Press Release

BTG plc: Final Results

Good underlying financial performance with double-digit growth in product sales and adjusted operating profit

London, UK, 15 May 2018: BTG plc (LSE: BTG), the global specialist healthcare company, today announces its final results for the year ended 31 March 2018.

Louise Makin, BTG's CEO, commented:

"Over the past decade we have been transforming BTG from a royalties business into a product sales business with diverse, sustainable revenue streams. We have built the capabilities and infrastructure that support ongoing growth, by investing our strong cash flows to develop leading positions in selected Interventional Medicine markets and to maintain a strong Pharmaceuticals business. We are well positioned to continue generating around double-digit product sales growth through the anticipated royalty declines, and to deliver operating leverage over the medium term. By continuing to invest in product innovation, clinical data, geographic expansion and acquisitions, we are developing leading positions in attractive growth markets and creating significant long-term value for shareholders."

Financial summary

	2017/18 (£m)	2016/17 (£m)	Growth (%)	Growth at CER[2] (%)
Revenue	**620.5**	570.5	9	10
Product sales	***423.8***	*387.3*	*9*	*10*
Licensing revenues	***196.7***	*183.2*	*7*	*9*
Adjusted operating profit[1]	**152.7**	129.6	18	20
IFRS operating (loss)/profit	**(102.8)**	57.5	(n/m)	
Adjusted basic EPS[1]	**32.9p**	23.1p	42	
IFRS basic EPS	**3.9p**	8.7p	(55)	
Free cash flow[1]	**109.3**	64.7	69	
Net cash flow from operating activities	**120.7**	74.2	63	
Cash and cash equivalents at year end	**210.0**	155.5		

1. Certain financial measures in this press release, including adjusted operating profit, adjusted basic EPS and free cash flow, are not prepared in accordance with IFRS. All adjusted financial measures are explained on page 19, and are reconciled to the most directly comparable measure prepared in accordance with IFRS on pages 20 to 22.
2. Constant Exchange Rate (CER) growth is computed by restating 2017/18 results using 2016/17 foreign exchange rates for the relevant period.

- Product sales grew 10% at CER, with Interventional Medicine sales 14% higher at CER and Pharmaceuticals sales 5% higher at CER
- Adjusted operating profit grew 20% at CER. Adjusted basic EPS was up 42% at actual rates, as growth benefited by comparison to EPS in 2016/17 which was held back by hedging losses on forward contracts
- Free cash flow increased to £109.3m; cash and cash equivalents increased to £210.0m at 31 March 2018
- IFRS operating profit and IFRS EPS were adversely affected by the previously announced PneumRx impairment charge of £144.7m and the Wellstat litigation provision of £57.7m

Operating highlights

Interventional Medicine (2017/18 product sales: £242.9m, up 14% at CER)

Oncology (2017/18: £156.2m, up 14% at CER)

- TheraSphere®, the radiation treatment for liver cancer, launched in Taiwan and Israel, and availability expanded in Latin America; DC Bead LUMI™, the radiopaque bead for treating liver cancer, launched in the EU
- Enrolment completed into TheraSphere® STOP-HCC trial and good progress in enrolment into EPOCH trial
- MRI-compatible cryoablation system launched and first system installed

Vascular (2017/18: £73.7m, up 18% at CER)

- One-year OPTALYSE PE data demonstrated the continued benefit of EKOS® therapy in patients with bilateral pulmonary embolism
- KNOCOUT registry study initiated to measure how hospitals are adopting and benefiting from the new OPTALYSE PE-based treatment regimen

Early-stage products (2017/18: £13.0m, down 2% at CER)

- Category I CPT reimbursement codes implemented for the varicose veins treatment Varithena® in the US in January 2018, leading to renewed physician interest
- Activities to support long-term growth of the PneumRx® Coils as a treatment for severe emphysema focused on the ELEVATE clinical study and progressing the US Premarket Approval (PMA) application, reflecting lower sales and slower than expected market development

Pharmaceuticals (2017/18: £180.9m, up 5% at CER)

- CroFab® copperhead snakebite study published in the Annals of Emergency Medicine
- New consensus guideline published for use of Voraxaze® in treating patients with high-dose methotrexate toxicity

Licensing

- Continued strong contribution from Zytiga® and final Lemtrada™ royalties received including back-royalties
- As previously outlined, no generic entrant to Zytiga® is expected in the US before October 2018, and no generic entrant to Zytiga® is expected in the EU before September 2021.

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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, vascular conditions and severe emphysema. BTG's Pharmaceuticals business provides products that help patients overexposed to certain medications or toxins. To learn more about BTG, please visit: btgplc.com.

OPERATING REVIEW

BTG has made good progress over the past year, progressing multiple activities to support sustained growth in our Interventional Medicine business and to maintain a resilient Pharmaceuticals business.

Interventional Medicine

Oncology

BTG's Interventional Oncology portfolio comprises differentiated products across multiple treatment modalities. Sustained growth is supported by investments in product innovation and in commercial, geographic and indication expansion. There was good progress in each of these during 2017/18.

Enrolment was completed into the STOP-HCC Phase III trial of TheraSphere®, the internal radiation treatment, in people with primary liver cancer. The EPOCH Phase III trial in people with metastatic colorectal cancer of the liver is now more than two-thirds enrolled. Both will deliver top-line data in the 2019 calendar year, and both are expected to support subsequent PMA applications in the US. Geographic expansion of TheraSphere® continued, with launches in Taiwan, Israel and Latin America. DC Bead LUMI™, the radiopaque chemoembolising bead for treating liver cancer, was launched in the EU.

Since acquiring the cryoablation company Galil Medical in June 2016, BTG has invested in expanding its capabilities, footprint and capacity. Galil is now a centre of excellence in ablation and device engineering for BTG, with a pipeline of new products expected over the next two years. One is an MRI-compatible cryoablation system, which is the only system with this capability. It was launched and delivered to the first customer in early 2018. There is increasing interest in MRI-guided procedures, which provide better visualisation of the tumour and ablation zone, thereby allowing for more precise treatment. Other products under development include longer needles for patients with deep-seated tumours and a complementary system for tumour ablation comprising a new ablation modality.

Enrolment was completed in the MOTION and SOLSTICE studies using cryoablation for the treatment on bone and lung metastases respectively. Both are on track to report data in 2018.

BTG continued its collaboration with the Society of Interventional Oncology, providing funding for five additional studies exploring the role of interventional oncology alongside immuno-oncology.

Vascular

One-year follow-up data from the OPTALYSE PE study confirmed the benefits of EKOS® therapy for treating bilateral pulmonary embolism (PE). Patients experienced a sustained significant reduction in right-heart strain and improved quality of life, using shorter treatment durations and lower doses of thrombolytic than in standard treatment protocols. These data have supported the continued expansion of EKOS® in the US as a treatment for PE. BTG has initiated a separate registry study, KNOCOUT PE, to measure how hospitals are adopting and benefiting from this new standard of care. KNOCOUT PE is expected to include up to 100 centres internationally and will include cases from before and after the release of the original OPTALYSE PE study data.

EKOS® has continued to strengthen its ex-US business, with additional sales presence in Europe and an extended distribution network into other territories.

Following the acquisition of Roxwood Medical in October 2017 and its specialist crossing devices, BTG is now selling these products directly in the US.

Early-stage products

New category I CPT reimbursement codes were introduced for Varithena® in the US in January 2018. The switch from interim to dedicated codes has simplified the claims process and enabled BTG to scale back market access support, reducing the cost base of Varithena®. The new codes have stimulated renewed interest by physicians, including those in high-volume vein clinics. BTG is monitoring the impact of the new codes on physician ordering and reordering patterns and on insurer coverage and payment practice across the US, with a better understanding expected by the end of 2018.

