Press Release

BTG

BTG plc: Annual Report and Accounts 2019

18 July 2019

In accordance with Listing Rule 9.6.1, a copy of the Company's Annual Report and Accounts for the year ended 31 March 2019 has been submitted to the UK Listing Authority and will shortly be available for inspection via the National Storage Mechanism at http://www.morningstar.co.uk/uk/NSM. The Annual Report and Accounts 2019 will also be available shortly on the Company's website at www.btgplc.com.

In accordance with DTR 6.3.5, extracted below from the Annual Report and Accounts 2019 is a management report in full unedited text which contains a responsibility statement, a statement in the directors' report in respect of the strategic report, a condensed set of financial statements and details of related party transactions. References to page numbers and notes in the extract refer to those in the Annual Report and Accounts 2019.

The financial information set out in this announcement does not constitute the Company's statutory accounts for the years ended 31 March 2018 and 2019 but is derived from those accounts. Statutory accounts for 2018 have been delivered to the Registrar of Companies, and those for 2019 will be delivered in due course. The Auditors have reported on those accounts; their report was unqualified. The text of the Auditors' report can be found in the Company's full 2019 Annual Report and Accounts at www.btgplc.com.

For further information contact:

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UNEDITED EXTRACT FROM ANNUAL REPORT AND ACCOUNTS 2019

The full Annual Report and Accounts 2019 contains the following statements regarding responsibility for the financial statements and management report / business review included therein (references in the following statements are to pages in the Annual Report). The directors include the following statements:

1. STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT 2019 AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report 2019 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 International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent company financial statements on the same basis.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or parent Company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such Internal Control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 and Statement of Directors' Responsibilities, comprising pages 66 to 69, 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

Duncan Kennedy
Chief Financial Officer

18 July 2019

2. STATEMENT IN THE DIRECTORS’ REPORT IN RESPECT OF THE 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 3 to 14 and incorporated into this report by reference:

- The Strategic Report provide details of the Group’s principal activities and strategy, its performance during the year and its prospects for future development opportunities.
- The directors have carried out a robust assessment of the principal risks facing the Group. Details of the principal risks facing the Group are set out on pages 38 to 42.
- Information relating to the environment, employees and stakeholders, health and safety, ethical considerations, charitable donations and policies regarding its employees is set out on pages 5 to 6.

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.

On 20 November 2018 the Company announced the recommended offer to acquire the Company from Boston Scientific, which was approved by shareholders in February 2019. It is expected that the acquisition of the Company will complete in August 2019.

3. PRINCIPAL RISKS

i. 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, uncompetitive, withdrawn, materially reduced or unavailable. Reimbursement levels for certain patient categories or product applications may be substantially reduced or terminated without notice, materially adversely affecting Group revenue. The Group may be subject to price limits on reimbursement of products that 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, which may reduce the number of insured patients or require 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 selling or developing. This risk applies equally to the Pharmaceuticals and Interventional Medicine businesses.

General mitigation strategy: Ensuring effective advocacy with payers based on accurate data and analysis to inform reimbursement decisions. Ensuring accurate and complete submissions. BTG is seeking to use 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.

Change in 2018/19: A number of initiatives are being taken by the Company to support reimbursement for all products. These initiatives include post market registration studies. Clinical studies are underway for EKOS®, TheraSphere® and the PneumRx® Coils.

Varithena® CPT codes took effect in the US from January 2018. However, further time is still required to understand the impact of the availability of these codes on future US revenues and obtaining a CPT code does not provide absolute assurance that individual payers (government or commercial) will provide adequate coverage or reimbursement for Varithena®.

Overall, this risk is deemed to be increased since last year.

Even for long established products (pharma or medical device) the ability to maintain existing or adequate levels of reimbursement presents a continuing material risk.

ii. Obtaining/Maintaining product regulatory approvals

The pharmaceutical and device industries are highly regulated in relation to the development, approval, manufacturing and sale of products. The development of healthcare products has a high level of inherent risk and a high failure rate. An inability to meet existing or new regulations or regulatory guidance 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.

Such events may adversely impact the Group’s revenues and prospects.

General mitigation strategy: The Company has expert internal teams dedicated to ensuring compliance in each of these areas, defining regulatory strategies and supporting product approvals and maintaining 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.

Change in 2018/19: FDA approval was not obtained for the PneumRx® Coil. Uncertainty remains regarding the ability to obtain approval for the Coils in the US at any point in the future.

TheraSphere® clinical trials continue and are on track to complete to plan.

The Company continues with a number of clinical trials and investigator-led studies to support and extend indications for existing products. In addition, a number of early stage partnership projects are being investigated, which will support future business growth.

The overall level of risk is deemed to be the same as last year.

iii. IP/Legal challenges

BTG may be subject to challenges relating to the validity of contracts or its patents or alleging infringement by BTG of intellectual property (IP) rights of others, which might result in the 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 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 sold, 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 and price erosion.

Significant legal commitments are required to be made by the Group to third parties in pursuit of the Group's strategy and, reciprocally, delivery of the strategy is in some cases dependent on third parties meeting their legal and contractual obligations to the Group. Dependency on contractual relationships carries with it varying degrees of risk of future disputes and litigation which may result in loss of product rights or exposure to damages following an adverse court ruling. Examples include the Group's obligation to use reasonable commercial efforts to commercialise certain products or to meet future milestones under product acquisition agreements.

BTG's proprietary data and knowhow is also threatened by increased cyber-attack threats.

The Group may be subject to claims for damages by third parties for alleged breaches of law in the jurisdictions in which it operates. Such actions may be expensive to defend and if lost or settled could result in the payment of substantial damages.

General mitigation strategy: Maintenance of the IP and legal functions as core capabilities 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 valuable know-how.

Processes are in place to ensure the Group meets its obligations under material contracts and to monitor and manage the satisfaction of third-party obligations to the Group.

BTG has established a cyber risk function to protect itself against cyber threats.

The group uses expert external advisers to advise it on the above to ensure compliance with applicable laws and regulations.

Change in 2018/19: Generic versions of Zytiga® were launched during the year in the US, and as a result future royalties from Zytiga® sales in the US are expected to be materially lower than in previous periods.

The Group and its licensee Janssen Group are subject to six similar class action claims brought on behalf of private prescription drug benefits providers and other indirect purchasers of Zytiga® (including consumers). These claims allege that BTG and Janssen violated US federal and state antitrust and consumer protection laws, and were unjustly enriched, by inappropriately pursuing allegedly baseless litigation against prospective suppliers of generic versions of Zytiga®, thereby delaying the availability of generic versions of Zytiga® in the US. In addition, BTG has been added as an additional defendant to an ongoing action against Janssen Group in relation to Zytiga® under the US False Claims Act alleging Janssen Group submitted false claims for payment or reimbursement of Zytiga® to state and federally funded healthcare programmes. The Group is defending these actions but at this time it is not possible to predict the outcome of these proceedings or to make a reliable estimate of the expected financial effect, if any, that could result from their ultimate resolution.

Overall the risk of IP/legal challenges is assessed to have increased in comparison to last year.

iv. 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.

There are currently no competitive products to DigiFab® or Voraxaze® but Instituto Bioclon launched a competitor product to CroFab® during the year.

TheraSphere® competes with a product from Sirtex Medical Limited (acquired by CDH Investments) and LC Bead® and DC Bead® compete with products from a number of medical device companies. Varithena® competes with other treatment modalities including heat ablation, vein stripping and physician-compounded sclerosing foam.

A number of new immuno-oncology biological products are entering the market by various companies and may provide significant new competition to BTG's Interventional Oncology products (for example, Keytruda® sold by Merck and approved for use in liver cancer in 2018).

In Licensing, Zytiga® competes with a number of other treatments for prostate cancer including Xtandi® (enzalutamide) and is now subject to significant generic competition in the US and other markets where such generic products have already been launched.

General mitigation strategy: 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 adequate reimbursement to differentiate our products by demonstrating, in clinical trials, safety and efficacy benefits, cost effectiveness or greater patient acceptance.

Change in 2018/19: Interventional Oncology products continue to encounter strong competition in all countries. In particular, Sirtex, produce a product that competes against TheraSphere®, and may apply for a US PMA in 2019. If successful, this may have a negative effect on TheraSphere® revenues.

As previously announced, Bioclon have launched their product, which competes with CroFab®. The impact of that remains highly uncertain.

Overall, the risk is assessed as increased since last year.

v. Healthcare law compliance

Extensive laws and regulations relate to how BTG markets its products and interacts with its customers and payers. The Group may also be subject to whistle blower law suits or government, regulatory or other investigations or actions. Such actions or the Group's 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.

The Group is required to take significant measures to protect personal data, and failure to do so could result in significant penalties.

General mitigation strategy: 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.

The BTG compliance programme is a Company standard, which is introduced to all businesses acquired.

Change in 2018/19: Compliance within this area continues to be an essential focus. A privacy function has also been established by the Group during the year to ensure compliance with a number of developing regulations across the globe, most notably General Data Protection Regulation (GDPR) in Europe.

A data security team continues to establish, develop and implement a programme of enhanced protections against cyber attacks.

