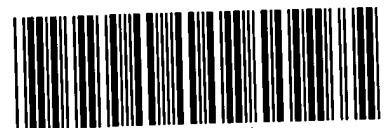


**BTG International Limited**

**Annual Report and Financial Statements  
for the year ended 31 March 2019**

Registered Number 2664412

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# **BTG International Limited**

## **Annual Report for the year ended 31 March 2019**

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# BTG International Limited

## Strategic report

### Principle activities and business review

For the year ended 31 March 2019, BTG International Limited (the "Company") was a member of the BTG Group (the "Group") comprising BTG Limited (formerly BTG plc) ("BTG") and its subsidiary undertakings. As described in the Directors' report, the BTG Group was acquired on 19 August 2019 by Boston Scientific Corporation. The principal activity of the Company is the development and commercialisation of medical products and management of intellectual property.

### Financial review

The Company's revenue of £217.2m (2018: £197.7m) predominantly comprise royalties from products marketed by licensees. Licensing revenues increased, as the loss of Lemtrada™ royalties was more than offset by higher than expected final royalties from Two-part Hip Cup licensees and increased Zytiga® royalties. Future Zytiga® royalties are expected to be significantly lower following the launch of numerous generic versions of Zytiga® in the US from November 2018.

The majority of royalties are earned in US dollars and movements in foreign exchange rates could adversely impact results. The Company actively manages its exchange risks where feasible using short-term hedging transactions guided by market expectations and economic forecasts to seek to match actual receipts and payments over a rolling 18 month period to those forecast. This policy can result in both exchange gains and losses but provides a level of certainty.

Revenue sharing with licensors on royalties received was £104.9m (2018: £96.3m).

The Company had an operating profit of £102.7m (2018: £86.4m).

### Key performance indicators

The Directors do not steward the Company on individual entity key performance indicators (KPIs) but instead use the BTG Group KPIs as the most effective measure of performance and position. KPIs for the Group, comprising revenue, operating profit, free cash flow and adjusted EPS, are set out on page 5 of the BTG Annual Report and Accounts 2019, which do not form part of this report but are available from the address outlined in note 20.

### Principal risks and uncertainties

The Company's key principal risks and uncertainties relate to intellectual property which may be subject to legal challenge.

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.

Intellectual property risks together with the BTG Group risks are discussed in greater detail in the BTG Annual Report and Accounts on pages 35 to 42 which does not form part of this report.

# **BTG International Limited**

## **Strategic report (continued)**

### **Objectives and strategy**

The Company's strategy is to manage the development and commercialisation of its patent portfolio.

The Company's strategy is part of overall strategy of the BTG Group. For information please refer to the BTG Annual Report and Accounts on pages 3 to 14 which do not form part of this report.

**On behalf of the Board**



**Timothy Martel**  
Director

Registered Office  
5 Fleet Place  
London EC4M 7RD

20 September 2019

Registered Number 2664412

# BTG International Limited

## Directors' report

The Directors present their report together with the financial statements and the independent auditor's report for the year ended 31 March 2019. A summary of the financial performance and position of the Company is discussed in the strategic report on page 2.

### Directors and their interests

The Directors who held office during the year and up to the date of this report are given below:

Timothy Martel  
Elaine Johnston

Directors' remuneration is disclosed in note 5. None of the Directors had an interest in any contract of significance to which the Company was party during the year.

### Dividend

The Company paid a dividend of £85.0m during the year (2018: £50.0m).

### Political contributions

The Company made no political donations or incurred any political expenditure during the year (2018: £nil).

### Going concern

On the basis of current financial projections and cash resources and facilities available, and after making due enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue to operate for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

### Boston Scientific Corporation acquisition

On 20 November 2018, the board of directors of BTG Limited (formerly BTG plc) ("BTG"), the Company's ultimate parent company, and Boston Scientific Corporation ("Boston Scientific") announced that they had reached agreement on the terms of a recommended acquisition by Boston Scientific of the entire issued and to be issued ordinary share capital of BTG.

The acquisition was completed on 19 August 2019, and as such Boston Scientific is now the Ultimate Parent Company.

### Disclosure of information to Auditor

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

### Auditor

Following Boston Scientific's acquisition of the BTG Group, it is intended that Ernst and Young LLP, Boston Scientific's auditors, will be appointed to replace Deloitte LLP as auditor for the next reporting period.

### On behalf of the Board



Timothy Martel  
Director

Registered Office  
5 Fleet Place  
London EC4M 7RD

20 September 2019

Registered Number 2664412

# **BTG International Limited**

## **Directors' responsibilities statement**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **Independent auditor's report to the members of BTG International Limited**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion the financial statements of BTG International Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- and have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of other comprehensive income;
- the statement of financial position;
- the cash flow statement;
- the statement of changes in equity;
- and the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

#### **Matters on which we are required to report by exception**

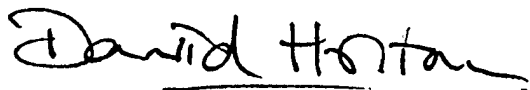
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

#### **Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



David Holtam ACA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, UK

25 September 2019



# BTG International Limited

## Income statement for the year ended 31 March 2019

	Notes	2019 £m	2018 £m
Revenue	3	217.2	197.7
Revenue sharing		(104.9)	(96.3)
<b>Gross profit</b>		<b>112.3</b>	<b>101.4</b>
Operating expenses		(9.6)	(15.0)
<b>Operating profit</b>	4	<b>102.7</b>	<b>86.4</b>
Financial income	6	2.5	7.7
Financial expense	7	(4.5)	(0.6)
<b>Profit before tax</b>		<b>100.7</b>	<b>93.5</b>
Tax charge	8	(11.0)	(9.7)
<b>Profit for the year</b>		<b>89.7</b>	<b>83.8</b>

All activity arose from continuing operations.

## Statement of other comprehensive income for the year ended 31 March 2019

	Notes	2019 £m	2018 £m
Profit for the financial year attributable to equity shareholders		89.7	83.8
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurements of the net defined benefit pension scheme asset	15	0.1	1.9
Deferred tax on defined benefit pension scheme asset		-	(0.4)
<b>Total recognised gains for the year</b>		<b>89.8</b>	<b>85.3</b>

There were no recognised gains or losses during the current or prior year except for those shown above.