Sales of the PneumRx® Coils have fallen, reflecting that market development including securing appropriate levels of reimbursement is taking longer than expected. BTG believes there is a potentially significant long-term opportunity for the coils in treating severe emphysema and is focusing resources on key activities to build long-term value. These include conducting the ELEVATE clinical study to support market development in the EU and progressing the Premarket Approval (PMA) application in the US. An Advisory Committee Panel meeting is expected during the summer with a decision expected by the end of 2018 from the US Food and Drug Administration (FDA) on the PMA application. Should the PMA be approved, market development and accessing reimbursement will also take time in the US. As a consequence of this and of prioritising European patients into the ELEVATE study, BTG does not expect material revenues from this product over the next two years.

Pharmaceuticals

BTG continues to build value in its antidote portfolio. During the year a study was published in the Annals of Emergency Medicine showing that treating people who have been bitten by copperhead snakes with CroFab® can aid the recovery of function in their affected limbs. Treatment with CroFab® was also associated with less opioid use throughout the patient's recovery.

Differentiating CroFab® is part of BTG's strategy to maintain market leadership. A different antivenin could enter the US market from October 2018. While there is likely to be some impact on CroFab® sales over time, BTG expects this product and the Pharmaceuticals business overall to continue to provide a strong financial underpin.

The Oncologist journal published new consensus guidelines for using Voraxaze® to treat patients with high-dose methotrexate-induced acute kidney injury and delayed methotrexate clearance. These provide clinicians with practical and specific guidance on when and how to treat patients with Voraxaze® to optimise the potential benefit.

BTG relinquished all distribution rights to Vistogard® following a court judgement against BTG in its commercial dispute with the product owner.

Licensing

Although Licensing is no longer a strategic priority, BTG expects to earn royalties for some years to come. Most relate to Johnson & Johnson's Zytiga®, for which generic competition is not expected in the US before October 2018 and in the EU before September 2021.

GROUP FINANCIAL REVIEW

BTG delivered a good underlying financial performance in 2017/18, and the Group has built a product sales business that is well positioned to deliver sustained profitable growth.

This review includes financial metrics on both an IFRS and adjusted basis. Information on the Group's adjusted financial information is set out on pages 20 to 22.

Revenue

	2017/18 (£m)	2016/17 (£m)	Growth (%)	Growth at CER[1] (%)
Interventional Oncology	**156.2**	139.0	12	14
Interventional Vascular	**73.7**	64.0	15	18
Early-stage Interventional Medicine				
PneumRx®	**6.8**	9.1	(25)	(29)
Varithena®	**6.2**	4.1	51	55
Interventional Medicine	**242.9**	216.2	12	14
CroFab®	**100.4**	82.4	22	19
DigiFab®	**51.8**	64.1	(19)	(18)
Voraxaze®	**25.5**	21.1	21	22
Other	**3.2**	3.5	(9)	(3)
Pharmaceuticals	**180.9**	171.1	6	5
Product Sales	**423.8**	387.3	9	10
Zytiga®	**155.4**	123.2	26	30
Lemtrada™	**21.8**	39.0	(44)	(49)
Other	**19.5**	21.0	(7)	(5)
Licensing	**196.7**	183.2	7	9
Revenues	**620.5**	570.5	9	10

[1] For the methodology applied to calculate CER growth, refer to page 19.

Interventional Medicine

Interventional Medicine revenues increased to £242.9m (2016/17: £216.2m), up 14% at CER. Interventional Medicine is the Group's largest and fastest growing business unit.

Interventional Oncology revenues grew 14% at CER to £156.2m (2016/17: £139.0m). This primarily reflects increased demand for TheraSphere® from existing and new customers in the US and EU, and continued growth in the number of cryoablation procedures.

Interventional Vascular revenues were £73.7m (2016/17: £64.0m), 18% higher at CER. Positive data from the OPTALYSE PE study supported continued growth in the use of the EKOS® device to treat pulmonary embolism, and

the total number of US hospitals using EKOS® grew. Revenues included the first sales of the specialty catheters and crossing devices from Roxwood Medical, which was acquired in October 2017.

Among the earlier-stage products, sales of the PneumRx® Coil treatment for severe emphysema were £6.8m (2016/17: £9.1m), down 29% at CER due to a lower number of procedures in Germany, the largest market. Sales of the varicose veins treatment Varithena® increased to £6.2m (2016/17: £4.1m), reflecting steady progress and customers transitioning from interim reimbursement codes in the US to new category I CPT reimbursement codes in January 2018.

Pharmaceuticals

Pharmaceuticals revenues were £180.9m (2016/17: £171.1m), up 5% at CER.

Sales of CroFab®, the snakebite antivenin, were up 19% at CER, driven by volume growth and the benefit of single digit price increases. A different antivenin could enter the US market from October 2018. While this competition would likely result in some impact on CroFab® sales over time, BTG expects CroFab® and the Pharmaceuticals business overall to continue to provide a strong financial underpin.

Sales of the digoxin toxicity treatment DigiFab® were lower as expected, down 18% at CER, primarily reflecting the timing of hospital reorders relating to expired product batches.

Sales of Voraxaze®, used for treating high-dose methotrexate toxicity, were 22% higher at CER. Final sales from Vistogard® were £3.2m (2016/17: £3.2m) as BTG has relinquished all its former rights to this product.

Licensing

Licensing revenues increased by 9% at CER to £196.7m (2016/17: £183.2m).

Royalties from Zytiga® were £155.4m (2016/17: £123.2m), up 30% at CER, delivering very strong growth following the publication of new data that supported earlier use in patients with advanced prostate cancer. As previously outlined, no generic entrant to Zytiga® is expected in the US before October 2018, and no generic entrant to Zytiga® is expected in the EU before September 2021.

Royalties from Lemtrada™ declined to £21.8m (2016/17: £39.0m) due to the expiration of the US and EU patents in March and September 2017, respectively. These final royalties included £11.0m of back-royalties.

Gross profit

Adjusted gross profit was £435.0m (2016/17: £391.6m), at an adjusted gross margin of 70% (2016/17: 69%). IFRS gross profit was £434.6m (2016/17: £390.6m), at a gross margin of 70% (2016/17: 68%).

The Interventional Medicine gross margin of 71% (2016/17: 71%) continues to be supressed by the fixed manufacturing cost base for the early-stage products, Varithena® and PneumRx®. The Pharmaceuticals gross margin of 90% (2016/17: 90%) reflects the high efficiency of this business.

The Licensing gross margin improved to 51% (2016/17: 45%) as a result of increased revenues from higher-margin royalty streams in 2017/18 and the ongoing benefit of being able to offset expenses incurred by BTG against amounts owed to licensors.

SG&A

Adjusted SG&A grew 4% at CER to £185.7m (2016/17: £178.6m), reflecting increased commercial investments in Interventional Medicine that were partly offset by continued effective cost management across the Group. Adjusted SG&A was up 4% at actual exchange rates.

IFRS SG&A of £325.5m (2016/17: £206.6m) includes a provision of £57.7m in relation to the previously disclosed Vistogard® commercial dispute, and impairment charges relating to the ex-US intangible assets of PneumRx® and Vistogard® of £76.6m and £5.5m respectively. IFRS SG&A in 2016/17 included a charge of £28.0m in relation to the settlement of the investigation into the historical marketing of LC Bead®.