Risk in this area is deemed to be equivalent to last year.

vi. Supply chain/continuity of supply

There are inherent risks to the BTG supply chain, as the Company's products are typically high value, low volume manufacture. Diversifying the supply chain of such products (for example by establishing dual sources of supply) is not always cost effective. BTG therefore relies on the following single sources of supply:

A single site in Wales for supply of manufactured antibodies and a single site in Farnham, UK, for the manufacture of the Beads and Varithena®. Consequently, there is the possibility of disruption to, or loss of supplies resulting from, technical issues, contamination or regulatory actions. BTG 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, with the consequent possibilities from disruption to or loss of supply.

Galil Medical consumable items are manufactured at a site in Israel, with the control units manufactured at a site located in Arden Hills, Minnesota, USA.

For other products, such as Voraxaze® and TheraSphere®, 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 these are risks over which the Company has a lower degree of control.

General mitigation strategy: BTG has extensive quality, risk and business continuity management systems to ensure resilience of the supply chain. These management systems are applied equally to both the internal and external elements of our supply chain.

Each area of our supply chain is thoroughly assessed and stocks of raw materials, in process materials and finished products, are maintained as a result of that risk assessment. Risk assessments are reviewed annually or when business predictions change. Adherence to the agreed stock levels are reviewed monthly through regular business review meetings.

The final mitigation is business interruption insurance, which is maintained at a level for each business to cover at least two years loss of business as a result of catastrophic loss of supply.

Change in 2018/19: BTG sites and supply chain partners underwent 31 inspections by external bodies such as the FDA, MHRA and BSI within the 2018/19 financial year. No major or critical findings were received and corrective actions for all observations were completed or are on track to the timetables agreed with the authorities.

To mitigate Brexit risk, supply chain managers have increased stocks of raw materials and final products to ensure BTG is prepared for a hard Brexit with no transition period. The significant risks posed by Brexit are not deemed to be material to the Group. The risks related to ensuring continuity of the CE marks for the Group's device products to permit them to continue to be sold in EU were mitigated by the Group transferring from BSI to TUV Sud as its notified body. That transition is continuing and there remain risks until completion and renewal of all relevant CE marks beyond their applicable expiry date.

The Santa Clara site for production of PneumRx Coils® has been closed and the Company is reliant on inventory to meet future orders.

Overall, the supply chain risk is considered to remain unchanged in comparison with last year.

vii. Merger and acquisition activity

A significant risk relates to the failure of the acquisition of the Company by Boston Scientific to complete.

If the Boston acquisition does not complete, to maintain BTG growth strategy, the Company will need to continue to acquire new companies and/or associated products and assets.

Competition for attractive assets remains relatively high, as do asset valuations. Failure to find or successfully acquire the right opportunities (consistent with the strategy) at acceptable prices may constrain the future growth of the Group. Ineffective integration of acquisitions or failure to progress their product strategies or realise predicted post-acquisition synergy benefits may reduce the forecast return on investment of the acquisition or generate risks that fall outside the Group's risk appetite.

The Company's strategic objectives may therefore be adversely impacted depending on the availability and price of suitable targets and the Group's ability to effectively and promptly progress the development and/or commercialisation of acquired assets.

General mitigation strategy: A robust market and opportunity assessment process is undertaken by the Business Development team. All potential acquisition targets undergo extensive due diligence by a multidisciplinary team which includes all key business functions.

Development of an acquisition risk register with foreseen control and mitigation strategies is submitted to the Board as part of the process of assessing acquisition proposals.

Cross functional post-acquisition integration plans are implemented.

Change in 2018/19: The Company completed the acquisition of Novate Medical Limited within the year in the Interventional Vascular area.

The proposed acquisition of the Company by Boston Scientific, and the significant risk relating to any failure to complete the acquisition, is new in 2018/19. The Leadership Team and Board are working with Boston to ensure the conditions to completion are met and the transaction closes as soon as practicable.

Overall, as a result of the proposed acquisition by Boston Scientific, the risk is considered to have increased in comparison with last year.

In light of the offer from Boston Scientific the Company has not been able to aggressively pursue its intended independent acquisition strategy.

4. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Note	**Year ended 31 March 2019 $m**	Year ended 31 March 2018 $m
Product sales		**634.7**	561.2
Licensing revenues		**279.4**	261.6
Revenue	4	**914.1**	822.8
Cost of sales		**(276.2)**	(246.3)
Gross profit	4	**637.9**	576.5
Selling, general and administrative expenses[1]		**(298.0)**	(437.9)
Research and development[1]		**(154.2)**	(224.7)
Other operating income/(expense)		**9.3**	(1.9)
Amortisation of acquired intangible assets		**(51.8)**	(58.2)
Acquisition and reorganisation costs		**(15.2)**	(1.8)
Operating profit / (loss)	5	**128.0**	(148.0)
Financial income	7	**6.2**	55.3
Financial expense	7	**(26.0)**	(12.4)
Profit / (loss) before tax		**108.2**	(105.1)
Tax credit	8	**2.2**	118.0
Profit for the year		**110.4**	12.9
Attributable to non-controlling interests		**(0.9)**	(3.1)
Attributable to owners of the parent		**111.3**	16.0
Profit for the year		**110.4**	12.9
Basic earnings per share	9	**28.8c**	4.1c
Diluted earnings per share	9	**28.5c**	4.1c

All activities arose from continuing operations.

[1] Selling, general and administrative expenses includes intangible asset impairment charges of $20.5m (2018: $114.3m), and Research and development includes intangible asset impairment charges of $29.2m (2018: $95.9m).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Year ended 31 March 2019 $m**	Year ended 31 March 2018 $m
Profit for the year		**110.4**	12.9
Other comprehensive (expense)/income			
Items that may be reclassified subsequently to profit or loss			
Foreign exchange translation differences	15	**(31.5)**	28.9
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain on defined benefit pension scheme	19	**0.1**	2.5
Deferred tax charge on defined benefit pension scheme asset		**-**	(0.5)
Deferred tax on share awards		**1.7**	-
Other comprehensive (loss) / income for the year		**(29.7)**	30.9
Total comprehensive income for the year		**80.7**	43.8
Attributable to non-controlling interests		**(0.9)**	(3.1)
Attributable to owners of the parent		**81.6**	46.9
Total comprehensive income for the year		**80.7**	43.8

The notes on pages 85 to 119 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 March 2019 $m	31 March 2018 $m
ASSETS			
Non-current assets			
Goodwill	10	**311.5**	313.1
Intangible assets	11	**565.2**	650.6
Property, plant and equipment	12	**55.5**	57.1
Deferred tax assets	8	**6.4**	5.1
Employee benefits	19	**31.5**	30.8
Other non-current assets	21	**28.0**	2.4
		998.1	1,059.1
Current assets			
Inventories	13	**104.8**	85.6
Trade and other receivables	14	**216.0**	188.0
Other current assets		**4.1**	4.2
Cash and cash equivalents		**351.4**	294.7
		676.3	572.5
Total assets		**1,674.4**	1,631.6
EQUITY			
Share capital	15	**61.5**	61.4
Share premium		**674.4**	673.5
Merger reserve		**486.9**	486.9
Other reserves	15	**(85.0)**	(53.5)
Retained earnings		**238.9**	115.0
Shareholders' equity		**1,376.7**	1,283.3
Non-controlling interests		**-**	(2.3)
Total equity		**1,376.7**	1,281.0
LIABILITIES			
Non-current liabilities			
Trade and other payables	16	**14.1**	7.2
Deferred tax liabilities	8	**61.6**	69.7
Corporation tax payable	8	**-**	7.0
		75.7	83.9
Current liabilities			
Trade and other payables	16	**202.9**	179.5
Provisions	18	**3.4**	76.9
Derivative financial instruments	17	**2.2**	0.8
Corporation tax payable	8	**13.5**	9.5
		222.0	266.7
Total liabilities		**297.7**	350.6
Total equity and liabilities		**1,674.4**	1,631.6

The notes on pages 85 to 119 form part of these financial statements.