The notes on pages 12 to 34 form part of these financial statements.

# BTG International Limited

## Statement of financial position as at 31 March 2019

	Notes	2019 £m	2018 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	-	0.1
Intangible assets	10	15.5	18.2
Investments	11	2.1	0.1
Employee benefits	15	24.1	21.9
		<b>41.7</b>	<b>40.3</b>
<b>Current assets</b>			
Trade and other receivables	12	343.4	311.4
Cash and cash equivalents		5.0	19.0
Deferred tax asset	8	0.7	0.1
Derivative financial instruments	14	0.2	1.8
		<b>349.3</b>	<b>332.3</b>
<b>Total assets</b>		<b>391.0</b>	<b>372.6</b>
<b>Equity</b>			
Share capital	16	0.1	0.1
Retained earnings		320.3	312.9
<b>Total equity</b>		<b>320.4</b>	<b>313.0</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	8	4.6	3.8
Derivative financial instruments	14	0.1	0.1
		<b>4.7</b>	<b>3.9</b>
<b>Current liabilities</b>			
Trade and other payables	13	64.1	55.0
Current tax liabilities		0.7	-
Deferred tax liabilities	8	-	0.3
Derivative financial instruments	14	1.1	0.4
<b>Total current liabilities</b>		<b>65.9</b>	<b>55.7</b>
<b>Total liabilities</b>		<b>70.6</b>	<b>59.6</b>
<b>Total equity and liabilities</b>		<b>391.0</b>	<b>372.6</b>

The financial statements were approved by the Board of Directors on 20 September 2019 and were signed on its behalf by:



**Timothy Martel**  
Director

The notes on pages 12 to 34 form part of these financial statements.

Registered Number 2664412

# BTG International Limited

## Statement of Cash Flows for the year ended 31 March 2019

	Notes	2019 £m	2018 £m
<b>Cash flows from operating activities</b>			
Profit for the year		89.7	83.8
Tax charge	8	11.0	9.7
Financial income	6	(2.5)	(7.7)
Financial expense	7	4.5	0.6
<b>Operating profit</b>		<b>102.7</b>	<b>86.4</b>
Adjustments for:			
Amortisation of intangible assets	10	2.7	3.1
Depreciation of property, plant and equipment	9	0.1	0.1
Share-based payments	5	0.6	0.4
Pension scheme funding	15	(2.0)	(2.8)
<b>Operating cash flows before movements in working capital</b>		<b>104.1</b>	<b>87.2</b>
Increase in trade and other receivables		(125.4)	(10.3)
Increase/(decrease) in trade and other payables		9.5	(9.0)
<b>Cash (outflow) / inflow from operating activities</b>		<b>(11.8)</b>	<b>67.9</b>
Interest paid		-	(0.1)
Settlement of foreign exchange forward contracts		(2.2)	(0.5)
<b>Net cash (outflow) / inflow from operating activities</b>		<b>(14.0)</b>	<b>67.3</b>
<b>Investing activities</b>			
Financial income		-	0.1
Purchases of intangible assets		-	(0.5)
<b>Net cash outflow from investing activities</b>		<b>-</b>	<b>(0.4)</b>
<b>Financing activities</b>			
Dividends paid		-	(50.0)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(14.0)</b>	<b>16.9</b>
Cash and cash equivalents at start of year		19.0	2.1
<b>Cash and cash equivalents at end of year</b>		<b>5.0</b>	<b>19.0</b>

During the year, the Company paid a dividend of £85m which was satisfied by the transfer of receivables from a BTG Group company. The dividend has been treated as non-cash transaction for the purposes of the Cash flow statement.

The notes on pages 12 to 34 form part of these financial statements.

# BTG International Limited

## Statement of changes in equity for the year ended 31 March 2019

	Share capital £m	Retained earnings £m	Total equity £m
At 1 April 2017	0.1	277.2	277.3
<i>Comprehensive income:</i>			
Profit for the year	-	83.8	83.8
Actuarial gain on defined benefit pension scheme	-	1.9	1.9
Deferred tax on defined benefit pension scheme	-	(0.4)	(0.4)
<b>Total comprehensive loss for the year</b>	-	<b>85.3</b>	<b>85.3</b>
<i>Transactions with owners:</i>			
Share based payments	-	0.4	0.4
Dividend	-	(50.0)	(50.0)
<b>Transactions with owners</b>	-	<b>(49.6)</b>	<b>(49.6)</b>
<b>At 31 March 2018</b>	<b>0.1</b>	<b>312.9</b>	<b>313.0</b>
At 1 April 2018	0.1	312.9	313.0
Implementation of IFRS 9	-	2.0	2.0
	<b>0.1</b>	<b>314.9</b>	<b>315.0</b>
<i>Comprehensive income:</i>			
Profit for the year	-	89.7	89.7
Actuarial gain on defined benefit pension scheme	-	0.1	0.1
<b>Total comprehensive income for the year</b>	-	<b>89.8</b>	<b>89.8</b>
<i>Transactions with owners:</i>			
Share based payments	-	0.6	0.6
Dividend	-	(85.0)	(85.0)
<b>Transactions with owners</b>	-	<b>(84.4)</b>	<b>(84.4)</b>
<b>At 31 March 2019</b>	<b>0.1</b>	<b>320.3</b>	<b>320.4</b>

The notes on pages 12 to 34 form part of these financial statements.

# BTG International Limited

## Notes to the financial statements for the year ended 31 March 2019

### 1 General information

BTG International Limited is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 3. The nature of the Company's operations and its principal activities are set out in the Strategic report on page 2.

The financial statements have been prepared in accordance with the accounting policies as described below.

#### ***Accounting standards adopted in the year***

IFRS 15 'Revenue from contracts with customers' has been adopted by the Company from 1 April 2018 onwards. There was no impact to the Company's results from the adoption of this new standard.

IFRS 9 'Financial Instruments' has been adopted by the Company from 1 April 2018 onwards. An adjustment has been recorded to increase equity by £2.0m, reflecting the application of a revised valuation basis for unlisted equity investments.