Research and development

Adjusted R&D expenditure was £95.3m (2016/17: £87.8m), up 10% at CER, reflecting increased investment primarily in Interventional Oncology programmes, including the STOP-HCC and EPOCH TheraSphere® trials, as well as support for a number of ablation development projects. At actual exchange rates, adjusted R&D was up 9%.

IFRS R&D expenditure was £165.5m (2016/17: £87.8m) and includes intangible asset impairment charges of £68.7m, principally in relation to the PneumRx® in-process research and development intangible asset.

Operating profit

Adjusted operating profit was £152.7m (2016/17: £129.6m), up 20% at CER, reflecting higher revenues offset by targeted commercial and R&D investments. Adjusted operating margin improved to 25% (2016/17: 23%).

On an IFRS basis, the Group reported an operating loss of £102.8m (2016/17: profit of £57.5m). The loss includes intangible asset impairment charges of £151.1m (principally charges of £143.2m relating to the impairment of PneumRx® intangible assets) and a charge of £57.7m in respect of the Vistogard® commercial dispute.

Financial income/expense

Adjusted net financial income was £7.3m (2016/17: net financial expense of £26.6m), principally reflecting gains of £8.8m on foreign exchange forward contracts in 2017/18 compared to losses of £25.2m in 2016/17.

IFRS net financial income was £32.2m (2016/17: net financial expense of £25.9m). In addition to foreign exchange forward contract gains, IFRS net financial income includes a net credit of £24.9m relating to the change in fair value of contingent consideration liabilities (2016/17: net credit of £0.7m), principally a credit of £26.5m relating to the release of the PneumRx® Coil US regulatory approval milestone.

Taxation

The adjusted effective tax rate of 21% (2016/17: 14%) is higher than the standard rate of UK corporation tax as a significant portion of the Group's profit arises in the US where there is a higher US corporate tax rate. This is in part offset by the UK's patent box deduction on royalty income and the recognition of deferred tax assets for historical losses and timing differences.

On an IFRS basis there was a tax credit of £83.3m (2016/17: credit of £2.0m). The tax credit in part arises from the one-time impact of US tax reform, which resulted in a net credit of £36.2m being recorded in 2017/18, principally relating to the revaluation of net deferred tax liabilities to the lower US federal tax rate. The overall tax credit also includes the benefit of expected future tax relief for litigation provisions and deferred tax credits relating to the amortisation and impairment of acquired intangible assets.

Earnings per share

Adjusted basic EPS was 32.9p (2016/17: 23.1p), up 42% due to higher adjusted profit after tax, before non-controlling interests, of £125.7m (2016/17: £88.7m). Adjusted profit after tax was higher in 2017/18 due to growth in adjusted operating profit and foreign exchange forward contract gains in 2017/18 compared to losses in 2016/17, partly offset by a higher adjusted effective tax rate.

IFRS basic EPS was 3.9p (2016/17: 8.7p), down 55% due to lower profit after tax.

Balance sheet

	31 March 2018 £m	31 March 2017 £m
Non-current Assets	**754.7**	968.8
Current Assets	**408.0**	342.3
Non-current Liabilities	**(59.8)**	(165.7)
Current Liabilities	**(190.1)**	(165.5)
Net Assets	**912.8**	979.9

Non-current assets

Non-current assets decreased by £214.1m to £754.7m (31 March 2017: £968.8m), principally due to lower intangible assets. The carrying value of intangible assets decreased by £215.2m following the impairments of the PneumRx®, Vistogard® and Oncoverse intangible assets, together with the effect of amortisation and foreign exchange translation. These decreases were partially offset by intangible assets acquired with Roxwood Medical.

Current assets

Current assets increased to £408.0m (31 March 2017: £342.3m). Cash and cash equivalents were £54.5m higher at £210.0m (31 March 2017: £155.5m), reflecting continued strong cash generation.

Inventories increased to £61.0m (31 March 2017: £58.4m) and receivables increased to £134.0m (31 March 2017: £125.7m) as a result of underlying business growth, partially offset by foreign exchange retranslation.

Non-current liabilities

Non-current liabilities decreased to £59.8m (31 March 2017: £165.7m) principally due to a reduction in deferred tax liabilities as a result of the effects of US tax reform, foreign exchange retranslation, and impairments and amortisation of associated intangible assets.

Current liabilities

Current liabilities increased to £190.1m (31 March 2017: £165.5m). Trade and other payables decreased to £127.9m (31 March 2017: £152.0m) principally due to a reduction in the fair values of contingent consideration liabilities in relation to the PneumRx® acquisition. Derivative financial instrument liabilities decreased to £0.6m (31 March 2017: £7.9m) due to changes in the fair values of foreign exchange forward contracts in the period.

These decreases were more than offset by an increase in provisions, principally due to the recognition of a provision of £53.9m in respect of the Vistogard® commercial dispute, reflecting damages awarded and estimated pre-and post-judgement interest consistent with the Final Order and Judgement issued in November 2017. BTG has appealed the quantum of damages and the appeal is ongoing.

Summary cash flow

	2017/18 £m	2016/17 £m
Free Cash Flow	**109.3**	64.7
Cash paid for Galil Medical, net of cash acquired	**-**	(55.1)
Cash paid for Roxwood Medical, net of cash acquired	**(43.6)**	-
Other investing and financing activities	**(2.4)**	(0.4)
Net Change in Cash	**63.3**	9.2
Opening Cash and Cash Equivalents	**155.5**	
Effect of foreign exchange on cash	**(8.8)**	
Closing Cash and Cash Equivalents	**210.0**	

The business continues to be highly cash generative. Free cash flow was £109.3m (2016/17: £64.7m), up 69%, with growth benefiting from comparison with free cash flow in 2016/17 which included the settlement of the DOJ litigation. Excluding this settlement, free cash flow was up 18% in 2017/18 as very good growth in adjusted operating profit was converted into cash.

On an IFRS basis, cash flow from operating activities was up 63% to £120.7m (2016/17: £74.2m).

Cash and cash equivalents were £210.0m at 31 March 2018 (31 March 2017: £155.5m).

On 7 November 2017, the Group refinanced its multi-currency revolving credit facility (RCF) which was otherwise due to expire in November 2018. Following the refinancing, BTG has a £150m multi-currency RCF, with an option to increase the RCF by a further £150m. The RCF has a three-year term which expires in November 2020, although the Group has the option to extend the term of the RCF for up to an additional two years. The RCF currently remains undrawn.

Reporting in US Dollars (USD)

BTG will in future report its results in USD, starting with its Interim Results for the six months ending 30 September 2018. In June 2018 BTG will publish selected historical financial results restated to USD.

Summary and outlook for 2018/19

BTG has delivered a good financial performance this year, with very good growth in Interventional Medicine contributing to double-digit growth in product sales and adjusted operating profit, and strong cash generation.

BTG has the financial resources and capabilities to continue to make targeted investments in product innovation, clinical data, geographic expansion and acquisitions. This will enable the business to develop and sustain leading positions in attractive growth markets, creating significant long-term value for shareholders.

