0.6</b>	3.6	-	3.6
Selling, general and administrative expenses	2	<b>(64.9)</b>	-	<b>(64.9)</b>	(55.2)	-	(55.2)
Operating expenses: total		<b>(64.3)</b>	<b>(17.2)</b>	<b>(81.5)</b>	(51.6)	(13.1)	(64.7)
Research and development		<b>(33.6)</b>	-	<b>(33.6)</b>	(27.2)	-	(27.2)
Profit on disposal of property, plant and equipment and intangible assets		-	-	-	0.3	-	0.3
Acquisition and reorganisation costs	9	-	-	-	-	(0.9)	(0.9)
<b>Operating profit</b>		<b>62.9</b>	<b>(18.7)</b>	<b>44.2</b>	56.8	(14.0)	42.8
Financial income	4	<b>1.8</b>	<b>12.7</b>	<b>14.5</b>	-	-	-
Financial expense	4	<b>(0.6)</b>	<b>(5.2)</b>	<b>(5.8)</b>	(3.9)	(1.3)	(5.2)
<b>Profit before tax</b>		<b>64.1</b>	<b>(11.2)</b>	<b>52.9</b>	52.9	(15.3)	37.6
Tax (charge)/credit	5			<b>(1.6)</b>			1.6
<b>Profit for the period</b>				<b>51.3</b>			39.2
<b>Earnings per share</b>							
Basic earnings per share	6			<b>13.4p</b>			10.8p
Diluted earnings per share	6			<b>13.2p</b>			10.7p

All activities arose from continuing operations.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the six months ended 30 September 2015

	Note	Six months ended 30 September 2015 £m	Six months ended 30 September 2014 £m
<b>Profit for the period</b>		<b>51.3</b>	39.2
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign exchange translation differences		<b>(8.5)</b>	8.6
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Actuarial gain/(loss) on defined benefit pension scheme	8	<b>2.4</b>	(1.8)
Deferred tax on defined benefit pension scheme asset		<b>(1.3)</b>	0.1
<b>Other comprehensive income for the period</b>		<b>(7.4)</b>	6.9
<b>Total comprehensive income for the period</b>		<b>43.9</b>	4.1

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
as at 30 September 2015

	Note	30 September 2015 £m	31 March 2015 £m	30 September 2014 £m
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill	7,9	181.3	183.8	125.5
Intangible assets	7,9	592.2	597.9	392.3
Property, plant and equipment		33.9	35.5	32.5
Other investments		3.0	3.0	3.0
Deferred tax assets		6.8	4.9	6.4
Employee benefits	8	17.0	13.2	7.6
		<b>834.2</b>	<b>838.3</b>	<b>567.3</b>
<b>Current assets</b>				
Inventories		39.6	40.5	30.5
Trade and other receivables		94.0	91.9	80.0
Corporation tax receivable		0.9	1.4	1.5
Derivative financial instruments		1.2	-	2.0
Cash and cash equivalents		110.6	73.8	78.0
		<b>246.3</b>	<b>207.6</b>	<b>192.0</b>
<b>Total assets</b>		<b>1,080.5</b>	<b>1,045.9</b>	<b>759.3</b>
<b>EQUITY</b>				
Share capital		38.3	38.2	36.3
Share premium account		434.3	433.8	289.7
Merger reserve		317.8	317.8	317.8
Other reserves		0.9	9.4	(23.6)
Retained earnings		13.9	(40.6)	(39.2)
<b>Total equity attributable to equity holders of the parent</b>		<b>805.2</b>	<b>758.6</b>	<b>581.0</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Trade and other payables		0.4	17.9	3.0
Deferred tax liabilities		145.2	152.4	82.0
Provisions		1.5	1.4	0.7
		<b>147.1</b>	<b>171.7</b>	<b>85.7</b>
<b>Current liabilities</b>				
Trade and other payables		121.8	111.0	81.2
Derivative financial instruments		0.3	0.9	0.1
Corporation tax payable		5.7	3.2	10.8
Provisions		0.4	0.5	0.5
		<b>128.2</b>	<b>115.6</b>	<b>92.6</b>
<b>Total liabilities</b>		<b>275.3</b>	<b>287.3</b>	<b>178.3</b>
<b>Total equity and liabilities</b>		<b>1,080.5</b>	<b>1,045.9</b>	<b>759.3</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS for the six months ended 30 September 2015