#### ***Accounting standards issued but not yet effective as at 31 March 2019***

No standards and interpretations issued but not yet effective as at 31 March 2019 are expected to have a significant impact on the Company.

### 2 Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

#### ***(a) Basis of accounting and preparation of financial statements***

These financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs').

These financial statements are presented in Sterling and all values are rounded to the nearest £0.1m except where otherwise indicated and have been prepared on the historical cost basis modified to include revaluation to fair value of certain financial instruments and business combination assets as set out below.

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

After making enquiries and preparing detailed forecasts, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

# BTG International Limited

## Notes to the financial statements (continued) for the year ended 31 March 2019

### 2 Significant accounting policies (continued)

#### (b) Foreign currency

##### *Foreign currency transactions*

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation of monetary assets and liabilities are recognised in the income statement.

Non-monetary assets and liabilities that are measured at historical cost or stated at fair value are translated using the exchange rate ruling at the date of transaction or the date the fair value was determined. Exchange gains/losses on retranslation of foreign currency transactions are recognised in the income statement.

#### (c) Derivative financial instruments

Derivative financial instruments, being forward foreign exchange contracts, are recorded in the balance sheet at their fair value, and changes from subsequent remeasurement to fair value at each balance sheet date are recognised immediately in the income statement through 'Financial income' (fair value gains) or 'Financial expense' (fair value losses) as appropriate.

The fair value of forward exchange contracts is derived from observable inputs from active markets at the balance sheet date.

#### (d) Intangible assets

##### (i) Initial recognition

Intangible assets are initially recognised at cost.

##### (ii) Amortisation

Intangible assets are amortised on a straight-line basis, over the useful economic life of the asset. In determining the appropriate useful economic life of the asset, consideration is given to the expected useful economic life of the asset or remaining patent life if different.

The useful economic life for the Purchase of contractual rights is the period to expiry of the relevant contractual right.

The following useful economic lives are applied:

Purchase of contractual rights	2 to 10 years
--------------------------------	---------------

##### (iii) Income statement disclosure

Amortisation relating to acquired intangible assets is presented within operating expenses.

# BTG International Limited

## Notes to the financial statements (continued) for the year ended 31 March 2019

### 2 Significant accounting policies (continued)

#### (iv) *Subsequent expenditure*

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

#### (v) *Impairment*

If an intangible asset is considered to have suffered impairment in value it is written down to its estimated recoverable amount in accordance with the Company's policy on impairment.

#### (e) *Property, plant and equipment*

##### (i) *Owned assets*

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

##### (ii) *Depreciation*

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

Leasehold improvements	2 to 10 years
Furniture and equipment	2 to 15 years
Computer hardware	3 to 5 years

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

##### (iii) *Income statement disclosure*

Depreciation and impairment of tangible fixed assets is included within Operating expenses in the income statement.

Profits and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit/loss on sale of tangible assets in the income statement.

#### (iv) *Subsequent expenditure*

Expenditure subsequent to the initial acquisition of a tangible fixed asset is capitalised only when it is probable that the Company will realise future economic benefits from the asset.

#### (v) *Impairment*

If a tangible asset is considered to have suffered impairment in value it is written down to its estimated recoverable amount in accordance with the Company's policy on impairment.

#### (f) *Investments*

Investments in subsidiaries are held at amortised cost. Investments in debt and equity securities held by the Company, classified as being available-for-sale, are stated at fair value, with any resultant gain or loss being recognised in the Income statement or Other comprehensive Income

#### (g) *Trade and other receivables*

Trade and other receivables are stated at amortised cost net of any provisions. Provisions for bad and doubtful debts reflect the value of trade and other receivables to their estimated recoverable amounts based on future expected credit losses.

#### (h) *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management and for which the Group has a legal right of set-off are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

# BTG International Limited

## Notes to the financial statements (continued) for the year ended 31 March 2019

### 2 Significant accounting policies (continued)

#### (i) Impairment

All assets are reviewed for impairment when there is an indicator of impairment. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Other specific categories of asset are treated as follows:

#### (i) Equity investments

Impairment is deemed to arise when there is a significant or prolonged decline in the fair value of the equity instrument. Impairment losses are recognised in accordance with IFRS 9.

#### (ii) Property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever there are events that indicate that an impairment may have occurred. An impairment loss is recognised if an asset's carrying amount exceeds the greater of its value-in-use and fair value less costs to sell. Impairment losses are recognised within Cost of sales, Selling, general and administrative expenses or Research and development dependent on the function to which the relevant property, plant and equipment relates.

#### (iii) Amortised intangible assets

Amortised intangible assets are tested for impairment whenever there are indications that their carrying value may not be recoverable. For the purpose of impairment testing, intangible assets are grouped at the lowest levels for which there are separately identifiable cash flows. An impairment loss is recognised if an asset's carrying amount exceeds the greater of its value in use and fair value less costs to sell. Impairment losses are recognised within Cost of sales, Selling, general and administrative expenses, or Research and development dependent on the function to which the relevant intangible asset relates.

#### (j) Employee benefits

##### (i) Defined benefit plan

For the Company's defined benefit pension plan, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. The assumptions used to determine the valuation are shown in note 15. Actuarial gains and losses are recognised in full in the period in which they occur. Actuarial gains and losses are recognised outside the income statement and presented in the consolidated statement of comprehensive income.

Administrative costs of running the scheme are expensed directly in the Income Statement.

Past service cost is recognised immediately to the extent that the benefits have already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. Assets of the pension scheme are held separately from the Company's assets.

##### (ii) Share-based payments

The share option programme allows Company employees to acquire shares of BTG, subject to certain criteria. The fair value of options granted is recognised as an expense of employment in the income statement with a corresponding increase in equity. The fair value is measured at the date of grant and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black-Scholes or alternative valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense in any year is adjusted to reflect the actual number of share options that are expected to vest. However if share options fail to vest due to the Company's total shareholder's return not achieving the designated performance threshold for vesting, no such adjustment takes place.

#### (k) Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.



# **BTG International Limited**

## **Notes to the financial statements (continued) for the year ended 31 March 2019**

### **2 Significant accounting policies (continued)**

#### **(l) Revenue recognition**

Revenue represents amounts received or receivable in respect of licencing arrangements.