BTG's guidance for 2018/19 is as follows:

	2018/19 CER guidance[1,2]	Comment
Product sales		
Interventional Oncology and Interventional Vascular	13%-15% sales growth	Continued very good growth
Pharmaceuticals	Flat-to-single digit % sales decline	High 2017/18 base (incl. Vistogard®) and potential CroFab® competition from October 2018
Gross margin	70%-72%	Product sales gross margin: 76%-78% Royalties gross margin: 50%
Adjusted SG&A and R&D	Flat-to-single digit % decline	
Adjusted effective tax rate (ETR)	18%-21%	Lower rate following US tax reform
CapEx	~£20m	ERP project expenditure

[1]The average USD/GBP rate for the year to 31 March 2018 was $1.33
[2]Restructuring charge for PneumRx® of up to £10m will be excluded from adjusted earnings

Medium-term outlook

Over the medium term as royalty revenues decline the Group will transition fully into a product sales business that is well positioned to deliver sustained future growth. The medium-term outlook for the product sales business is as follows:

	2017/18[(i)] £m	Medium-term product sales outlook
Product sales	**423.8**	
Growth at CER	+10%	Around double-digit product sales growth, driven by IO and IV
Gross Profit	**334.7**	
Gross margin	79%	Strong, sustainable product sales gross margin
Adjusted operating costs	282.3	Disciplined commercial investment R&D ~£70m excluding STOP-HCC and EPOCH
Adjusted operating profit	**52.4**	
Adjusted operating margin	12%	Operating leverage over time

[(i)] A reconciliation of the product sales business income statement to the group adjusted income statement is included on page 22.

Following US tax reform, over the medium term our Group adjusted effective tax rate is expected to be 22-26%.

CONSOLIDATED INCOME STATEMENT

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Revenue	**620.5**	570.5
Cost of sales	**(185.9)**	(179.9)
Gross profit	**434.6**	390.6
Selling, general and administrative expenses[1]	**(325.5)**	(206.6)
Research and development[1]	**(165.5)**	(87.8)
Other operating (expense)/income	**(1.3)**	4.4
Amortisation of acquired intangible assets	**(43.8)**	(42.0)
Acquisition and reorganisation costs	**(1.3)**	(1.1)
Operating (loss) / profit	**(102.8)**	57.5
Financial income	**41.5**	3.3
Financial expense	**(9.3)**	(29.2)
(Loss) / profit before tax	**(70.6)**	31.6
Tax credit	**83.3**	2.0
Profit for the year	**12.7**	33.6
Attributable to non-controlling interests	**(2.3)**	-
Attributable to owners of the parent	**15.0**	33.6
Profit for the year	**12.7**	33.6
Basic earnings per share	**3.9p**	8.7p
Diluted earnings per share	**3.9p**	8.6p

[1] Selling, general and administrative expenses include intangible asset impairment charges of £82.4m (2016/17: £0.5m) and Research and development includes intangible asset impairment charges of £68.7m (2016/17: £nil).

All activities arose from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS/INCOME

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Profit for the year	**12.7**	33.6
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit or loss		
Foreign exchange translation differences	**(89.9)**	91.7
Items that will not be reclassified subsequently to profit or loss		
Actuarial gain/(loss) on defined benefit pension scheme	**1.9**	(5.2)
Deferred tax (charge)/credit on defined benefit pension scheme asset	**(0.4)**	4.1
Other comprehensive (loss)/income for the year	**(88.4)**	90.6
Total comprehensive (loss)/income for the year	**(75.7)**	124.2
Attributable to non-controlling interests	**(2.3)**	-
Attributable to owners of the parent	**(73.4)**	124.2
Total comprehensive (loss)/income for the year	**(75.7)**	124.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 March 2018 £m	31 March 2017 £m
ASSETS		
Non-current assets		
Goodwill	**223.1**	225.6
Intangible assets	**463.7**	678.9
Property, plant and equipment	**40.7**	40.1
Deferred tax assets	**3.6**	5.3
Employee benefits	**21.9**	17.2
Other non-current assets	**1.7**	1.7
	754.7	968.8
Current assets		
Inventories	**61.0**	58.4
Trade and other receivables	**134.0**	125.7
Other current assets	**3.0**	2.7
Cash and cash equivalents	**210.0**	155.5
	408.0	342.3
Total assets	**1,162.7**	1,311.1
EQUITY		
Share capital	**38.6**	38.5
Share premium	**437.7**	435.4
Merger reserve	**317.8**	317.8
Other reserves	**29.9**	119.8
Retained earnings	**90.7**	68.4
Shareholders' equity	**914.7**	979.9
Non-controlling interests	**(1.9)**	-
Total equity	**912.8**	979.9
LIABILITIES		
Non-current liabilities		
Trade and other payables	**5.1**	8.5
Deferred tax liabilities	**49.7**	157.2
Corporation tax payable	**5.0**	-
	59.8	165.7
Current liabilities		
Trade and other payables	**127.9**	152.0
Provisions	**54.8**	0.5
Derivative financial instruments	**0.6**	7.9
Corporation tax payable	**6.8**	5.1
	190.1	165.5
Total liabilities	**249.9**	331.2
Total equity and liabilities	**1,162.7**	1,311.1

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Profit after tax for the year	**12.7**	33.6
Tax credit	**(83.3)**	(2.0)
Financial income	**(41.5)**	(3.3)
Financial expense	**9.3**	29.2
Operating (loss)/profit	**(102.8)**	57.5
Adjustments for:		
Amortisation and impairment of intangible assets	**198.4**	46.7
Depreciation and impairment of property, plant and equipment	**9.0**	6.6
Share-based payments	**6.5**	8.5
Pension scheme funding	**(2.8)**	(2.9)
Other non-cash items	**0.4**	0.9
Cash from operations before movements in working capital	**108.7**	117.3
Increase in inventories	**(2.6)**	(9.3)
Increase in trade and other receivables	**(8.3)**	(8.5)
(Decrease)/increase in trade and other payables	**(15.2)**	2.1
Increase in provisions	**54.4**	0.1
Cash generated from operations	**137.0**	101.7
Settlement of foreign exchange forward contracts	**(1.3)**	(17.1)
Corporation tax paid	**(15.0)**	(10.4)
Net cash inflow from operating activities	**120.7**	74.2
Cash flows from investing activities		
Purchases of intangible assets	**(1.0)**	(0.6)
Purchases of property, plant and equipment	**(10.4)**	(8.9)
Acquisition of businesses net of cash acquired	**(45.5)**	(36.2)
Other investing activities	**0.5**	0.4
Net cash outflow from investing activities	**(56.4)**	(45.3)
Cash flows from financing activities		
Repayment of debt acquired on business combination	**-**	(18.9)
Proceeds of share issues	**2.4**	0.8
Other financing activities	**(3.4)**	(1.6)
Net cash outflow from financing activities	**(1.0)**	(19.7)
Increase in cash and cash equivalents	**63.3**	9.2
Cash and cash equivalents at start of year	**155.5**	140.4
Effect of exchange rate fluctuations on cash held	**(8.8)**	5.9
Cash and cash equivalents at end of year	**210.0**	155.5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 April 2016	38.3	434.8	317.8	28.1	28.7	847.7
Profit for the year	-	-	-	-	33.6	33.6
Foreign exchange translation differences	-	-	-	91.7	-	91.7
Remeasurement of the net defined benefit pension scheme asset	-	-	-	-	(5.2)	(5.2)
Deferred tax on defined benefit pension scheme asset	-	-	-	-	4.1	4.1
Total comprehensive income for the year	-	-	-	91.7	32.5	124.2
Transactions with owners:						
Issue of BTG plc ordinary shares	0.2	0.6	-	-	-	0.8
Movement in shares held by the Employee Share Ownership Trust	-	-	-	-	(1.3)	(1.3)
Share-based payments	-	-	-	-	8.5	8.5
At 31 March 2017	**38.5**	**435.4**	**317.8**	**119.8**	**68.4**	**979.9**