The financial statements were approved by the Board on 18 July 2019 and were signed on its behalf by:

Dame Louise Makin
Chief Executive Officer

Duncan Kennedy
Chief Financial Officer

Registered No: 2670500

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 March 2019 $m	Year ended 31 March 2018 $m
Profit after tax for the year		**110.4**	12.9
Tax credit	8	**(2.2)**	(118.0)
Financial income	7	**(6.2)**	(55.3)
Financial expense	7	**26.0**	12.4
Operating profit / (loss)		**128.0**	(148.0)
Adjustments for:			
Amortisation, impairment and de-recognition of intangible assets	11	**112.5**	273.5
Depreciation and impairment of property, plant and equipment	12	**13.5**	11.9
Share-based payments		**13.2**	8.4
Pension scheme funding	19	**(3.0)**	(3.7)
Other non cash items		**1.3**	0.5
Cash from operations before movements in working capital		**265.5**	142.6
Increase in inventories		**(23.1)**	(4.3)
Increase in trade and other receivables		**(34.8)**	(24.8)
Increase / (decrease) in trade and other payables		**21.0**	(10.4)
(Decrease) / increase in provisions		**(73.1)**	75.5
Cash generated from operations		**155.5**	178.6
Settlement of foreign exchange forward contracts		**(7.4)**	(1.5)
Corporation tax paid		**(13.2)**	(20.4)
Net cash inflow from operating activities		**134.9**	156.7
Cash flows from investing activities			
Purchases of intangible assets	11	**(6.5)**	(1.4)
Purchases of property, plant and equipment	12	**(15.9)**	(14.2)
Acquisition of businesses, net of cash acquired	25	**(1.7)**	(59.9)
Payment of contingent consideration for acquisition of business	25	**(10.0)**	-
Purchase of convertible loan notes and written call options	21	**(20.0)**	-
Interest received		**4.0**	0.8
Other investing activities		**(0.5)**	-
Net cash outflow from investing activities		**(50.6)**	(74.7)
Cash flows from financing activities			
Repayment of debt assumed through acquisition	25	**(17.9)**	-
Proceeds of share issues		**1.0**	3.2
Other financing activities		**(4.1)**	(4.5)
Net cash outflow from financing activities		**(21.0)**	(1.3)
Increase in cash and cash equivalents		**63.3**	80.7
Cash and cash equivalents at start of year		**294.7**	194.5
Effect of exchange rate fluctuations on cash held		**(6.6)**	19.5
Cash and cash equivalents at end of year		**351.4**	294.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital $m	Share premium $m	Merger reserve $m	Other reserves $m	Retained earnings $m	Attributable to owners of the parent $m	Attributable to non-controlling interests $m	Total equity $m
At 1 April 2017	61.2	670.5	486.9	(82.4)	89.4	1,225.6	-	1,225.6
Profit / (loss) for the year	-	-	-	-	16.0	16.0	(3.1)	12.9
Foreign exchange translation differences	-	-	-	28.9	-	28.9	-	28.9
Remeasurement of the net defined benefit pension scheme asset	-	-	-	-	2.5	2.5	-	2.5
Deferred tax on defined benefit pension scheme asset	-	-	-	-	(0.5)	(0.5)	-	(0.5)
Total comprehensive income / (loss) for the year	-	-	-	28.9	18.0	46.9	(3.1)	43.8
Transactions with owners:								
Issue of BTG plc ordinary shares	0.2	3.0	-	-	-	3.2	-	3.2
Equity contributions by non-controlling interests	-	-	-	-	-	-	0.8	0.8
Movement in shares held by the Employee Share Ownership Trust	-	-	-	-	(0.8)	(0.8)	-	(0.8)
Share-based payments	-	-	-	-	8.4	8.4	-	8.4
At 31 March 2018	**61.4**	**673.5**	**486.9**	**(53.5)**	**115.0**	**1,283.3**	**(2.3)**	**1,281.0**

	Share capital $m	Share premium $m	Merger reserve $m	Other reserves $m	Retained earnings $m	Attributable to owners of the parent $m	Attributable to non-controlling interests $m	Total equity $m
At 1 April 2018	61.4	673.5	486.9	(53.5)	115.0	1,283.3	(2.3)	1,281.0
Implementation of IFRS 15	-	-	-	-	(0.4)	(0.4)	-	(0.4)
Implementation of IFRS 9	-	-	-	-	2.3	2.3	-	2.3
	61.4	673.5	486.9	(53.5)	116.9	1,285.2	(2.3)	1,282.9
Profit / (loss) for the year	-	-	-	-	111.3	111.3	(0.9)	110.4
Foreign exchange translation differences	-	-	-	(31.5)	-	(31.5)	-	(31.5)
Remeasurement of the net defined benefit pension scheme asset	-	-	-	-	0.1	0.1	-	0.1
Deferred tax on share awards	-	-	-	-	1.7	1.7	-	1.7
Total comprehensive income / (loss) for the year	-	-	-	(31.5)	113.1	81.6	(0.9)	80.7
Transactions with owners:								
Issue of BTG plc ordinary shares	0.1	0.9	-	-	-	1.0	-	1.0
Equity distribution for non-controlling interests	-	-	-	-	-	-	(0.1)	(0.1)
De-consolidation of non-controlling interests	-	-	-	-	-	-	3.3	3.3
Movement in shares held by the Employee Share Ownership Trust	-	-	-	-	(4.3)	(4.3)	-	(4.3)
Share-based payments	-	-	-	-	13.2	13.2	-	13.2
At 31 March 2019	**61.5**	**674.4**	**486.9**	**(85.0)**	**238.9**	**1,376.7**	**-**	**1,376.7**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

Statement of compliance

These condensed consolidated financial statements 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 2019.

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

Comparative financial information

On 1 April 2018 BTG changed its reporting currency from pound sterling to the US Dollar ("USD") and comparative financial information for all periods has been re-presented in USD in accordance with IAS 21 'The Effects of Changes in Foreign Exchange Rates'.

Financial information disclosed in the consolidated financial statements for the year ended 31 March 2018 previously reported in pound sterling has been re-presented into USD using the following methodology:

- Assets and liabilities denominated in non-USD currencies were translated into USD at the closing rates of exchange at the balance sheet date;
- Non USD income and expenditure was translated at the average exchange rates prevailing for the relevant period; and
- Share capital, share premium, the merger reserve and other reserves were translated at the historical exchange rates which prevailed on the date of each transaction.

Accounting policies

The accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 March 2018, except for the implementation of IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial instruments' from 1 April 2018. These new Standards have not had a material impact on the reported results of the Group.

IFRS 15 'Revenue from contracts with customers' has been adopted by applying the modified retrospective approach, which has resulted in a $0.4m decrease in equity at 1 April 2018. As the modified retrospective approach has been applied, prior year results have not been restated.

IFRS 9 'Financial Instruments' has been adopted retrospectively. However, as a result of certain permitted exceptions, prior year results have not been restated. An adjustment has been recorded to increase equity at 1 April 2018 by $2.3m, reflecting the application of a revised valuation basis for unlisted equity investments.

IFRS 16 'Leases' is required to be implemented by the Group from 1 April 2019. IFRS 16 will replace existing leases guidance, including IAS 17 'Leases', and sets out the principles for recognition and measurement of leases.

The new standard introduces a single, on-balance sheet lease accounting model for lessees. It requires the Group to recognise lease liabilities and right of use assets for almost all leases. The Group has assessed the potential impact of adopting IFRS 16 and expects the carrying value of total assets including leased assets to increase by approximately $25m, with total liabilities including lease liabilities expected to increase by $26m at the date of implementation. The application of the new standard will result in straight-line operating lease rental expense being replaced with depreciation (of the right of use asset) and interest expense. The Group is currently finalising the exact impact of the new standard.

The Group will apply the modified retrospective approach for transition, with the adoption of IFRS 16 recognised as an adjustment to retained earnings at 1 April 2019, with no restatement to comparative information. Some practical expedients permitted by the standards will also be used, notably the recognition exemption for short-term leases and leases of low-value assets.

In October 2018 the IASB issued 'Definition of a Business (Amendments to IFRS 3)'. Amongst other things the amendments clarify and narrow the definition of a business and introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments will be effective for business combinations made by the Group on or after 1 April 2020, with early adoption permitted. The Group is assessing the potential impact of the new standard.

Going concern and liquidity

After making enquiries, and taking into account the recommended cash offer for BTG by Boston Scientific, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the next twelve months. Accordingly, they continue to adopt the going concern basis in preparing these condensed consolidated 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 equivalents, together with its 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 risks considered above, the directors have also considered the following factors when reaching the conclusion to continue to adopt the going concern basis:

- A significant proportion of the Group's sales are from products which are life-saving in nature, providing some protection against an uncertain economic outlook;
- The Group's principal licensee is a global industry leader in its respective field; and
- The Group has a £150m multi-currency RCF, with an option to increase the RCF by a further £150m. The RCF expires in November 2020, subject to a 24-month extension option. The RCF currently 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®, in particular, demonstrates seasonality since the main snakebite season in the US, when the product is in highest demand, runs from March to October.

4. Operating segments

Operating segments are reported based on the financial information provided to the Group's chief operating decision-making body, being the Leadership Team.

Financial information reviewed by the Leadership Team has transitioned from a three business approach (IM, Pharma and Licensing) to a two business approach (Product business and Licensing). As a result of these changes, the Group has re-assessed its operating segments in accordance with IFRS 8 and concluded that there are two operating segments, being a Product segment and a Licensing segment. Prior period segmental analysis has been restated accordingly.

In assessing performance and making resource allocation decisions, the Leadership Team reviews financial information for the Product and Licensing operating segments on an adjusted earnings basis. The Licensing operating segment includes only directly attributable revenue and cost of sales relating to out-licensed intellectual property rights. Unallocated/other includes certain items which reconcile from Product and Licensing business operating segments to the Group's IFRS income statement.

There are no inter-segment transactions that are required to be eliminated on consolidation.