	Note	Six months ended 30 September 2015 £m	Six months ended 30 September 2014 £m
<b>Profit after tax for the period</b>		<b>51.3</b>	39.2
Tax charge/(credit)	5	1.6	(1.6)
Financial income	4	(14.5)	-
Financial expense	4	5.8	5.2
Operating profit		<b>44.2</b>	42.8
Adjustments for:			
Profit on disposal of property, plant and equipment and intangible assets		-	(0.3)
Amortisation of intangible assets		18.5	13.7
Depreciation on property, plant and equipment		3.2	2.5
Share-based payments		2.5	3.1
Pension scheme funding	8	(1.2)	(1.2)
Fair value adjustments		1.5	-
Cash flows from operations before movements in working capital		<b>68.7</b>	60.6
Increase in inventories		(0.7)	(3.4)
Increase in trade and other receivables		(1.9)	(4.9)
Increase in trade and other payables		2.0	1.8
Increase in provisions		-	0.2
<b>Cash generated from operations</b>		<b>68.1</b>	54.3
Taxation paid		(5.2)	(11.3)
<b>Net cash inflow from operating activities</b>		<b>62.9</b>	43.0
<b>Cash flows from investing activities</b>			
Purchases of intangible assets	7	(23.4)	(0.1)
Purchases of property, plant and equipment		(2.6)	(3.6)
Acquisition of businesses net of cash acquired	9	-	(1.5)
<b>Net cash outflow from investing activities</b>		<b>(26.0)</b>	(5.2)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		0.6	1.2
Other financing activities		(0.5)	0.1
<b>Net cash inflow from financing activities</b>		<b>0.1</b>	1.3
Increase in cash and cash equivalents		<b>37.0</b>	39.1
Cash and cash equivalents at start of period		<b>73.8</b>	38.2
Effect of exchange rate fluctuations on cash held		(0.2)	0.7
<b>Cash and cash equivalents at end of period</b>		<b>110.6</b>	78.0

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the six months ended 30 September 2015

	Share capital £m	Share premium £m	Merger reserve £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 period	-	-	-	-	51.3	51.3
Other comprehensive income	-	-	-	(8.5)	1.1	(7.4)
Total comprehensive income for the period	-	-	-	(8.5)	52.4	43.9
<b>Transactions with owners:</b>						
Issue of ordinary shares	0.1	0.5	-	-	-	0.6
Movement in shares held by the Trust	-	-	-	-	(0.4)	(0.4)
Share-based payments	-	-	-	-	2.5	2.5
<b>At 30 September 2015</b>	<b>38.3</b>	<b>434.3</b>	<b>317.8</b>	<b>0.9</b>	<b>13.9</b>	<b>805.2</b>

	Share capital £m	Share premium £m	Merger reserve £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 period	-	-	-	-	39.2	39.2
Other comprehensive income	-	-	-	8.6	(1.7)	6.9
Total comprehensive income for the period	-	-	-	8.6	37.5	46.1
<b>Transactions with owners:</b>						
Issue of ordinary shares	0.2	1.0	-	-	-	1.2
Movement in shares held by the Trust	-	-	-	-	0.2	0.2
Share-based payments	-	-	-	-	3.1	3.1
<b>At 30 September 2014</b>	<b>36.3</b>	<b>289.7</b>	<b>317.8</b>	<b>(23.6)</b>	<b>(39.2)</b>	<b>581.0</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. Basis of preparation

### Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not contain all of the information which International Financial Reporting Standards (IFRS) would require for a complete set of annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2015.

These condensed unaudited consolidated interim financial statements were approved by the Board of Directors on 9 November 2015.

### Comparative financial information

The comparative figures for the financial year ended 31 March 2015 do not constitute the Group's statutory accounts for that financial year. Statutory accounts for the year ended 31 March 2015, prepared in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs') and as issued by the International Accounting Standards Board, have been reported on by the Group's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

### Accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 March 2015.

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

No standard 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. It has not yet been endorsed by the EU. The Group is currently assessing the impact, if any, of IFRS 15 on the Group's consolidated financial statements.

### Acquisition adjustments and reorganisation costs

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

- PneumRx, Inc. in January 2015;
- EKOS Corporation in July 2013;
- Targeted Therapies Division of Nordion Inc. in July 2013;
- Biocompatibles International plc in January 2011; and
- Protherics PLC in December 2008.

The costs relate to the following:

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

### Going concern and liquidity

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Interim Financial Statements.