	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	38.5	435.4	317.8	119.8	68.4	979.9	-	979.9
Profit / (loss) for the year	-	-	-	-	15.0	15.0	(2.3)	12.7
Foreign exchange translation differences	-	-	-	(89.9)	-	(89.9)	-	(89.9)
Remeasurement of the net defined benefit pension scheme asset	-	-	-	-	1.9	1.9	-	1.9
Deferred tax on defined benefit pension scheme asset	-	-	-	-	(0.4)	(0.4)	-	(0.4)
Total comprehensive (loss) / income for the year	-	-	-	(89.9)	16.5	(73.4)	(2.3)	(75.7)
Transactions with owners:								
Issue of BTG plc ordinary shares	0.1	2.3	-	-	-	2.4	-	2.4
Equity contributions by non-controlling interests	-	-	-	-	-	-	0.4	0.4
Movement in shares held by the Employee Share Ownership Trust	-	-	-	-	(0.7)	(0.7)	-	(0.7)
Share-based payments	-	-	-	-	6.5	6.5	-	6.5
At 31 March 2018	**38.6**	**437.7**	**317.8**	**29.9**	**90.7**	**914.7**	**(1.9)**	**912.8**

Notes to the consolidated financial statements

1. General information

In accordance with EU law (IAS Regulation EC 1606/2002), the final results have been prepared in accordance with International Financial Reporting Standards (''IFRS'') adopted for use in the EU as at 31 March 2018 (''adopted IFRS''), International Financial Reporting Interpretations Committee (''IFRIC'') interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The final statements have been prepared in accordance with the Group's accounting policies approved by the Board. Details of principal business risks and uncertainties can be found in Note 9.

BTG's 2018 Annual Report will be posted to shareholders on 15 June 2018. The financial information set out herein does not constitute the Company's statutory accounts for the years ended 31 March 2018 or 2017 but is derived from those accounts. Statutory accounts for 2017 have been delivered to the Registrar of Companies, and those for 2018 will be delivered to the Registrar of Companies following the Company's Annual General Meeting, which will be held at 10.30am on 18 July 2018. The auditor has reported on those accounts; their reports were (i) unqualified (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Accounting standards adopted in the year

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

Accounting standards issued but not yet effective

IFRS 15, 'Revenue from contracts with customers', was issued by the IASB in May 2014 and has been implemented by the Group from 1 April 2018. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised, and also contains new requirements related to presentation and disclosures. The core principle in that framework is that revenue should be recognised dependent on the transfer of promised goods or services to the customer for an amount that reflects the consideration which should be received in exchange for those goods or services. The objective of the standard is to provide a five-step approach to revenue recognition that includes identifying contracts with customers, identifying performance obligations, determining transaction prices, allocating transaction prices to performance obligations, and recognising revenue when or as performance obligations are satisfied. The new standard replaces IAS 18 Revenues and related interpretations. The new standard is not expected to have a material impact on the amount or timing of recognition of reported revenue. In its financial statements for the year ending 31 March 2019, the Group will adopt IFRS 15 applying the retrospective approach, with a cumulative adjustment to decrease equity at 1 April 2018 which will be immaterial. As permitted by IFRS 15 prior year results will not be restated under the retrospective approach.

IFRS 9 'Financial instruments' was issued in its final form in July 2014 and has been implemented by the Group from 1 April 2018. The standard replaces the majority of IAS 39 and covers the classification, measurement and de-recognition of financial assets and financial liabilities, introduces a new impairment model for financial assets based on expected losses rather than incurred losses. The new standard is not expected to have a material impact on reported results. In its financial statements for the year ending 31 March 2019, the Group will adopt IFRS 9 retrospectively, but with certain permitted exceptions. Accordingly, prior year results will not be restated, but there will be an immaterial cumulative adjustment to equity at 1 April 2018.

IFRS 16 'Leases' is effective for accounting periods beginning on or after 1 January 2019 and will replace IAS 17 'Leases'. It will eliminate the classification of leases as either operating leases or finance leases and, instead, introduce a single lessee accounting model. The standard was endorsed by the EU on 31 October 2017. The adoption of IFRS 16 will result in the Group recognising lease liabilities, and corresponding 'right to use' assets, for agreements that are currently classified as operating leases. The Group is currently assessing the full impact of IFRS 16 on the Group's consolidated financial statements.

IFRIC 23 'Uncertainty over income tax treatments' was issued in June 2017 and will be implemented by the Group from 1 April 2019. The Interpretation clarifies that if it is considered probable that a tax authority will accept an uncertain tax treatment, the tax charge should be calculated on that basis. If it is not considered probable, the effect of the uncertainty should be estimated and reflected in the tax charge. In assessing the uncertainty, it is assumed that the tax authority will have full knowledge of all information related to the matter. The Group is currently assessing the impact of the new Interpretation on the Group's consolidated financial statements.

Going concern basis

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

This conclusion has been reached having considered the effect of liquidity risk on the Group's ability to operate effectively. Currently, liquidity risk is not considered a significant business risk to the Group given its level of net cash and cash 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 licensees are global industry leaders in their respective fields; and
- On 7 November 2017, the Group refinanced its multi-currency revolving credit facility (RCF) which was otherwise due to expire in November 2018. Following the refinancing, BTG has a £150m multi-currency RCF, with an option to increase the RCF by a further £150m. The RCF has a three-year term, which expires in November 2020, although the Group has the option to extend the term of the RCF for up to an additional two years. The RCF currently remains undrawn.

2. Operating segments

Operating segments are determined based on the financial information provided to the Group's chief operating decision-making body, being the Leadership Team. The Group has three reportable segments, being Interventional Medicine, Pharmaceuticals and Licensing.

In assessing performance and making resource allocation decisions, the Leadership Team reviews contribution by segment. Contribution is defined as being gross profit less directly attributable selling, general and administrative ('SG&A') expenses. The Licensing operating segment includes SG&A relating to the Group's centrally managed support functions and corporate overheads. The Group's reportable segments reflects the management structure and stewardship of the business. No allocation of central overheads is made across the Pharmaceuticals or Interventional Medicine operating segments. Research and development continues to be managed on a global basis, with investment decisions being made by the Leadership Team as a whole. Research and development is not managed by reference to the Group's operating segments, though each programme within the pipeline would ultimately provide revenues for one of the operating segments if successful.

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

	Year ended 31 March 2018			
	Interventional Medicine £m	Pharmaceuticals £m	Licensing £m	Total £m
Revenue	**242.9**	**180.9**	**196.7**	**620.5**
Cost of sales[1]	**(71.6)**	**(17.9)**	**(96.4)**	**(185.9)**
Gross profit	**171.3**	**163.0**	**100.3**	**434.6**
Selling, general and administrative expenses[2]	**(204.7)**	**(95.5)**	**(25.3)**	**(325.5)**
Contribution	**(33.4)**	**67.5**	**75.0**	**109.1**
Research and development				**(165.5)**
Other operating expense				**(1.3)**
Amortisation of acquired intangible assets				**(43.8)**
Acquisition and reorganisation costs				**(1.3)**
Operating loss				**(102.8)**
Financial income				**41.5**
Financial expense				**(9.3)**
Loss before tax				**(70.6)**
Tax credit				**83.3**
Profit for the year				**12.7**
Total assets[3]				**1,162.7**

[1] Cost of sales in the Interventional Medicine segment includes a £0.2m release of a fair value adjustment to PP&E acquired with Galil Medical in June 2016 and a £0.2m release of a fair value adjustment to inventory acquired with Roxwood Medical in October 2017. The release represents the reversal of a fair value uplift applied to inventory purchased on acquisition recognised through the income statement as the product is sold and incremental depreciation related to acquired PP&E.