	Year ended 31 March 2019			
	Product $m	Licensing $m	Unallocated/ Other $m	Total $m
Revenue	**634.7**	**279.4**	**-**	**914.1**
Cost of sales	**(137.9)**	**(137.7)**	**(0.6)**	**(276.2)**
Gross profit/(loss)	**496.8**	**141.7**	**(0.6)**	**637.9**
Selling, general and administrative expenses	**(255.8)**	**-**	**(42.2)**	**(298.0)**
Research and development	**(122.5)**	**-**	**(31.7)**	**(154.2)**
Other operating income	**-**	**-**	**9.3**	**9.3**
Amortisation of acquired intangible assets	**-**	**-**	**(51.8)**	**(51.8)**
Acquisition and reorganisation costs	-	**-**	**(15.2)**	**(15.2)**
Operating profit/(loss)	**118.5**	**141.7**	**(132.2)**	**128.0**
Financial income				**6.2**
Financial expense				**(26.0)**
Profit before tax				**108.2**
Tax credit				**2.2**
Profit for the year				**110.4**
Total assets[1]				**1,362.9**

[1] The Group does not allocate assets to operating segments with the exception of Goodwill (see Note 10).

	Year ended 31 March 2018 (restated)[1]			
	Product $m	Licensing $m	Unallocated/ Other $m	Total $m
Revenue	561.2	261.6	-	822.8
Cost of sales	(118.1)	(127.7)	(0.5)	(246.3)
Gross profit/(loss)	443.1	133.9	(0.5)	576.5
Selling, general and administrative expenses	(246.6)	-	(191.3)	(437.9)
Research and development	(126.7)	-	(98.0)	(224.7)
Other operating expense	-	-	(1.9)	(1.9)
Amortisation of acquired intangible assets	-	-	(58.2)	(58.2)
Acquisition and reorganisation costs	-	-	(1.8)	(1.8)
Operating profit/(loss)	69.8	133.9	(351.7)	(148.0)
Financial income				55.3
Financial expense				(12.4)
Loss before tax				(105.1)
Tax credit				118.0
Profit for the year				12.9
Total assets[2]				1,318.5

[1] Comparative information has been restated to conform to the current period segmental analysis.

[2] The Group does not allocate assets to operating segments with the exception of Goodwill (see Note 10).

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 2019 $m	Year ended 31 March 2018 $m
USA	**826.9**	739.3
Europe	**63.1**	59.8
Other regions	**24.1**	23.7
	914.1	822.8

Revenue from major products and services

	Year ended 31 March 2019 $m	Year ended 31 March 2018 $m
Product sales	**634.7**	561.2
Licensing	**279.4**	261.6
	914.1	822.8

Contract balances

Contract assets	**Year ended 31 March 2019 $m**	Year ended 31 March 2018 $m
Accrued income – current	**68.5**	71.5

The Group's contract assets relate to accrued royalty income.

Contract liabilities	**Year ended 31 March 2019 $m**	Year ended 31 March 2018 $m
Deferred income – current	**(13.0)**	(7.5)
Deferred income – non-current	**(3.3)**	-
	(16.3)	(7.5)

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 2019 or 31 March 2018.

Products that utilise the Group's intellectual property rights are sold by licensees. Royalty income is derived from over 20 licences. One license individually generated royalty income in excess of 10% of Group revenue of $235.2m (2018: one license individually generated $207.5m).

7. Financial income and expense

	Year ended 31 March 2019 $m	Year ended 31 March 2018 $m
Interest receivable on money-market and bank deposits	**4.0**	0.8
Fair value movements and realised gains from foreign exchange forward contracts	**2.2**	19.2
Fair value movements on contingent consideration liabilities	**-**	35.3
Financial income	**6.2**	55.3
Fair value movements and realised losses from foreign exchange forward contracts	**14.7**	7.7
Fair value movements on contingent consideration liabilities	**8.0**	2.0
Other financial expense	**3.3**	2.7
Financial expense	**26.0**	12.4

In the year to 31 March 2019, the group recognised a fair value charge of $8.0m (2018: $2.0m charge) related to the contingent consideration from the Galil Medical acquisition. In the year to 31 March 2018, the Group recognised a fair value credit of $35.3m related to the contingent consideration from the PneumRx acquisition.

8. 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 2019 $m	Year ended 31 March 2018 $m
Current tax		
UK corporation tax charge	**10.2**	9.2
Overseas corporate tax charge	**8.4**	20.5
Adjustments in respect of prior years	**(7.9)**	4.1
Total current taxation	**10.7**	33.8
Deferred taxation		
Deferred tax credit	**(17.0)**	(149.3)
Adjustments in respect of prior years	**4.1**	-
Adjustment to tax rates	**-**	(2.5)
Total deferred taxation	**(12.9)**	(151.8)
Total tax credit for the year	**(2.2)**	(118.0)

The credit for the year can be reconciled to the profit / (loss) before tax as shown in the income statement as follows:

	Year ended 31 March 2019 $m	Year ended 31 March 2018 $m
Profit/(loss) before tax	**108.2**	(105.1)
Tax using UK corporation tax rate of 19% (2018: 19%)	**20.6**	(20.0)
Effect of overseas tax rates [2]	**(4.0)**	(32.8)
Effect of US Tax Reform [1]	**-**	(50.9)
Recognition of tax losses	**(6.3)**	(4.9)
Movement in unrecognised deferred tax asset	**(1.0)**	(0.1)
Non-taxable income	**-**	(6.7)
Non-deductible expenses	**3.3**	2.5
Effect of UK patent box deduction	**(10.7)**	(9.9)
Adjustment to tax rates	**-**	0.5
Adjustments in respect of prior years	**(4.1)**	4.3
	(2.2)	118.0

[1.] On 22 December 2017 the Tax Cuts and Jobs Act was enacted in the US which included a reduction in the US corporate federal tax rate from 35% to 21% from 1 January 2018. US tax reform increased the tax credit by $50.9m in the 2018 accounts, representing a net deferred tax credit on revaluation of deferred tax liabilities on acquired intangibles, tax losses and short term timing differences ($58.5m) less a current tax charge in respect of deemed repatriation ($7.6m).A further tax credit of $0.6m has been recognised in 2019 in Adjustments in respect of prior years for revaluation of short term timing differences arising from US tax reform.

[2.] The effect of overseas tax rates in 2018 included a deferred tax credit of $30.3m in relation to the impairment of PneumRx intangible assets at pre US tax reform tax rates. Post US tax reform the impact of overseas tax rates is reduced.

A tax credit of $1.7m (2018: $0.5m charge) has been recognised in other comprehensive income.

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

	31 March 2019 $m	31 March 2018 $m
Current assets		
UK corporation tax receivable	**2.3**	-
Overseas corporation tax receivable	**1.3**	0.1
	3.6	0.1
Current liabilities		
UK Corporation tax payable	**5.3**	2.3
Overseas corporation tax payable	**8.2**	7.2
	13.5	9.5
Non-current liabilities		
Overseas corporation tax payable	**-**	7.0
	-	7.0

Deferred taxation

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

	Tax losses $m	Short term timing differences $m	Net deferred tax asset $m
At 1 April 2017	3.9	3.5	7.4
Adjustment in respect of prior years	0.7	-	0.7
Income statement charge	(2.8)	-	(2.8)
R&D tax credit	-	(0.1)	(0.1)
Foreign exchange differences	-	(0.1)	(0.1)
At 31 March 2018	1.8	3.3	5.1
Adjustment in respect of prior years	**(0.7)**	**0.2**	**(0.5)**
Income statement credit/(charge)	**(0.7)**	**1.9**	**1.2**
Credit to comprehensive income	**-**	**1.3**	**1.3**
Foreign exchange differences	**(0.4)**	**(0.3)**	**(0.7)**
At 31 March 2019	**-**	**6.4**	**6.4**

The deferred tax asset relates to short term timing differences in Australia and the UK.

The deferred tax asset has been recognised because the directors are of the opinion, based on recent and forecast trading, that the level of profits in Australia and the UK in forthcoming years will lead to the realisation of these assets.

Deferred tax liability

	Liabilities Acquired intangibles $m	Liabilities Pension fund surplus $m	Assets Tax losses $m	Assets Short term timing differences $m	Net deferred tax liability $m
At 1 April 2017	(264.6)	(4.1)	53.1	19.0	(196.6)
Acquisition	(24.0)	-	5.4	(0.1)	(18.7)
Income statement credit/(charge)	107.1	(0.7)	(12.1)	(1.2)	93.1
Charge to comprehensive income	-	(0.5)	-	-	(0.5)
R&D tax credits	-	-	-	0.3	0.3
US Tax reform	72.2	-	(7.5)	(6.2)	58.5
Rate change	3.0	-	(0.5)	-	2.5
Adjustment to prior year	-	-	(0.2)	-	(0.2)
Foreign exchange differences	(10.5)	(0.6)	1.7	1.3	(8.1)
At 31 March 2018	(116.8)	(5.9)	39.9	13.1	(69.7)
Acquisition	**(5.9)**	**-**	**2.9**	**-**	**(3.0)**
Income statement credit/(charge)	**9.4**	**(0.5)**	**1.5**	**5.4**	**15.8**
Credit to comprehensive income	**-**	**-**	**-**	**0.4**	**0.4**
Adjustment to IFRS 9 opening balance	**-**	**-**	**-**	**(0.4)**	**(0.4)**
Adjustment to prior year	**4.6**	**-**	**(7.1)**	**(1.1)**	**(3.6)**
Foreign exchange differences	**0.5**	**0.4**	**(2.2)**	**0.2**	**(1.1)**
At 31 March 2019	**(108.2)**	**(6.0)**	**35.0**	**17.6**	**(61.6)**

The deferred tax liability of $61.6m (2018: $69.7m) represents the net position after taking into account the offset of deferred tax assets against deferred tax liabilities in each jurisdiction.