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. 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 risk 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 covers a broad portfolio of licensees;
- Many of the Group's sales products are life-saving in nature, providing some protection against an uncertain economic outlook; and
- In April 2013, the Group signed a £60m multi-currency revolving credit facility providing access to funds for a period of three years to April 2016. This facility remains undrawn.

### Seasonality of the business

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

## 2. Operating segments

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

The acquisition of PneumRx, Inc. on 7 January 2015 is included within the Interventional Medicine operating segment.

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.

	Six months ended 30 September 2015			Total £m
	Interventional Medicine £m	Specialty Pharmaceuticals £m	Licensing £m	
Revenue	70.5	78.2	80.9	229.6
Cost of Sales <sup>1</sup>	(21.3)	(9.0)	(40.0)	(70.3)
<b>Gross Profit</b>	<b>49.2</b>	<b>69.2</b>	<b>40.9</b>	<b>159.3</b>
Selling, general and administrative expenses	(42.1)	(11.6)	(11.2)	(64.9)
<b>Contribution</b>	<b>7.1</b>	<b>57.6</b>	<b>29.7</b>	<b>94.4</b>
Amortisation of acquired intangibles				(17.2)
Foreign exchange gains				0.6
Research and development				(33.6)
Profit on disposal of property, plant and equipment and intangible assets				-
Acquisition and reorganisation costs				-
<b>Operating profit</b>				<b>44.2</b>
Financial income				14.5
Financial expense				(5.8)
<b>Profit before tax</b>				<b>52.9</b>
Tax				(1.6)
<b>Profit for the period</b>				<b>51.3</b>
<b>Unallocated assets</b>				<b>1,080.5</b>

1) 2015 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 release represents the reversal of a fair value uplift applied to inventory purchased on acquisition recognised through the income statement as the product is sold.

	Six months ended 30 September 2014			Total £m
	Interventional Medicine £m	Specialty Pharmaceuticals £m	Licensing £m	
Revenue	51.8	77.8	61.6	191.2
Cost of Sales	(14.2)	(11.8)	(29.9)	(55.9)
<b>Gross Profit</b>	<b>37.6</b>	<b>66.0</b>	<b>31.7</b>	<b>135.3</b>
Selling, general and administrative expenses	(28.8)	(12.0)	(14.4)	(55.2)
<b>Contribution</b>	<b>8.8</b>	<b>54.0</b>	<b>17.3</b>	<b>80.1</b>
Amortisation of acquired intangibles				(13.1)
Foreign exchange gains				3.6
Research and development				(27.2)
Profit on disposal of property, plant and equipment and intangible assets				0.3
Acquisition and reorganisation costs				(0.9)
<b>Operating profit</b>				<b>42.8</b>
Financial income				-
Financial expense				(5.2)
<b>Profit before tax</b>				<b>37.6</b>
Tax				1.6
<b>Profit for the period</b>				<b>39.2</b>
<b>Unallocated assets</b>				<b>759.3</b>

## Revenue analysis

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

Geographical analysis	Six months ended	Six months ended
	30 September 2015	30 September 2014
	£m	£m
USA	203.7	171.2
Europe	19.5	14.2
Other regions	6.4	5.8
	<b>229.6</b>	<b>191.2</b>

Revenue from major products and services	Six months ended	Six months ended
	30 September 2015	30 September 2014
	£m	£m
Product sales	148.7	129.6
Royalties	80.9	61.6
	<b>229.6</b>	<b>191.2</b>

## Major customers

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 £61.2m (H1 14/15: one licence individually generated £50.6m).

The Group's marketed products are sold both directly and through distribution agreements in the USA, Europe and Asia Pacific region. No individual customer generated income in excess of 10% of Group revenue (H1 14/15: one customer individually generated product income of £20.6m).

## 3. Foreign exchange gains and losses in the income statement

During the six months ended 30 September 2015 the Group recognised foreign exchange gains of £0.6m (H1 14/15: gains of £3.6m) within operating profit. These arose from the retranslation of foreign currency balance sheet amounts, transactional exchange gains and losses in the period and the settlement of the Group's foreign exchange forward contracts during the period.

Included within "Financial income" of £14.5m (H1 14/15: included within "Financial expense" of £5.2m) is £1.7m (H1 14/15: £3.4m) which represents the movement in the fair value of the Group's foreign exchange forward contracts.