[2] SG&A expenses within Pharmaceuticals includes a charge of £57.7m reflecting amounts provided in respect of the litigation with Wellstat and an impairment charge of £5.5m relating to the Vistogard® intangible asset. SG&A expenses within Interventional Medicine includes a charge of £76.6m reflecting an impairment charge relating to the PneumRx® developed technology intangible asset.

[3] The Group does not allocate assets to operating segments with the exception of Goodwill.

	Year ended 31 March 2017			
	Interventional Medicine £m	Pharmaceuticals £m	Licensing £m	Total £m
Revenue	216.2	171.1	183.2	570.5
Cost of sales[1]	(61.9)	(16.7)	(101.3)	(179.9)
Gross profit	154.3	154.4	81.9	390.6
Selling, general and administrative expenses[2]	(119.5)	(33.3)	(53.8)	(206.6)
Contribution	34.8	121.1	28.1	184.0
Research and development				(87.8)
Other operating income				4.4
Amortisation of acquired intangible assets				(42.0)
Acquisition and reorganisation costs				(1.1)
Operating profit				57.5
Financial income				3.3
Financial expense				(29.2)
Profit before tax				31.6
Tax credit				2.0
Profit for the year				33.6
Total assets[3]				1,311.1

[1] Cost of sales in the Interventional Medicine segment includes a £1.0m release of a fair value adjustment to inventory and PP&E acquired with Galil Medical in June 2016. The release represents the reversal of a fair value uplift applied to inventory purchased on acquisition recognised through the income statement as the product is sold and incremental depreciation related to acquired PP&E.

[2] SG&A expenses within Licensing includes a charge of £28.0m relating to the Group's settlement with the US government in relation to the Department of Justice investigation into the historic marketing of LC Bead®.

[3] The Group does not allocate assets to operating segments with the exception of Goodwill.

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 2018 £m	Year ended 31 March 2017 £m
USA	**557.5**	513.7
Europe	**45.1**	41.1
Other regions	**17.9**	15.7
	620.5	570.5

Revenue from major products and services

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Product sales	**423.8**	387.3
Royalties	**196.7**	183.2
	620.5	570.5

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 2018 or 31 March 2017.

Products that utilise the Group's intellectual property rights are sold by licensees. Royalty income is derived from over 35 licences. One licence individually generated royalty income in excess of 10% of Group revenue of £155.4m (2017: one license individually generated £123.2m).

3. Financial income and expense

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Interest receivable on money-market and bank deposits	**0.5**	0.3
Fair value movements and realised gains from foreign exchange forward contracts	**14.5**	-
Fair value movements on contingent consideration liabilities	**26.5**	3.0
Financial income	**41.5**	3.3
Fair value movements and realised losses from foreign exchange forward contracts	**5.7**	25.2
Fair value movements on contingent consideration liabilities	**1.6**	2.3
Other financial expense	**2.0**	1.7
Financial expense	**9.3**	29.2

In the year to 31 March 2018, the Group recognised a fair value credit of £26.5m (2016/17: £3.0m credit) related to the contingent consideration from the PneumRx acquisition and a fair value charge of £1.6m (2016/17: £2.3m charge) related to the contingent consideration from the Galil Medical acquisition.

Realised gains and gains on the remeasurement of the fair value of the Group's forward foreign exchange contracts totalled £14.5m for the year to 31 March 2018 and are recorded within Financial income. Realised losses and losses on the remeasurement of the fair value of the Group's forward foreign exchange contracts totalled £5.7m and are recorded within Financial expense.

The change in fair value and realised losses on the Group's forward foreign exchange contracts of £25.2m for the year to 31 March 2017 is recorded within Financial expense. The loss of £25.2m included realised losses of £17.1m on settlement of forward contracts and unrealised losses of £8.1m on remeasurement of the Group's outstanding forward contracts to their fair value.

4. 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 2018 £m	Year ended 31 March 2017 £m
Current tax		
UK corporation tax charge	**6.9**	-
Overseas corporate tax charge	**14.6**	11.8
Adjustments in respect of prior years	**3.1**	(1.7)
Total current taxation	**24.6**	10.1
Deferred taxation		
Deferred tax credit	**(105.9)**	(13.0)
Adjustment to tax rates	**(2.0)**	0.9
Total deferred taxation	**(107.9)**	(12.1)
Total tax credit for the year	**(83.3)**	(2.0)

The deferred tax credit in the year arises principally as a result of the effects of US tax reform and impairments and amortisation of intangible assets.

5. Earnings per share

The calculation of the basic and diluted earnings per share is as follows:

	Year ended 31 March 2018	Year ended 31 March 2017
Profit for the year attributable to owners of the parent (£m)	**15.0**	33.6
Earnings per share (p)		
Basic	**3.9**	8.7
Diluted	**3.9**	8.6
Number of shares (m)		
Weighted average number of shares – basic	**386.1**	384.4
Effect of share options in issue	**3.1**	5.6
Weighted average number of shares – diluted	**389.2**	390.0

6. Intangible assets

Impairment of PneumRx® Coils intangible assets

Impairment charges in the year were £151.1m, of which £143.2m relates to impairment of the PneumRx® Coils intangible assets. The PneumRx® Coils impairment charges are split between Developed technology (£76.6m) and IPR&D intangible assets (£66.6m), and have been recorded within SG&A and R&D expenses, respectively. Following these impairment charges, the carrying amount of the PneumRx® Coils intangible assets is £34.9m, of which £15.2m relates to Developed technology and £19.7m relates to IPR&D assets.

While management have concluded that there continues to be a significant long-term opportunity for the PneumRx® Coils, current sales are lower than originally anticipated, reflecting that market development, including securing appropriate levels of reimbursement, is taking longer than expected. Third-party market research and feedback from payers received in the second half of the year has corroborated that there is a need for more clinical data in order to expand reimbursement and support market adoption both in Europe and the US. As a result, resources have been focused on key activities to build long-term value. As a consequence of this, and of prioritising European patients for the ELEVATE study, we do not expect material revenues from this product over the next two years. Accordingly the recoverability of the PneumRx® Coils Developed technology and IPR&D assets was re-assessed in the year ended 31 March 2018.

The recoverable amount of the PneumRx® Coils intangible assets has been determined under a fair value less cost to sell approach, which utilises risk-adjusted discounted cash flows over a ten-year period and a terminal decline in growth thereafter. The key assumptions on which fair value less costs to sell has been determined, and the sensitivity of the valuation to changes in these key assumptions are as follows:

Key Assumption	Utilised in valuation	Sensitivity factor	Reduction in recoverable value of the Developed technology asset	Reduction in recoverable value of the IPR&D asset
Discount rate	13%	1% increase	£2.7m	£2.9m
Sales forecasts	Management projections of market penetration and pricing	5% decrease in sales price	£6.5m	£3.8m
		5% decrease in peak penetration[1]	£4.5m	£3.5m
Terminal growth rate	(15%)	5% faster decline	£2.7m	£2.3m

[1] Penetration represents the percentage of total addressable patient population which management estimates will be treated by PneumRx® Coils.

In addition to the above assumptions:

- the recoverable value of the IPR&D asset reflects the probability of approval by the FDA. If approval is not granted, the recoverable value of the IPR&D asset would likely be fully impaired, conversely if FDA approval is granted a reversal of some or all of the previously recorded impairment charge is likely.
- the recoverable value of both the Developed technology and IPR&D assets reflects the probability of success of the ELEVATE trial. Depending on the outcome of the ELEVATE trial, the recoverable value of both assets may be increased or further reduced.

7. Business combinations

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 £44.7m ($58.9m), representing the upfront cash consideration paid after customary closing adjustments. The acquisition date fair value of the contingent consideration payable was assessed as £nil.