The UK tax rate fell from 20% to 19% on 1 April 2017 and will fall to 17% on 1 April 2020. This has been reflected in the deferred tax assets and liabilities and deferred tax has been recognised at the tax rate at which timing differences and tax losses are expected to unwind or be used.

The US federal tax rate fell from 35% to 21% on 1 January 2018. The decrease to 21% has been reflected in the deferred tax assets and liabilities and deferred tax has been recognised at the tax rate at which timing differences and tax losses are expected to be used.

Deferred tax is provided on temporary differences arising on investments in subsidiaries except where the Group is able to control the timing of temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax has not been provided for unremitted earnings of Group companies overseas as they are not expected to be remitted in the foreseeable future. If these earnings were remitted, there are temporary differences of $29.6m on which an estimated tax liability of $4.6m would arise.

Unrecognised tax losses

In addition to the losses on which a deferred tax asset has been recognised, the Group has additional tax losses which have arisen principally as a result of research and development incurred. These losses are shown below. The Group's tax losses in the UK and other regions 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 2020.

A deferred tax asset has not been recognised in respect of the losses shown below as there is uncertainty as to whether these losses will be used.

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

	Year ended 31 March 2019 $m	Year ended 31 March 2018 $m
UK tax losses	**64.8**	68.8
US tax losses	**3.0**	21.3
Other regions tax losses	**34.4**	28.1
	102.2	118.2

9. Earnings per share

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

	Year ended 31 March 2019	Year ended 31 March 2018
Profit for the year attributable to owners of the parent ($m)	**111.3**	16.0
Earnings per share (c)		
Basic	**28.8**	4.1
Diluted	**28.5**	4.1
Number of shares (m)		
Weighted average number of shares – basic	**387.0**	386.1
Effect of share options in issue	**4.0**	3.1
Weighted average number of shares – diluted	**391.0**	389.2

10. Goodwill

	$m
At 1 April 2017	282.2
Acquisitions	21.0
Foreign exchange differences	9.9
At 31 March 2018	313.1
Acquisitions	4.4
Foreign exchange differences	(6.0)
At 31 March 2019	**311.5**
Accumulated impairment losses	
At 1 April 2017, 31 March 2018 and 31 March 2019	-
Net book value at 31 March 2019	**311.5**
Net book value at 31 March 2018	313.1
Net book value at 1 April 2017	282.2

Goodwill has been allocated to cash generating units ("CGUs"), being the Group's operating segments, in proportion to the anticipated benefits of goodwill on the relevant operating segment, having regard for the assets and liabilities acquired. The carrying value of goodwill has been allocated to the following operating segments:

	31 March 2019 $m	31 March 2018 $m
Product Business	**285.3**	284.9
Licensing	**26.2**	28.2

In prior years the recoverable amounts of these CGUs were determined using a discounted cash flow approach, which indicated sufficient headroom such that a reasonably possible change to key assumptions was deemed unlikely to result in an impairment to the related goodwill.

On 20 November 2018 the boards of BTG and Boston Scientific announced that they had agreed the terms of a recommended cash offer pursuant to which Boston Scientific will acquire the entire issued and to be issued ordinary share capital of BTG, subject to the satisfaction of customary closing conditions. This recommended cash offer provides an observable market value of the Group, before costs to sell, of approximately $4.2 billion, compared to the carrying value of the total assets of the Group of $1.7 billion. As such in the current year it is considered appropriate to determine the recoverable amounts of these CGUs based on fair value less estimated costs to sell. On this basis the offer price indicates sufficient headroom such that a reasonably possible change to key assumptions is currently unlikely to result in an impairment to goodwill.

The key judgement under-pinning this assessment is that at least 28% of the cash offer made by Boston Scientific is allocable to the Product Business CGU and at least 2% is allocable to the Licensing CGU. Management believes this assumption is reasonable based on internal valuations prepared with the assistance of third party advisors and utilised by the Board in determining whether to recommend the Boston Scientific offer to BTG shareholders.

11. Intangible assets

Group	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 31 March 2017	**898.4**	**58.9**	**155.7**	**3.6**	**22.0**	**38.5**	**1,177.1**
Acquisitions	60.2	-	2.9	-	-	-	63.1
Additions	-	-	-	1.2	0.2	-	1.4
Disposals	(0.6)	-	-	-	-	(8.3)	(8.9)
Foreign exchange differences	16.9	1.0	-	0.2	2.7	3.3	24.1
At 31 March 2018	**974.9**	**59.9**	**158.6**	**5.0**	**24.9**	**33.5**	**1,256.8**
Acquisitions	28.2	-	-	-	-	-	28.2
Additions	-	-	-	6.5	-	-	6.5
Disposals	-	-	-	(6.8)	-	(1.3)	(8.1)
Foreign exchange differences	(12.2)	(0.5)	-	(0.1)	(0.6)	(1.7)	(15.1)
At 31 March 2019	**990.9**	**59.4**	**158.6**	**4.6**	**24.3**	**30.5**	**1,268.3**
Amortisation							
At 31 March 2017	**232.0**	**58.9**	**8.2**	**2.4**	**19.4**	**7.1**	**328.0**
Amortisation charged	58.2	-	-	0.8	0.5	3.3	62.8
Impairments	107.0	-	95.9	0.1	0.4	7.3	210.7
Disposals	(0.6)	-	-	-	-	(8.3)	(8.9)
Foreign exchange differences	9.6	1.0	-	0.1	2.4	0.5	13.6
At 31 March 2018	**406.2**	**59.9**	**104.1**	**3.4**	**22.7**	**9.9**	**606.2**
Amortisation charged	51.8	-	-	0.8	0.5	2.9	56.0
Impairments	20.5	-	28.0	-	-	1.3	49.8
Disposals	-	-	-	(0.1)	-	(1.3)	(1.4)
Foreign exchange differences	(5.9)	(0.5)	-	(0.1)	(0.2)	(0.8)	(7.5)
At 31 March 2019	**472.6**	**59.4**	**132.1**	**4.0**	**23.0**	**12.0**	**703.1**
Net book value							
At 31 March 2019	**518.3**	**-**	**26.5**	**0.6**	**1.3**	**18.5**	**565.2**
At 31 March 2018	568.7	-	54.5	1.6	2.2	23.6	650.6
At 31 March 2017	666.4	-	147.5	1.2	2.6	31.4	849.1

Amortisation relating to intangible assets acquired through business combinations of $51.8m (2018: $58.2m) is recorded within Amortisation of acquired intangible assets. All other intangible asset amortisation is recorded within Cost of sales, Selling, general and administrative expenses or Research and development.

Developed technology

Developed technology represents intangible assets for products acquired through business combinations. The carrying value of individually significant CGU's which contain developed technology is:

	31 March 2019 $m	31 March 2018 $m	Remaining amortisation period at 31 March 2019
EkoSonic®	**114.9**	126.9	9 years
TheraSphere®	**97.9**	108.5	9 years
CroFab®	**78.8**	84.1	15 years
DC Bead® and LC Bead®	**63.3**	78.2	7 years
Galil Medical®	**54.1**	58.5	12 years
Crossing Devices	**52.7**	57.7	10 years
Sentry®	**26.0**	-	12 years
DigiFab®	**25.4**	27.2	15 years
PneumRx® Coil (ROW)	**-**	21.3	n/a

In-process research and development ("IPR&D")

IPR&D represents intangible assets for products acquired through business combinations which have not yet obtained regulatory approval. The carrying value of individually significant CGU's which contain IPR&D is:

	31 March 2019 $m	31 March 2018 $m
PneumRx® Coil (US)	**-**	28.0
Targeted Therapies Assets	**26.5**	26.5

Purchase of contractual rights

The carrying value of individually significant CGU's within Purchase of contractual rights are outlined below:

	31 March 2019 $m	31 March 2018 $m
Varithena®	**18.5**	23.0

Impairment of PneumRx Coils intangible assets

In the prior year ended 31 March 2018 the Group recognised impairment charges of $200.0m in relation to the PneumRx Coils. These impairment charges were split between Developed technology ($107.0m) and IPR&D intangible assets ($93.0m), and have been recorded within SG&A and R&D expenses, respectively.

On 9 August 2018 BTG received confirmation from the FDA that the Premarket Approval application for PneumRx Coils for the treatment of severe emphysema was not approvable. As a result the recoverable amount of the related PneumRx intangible assets was reassessed and impairment charges totaling $48.5m were recorded to write down these assets to their revised fair value ($nil). The impairment charge relates to Developed technology ($20.5m) and IPR&D intangible assets ($28.0m), and has been recorded within SG&A and R&D expenses respectively.