Revenues from the Group's out-licensed programmes are generated following the grant of a licence to a third party to undertake additional development and commercialisation of a research and development programme or other intellectual property rights.

In addition to an upfront payment, the Company may be entitled to additional revenues such as milestone payments or royalties on revenues generated by the licensee. Milestone payments are typically received upon reaching a specific milestone (e.g. a regulatory development milestone). Development milestone income is recognised at a point in time when it is highly probable that the respective milestone is achieved, and the risk of significant revenue reversal is not highly probable. Royalty income is generated by sales of products incorporating the Group's proprietary technology. Royalty revenues are recognised once the amounts due can be reliably estimated based on the sale of underlying products and recoverability is probable.

#### **(m) Cost of sales**

Cost of sales comprises revenue sharing costs. Revenue sharing costs represent amounts due under royalty arrangements to licensors or assignees of technology and similar directly attributable items. Amounts are recognised upon recognition by the Company of amounts due from a licensee. They are recognised on an accruals basis in accordance with the individual agreements relating to the relevant technology, in line with revenue recognition.

#### **(n) Financial income**

Financial income comprises interest income receivable during the year, calculated using the effective interest rate method, and fair value adjustments and gains relating to foreign exchange forward contracts.

#### **(o) Financial expense**

Financial expense comprises interest payable during the year, calculated using the effective interest rate method, and fair value adjustments and losses on settlement of foreign exchange forward contracts, as well as other financing costs and borrowings.

#### **(p) Tax**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case the related tax effect is recognised directly in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying value of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and taxable temporary differences associated with investments in subsidiaries and associates, where it is probable that the temporary differences will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying value of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

# BTG International Limited

## Notes to the financial statements (continued) for the year ended 31 March 2019

### 3 Revenue

Total revenue for the year was as follows:

	2019 £m	2018 £m
Royalties	213.5	195.5
Management charges	3.7	2.2
	<b>217.2</b>	<b>197.7</b>

### Geographic segment analysis

	2019 £m	2018 £m
UK	4.0	2.9
USA	212.7	194.4
European Union (excluding UK)	0.5	0.4
	<b>217.2</b>	<b>197.7</b>

The Directors consider that there are two classes of business, namely the development, management and commercialisation of intellectual property rights and management charges.

### 4 Operating profit

	2019 £m	2018 £m
Operating profit is stated after charging/(crediting):		
Other net foreign exchange (gains)/loss	(3.4)	5.8
Depreciation of property, plant and equipment – owned assets	0.1	0.1
Amortisation of intangible fixed assets	2.7	3.1
Staff costs (note 5)	3.5	2.4
Research and development expenses	-	0.2

The Auditor's remuneration for the audit of the Company's annual financial statements was £81k (2018: £30k).

Amounts receivable by the Company's auditor and their associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent BTG.

On an ongoing basis, the Directors assess for impairment triggers and recoverability of intercompany receivables. During 2019, there was no impairment of assets.

# BTG International Limited

## Notes to the financial statements (continued) for the year ended 31 March 2019

### 5 Staff costs

The average number of persons employed by the Company (including directors) during the year is analysed below:

	2019 Number	2018 Number
Management	3	3
Administration	2	1
Production	2	2
	<b>7</b>	<b>6</b>

	2019 £m	2018 £m
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	1.7	1.1
Social security costs	0.5	0.2
Equity settled transactions	0.6	0.4
Pension costs	0.7	0.7
	<b>3.5</b>	<b>2.4</b>

The share based payment expense included within the staff costs analysis above is an expense related to the grant of share options or share awards in BTG.

The two Company Directors that served during the year were remunerated by other BTG Group entities and they do not receive specific remuneration for their role as directors of BTG International Limited. The allocation of costs for time spent by these directors on the Company is analysed below:

	2019 £k	2018 £k
Salary and fees	35	-
Pension	2	-
	<b>37</b>	<b>-</b>

During the year two of the Directors were members of the Group defined contribution pension scheme (2018: three) and none was a member of the Group defined benefit pension scheme (2018: one).

One of the Directors exercised share options during the year.

### 6 Financial income

	2019 £m	2018 £m
Interest receivable on money-market and bank deposits	-	0.1
Interest on loans to fellow Group companies	2.5	1.1
Fair value movements from foreign exchange forward contracts	-	6.5
	<b>2.5</b>	<b>7.7</b>

# BTG International Limited

## Notes to the financial statements (continued) for the year ended 31 March 2019

### 7 Financial expense

	2019 £m	2018 £m
Fair value movements from foreign exchange forward contracts	2.3	-
Other financial expense	-	0.1
Realised losses from foreign exchange forward contracts	2.2	0.5
	<b>4.5</b>	<b>0.6</b>

### 8 Tax

	2019 £m	2018 £m
<b>Current taxation</b>		
Current year group relief payable	11.2	9.0
Adjustments in respect of prior years	(0.1)	(0.8)
Total current taxation charge	<b>11.1</b>	<b>8.2</b>
<b>Deferred taxation</b>		
Deferred tax (credit)/charge	(0.1)	1.5
Total tax charge for the year	<b>11.0</b>	<b>9.7</b>

Corporation tax in the UK is calculated at 19% of the estimated assessable profit for the year. The tax charge for the year is lower than that arising from applying the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £m	2018 £m
Profit before tax	<b>100.7</b>	<b>93.5</b>
Tax charge on profit on ordinary activities at 19% (2018: 19%)	<b>19.1</b>	<b>17.8</b>
Recognition of tax losses	-	(0.3)
Adjustments in respect of prior years	(0.1)	(0.8)
Effect of patent box deduction	(8.0)	(7.0)
	<b>11.0</b>	<b>9.7</b>

### Deferred tax liability

Deferred tax is calculated on temporary differences using a tax rate of 19%. The movement on the deferred tax liability is as shown below:

	2019 £m	2018 £m
Deferred tax liability recognised at 1 April	(4.1)	(3.2)
Income statement charge	(0.5)	(0.5)
Other comprehensive income charge	-	(0.4)
Deferred tax liability recognised at 31 March	<b>(4.6)</b>	<b>(4.1)</b>

The deferred tax liability at 31 March 2018 and 31 March 2019 relates to the pension scheme surplus and has been taxed at 19% (2018 -19%).