Roxwood Medical's results of operations have been consolidated from 5 October 2017, and the preliminary fair value of assets acquired and liabilities assumed 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 acquisition 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 £45.6m relate to Roxwood's Developed technology. An estimated useful 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 £14.9m ($19.6m), 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 £17.3m ($22.9m) relating to the Developed technology.

	Book value £m	Fair value adjustment £m	Fair value £m
ASSETS			
Non-current assets			
Deferred tax asset	-	4.2	4.2
Intangible assets	-	45.6	45.6
Goodwill	-	14.9	14.9
Property, plant and equipment	0.1	-	0.1
Current assets			
Inventories	0.7	0.2	0.9
Trade and other receivables	1.2	-	1.2
Cash and cash equivalents	1.1	-	1.1
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	-	(17.3)	(17.3)
Current liabilities			
Trade and other payables	(6.0)	-	(6.0)
Book value and fair value of assets and liabilities acquired	**(2.9)**	**47.6**	**44.7**
Cash consideration			44.7
Total consideration			**44.7**

During the period ended 31 March 2018, sales of Roxwood Medical products totalled £0.8m and an operating loss (including acquired intangible asset amortisation of £1.8m) of £3.8m has been recognised in the period since acquisition.

Oncoverse LLC ('Oncoverse') acquisition

On 20 April 2017, BTG acquired a 55% equity stake in Oncoverse, a US company, for cash consideration of £1.9m ($2.5m). Oncoverse is developing a digital health platform designed to allow cancer patients' care teams to collaborate and allow clinicians across all disciplines to work together to determine the most effective treatment plan for their patients. Oncoverse's results of operations have been consolidated from 20 April 2017, with that portion attributable to the 45% of Oncoverse equity not owned by BTG recorded within 'Non-controlling interests'.

The impact of Oncoverse's operations on the Group's income statement is immaterial. The fair values of assets acquired and liabilities assumed have also been determined as of 20 April 2017. As at 31 March 2018 the Group and the non-controlling interest have agreed to cease commercialisation of the Oncoverse technology and are assessing the future of the business. Accordingly an impairment charge of £2.1m has been recorded within 'Research and development expenses' within the income statement.

Consolidation of Vetex Medical Limited ('Vetex')

On 17 July 2017 BTG provided Vetex, a development-stage medical device company based in Ireland, with £2.0m ($2.7m) cash in exchange for a convertible loan note and a call option over 100% of Vetex's share capital. As a result of these transactions, it is deemed that BTG has the current ability (irrespective of intent) to exercise power over Vetex's primary value generating activities. Accordingly, the results of Vetex have been consolidated from 17 July 2017, with that portion attributable to the 100% of Vetex equity not owned by BTG recorded within 'Non-controlling interests'.

The impact of Vetex on the Group's income statement is immaterial. The fair values of assets acquired and liabilities assumed have also been determined as of 17 July 2017. The final determination of these fair values will be completed as soon as possible but no later than one year from the date of acquisition.

8. Provisions

On 2 November 2017 a Final Order and Judgment was issued by the Court of Chancery of Delaware ruling against BTG in its litigation with Wellstat Therapeutics Corporation concerning the commercialisation of Vistogard®. The Court found that BTG has breached the distribution agreement and that Wellstat is entitled to damages plus interest and costs, and requiring that BTG return the US distribution rights for Vistogard® to Wellstat, which took place in February 2018 after a transition period.

In the year to 31 March 2018, BTG has recorded a provision for £57.7m expensed within SG&A, with the amount of this provision based on the damages awarded and pre- and post-Judgment interest calculated pursuant to the Final Order. At 31 March 2018, after foreign exchange translation, the amount provided in the Group's balance sheet was £53.9m. BTG has appealed the quantum of damages. While the appeal is ongoing, BTG has entered into a supersedeas bond which guarantees the payment of damages plus interest and costs as per the Final Order issued.

9. Principal risks and uncertainties

BTG's performance and prospects may be affected by risks and uncertainties relating to our business and operating environment. Our internal controls include a risk management process to identify key risks and, where possible, manage the risks through systems and processes and by implementing specific mitigation strategies. These include but are not limited to: market access,

obtaining/ maintaining product regulatory approvals, IP/legal challenges, competition, healthcare law compliance, merger and acquisition activity and supply chain/continuity of supply.

10. Related parties

In relation to the related-party relationship concerning Giles Kerr, payments made by BTG to Oxford University and Oxford University Innovation Ltd under the relevant licence agreements were £18,000 for the year ended 31 March 2018 (£19,000 for the year ended 31 March 2017). There are no amounts still outstanding and payable by BTG under these agreements as at 31 March 2018 (2017: nil).

Information on adjusted financial information

The financial review includes financial information prepared in accordance with International Financial Reporting Standards and the Group's accounting policies, as well as financial information presented on an adjusted basis.

Financial information on an adjusted basis excludes certain cash and non-cash items which management believe are not reflective of the underlying financial performance of the business and is consistent with how management reviews the business for the purpose of making operating decisions.

Metrics presented on an adjusted basis include Constant Exchange Rate (CER) growth, Adjusted Gross Profit, Adjusted SG&A, Adjusted R&D, Adjusted Operating Profit, Adjusted Net Financial Income / Expense, Adjusted Effective Tax Rate, Adjusted Basic EPS and Free Cash Flow. A reconciliation between IFRS and adjusted financial information is included on pages 20 to 22.

These metrics are further discussed below:

- ***CER growth:*** CER growth is calculated by restating 2017/18 performance using 2016/17 exchange rates for the relevant period. CER growth allows management to focus on underlying performance without the impact of foreign exchange, which it cannot control.
- ***Adjusted Operating Profit:*** Adjusted Operating Profit reflects the IFRS operating profit of the Group excluding the impact of certain adjustments, which have been separately outlined below. Adjusted Operating Profit allows management to assess operational performance without the impact of certain items which are not reflective of underlying financial performance.
- ***Adjusted Basic EPS:*** Adjusted Basic EPS reflects Basic EPS excluding the after tax impact of certain adjustments, which have been outlined below. Adjusted Basic EPS allows management to assess EPS without the impact of certain items which are not reflective of underlying financial performance.
- ***Free Cash Flow:*** Reflects the cash generated from operating activities after recurring capital expenditure, being a measure of cash flow available for discretionary investing or financing activities. The reconciliation of Free Cash Flow to Net Cash Flows from operating activities is shown on page 22.

Adjusted Gross Profit, Adjusted SG&A, Adjusted R&D, Adjusted Finance Income / Expense and Adjusted Effective Tax Rate are stated after excluding the effect of those items outlined below.

Management apply a consistent policy in determining its adjusted financial measures. In determining this policy, outlined below, management assess the nature and materiality of individual or groups of items, and have deemed it appropriate to adjust for those items including their tax effect, which (i) occur outside the normal course of business and (ii) relate to corporate acquisitions. These adjustments allow better comparability with historic performance and identify year-on-year trends in the underlying performance of the business.