Reasonably possible changes in the future recoverability of assets

Developed Technology
Recently acquired Developed Technology intangible assets, such as the Crossing Devices (acquired with Roxwood Medical Inc), and Sentry (acquired with Novate Medical Inc.), generally relate to products at an earlier stage of commercialisation and as such there is a greater degree of risk and uncertainty over the ultimate commercial potential of these assets compared to more established products. More generally, the recoverability of intangible assets for Developed Technology and Purchased contractual rights is potentially at risk if pricing, reimbursement and / or market penetration are at lower levels than the Group's current assumptions. Therefore the recoverability of these assets can be at risk if commercialisation is not as successful as, or takes longer than, expected. As a result, impairment charges which may be triggered by future events that have yet to occur could significantly impact the Group's financial results.

IPR&D
The Targeted Therapies IPR&D asset carries inherent development risk, such that this asset is particularly at risk of impairment in full if the relevant development programs either are not successful and / or do not obtain the requisite regulatory approval. As a result, impairment charges which may be triggered by future events that have yet to occur could significantly impact the Group's financial results.

18. Provisions

Wellstat Litigation
On 15 June 2018 BTG made a cash payment of $73.3m in final settlement of the previously announced litigation with Wellstat Therapeutics Corporation, for which a provision of $75.6m was established in the year to 31 March 2018 concerning the commercialisation of Vistogard®. An amount of $2.3m, relating to amounts previously provided in excess of the final settlement, was released to the income statement in the year ended 31 March 2019.

PneumRx
Following the US Food & Drug Administration's decision in August 2018 not to approve the Premarket Approval application for the PneumRx Coils, BTG continues to review options for PneumRx, which include partnering with or sale to a third party.

During the year ended 31 March 2019, the Group incurred restructuring charges of $12.9m of which $2.3m is charged in respect of provisions against the carrying value of inventory (note 13). The restructuring charges principally comprise employee severance and onerous lease costs. The restructuring was substantially completed by 30 April 2019.

The movement of the PneumRx restructuring provision is shown below:

	31 March 2019 $m	31 March 2018 $m
At 1 April	-	-
Charge for the period	10.6	-
Utilised during period	(6.4)	-
At 31 March	4.2	-

19. Employee benefits

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 the 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 2016 were updated to the accounting date by an independent qualified actuary in accordance with IAS19.

A UK High Court judgement on 26 October 2018 requiring an equalisation of pension benefits for men and women in relation to guaranteed minimum pension benefits is expected to affect the plan, as well as most other UK pension plans. At this stage, the full implications of the judgement are unknown, as the full legal position remains uncertain and the Group and trustees have yet to take decisions on how to implement the judgement. At this stage the Group has estimated the costs at £0.1m, treated as a past service cost in 2018/19. The ultimate cost will not be known for some time and could be significantly higher or lower.

The plan exposes the Group to a number of risks:

Risk	Detail
Uncertainty in benefit payments	The value of the Group's liabilities for post-retirement benefits will ultimately depend on the amount of benefits paid out. This in turn will depend on the level of future pay increases, the level of inflation (for those benefits that are subject to some form of inflation protection) and how long individuals live.
Volatility in asset values	The Group is exposed to future movements in the values of assets held in the plan to meet future benefit payments
Uncertainty in cash funding	Movements in the values of the obligations or assets may result in the Group being required to provide higher levels of cash funding, although changes in the level of cash required can often be spread over a number of years. In addition, the Group is also exposed to adverse changes in pension regulation.

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

In particular, the latest triennial funding valuation as at 31 March 2016 showed a deficit of $6.0m, whereas the accounting position at the same date was a surplus of $27.1m. Deficit contributions of $1.7m (£1.2m) every six months from April 2016 to April 2018, inclusive, and a final contribution of $0.6m by 31 October 2018, were paid in addition to the regular employer contributions to address this deficit.

Contributions are set based upon funding valuations carried out every three years with the next valuation due to be carried out as at 31 March 2019. The estimated amount of total employer contributions expected to be paid to the plan during 2019/20 is $0.5m (2018/19 actual: $3.0m).

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

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

	31 March 2019	31 March 2018	31 March 2017
Retail price inflation	**3.5% p.a**	3.4% p.a	3.4% p.a.
Discount rate	**2.4% p.a**	2.6% p.a	2.5% p.a.
Life expectancy at age 60 of a male age 60 at the accounting date	**87.7**	88.2	89.0
Life expectancy at age 60 of a male age 40 at the accounting date	**89.8**	90.4	91.8

The discount rate as at 31 March 2019 has been set in line with a "single-agency" approach, whereby bonds are included in the construction of the yield curve if they are rated AA by one or more of the main rating agencies (2018: same).

Assumptions regarding future mortality experience are set based on actuarial advice and in accordance with published statistics. The mortality tables used at year-end 2019 were the S2NA 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 1.75%/1.5% for males and females respectively. These are the same assumptions adopted at year-end 2018, with the exception of the CMI core projections, which have been updated to reflect the latest available with core parameters.

The following table sets out related IAS19 assumptions used:

	31 March 2019	31 March 2018	31 March 2017
Pension increases in deferment – RPI inflation	**3.5% p.a**	3.4% p.a	3.4% p.a
Pension increases in payment – RPI inflation	**3.5% p.a**	3.4% p.a	3.4% p.a
Pension increases in payment – inflation capped at 2.5%	**2.2% p.a**	2.1% p.a	2.1% p.a
General salary increases	**3.5% p.a**	3.4% p.a	3.4% 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 2019 $m	31 March 2018 $m	31 March 2017 $m
Present value of defined benefit obligation	**(168.9)**	(180.2)	(177.7)
Fair value of scheme assets	**200.4**	211.0	199.2
Net asset recognised in the statement of financial position	**31.5**	30.8	21.5

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

The IAS19 expense is made up of the past service cost, current service cost, plan administrative expenses, interest cost on the defined benefit obligation, and interest income on plan 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 2019	31 March 2018	31 March 2017
Equity instruments	**0%**	0%	4%
Diversified growth funds	**0%**	5%	6%
Liability driven investment	**25%**	18%	23%
Absolute return bonds	**0%**	0%	8%
Illiquid inflation assets	**17%**	17%	16%
Insurance Policy	**26%**	27%	0%
Cash/net current assets	**32%**	33%	43%

There are no direct investments in the Group's own shares or property occupied by any member of the Group. In October 2017, the Trustees of the plan entered into a "buy-in" policy to secure some of the larger pensioner liabilities with an insurer, resulting in a reduction in longevity and other risks.

At 31 March 2019, all asset classes are traded in active markets, with the exception of the illiquid inflation assets (this asset class looks to achieve returns in excess of inflation by investing in assets which are typically less liquid in nature and have contractual cashflows which are linked to inflation, for example long-lease property) which are priced and traded on a monthly basis (2018: same), and the buy-in insurance policy (which does not have a redemption value, but fully matches the liabilities of certain pensioners and is valued equal to the IAS 19 liabilities for these members).

Part of the investment objective of the plan is to minimise fluctuations in the plan's funding levels due to changes in the value of the liabilities. This is primarily achieved through the use of 'liability driven investments' (LDI), whose main goal is to hedge movements in the liabilities due to changes in interest rate and inflation expectations. Currently, the plan targets hedging of around 100% to both interest rate and inflation expectation changes relative to the cash funding measure of liabilities.

LDI primarily involves the use of government bonds (including re-purchase agreements) and derivatives such as interest rate and inflation swaps. There are no annuities or longevity swaps. These LDI instruments are typically priced and collateralised daily by the plan's LDI manager and / or central clearing houses. Given that the purpose of LDI is to hedge corresponding liability exposures, the main risk is that the investments held move differently to the liability exposures. This risk is managed by the Trustees, their advisers and the plan's LDI manager, who regularly assess the position.

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 risks and rewards of a number of possible asset allocation options, the suitability of a wide range of asset classes within each strategy across and within asset classes, and the need for appropriate diversification amongst different asset classes.

Changes in the present value of the defined benefit obligation, the fair value of the plan assets and the net asset/liability over the year ending 31 March 2019 are as follows:

Year ended 31 March 2019	Obligation $m	Plan assets $m	**Net asset/ (liability) $m**
Beginning of the year	**(180.2)**	**211.0**	**30.8**
Past service cost	(0.1)	-	(0.1)
Employer's part of the current service cost	(0.5)	-	(0.5)
Interest income/(cost)	(4.3)	5.1	0.8
Contributions by the employer	-	3.0	3.0
Contributions from plan members	(0.1)	0.1	-
Actuarial (loss)/gain – experience	(0.3)	5.6	5.3
Actuarial loss– financial assumptions	(9.2)	-	(9.2)
Actuarial gain – demographic assumptions	4.0	-	4.0
Benefits paid	8.9	(8.9)	-
Foreign exchange differences	12.9	(15.5)	(2.6)
End of the Year	**(168.9)**	**200.4**	**31.5**

Changes in the present value of the defined benefit obligation, the fair value of the plan assets and the net asset/liability over the year ending 31 March 2018 are as follows:

Year ended 31 March 2018	Obligation $m	Plan assets $m	**Net asset/ (liability) $m**
Beginning of the year	**(177.7)**	**199.2**	**21.5**
Employer's part of the current service cost	(0.7)	-	**(0.7)**
Interest income/(cost)	(4.5)	5.2	**0.7**
Contributions by the employer	-	3.7	**3.7**
Contributions from plan members	(0.1)	0.1	**-**
Actuarial gain/(loss) - experience	1.7	(11.4)	**(9.7)**
Actuarial gain –financial assumptions	5.6	-	**5.6**
Actuarial gain – demographic assumptions	6.6	-	**6.6**
Benefits paid	9.6	(9.6)	**-**
Foreign exchange differences	(20.7)	23.8	**3.1**
End of the Year	**(180.2)**	**211.0**	**30.8**

The actual return on the plan's assets over 2018/19 was a gain of $10.7m (2017/18: loss of $6.2m).