# BTG International Limited

## Notes to the financial statements (continued) for the year ended 31 March 2019

### 8 Tax (continued)

#### Deferred tax asset

The movement on the deferred tax asset is as shown below:

	2019 £m	2018 £m
Deferred tax asset recognised at 1 April	0.1	1.1
Income statement credit/(charge)	0.6	(1.0)
Deferred tax asset recognised at 31 March	0.7	0.1

The deferred tax asset at 31 March 2019 relates to share options and timing differences recognised at 17% (2018: 17%) and the fair value of derivatives recognised at 19%.

A deferred tax asset has been recognised because the directors are of the view, based on current and budgeted profits, that the level of profits in future years will lead to the realisation of this asset.

The UK tax rate will fall to 17% on 1 April 2020 and is expected to reduce the tax payable by the Company. This has been reflected in the deferred tax asset and deferred tax has been recognised at the tax rate at which timing differences and tax losses are expected to be used.

### 9 Property, plant and equipment

	Leasehold improvements £m	Computer hardware £m	Furniture and equipment £m	Total £m
<b>Cost</b>				
At 1 April 2017,				
31 March 2018				
and 31 March 2019	0.6	0.1	0.2	0.9
<b>Depreciation</b>				
At 1 April 2017	0.5	0.1	0.1	0.7
Depreciation charge	0.1	-	-	0.1
At 31 March 2018	0.6	0.1	0.1	0.8
Depreciation charge	-	-	0.1	0.1
At 31 March 2019	0.6	0.1	0.2	0.9
<b>Net book value</b>				
At 31 March 2019	-	-	-	-
At 31 March 2018	-	-	0.1	0.1

# BTG International Limited

## Notes to the financial statements (continued) for the year ended 31 March 2019

### 10 Intangible assets

	Patents and other IPR £m
<b>Cost</b>	
At 1 April 2017	36.6
Additions	0.5
<b>At 31 March 2018 and 31 March 2019</b>	<b>37.1</b>
<b>Amortisation</b>	
At 1 April 2017	15.8
Amortised during the year	3.1
<b>At 31 March 2018</b>	<b>18.9</b>
Amortised during the year	2.7
<b>At 31 March 2019</b>	<b>21.6</b>
<b>Net book value</b>	
<b>At 31 March 2019</b>	<b>15.5</b>
<b>At 31 March 2018</b>	<b>18.2</b>

The carrying value of individually significant intangible assets relate predominantly to contractual rights, which include "Varithena®", details of which are included below:

	2019 £m	2018 £m
Varithena®	14.4	16.4

Developed technology assets are tested for impairment when indicators of impairment arise, whilst in-process research and development assets are tested for impairment at least annually.

The Company applies a value-in-use approach to determine the recoverable amount of its developed technology and IPR&D intangible assets. The determination of value in use utilises risk-adjusted cash flow forecasts over the useful economic lives of the relevant assets, with the present value of these forecasts calculated by use of a discount rate of 8.5% based on an estimate of the Company's post-tax WACC.

Key assumptions used to estimate value-in-use relate to sales growth rates, anticipated profit margins, estimated tax rates and discount rates. Sales growth rates are derived from internal forecasts based on both internal and external market information, whilst anticipated profit margins reflect past experience, adjusted for expected future changes. These forecasts are inherently judgemental and are based on outputs from the Company's planning cycle, with assumptions based on past experience and future expectations.

# BTG International Limited

## Notes to the financial statements (continued) for the year ended 31 March 2019

### 11 Investments

	£m
At 1 April 2017 and 31 March 2018	0.1
Adjustment to IFRS 9 opening balance	2.0
<b>At 1 April 2018 and 31 March 2019</b>	<b>2.1</b>

Investments comprise non-current equity investments.

As described in Note 1, investments have been increased by £2.0m, reflecting the application of a revised valuation basis for unlisted equity investments on adoption of IFRS 9.

### 12 Trade and other receivables

	2019 £m	2018 £m
<b>Amounts due within one year:</b>		
Amounts owed by Group companies	290.1	260.0
Accrued royalties	51.8	49.8
Other receivables	1.5	1.5
Prepayments	-	0.1
	<b>343.4</b>	<b>311.4</b>

Amounts owed by Group companies are denominated in sterling and repayable on demand with interest charged at a fixed rate.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

### 13 Trade and other payables

	2019 £m	2018 £m
<b>Amounts falling due within one year:</b>		
Amounts owed to Group companies	11.2	5.4
Other payables	-	0.7
Accruals and deferred income	52.9	48.9
	<b>64.1</b>	<b>55.0</b>

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

# BTG International Limited

## Notes to the financial statements (continued) for the year ended 31 March 2019

### 14 Derivative financial instruments

	2019 £m	2018 £m
<b>Contracts in an asset position:</b>		
Forward foreign exchange contracts due within one year	0.2	1.8
<b>Derivative assets</b>	<b>0.2</b>	<b>1.8</b>

	2019 £m	2018 £m
<b>Contracts in a liability position:</b>		
Forward foreign exchange contracts due within one year	1.1	0.4
Forward foreign exchange contracts due after more than one year	0.1	0.1
<b>Derivative liabilities</b>	<b>1.2</b>	<b>0.5</b>

The Company utilises foreign currency derivatives to economically hedge significant future transactions and cash flows. The Company does not currently utilise hedge accounting for outstanding foreign exchange derivatives.

At 31 March 2019 the Company had forward contracts to sell US\$67.8m in the period to May 2020 at a weighted average rate of £1:US\$1.33. The fair value of these derivative financial instruments at 31 March 2019 was a net liability of £1.0m (31 March 2018: £1.3m net asset).

The unrealised loss of £2.3m (2018: £6.5m unrealised gain) for the year associated with the remeasurement of these forward contracts to their fair value was included within Financial expense (2018: Financial income).