## 4. Financial income and expense

	Note	Six months ended	Six months ended
		30 September 2015	30 September 2014
		£m	£m
Interest receivable on money market and bank deposits		0.1	-
Fair value movement on foreign exchange forward contracts		1.7	-
Fair value changes on contingent consideration	10	12.7	-
<b>Financial income</b>		<b>14.5</b>	<b>-</b>
Fair value movement on foreign exchange forward contracts		-	3.4
Fair value changes on contingent consideration	10	5.2	1.3
Other financial expense		0.6	0.5
<b>Financial expense</b>		<b>5.8</b>	<b>5.2</b>



## 5. Tax

	Six months ended 30 September 2015 £m	Six months ended 30 September 2014 £m
<b>Current tax</b>		
Current tax charge	8.5	14.8
<b>Deferred tax</b>		
Decrease in net deferred tax liability	(5.0)	(16.4)
Increase in net deferred tax asset	(1.9)	-
<b>Total tax charge/(credit) for the period</b>	<b>1.6</b>	<b>(1.6)</b>

Tax for each six month period has been provided on the basis of the anticipated tax charge/(credit) for the full year. The current tax charge of £8.5m (H1 14/15: £14.8m) principally relates to US federal and state taxes.

The deferred tax credit of £6.9m (H1 14/15: £16.4m credit) principally reflects the reduction in the deferred tax liability recognised on acquired intangible assets as these assets are amortised or impaired (£14.4m) and the recognition of deferred tax assets (£13.7m), offset by use of recognised tax losses (£17.6m). £38.5m of previously unrecognised tax losses are expected to be recognised in the year due to the expectation that there will be taxable profits in the future against which they can be utilised.

## 6. Earnings per share

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

	Six months Ended 30 September 2015	Six months ended 30 September 2014
Profit for the period (£m)	51.3	39.2
Earnings per share (p)		
Basic	13.4	10.8
Diluted	13.2	10.7
Number of shares (m)		
Weighted average number of shares – basic	382.3	361.6
Effect of share options in issue	5.9	5.3
Weighted average number of shares – diluted	388.2	366.9

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

	Six months ended 30 September 2015	Six months ended 30 September 2014
Profit for the period from operations (£m)	51.3	39.2
Add back:		
Fair value adjustment on acquired inventory <sup>(i)</sup>	0.9	-
Amortisation of acquired intangible fixed assets <sup>(ii)</sup>	11.7	9.1
Acquisition and reorganisation costs <sup>(iii)</sup>	-	0.7
Fair value changes on contingent consideration <sup>(iv)</sup>	(7.5)	1.3
Underlying earnings	56.4	50.3
Earnings per share (p)		
Basic	14.7	13.9
Diluted	14.5	13.7

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

- i. In the period ended 30 September 2015 there was £0.6m tax impact on fair value adjustment of inventory acquired of £1.5m.
- ii. The release of deferred tax liability of £5.5m (H1 14/15: £4.0m) has been deducted from the amortisation of acquired intangible assets of £17.2m (H1 14/15: £13.1m) as shown in the condensed consolidated income statement.
- iii. In the period ended 30 September 2014 £0.2m tax impact on acquisition and reorganisation costs of £0.9m.
- iv. No tax adjustment was required on the fair value changes on the contingent consideration.

The denominators used are the same as those above for both basic and diluted earnings per share.

## 7. Goodwill and intangible assets

### a) Goodwill

Goodwill at 30 September 2015 is £181.3m (31 March 2015: £183.8m; 30 September 2014: £125.5m). The movements in the period relate to the foreign exchange retranslation of goodwill denominated in foreign currencies at the closing exchange rate at 30 September 2015.

### b) Intangible assets

	30 September 2015 £m	31 March 2015 £m	30 September 2014 £m
<b>Net book value</b>			
Developed technology <sup>(i)</sup>	461.6	486.2	366.1
Contractual relationships <sup>(i)</sup>	0.2	0.3	0.1
In-process research and development <sup>(i)</sup>	97.5	100.0	16.6
Computer software	0.5	0.7	0.6
Patents	3.1	3.2	1.9
Purchase of contractual rights <sup>(ii)</sup>	29.3	7.5	7.0
	<b>592.2</b>	<b>597.9</b>	<b>392.3</b>

#### (i) *Developed technology, Contractual relationships and In-process research and development*

Intangible assets comprising *developed technology, contractual relationships and in-process research and development* relate to assets acquired through business combinations. Movements in these categories of intangible assets between 31 March 2015 and 30 September 2015 are predominately driven by amortisation charges and foreign exchange retranslation of the assets denominated in foreign currencies at the closing exchange rate at 30 September 2015.