Items excluded from adjusted financial measures in 2016/17, 2017/18 and from our outlook for 2018/19 are:

(a) Acquisition related adjustments

- The release of the fair value uplift of acquired inventory or PP&E
- Amortisation of acquired intangible assets and impairment charges relating to acquired or in-licensed intangible assets or goodwill
- Fair value adjustments relating to contingent consideration liabilities
- Transaction costs incurred in relation to corporate acquisitions

(b) Other adjustments

- Net costs relating to the settlement of litigation, disputes and government investigations
- Reorganisation costs, including redundancy programmes, property costs, and asset impairments arising from significant restructuring
- The impact of US tax reform on current and deferred tax

Reconciliation between IFRS and Adjusted Income Statement

For the year ended 31 March 2018

	IFRS Total	Release of the fair value uplift on acquired inventory and PPE[1]	Amortisation and impairments of intangible assets (ex. PneumRx®)[2]	PneumRx® impairment charges[3]	Acquisition costs[4]	Fair value adjustments to contingent consideration liabilities[5]	Litigation and other[6]	US Tax Reform[7]	Adjusted Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	620.5	-	-	-	-	-	-	-	620.5
Cost of sales	(185.9)	0.4	-	-	-	-	-	-	(185.5)
Gross profit	434.6	0.4	-	-	-	-	-	-	435.0
SG&A expenses	(325.5)	-	5.5	76.6	-	-	57.7	-	(185.7)
Research and development	(165.5)	-	2.1	68.1	-	-	-	-	(95.3)
Other operating expense	(1.3)	-	-	-	-	-	-	-	(1.3)
Amortisation of acquired intangible assets	(43.8)	-	43.8	-	-	-	-	-	-
Acquisition and reorganisation costs	(1.3)	-	-	-	1.3	-	-	-	-
Operating (loss)/profit	(102.8)	0.4	51.4	144.7	1.3	-	57.7	-	152.7
Financial income	41.5	-	-	-	-	(26.5)	-	-	15.0
Financial expense	(9.3)	-	-	-	-	1.6	-	-	(7.7)
(Loss)/profit before tax	(70.6)	0.4	51.4	144.7	1.3	(24.9)	57.7	-	160.0
Tax credit/(charge)	83.3	(0.1)	(17.7)	(49.3)	-	-	(14.3)	(36.2)	(34.3)
Profit for the year	12.7	0.3	33.7	95.4	1.3	(24.9)	43.4	(36.2)	125.7
Attributable to non-controlling interests	(2.3)	-	0.9	-	-	-	-	-	(1.4)
Attributable to owners of the parent	15.0	0.3	32.8	95.4	1.3	(24.9)	43.4	(36.2)	127.1
Profit for the year	12.7	0.3	33.7	95.4	1.3	(24.9)	43.4	(36.2)	125.7
Weighted average number of shares - basic	386.1								386.1
Weighted average number of shares - diluted	389.2								389.2
Basic earnings per share	3.9	0.1	8.5	24.7	0.3	(6.4)	11.2	(9.4)	32.9
Diluted earnings per share	3.9	0.1	8.4	24.5	0.3	(6.4)	11.2	(9.3)	32.7

1. The release of the fair value uplift relating to property, plant and equipment (PPE) acquired with Galil Medical in June 2016 of £0.2m and inventory acquired with Roxwood Medical in October 2017 of £0.2m.
2. Amortisation charges relating to intangible assets acquired through corporate acquisitions of £43.8m and impairment charges relating to the Vistogard® and Oncoverse intangible assets of £5.5m and £2.1m respectively.
3. Impairment charges relating to PneumRx® inventory and PP&E (£1.5m), in-process research and development (£66.6m) and developed technology (£76.6m) intangible assets.
4. Costs related to the acquisition of Roxwood Medical in October 2017 (£1.3m).
5. Fair value adjustments to contingent consideration liabilities relating to the PneumRx® acquisition (credit of £26.5m) and the Galil Medical acquisition (charge of £1.6m).
6. Litigation costs (£57.7m) reflect amounts provided based on the Final Order issued by the Court of Chancery of Delaware ruling against BTG in respect of the previously announced litigation with Wellstat Therapeutics Corporation concerning the commercialisation of Vistogard®. The Court has found that BTG has breached the distribution agreement and that Wellstat is entitled to damages of $55.8m plus interest and costs. BTG has appealed the quantum of damages and the appeal is ongoing.
7. The US tax reform net credit of £36.2m, comprising a net £41.8m credit from revaluation of net deferred tax liabilities and current tax charge of £5.6m.

Reconciliation between IFRS and Adjusted Income Statement

For the year ended 31 March 2017

	IFRS Total	Release of the fair value uplift on acquired inventory and PPE[1]	Amortisation of acquired intangible assets[2]	Acquisition costs[3]	Fair value adjustments to contingent consideration liabilities[4]	Litigation and other[5]	Adjusted Total
	£m	£m	£m	£m	£m	£m	£m
Revenue	570.5	-	-	-	-	-	570.5
Cost of sales	(179.9)	1.0	-	-	-	-	(178.9)
Gross profit	390.6	1.0	-	-	-	-	391.6
Selling, general and administrative expenses	(206.6)	-	-	-	-	28.0	(178.6)
Research and development	(87.8)	-	-	-	-	-	(87.8)
Other operating income	4.4	-	-	-	-	-	4.4
Amortisation of acquired intangible assets	(42.0)	-	42.0	-	-	-	-
Acquisition and reorganisation costs	(1.1)	-	-	1.1	-	-	-
Operating profit	57.5	1.0	42.0	1.1	-	28.0	129.6
Financial income	3.3	-	-	-	(3.0)	-	0.3
Financial expense	(29.2)	-	-	-	2.3	-	(26.9)
Profit before tax	31.6	1.0	42.0	1.1	(0.7)	28.0	103.0
Tax credit/(charge)	2.0	(0.3)	(13.1)	-	-	(2.9)	(14.3)
Profit for the year	33.6	0.7	28.9	1.1	(0.7)	25.1	88.7
Weighted average number of shares - basic	384.4						384.4
Weighted average number of shares - diluted	390.0						390.0
Basic earnings per share	8.7p	0.2p	7.6p	0.3p	(0.2p)	6.5p	23.1p
Diluted earnings per share	8.6p	0.2p	7.4p	0.3p	(0.2p)	6.4p	22.7p

1. The release of the fair value uplift relating to inventory and property, plant and equipment (PPE) acquired with Galil Medical in June 2016 of £1.0m.
2. Amortisation charges relating to intangible assets acquired through corporate acquisitions of £42.0m.
3. Acquisitions and reorganisation costs are directly attributable costs related to the acquisition of Galil Medical in June 2016, including costs incurred with professional advisers in relation to the corporate acquisition of £1.1m.
4. Fair value adjustments to contingent consideration liabilities relating to the PneumRx® acquisition (credit of £3.0m) and the Galil Medical acquisition (charge of £2.3m).
5. Settlement with the US government in relation to the Department of Justice's investigation of the historic marketing of LC Bead® of £28.0m.

Reconciliation between IFRS and Adjusted financial information – Free Cash Flow

For the year ended 31 March 2018

Net cash inflow from operating activities	Purchase of intangible assets	Purchase of property, plant and equipment	Free cash flow
£m	£m	£m	£m
120.7	(1.0)	(10.4)	109.3

For the year ended 31 March 2017

Net cash inflow from operating activities	Purchase of intangible assets	Purchase of property, plant and equipment	Free cash flow
£m	£m	£m	£m
74.2	(0.6)	(8.9)	64.7

Reconciliation between Adjusted Operating Profit and Product Sales Operating Profit

	Adjusted Operating Profit £m	Licensing Operating Profit £m	Product Sales Operating Profit £m
Revenue	620.5	196.7	423.8
Cost of sales	(185.5)	(96.4)	(89.1)
Gross profit	435.0	100.3	334.7
Selling, general and administrative expenses	(185.7)	-	(185.7)
Research and development	(95.3)	-	(95.3)
Other operating expense	(1.3)	-	(1.3)
Operating profit	152.7	100.3	52.4