A 5% strengthening of the US\$ against sterling as at 31 March 2019 would result in an incremental charge of £2.8m within 'Financial expense' in the income statement and an increase of the derivative liability to £3.8m. Correspondingly a 5% weakening of the US\$ against sterling would result in a £2.8m credit within 'Financial expense' and a derivative asset of £1.8m.

### 15 Retirement benefit schemes

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 high court judgment on 26 October 2018 is expected to affect the plan, as well as most other UK pension plans. At this stage, the full implications of the judgment are unknown, as the full legal position remains uncertain and the Group and trustees have yet to take decisions on how to implement the judgment. 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.



# BTG International Limited

## Notes to the financial statements (continued) for the year ended 31 March 2019

### 15 Retirement benefit schemes (continued)

The plan exposes the Group to a number of risks:

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 £4.3m, whereas the accounting position at the same date was a surplus of £19.3m. Deficit contributions of £1.2m every six months from April 2016 to April 2018, inclusive, and a final contribution of £0.4m by 31 October 2018, were agreed.

The estimated amount of total employer contributions expected to be paid to the plan during 2019/20 is £0.4m (2018/19 actual: £2.0m). 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 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 of paragraph 11(b) 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).

# BTG International Limited

## Notes to the financial statements (continued) for the year ended 31 March 2019

### 15 Retirement benefit schemes (continued)

Assumptions regarding future mortality experience are set based on actuarial advice and in accordance with published statistics. The mortality tables used at 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	(129.7)	(128.4)	(142.1)
Fair value of scheme assets	153.8	150.3	159.3
<b>Net asset recognised in the statement of financial position</b>	<b>24.1</b>	<b>21.9</b>	<b>17.2</b>

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	-	-	4%
Diversified growth funds	-	5%	6%
Liability driven investment	25%	18%	23%
Absolute return bonds	-	-	8%
Illiquid inflation assets	17%	17%	16%
Insurance policy	26%	27%	0%
Cash/net current assets	32%	33%	43%
	<b>100%</b>	<b>100%</b>	<b>100%</b>

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

# BTG International Limited

## Notes to the financial statements (continued) for the year ended 31 March 2019

### 15 Retirement benefit schemes (continued)

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 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:

	Obligation £m	Plan assets £m	Net asset/ (liability) £m
At 1 April 2018	(128.4)	150.3	21.9
Past service costs	(0.1)	-	(0.1)
Employer's part of the current service cost	(0.4)	-	(0.4)
Interest income/(cost)	(3.3)	3.9	0.6
Administrative costs	-	-	-
Contributions by the employer	-	2.0	2.0
Contributions from plan members	(0.1)	0.1	-
Actuarial gain/(loss) – experience	(0.2)	4.3	4.1
Actuarial loss – financial assumptions	(7.0)	-	(7.0)
Actuarial gain – demographic assumptions	3.0	-	3.0
Benefits paid	6.8	(6.8)	-
<b>At 31 March 2019</b>	<b>(129.7)</b>	<b>153.8</b>	<b>24.1</b>

# BTG International Limited

## Notes to the financial statements (continued) for the year ended 31 March 2019

### 15 Retirement benefit schemes (continued)

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:

	Obligation £m	Plan assets £m	Net asset/ (liability) £m
At 1 April 2017	(142.1)	159.3	17.2
Employer's part of the current service cost	(0.5)	-	(0.5)
Interest income/(cost)	(3.4)	3.9	0.5
Administrative costs	-	-	-
Contributions by the employer	-	2.8	2.8
Contributions from plan members	(0.1)	0.1	-
Actuarial gain/(loss) – experience	1.3	(8.6)	(7.3)
Actuarial gain – financial assumptions	4.2	-	4.2
Actuarial gain – demographic assumptions	5.0	-	5.0
Benefits paid	7.2	(7.2)	-
<b>At 31 March 2018</b>	<b>(128.4)</b>	<b>150.3</b>	<b>21.9</b>

The actual return on the plan's assets over 2018/19 was a gain of £8.2m (2017/18: loss of £4.7m).

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:

Change in assumption		Increase in Obligation		Increase in Plan Assets		Increase in Net Liability	
		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%	2.0	1.9	2.5	2.0	(0.5)	(0.1)
RPI inflation	Increase 0.1%	1.8	1.7	2.1	1.8	(0.3)	(0.1)
Life expectancy	Increase 1 year	4.3	4.2	1.3	1.3	3.0	2.9

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.

# BTG International Limited

## Notes to the financial statements (continued) for the year ended 31 March 2019

### 16 Share capital

		2019		2018
	Number of shares	£m	Number of shares	£m
Allotted, issued and fully paid Ordinary shares of £1 each				
At 1 April and 31 March	50,000	0.1	50,000	0.1

### 17 Related party transactions

The Company has intercompany transactions and outstanding balances with other companies in the BTG Group. Where appropriate, the amounts due to Group companies bear interest at a suitable arms-length rate.

During the year, the Company received the following charges from Group companies:

	2019 £m	2018 £m
Management, research and administrative charges	1.5	0.6

The Company also levied the following charges to Group companies:

	2019 £m	2018 £m
Management, research and administrative charges	3.7	2.2
Interest charge	2.5	1.1
	6.2	3.3

The outstanding balances relating to BTG Group companies were as follows:

	Receivables outstanding		Payables outstanding	
	2019 £m	2018 £m	2019 £m	2018 £m
Total Group companies	290.1	260.0	11.2	5.4

# BTG International Limited

## Notes to the financial statements (continued) for the year ended 31 March 2019

### 18 Financial risk management objectives and policies

#### Overview

The Company has exposure to credit, liquidity and market risks from its use of financial instruments. This note sets out the Company's key policies and processes for managing these risks.

#### Credit risk

Credit risk is the risk of financial loss to the Company if a licensee fails to meet its contractual obligations or a customer fails to pay for goods and services received. The Company's primary objective with respect to credit risk is to minimise the risk of default by licensees or customers.

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

For the year ended 31 March 2019, ultimate responsibility for liquidity risk management rested with the board of directors of BTG, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

#### Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holding of financial instruments. The Company 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 Company's principal market risk is to movements in foreign exchange rates.