The weighted average duration of the defined benefit obligation at the end of the reporting period is around 15 years (2018: 16 years).

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

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

		Increase in Obligation		Increase in Plan Assets		Increase in Net Liability	
	Change in assumption	**31 March 2019 $m**	31 March 2018 $m	**31 March 2019 $m**	31 March 2018 $m	**31 March 2019 $m**	31 March 2018 $m
Discount rate	Decrease 0.1%	2.6	2.7	3.3	2.8	(0.7)	(0.1)
RPI inflation	Increase 0.1%	2.3	2.4	2.7	2.5	(0.4)	(0.1)
Life expectancy	Increase 1 year	5.6	5.9	1.7	1.8	3.9	4.1

The sensitivity information has been derived using projected cash flows valued using the relevant assumptions as at 31 March 2019. 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 $9.9m (2018: $9.6m).

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.

21. 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.

Product revenues are generated from direct sales as well as sales to several key wholesalers. 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 substantial cash balances to fund its operations. The Group has a £150m multi-currency RCF, with an option to increase the RCF by a further £150m. The RCF expires in November 2020, subject to a 24-month extension option. The RCF currently remains undrawn.

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 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

From 1 April 2018 BTG changed its presentational currency to the USD. This change reflects the fact that the majority of the Group's revenues and a significant proportion of its operating costs are now denominated in USD (although a significant proportion of the Group's operating costs remain denominated in GBP).

The Group is exposed to foreign currency risk at the individual entity level as a result of transactions, and monetary assets and liabilities, denominated in a different currency to the functional currency of the BTG entity in which the they are recorded. The principal foreign currency risk relates to USD royalty revenues and receivables, which are recorded in a sterling functional currency entity that has a majority of its expenses and payables denominated in sterling. The Group is also exposed, albeit to a lesser extent, to similar transactions in Euro, Canadian dollars and Australian dollars.

The Group's primary objective with respect to managing foreign exchange risk is to provide an appropriate level of certainty over the value of future cash flows. Where possible, anticipated foreign currency operating expenses are matched to foreign currency revenues. The Group economically hedges sufficient USD to cover anticipated GBP net operating cash outflows which are not otherwise matched by GBP cash inflows.

Sensitivity analysis

A 5% weakening of the US$ would have resulted in the following decrease in profit before tax:

	31 March 2019 $m	31 March 2018 $m
Decrease in profit before tax	4.7	4.1

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.

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 2019 $m	31 March 2018 $m
Total equity - capital and reserves attributable to BTG shareholders	**1,376.7**	1,283.3
Total assets	**1,674.4**	1,631.6
Equity ratio	**82.2%**	78.7%

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

Financial instruments
The Group's financial instruments comprise cash, short-term deposits, foreign currency forward contracts, contingent consideration liabilities, convertible loan notes receivable, purchased call options to acquire the equity in other entities and various items such as trade debtors and creditors which arise directly from operations.

Fair value measurements

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 through profit or loss/OCI $m	Amortised Cost $m	Total carrying value $m	Fair value[1] $m
31 March 2019				
Cash and cash equivalents	**-**	**351.4**	**351.4**	**-**
Forward contracts	**(1.8)**	**-**	**(1.8)**	**(1.8)**
Other non-current assets	**28.0**	**-**	**28.0**	**28.0**
Trade and other receivables	**-**	**186.6**	**186.6**	**-**
Trade and other payables	**-**	**(190.4)**	**(190.4)**	**-**
31 March 2018				
Cash and cash equivalents	-	294.7	294.7	-
Forward contracts	3.1	-	3.1	3.1
Other non-current assets	2.4	-	2.4	2.4
Trade and other receivables	-	165.9	165.9	-
Trade and other payables (excluding contingent consideration liabilities)	-	(163.9)	(163.9)	-
Contingent consideration liabilities	(7.0)	-	(7.0)	(7.0)

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

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 financial instruments comprise cash and deposits, and various items such as trade receivables and payables which arise directly from operations. The Group's Level 2 financial instruments comprise foreign exchange forward contracts.

The carrying amounts of the Group's Level 1 and Level 2 financial instruments are deemed to be a reasonable approximation of their fair values.

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

Fair value hierarchy of financial assets and liabilities

At 31 March 2019	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets recognised at fair value				
Other non-current assets	**-**	**-**	**28.0**	**28.0**
Forward foreign exchange contracts	**-**	**0.5**	**-**	**0.5**
Financial liabilities recognised at fair value				
Forward foreign exchange contracts	**-**	**(2.3)**	**-**	**(2.3)**
At 31 March 2018				
Financial assets recognised at fair value				
Other non-current assets	-	-	2.4	2.4
Forward foreign exchange contracts	-	4.1	-	4.1
Financial liabilities recognised at fair value				
Forward foreign exchange contracts	-	(1.0)	-	(1.0)
Fair value of contingent consideration liabilities	-	-	(7.0)	(7.0)

Level 2 financial assets and liabilities represent forward foreign exchange contracts to sell US$ which are remeasued to their fair value at each balance sheet date.

The Group's Level 3 financial instruments principally comprise:

- Contingent consideration liabilities in respect of prior business combinations, payable contingent upon the achievement of development or commercial milestones; and
- Investments in debt and equity securities of unlisted investments, including convertible loan notes receivable and purchased call options arising from the strategic investments in Vetex Medical Limtied and Veran Medical Technologies, Inc.

Details of the movement of Level 3 fair value financial liabilities are set out below:

	2019 $m	2018 $m
At 1 April	**(7.0)**	(40.3)
Acquisitions	**(10.0)**	-
Change in fair value	**(8.0)**	33.3
Cash-settled	**10.0**	-
Reclassified to other creditors	**15.0**	-
At 31 March	**-**	(7.0)

The fair values of these contingent consideration liabilities are determined each reporting period by assessing the probability of expected future payments and discounting these risk adjusted payments to their present value.

In the year to 31 March 2019, BTG recognised a contingent consideration liability of $10.0m as a result of the acquisition of Novate Medical (see Note 25). The associated milestone was achieved and the liability cash-settled in November 2018.

The contingent consideration liability of $15m, reclassified to “Other creditors”, as at 31 March 2019 (2018: $7.0m) relates to the consideration payable in association with the acquisition of Galil Medical in 2016. The Group recognised an additional charge of $8.0m in the year to 31 March 2019, to reflect the final settlement of all outstanding milestones. The payment of $15m was made, and the liabilities settled, in April 2019.

The fair value of all other contingent consideration milestones are nil.

Details of the movement of Level 3 fair value financial assets are set out below:

	2019	2018
	$m	$m
At 1 April	**2.4**	2.5
Recognised upon adoption of IFRS 9	**2.8**	-
Additions	**22.7**	-
Foreign exchange differences	**0.1**	(0.1)
At 31 March	**28.0**	2.4

For Level 3 fair value financial assets, cost is deemed to equal fair value for these investments in unlisted securities, unless relevant factors exist (such as further equity funding rounds or a material deterioration in the operating performance or financial condition of the investee), in which case fair value would be determined taking into account these factors.

On 12 September 2018 BTG paid $20.0m cash in exchange for a convertible loan note and a call option (included in additions above) over 100% of the outstanding equity of Veran Medical Technologies, Inc., a US medical device company focused on innovative technologies for the early diagnosis of cancers, including the 510(k) approved SPiN and SPiN IR systems.

Contractual maturity analysis of financial assets/ (liabilities)

	31 March 2019	31 March 2018
Forward foreign exchange contracts that mature within:	**$m**	$m
0-3 months	**(0.7)**	1.3
3-6 months	**(0.6)**	1.7
6-12 months	**(0.4)**	0.2
>12 months	**(0.1)**	(0.1)
Total	**(1.8)**	3.1

Net gains and losses on financial assets and liabilities

Foreign exchange gains of $9.6m (2018: losses of $1.6m) were recognised within operating profit.

The Group recognised a net loss of $12.5m relating to forward foreign exchange contracts with financial income in the year to 31 March 2019. This loss comprises a reversal of unrealised gains from the prior year of $3.3m, net unrealised losses of $1.8m and net realised losses of $7.4m.

The Group recognised a net gain of $11.7m relating to forward foreign exchange contracts with financial income in the year to 31 March 2018. This gain comprised a reversal of unrealised losses from the prior year of $10.5m, net unrealised gains of $2.9m and net realised losses of $1.7m.