#### (ii) *Purchase of contractual rights*

In May 2015, BTG purchased the residual financial interest of the originator of Varithena<sup>®</sup> foam sclerotherapy technology for a one-off cash payment of £23.0m, ensuring that the business retains 100% of the future value of Varithena<sup>®</sup>. This addition has been included in *purchase of contractual rights* and the asset is being amortised through cost of sales.

## 8. Defined benefit pension fund

The Group has recognised a net defined benefit asset of £17.0m on the Group's balance sheet in accordance with IAS19 – *Employee benefits* in relation to the BTG Pension Fund (31 March 2015: asset of £13.2m; 30 September 2014: asset of £7.6m). The £3.8m increase since 31 March 2015 relates principally to an increase in the discount rate used to value the defined benefit obligation and contributions paid being higher than the cost of benefits accruing over the period. These effects are partially offset by a small increase in the inflation assumption used to value the obligation and lower than expected investment returns. Actuarial gains/losses are recognised in the condensed consolidated statement of comprehensive income.

In July 2014, the Group finalised the triennial actuarial valuation of the BTG Pension Fund as at 31 March 2013. The valuation showed a deficit of £9.8m and the Group committed to deficit repair payments of £6.0m in aggregate over the three years ending 31 March 2017. In the period to 30 September 2015, deficit repair payments of £1.2m (H1 14/15: £1.2m) have been made.

## 9. Business Combinations

### PneumRx acquisition

In the prior year, BTG completed the acquisition of 100% of PneumRx, Inc. 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 was recognised at a carrying value equal to its fair value of £28.8m using acquisition date trading assumptions and probability adjusted forecasts to assess the likelihood of revenue and FDA approval milestone payments to be made. The final determination of these fair values will be completed as soon as possible but no later than one year from the acquisition date.

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

At acquisition, intangible assets principally comprised £109.2m relating to RePneu<sup>®</sup> (Europe) developed technology and £80.4m relating to RePneu<sup>®</sup> (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 included the values of tax impacts, assembled workforce and future potential indications for RePneu<sup>®</sup> which at the time of acquisition did not meet the criteria for recognition as separate intangible assets.

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

The contingent consideration payments include up to \$20m payable if PneumRx meets a global revenue target in calendar year 2015 of US\$35 million and US\$60 million payable if US FDA approval is received before 31 December 2017. During the period, no contingent consideration payments were made. The Group recognised a £12.7m fair value movement in Financial income relating to the release of the first PneumRx acquisition milestone as the likelihood of payment was deemed remote. This was offset by £1.7m of discount unwind of the other PneumRx acquisition milestones, recognised in Financial expense. The remaining contingent consideration payments on the Statement of Financial Position are considered by management to be a level 3 financial instrument (note 10).

## 10. Financial risk management

Financial instruments are classified into level 1, level 2 and level 3 financial instruments. The different levels are defined as follows:

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

The Group's level 1 and level 2 financial instruments comprise cash, short- and medium-term deposits, foreign currency forward contracts, and various items such as trade receivables and payables which arise directly from operations. In addition, a number of debt and equity investments, both quoted and unquoted, are held in technology based companies along with borrowings including obligations under finance leases.

The carrying amount of the Group's Level 1 and Level 2 financial instruments is a reasonable approximation of the fair value.

There have been no transfers between the levels of financial instruments in the period.

The Group's level 3 financial instruments predominantly represent:

- the contingent consideration payable on achievement of revenue targets and product approval by PneumRx following the acquisition of PneumRx, Inc. in January 2015;
- 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 the level 3 financial liabilities is shown below:

	2015 £m	2014 £m
At 1 April	(32.7)	(5.5)
Movements in fair value	7.5	(1.3)
Currency movements	0.7	(0.2)
<b>At 30 September</b>	<b>(24.5)</b>	<b>(7.0)</b>

The Group recognised a fair value adjustment of £12.7m (H1 14/15: £nil) related to a contingent milestone for the acquisition of PneumRx within 'Financial income'. The Group recognised a fair value adjustment of £5.2m (H1 14/15: £1.3) related to the contingent milestones for the acquisitions of PneumRx and EKOS within 'Financial expense'.

## 11. Related parties

Giles Kerr, a non-executive director of BTG plc, 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 BTG plc entered into revenue sharing agreements with these organisations prior to Giles Kerr joining the BTG Board. The BTG Group has licensed the intellectual property covered by these agreements to third party companies that are developing and/or selling the licensed products. Under these licence agreements, BTG is entitled to receive milestone payments and/or a royalty on sales of the products made by the third party licensees. Payments made by BTG to Oxford University and Isis Innovations Limited under the relevant licence agreements were £15,700 in the period ended 30 September 2015 (H1 14/15: £4,100) and there were no amounts outstanding and payable at 30 September 2015 (H1 14/15: £nil).