#### Foreign currency risk

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposure to exchange rate fluctuations arises. For the year ended 31 March 2019, exchange rate exposures are managed by BTG within approved policy parameters utilising forward foreign exchange contracts.

#### Sensitivity analysis

A 5% weakening of the US dollar at 31 March 2019 would have resulted in the following decrease in profit by the amounts shown below. The impact on equity will be equal and opposite:

	2019 £m	2018 £m
Decrease in profit	1.6	3.1

# BTG International Limited

## Notes to the financial statements (continued) for the year ended 31 March 2019

### 18 Financial risk management objectives and policies (continued)

#### Interest rate risk

The Company seeks to mitigate partially against increased interest rates whilst maintaining a degree of flexibility to benefit from decreasing rates of interest by holding a mix of fixed and floating rate financial liabilities. The Company seeks to maximise the amount of interest income from its cash balances by using a variety of short-term, fixed high-interest deposit and money-market accounts. The Company 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

For the year ended 31 March 2019, the Company managed its capital in line with the BTG Group capital management policy.

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.
- To maintain sufficient financial resources to mitigate against risks and unforeseen events.

#### Financial instruments

The Company's financial instruments comprise cash, short term deposits, foreign currency forward contracts and various items such as trade receivables and payables which arise directly from operations.

#### Fair values

The fair values of the Company's financial assets and liabilities, together with the carrying values shown in the balance sheet, are as follows:

	Amortised cost £m	Designated at fair value through profit or loss/ other comprehensive income £m	Total carrying value £m	Fair value £m
<b>2019</b>				
Other investments	-	2.1	2.1	2.1
Trade and other receivables	343.4	-	343.4	343.4
Cash and cash equivalents	5.0	-	5.0	5.0
Trade and other payables	(64.1)	-	(64.1)	(64.1)
Derivative financial instruments	-	(1.0)	(1.0)	(1.0)
	<b>284.3</b>	<b>1.1</b>	<b>285.4</b>	<b>285.4</b>
<b>2018</b>				
Other investments	0.1	-	0.1	0.1
Trade and other receivables	311.4	-	311.4	311.4
Cash and cash equivalents	19.0	-	19.0	19.0
Trade and other payables	(55.0)	-	(55.0)	(55.0)
Derivative financial instruments	-	1.3	1.3	1.3
	<b>275.5</b>	<b>1.3</b>	<b>276.8</b>	<b>276.8</b>

The derivative financial instruments represent forward foreign exchange contracts.

# BTG International Limited

## Notes to the financial statements (continued) for the year ended 31 March 2019

### 18 Financial risk management objectives and policies (continued)

#### *Contractual maturity analysis of financial assets/(liabilities)*

	2019 £m	2018 £m
Forward foreign exchange contracts that mature in:		
0-3 months	(0.5)	0.5
3-6 months	(0.2)	0.7
6-12 months	(0.2)	0.2
>12 months	(0.1)	(0.1)
<b>Total</b>	<b>(1.0)</b>	<b>1.3</b>

#### *Net gains and losses on financial assets and liabilities*

Foreign exchange gains of £3.4m (2018: £5.8m loss) were recognised within Operating profit in relation to settlement of trade receivables and payables.

The Company recognised a fair value loss of £4.5m (2018: £6.0m gain) relating to forward foreign exchange contracts within 'Finance expense'.

#### **Estimation of fair values**

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

#### *Trade receivables, trade payables and cash and cash equivalents*

Trade payables and receivables have a remaining life of less than one year so their value recorded in the balance sheet is considered to be a reasonable approximation of fair value. Cash and cash equivalents are assumed to approximate their carrying value.

### 19 Share-based payments

#### **Share options**

Employees of the Company are entitled to participate in awards, available to all eligible members of the BTG Group, under an equity-settled share option plan that entitles employees to purchase shares in BTG, . In accordance with the rules of the plan, options are granted at the market price of the shares on the date of grant with a vesting period of generally three years. They may only be exercised upon the attainment of certain performance criteria. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the options vest unless the conditions under which they leave are such that they are considered to be a 'good leaver'. In this case their options remain exercisable for a limited period of time.

#### **Savesave plan**

The Company operates an HMRC-approved save-as-you-earn scheme, open to all eligible employees (including executive directors) who open an approved savings contract, to enable them to purchase shares in the Company. The options are exercisable after three years at a price not less than 80% of the market value of the shares at the date of grant.

#### **Performance share awards**

The Group has established a performance share scheme for the purpose of making awards, initially to executive directors of BTG. This has now been extended to selected members of senior management below Board level. The vesting period is generally 3 years. Awards are forfeited if the employee leaves the Group before the awards vest, unless the conditions under which they leave are such that they are considered to be a 'good leaver'; in which case their award is released following their departure.



# BTG International Limited

## Notes to the financial statements (continued) for the year ended 31 March 2019

### 19 Share-based payments (continued)

#### *Deferred share bonus plan*

The Group established a deferred share bonus plan for the purpose of making awards, initially to executive directors of the BTG. This has now been extended to selected members of senior management below Board level. The shares will vest on the third anniversary of the grant date. Awards are forfeited if the employee leaves the Group before the awards vest, unless the conditions under which they leave are such that they are considered to be a 'good leaver'; in which case their award is released following their departure, though it may be prorated for time at the discretion of the Remuneration Committee.

#### *Option pricing*

For the purposes of valuing options to arrive at the share-based compensation charge, a Black-Scholes or alternative valuation model has been used. The assumptions used in the model are as follows.

	31 March 2019	31 March 2018
Risk-free interest rate	0.7% - 1.0%	0.1%-0.3%
Dividend yield	Nil	Nil
Volatility	27%-29%	28%-30%
Expected lives of options granted under:		
- Share option plan	3 years	3 years
- Sharesave plan	3.45 years	3.37 years
- Performance share plan	2 - 3 years	2 - 3 years
- Deferred share bonus plan	3 years	3 years
Weighted average fair value for share option grants in the year	93.5p	131.5p
Weighted average fair value for sharesave grants in the year	147.0p	186.2p
Weighted average fair value for performance share awards in the year	367.1p	571.1p
Weighted average fair value for deferred share bonus awards in the year	520.0p	674.5p

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options or restricted shares), adjusted for any expected changes to future volatility due to publicly-available information.