25. Business Combinations

Acquisitions during the year ended 31 March 2019

Novate Medical Limited ("Novate") acquisiton
On 7 September 2018, BTG acquired all the outstanding equity in Novate for up-front cash of $19.6m and contingent consideration payable of up to $130m, if certain commercial and sales-related milestones are achieved.

Novate is an Irish medical device company focused on the prevention of pulmonary embolism in patients at high risk of thromboembolic events. Novate has developed Sentry, the first bioconvertible inferior vena cava ("IVC") filter, which has recently been granted 510(k) regulatory clearance in the US. BTG will sell the device through its existing US Vascular sales force and launched the product in the year to 31 March 2019.

The preliminary fair value of consideration payable to Novate equity holders totaled $11.7m, comprising up-front cash consideration of $1.7m and the fair value of contingent consideration of $10.0m which was subsequently paid during the year. The remaining up-front cash consideration has been used to settle debt of $17.9m and other obligations assumed on acquisition.

Novate's results of operations have been consolidated from 7 September 2018, and the preliminary fair values of acquired assets and liabilities have been determined as of that date. The final determination of these fair values will be completed as soon as possible but no later than one year from the acquisition date.

Intangible assets of $28.2m relate to the developed IVC technology. An estimated useful economic life of 12 years has been assigned to this developed technology, and associated amortisation expense will be recorded on a straight line basis. Goodwill arising of $4.4m, which is not deductible for tax purposes, has been assigned to the Product segment. Goodwill represents the value of Novate's assembled workforce, together with the recognition for accounting purposes of a net deferred tax liability principally relating to the recognised developed technology.

	Book Value $m	Fair Value Adjustment $m	Fair Value $m
ASSETS			
Non-current assets			
Deferred tax asset	-	2.9	2.9
Intangible assets	-	28.2	28.2
Goodwill	-	4.4	4.4
Current assets	1.4	-	1.4
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	-	(5.9)	(5.9)
Current liabilities			
Trade and other payables	(1.4)	-	(1.4)
Debt obligation	(17.9)	-	(17.9)
Book value and fair value of assets and liabilities acquired	**(17.9)**	**29.6**	**11.7**
Cash consideration			1.7
Fair value of contingent consideration			10.0
Total consideration			**11.7**

During the period ended 31 March 2019, Novate Medical contributed revenues of $0.5m and an operating loss (including intangible asset amortization of $1.3m) of $2.8m in the period since acquisition. If the acquisition of Novate Medical had been completed on 1 April 2018, Group revenues for the year would remain unchanged whilst Group profit before tax would have been $3.5m lower.

Acquisitions during the year ended 31 March 2018

Roxwood Medical Inc. ("Roxwood Medical") acquisition
On 5 October 2017 BTG completed the acquisition of 100% of Roxwood Medical for an aggregate cash consideration of $64.9m, subject to customary closing adjustments, and contingent consideration of up to $15m which may be payable based on the achievement of specified sales based milestones.

The total consideration for the acquisition of Roxwood Medical was $58.9m, representing the up-front cash consideration paid after customary closing adjustments.

Roxwood Medical's results of operations have been consolidated from 5 October 2017, and the fair value of assets acquired and liabilities assumed have been determined as of that date.

Roxwood Medical is an innovative provider of advanced cardiovascular specialty catheters used in the treatment of patients with severe coronary and peripheral artery disease. The acquisition continues to build BTG's strength in the vascular space, further expanding BTG's portfolio of differentiated minimally invasive vascular technologies.

Intangible assets of $60.2m relate to Roxwood's developed technology. An estimated useful life of 12 years has been assigned to this developed technology, and associated amortization expense will be recorded on a straight-line basis. Goodwill arising of $19.7m, which is not deductible for tax purposes, has been assigned to the Interventional Medicine operating segment. Goodwill represents the value of Roxwood's workforce which has not been reflected as separate intangible assets, together with the recognition for accounting purposes of a deferred tax liability of $22.9m relating to the developed technology.

	Book Value $m	Fair Value Adjustment $m	Fair Value $m
ASSETS			
Non-current assets			
Deferred tax asset	-	5.5	5.5
Intangible assets	-	60.2	60.2
Goodwill	-	19.7	19.7
Property, plant and equipment	0.2	-	0.2
Current assets			
Inventories	0.9	0.3	1.2
Trade and other receivables	1.5	-	1.5
Cash and cash equivalents	1.5	-	1.5
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	-	(22.9)	(22.9)
Current liabilities			
Trade and other payables	(8.0)	-	(8.0)
Book value and fair value of assets and liabilities acquired	**(3.9)**	**62.8**	**58.9**
Cash consideration			58.9
Total consideration			**58.9**

Acquisition and dissolution of Oncoverse LLC (Oncoverse)

On 20 April 2017 BTG acquired a 55% equity stake in Oncoverse for cash consideration of $2.5m and the results of Oncoverse were consolidated by BTG from that date, with that portion attributable to the 45% of Oncoverse equity not owned by BTG recorded within non-controlling interests.

During the year ended 31 March 2019 BTG and the non-controlling interest agreed to dissolve Oncoverse and accordingly the non-controlling interests associated with this entity have been de-recognised from the Group's balance sheet as at 31 March 2019. The impact of Oncoverse to the Group's financial statements is immaterial in both 2018/19 and 2017/18.

Consolidation and de-consolidation of Vetex Medical Limited (Vetex)

On 17 July 2017 BTG provided Vetex with $2.7m of cash in exchange for a convertible loan note and a call option over 100% of Vetex's share capital. As a result BTG was deemed to have the ability to exercise power over Vetex's primary value generating activities and the results of Vetex were consolidated from that date, with the portion attributable to the 100% of Vetex equity not owned by BTG recorded within non-controlling interests.

During the year ended 31 March 2019 BTG informed the Board of Vetex that it no longer intended to exercise the call option. At this point BTG concluded it no longer had the power to control Vetex's primary value generating activities and Vetex was de-consolidated, with the non-controlling interests associated with this entity being de-recognised from the Group's balance sheet as at 31 March 2019. The impact of Vetex to the Group's financial statements is immaterial in both 2018/19 and 2017/18.

26. Transaction costs

On 20 November 2018 the boards of BTG and Boston Scientific announced that they had agreed the terms of a recommended cash offer pursuant to which Boston Scientific, through its indirect wholly-owned subsidiary Bravo Bidco Limited, will acquire the entire issued and to be issued ordinary share capital of BTG, subject to the satisfaction of customary closing conditions. During the year ended 31 March 2019, BTG incurred $23.5m of costs which are directly attributable to the proposed acquisition, including fees for professional services, employee-related retentions and bonuses, the de-recognition of computer software assets under development and sales incentive schemes.

If the acquisition is consummated, the Group expects to incur additional expenses contingent on the closing of the transaction (excluding any applicable VAT) of approximately $65m, relating to, amongst other things, fees for financial and corporate broking advisory services.

27. Litigation

The Group and its licensee Janssen Group are subject to six similar class action claims brought on behalf of private prescription drug benefits providers and other indirect purchasers of Zytiga® (including consumers). These claims allege that BTG and Janssen violated US federal and state antitrust and consumer protection laws, and were unjustly enriched, by inappropriately pursuing allegedly baseless litigation against prospective suppliers of generic versions of Zytiga®, thereby delaying the availability of generic versions of Zytiga® in the US. In addition, BTG has been added as an additional defendant to an ongoing action against Janssen Group in relation to Zytiga® under the US False Claims Act alleging Janssen Group submitted false claims for payment or reimbursement of Zytiga® to state and federally funded healthcare programmes.

The Group is defending these actions but at this time it is not possible to predict the outcome of these proceedings or to make a reliable estimate of the expected financial effect, if any, that could result from their ultimate resolution.

5. RELATED PARTY TRANSACTIONS

The Company has a related-party relationship with its subsidiary undertakings and its directors.

Giles Kerr resigned as non-executive director of BTG plc effective 18 July 2018. Whilst a director at BTG during the period to 18 July 2018, Giles was also Director of Finance for Oxford University and a director of Oxford University Innovation 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 license agreements, BTG is entitled to receive milestone payments and/or royalty on sales of the products made by the third party licensees. Payments by BTG to Oxford University and Oxford University Innovation Limited under the relevant license agreements were $8,000 during the period to 18 July 2018 (2017/18: $26,000) and there were no amounts outstanding and payable at 31 March 2019 (31 March 2018: $nil). Following the resignation of Giles Kerr as non-executive director of BTG plc effective 18 July 2018, there are no longer any related party transactions requiring disclosure.

Key management personnel are considered to be the directors and their remuneration is disclosed within the Remuneration Report on pages 44 to 65.

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About BTG

BTG is a global healthcare company focused on Interventional Medicine. Our innovative medical technology helps physicians treat their patients through minimally invasive procedures. We have a growing portfolio of products that advance the treatment of cancer and vascular conditions. BTG's Pharmaceuticals business provides products that help patients overexposed to certain medications or toxins. To learn more about BTG, please visit: btgplc.com.