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

Within the BTG Group, to avoid any possible conflict of interest, it has been agreed that Giles Kerr will not participate in any discussions concerning the relevant agreements either within the Board meetings of BTG plc or in any other discussions or meetings with the executives of BTG plc and its subsidiaries. The Board has considered, and is satisfied with this safeguard through separation of duties.

## 12. Post balance sheet event

Subsequent to the period end, the Group signed a new £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 replaces the previous £60m facility.

## Principal risks and uncertainties

We have considered the principal risks and uncertainties faced by the Group for the remaining six months of the year and do not consider them to have changed from those set out on pages 33 to 36 of the BTG plc Annual Report and Accounts 2015, available from the Group's website at [www.btgplc.com](http://www.btgplc.com). These include but are not limited to: interruption of product supply including reliance on third-party contractors for the supply of key manufacturing materials and services; patent validity and infringement challenges and the inherent risks of managing an intellectual property portfolio; product liability; competition for new programmes and projects; general market competition affecting product sales or royalty income; pricing and reimbursement issues; the inherent uncertainty of drug development; the highly regulated nature of the pharmaceuticals industry; and movements in foreign exchange rates.

## Responsibility statement of the directors in respect of the interim financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union;
- the interim management report includes a fair review of the information required by:
  - a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

## The Board

The Board of Directors that served during the six-month period to 30 September 2015 and their respective responsibilities can be found on pages 38 to 39 of the BTG plc Annual Report and Accounts 2015.

By order of the Board

Dr Louise Makin  
Rolf Soderstrom

Chief Executive Officer  
Chief Financial Officer

9 November 2015

## Independent Review Report to BTG plc

### Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2015 which comprises the Group's condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of cash flows and the condensed statement of changes in equity and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ('the DTR') of the UK's Financial Conduct Authority ('the UK FCA'). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

### Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

### Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2015 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

**Richard Broadbelt**

**For and on behalf of KPMG LLP**

*Chartered Accountants*

15 Canada Square

London E14 5GL

9 November 2015

## Shareholder information

### Financial calendar

Announcement of annual results for year ended 31 March 2016

May 2016

### Capita share dealing services

A quick and easy share dealing service is available from Capita Share Dealing 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](http://www.capitadeal.com) (online dealing) or +44 (0) 371 664 0445 (telephone dealing) – calls are charged at the standard geographic rate and will vary by provider, lines are open 8am - 4.30pm Monday - Friday. Full terms, conditions and risks apply and are available on request or by visiting [www.capitadeal.com](http://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 Asset Services, at their address shown below, where the register is held.

### Relating to beneficial owners of shares with 'information rights'

Please note that beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's registrar, Capita Registrars, or to the Company directly.

### Addresses for correspondence

#### Registered office and head office

BTG plc  
5 Fleet Place  
London  
EC4M 7RD

Tel: +44 (0)20 7575 0000  
Fax: +44 (0)20 7575 0010  
Email: [info@btgplc.com](mailto:info@btgplc.com)

Website: [www.btgplc.com](http://www.btgplc.com)

Registered number 2670500

#### Registrars

Capita Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR2 4TU

Tel (callers from the UK) 0871 664 0300  
(please note that calls cost 10p per minute, plus network extras, lines are open 9.00am - 5.30pm Monday - Friday)  
Tel (callers outside UK) +44 208 639 3399

### Cautionary statement regarding forward-looking statements

This Interim Report and Accounts may contain certain projections and other forward-looking statements with respect to the financial condition, results of operations and businesses of BTG plc ("BTG"). These statements are based on current expectations and involve risk and uncertainty because they relate to events and depend upon circumstances that will 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. Although BTG currently believes that the assumptions underlying these forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and therefore there can be no assurance that any results contemplated in the forward-looking statements will actually be achieved. Nothing contained in this Interim report should be construed as a profit forecast or profit estimate. Investors or other recipients are cautioned not to place undue reliance on any forward-looking statements contained herein. BTG undertakes no obligation to update or revise (publicly or otherwise) any forward-looking statement, whether as a result of new information, future events or other circumstances. This Interim Report and Accounts does not constitute an invitation or inducement to any person to subscribe for or otherwise acquire securities in BTG.

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