Share options are granted under a service condition, a non-market condition and a market condition. Service and non-market conditions are not taken into account in calculating the fair value measurement of the services received.

Performance shares are awarded under a service condition, a non-market condition and a market condition. Service and non-market conditions are not taken into account in calculating the fair value measurement of the services received.

Further details on the various share schemes are included in the BTG Annual Report and Accounts. See note 20 for contact details.

# BTG International Limited

## Notes to the financial statements (continued) for the year ended 31 March 2019

### 19 Share-based payments (continued)

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

		2019		2018
	Number of share options (000)	Weighted average exercise price (p)	Number of share options (000)	Weighted average exercise price (p)
<b>Share options</b>				
Outstanding at 1 April	19	684.8	19	684.8
Granted during year	17	520.0	-	-
Lapsed	(13)	688.5	-	-
Outstanding at 31 March	23	561.3	19	684.8
Exercisable at 31 March	-	-	-	-

		2019		2018
	Number of sharesave options (000)	Weighted average exercise price (p)	Number of sharesave options (000)	Weighted average exercise price (p)
<b>Sharesave plan</b>				
Outstanding at 1 April	13	539.4	15	505.3
Granted during year	8	428.3	6	565.1
Exercised during year	-	-	(8)	498.7
Lapsed during year	(6)	524.6	-	-
Outstanding at 31 March	15	488.6	13	539.4
Exercisable at 31 March	-	-	-	-

	2019	2018
	Number of share awards (000)	Number of share awards (000)
<b>Performance share awards</b>		
Outstanding at 1 April	232	229
Granted during year	95	89
Lapsed during year	(63)	(40)
Exercised during year	-	(46)
Outstanding at 31 March	264	232
Exercisable at 31 March	-	-

# BTG International Limited

## Notes to the financial statements (continued) for the year ended 31 March 2019

### 19 Share-based payments (continued)

	2019 Number of share awards (000)	2018 Number of share awards (000)
<b><i>Deferred share bonus plan</i></b>		
Outstanding at 1 April	27	33
Granted during the year	6	7
Lapsed	(14)	-
Exercised during year	-	(13)
Outstanding at 31 March	19	27
Exercisable at 31 March	-	-

### 20 Ultimate and immediate parent company

At the reporting period date of 31 March 2019, the Company's ultimate parent company was BTG Limited (formerly BTG plc) ("BTG"). BTG is registered in England and Wales. The BTG Annual Report and Accounts are available to the public and may be obtained from 5 Fleet Place, London EC4M 7RD.

Subsequent to the year end, as a result of the acquisition of the BTG Group by Boston Scientific Corporation, the Company's ultimate parent company from 19 August 2019 was Boston Scientific Corporation. See note 21 for further details.

The Company's immediate parent is BTG International (Holdings) Ltd, registered in England and Wales.

### 21 Events after the end of the reporting period

On 20 November 2018, the boards of directors of BTG Limited (formerly BTG plc) ("BTG"), the Company's ultimate parent company, and Boston Scientific Corporation ("Boston Scientific") announced that they had reached agreement on the terms of a recommended acquisition by Boston Scientific of the entire issued and to be issued ordinary share capital of BTG.

The acquisition was completed on 19 August 2019 with Boston Scientific becoming the ultimate parent company. Boston Scientific is registered in Delaware, USA. Boston Scientific's Annual Report and Accounts are available to the public and may be obtained from 300 Boston Scientific Way, Marlborough, Massachusetts, USA.

On 5 August 2019 the Trustee of the BTG defined benefit pension scheme secured the remaining uninsured liabilities with an insurer, via a full buy-in policy, resulting in full protection against longevity, investment and other risks. The buy-in insurance policy asset is expected to fully match the IAS19 pension liabilities, subject to any adjustments arising from customary data verification.

An initial insurance premium payment of £126.0m was made to the insurer from the scheme's assets following a cash injection to the scheme from the Company of £6.1m. A final premium payment/refund may also be required at the end of the customary data verification period.

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\* Associated Firm

Date: 3 December 2019

Our ref: DGP  
Your ref:

Companies House  
DX 33050  
Cardiff

Dear Sirs,

*BIG INTERNATIONAL LIMITED*

Registered No. 2664412

We enclose, for filing, the following:-

☐ Form CS01 made up to \_\_\_\_\_ & filing fee of £40

☒ Accounts for the period ended 31/3/19

☐ Copy articles of association, as in force on:- \_\_\_\_\_

☐ Certified copy/Notice of Special/Ordinary/Written resolution \_\_\_\_\_

☐ Companies Form(s) No. AP01, AP03, AP04, TM01, TM02, CH01, CH03, CH04, \_\_\_\_\_

☐ Companies Form(s) No. AA01, NM01, AD01, AD02, AD03, SH01 \_\_\_\_\_

By way of receipt, please date stamp and return the attached copy of this letter to us in the self-addressed envelope supplied.

Yours faithfully

*Baker & McKenzie LLP*  
Baker & McKenzie LLP

With enclosures.

44 (0)20 7919 1859

gwyn.pollard@bakermckenzie.com

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Miami  
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San Diego  
San Francisco  
Toronto  
Washington, DC

\* Associated Firm

Date: 3 December 2019

Our ref: DGP  
Your ref:

Companies House  
DX 33050  
Cardiff

Dear Sirs,

BTG INTERNATIONAL LIMITED

Registered No. 2664412

We enclose, for filing, the following:-

[ ] Form CS01 made up to \_\_\_\_\_ & filing fee of £40

[x] Accounts for the period ended 31/3/19

[ ] Copy articles of association, as in force on:- \_\_\_\_\_

[ ] Certified copy/Notice of Special/Ordinary/Written resolution \_\_\_\_\_

[ ] Companies Form(s) No. AP01, AP03, AP04, TM01, TM02, CH01, CH03, CH04, \_\_\_\_\_

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By way of receipt, please date stamp and return the attached copy of this letter to us in the self-addressed envelope supplied.

Yours faithfully

  
Baker & McKenzie LLP

With enclosures.  
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gwyn.pollard@bakermckenzie.com

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