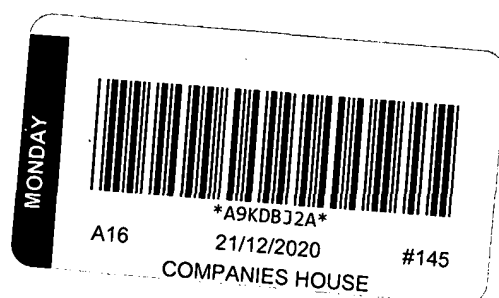


BTG International Limited

Annual Report and Financial Statements for the 9 months to 31 December 2019

Registered Number 2664412



BTG International Limited

Annual Report for the 9 months to 31 December 2019

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BTG International Limited

Strategic report

Principal activities and business review

On 19 August 2019, Boston Scientific Corporation ('BSC') completed its acquisition of the BTG Group comprising BTG Limited (formerly BTG plc) ('BTG') and its subsidiary undertakings, including BTG International Limited (the 'Company'). Accordingly, the Company is a member of the BSC Group (the 'Group') comprising BSC and its subsidiary undertakings.

The principal activity and strategy of the Company is the development and commercialisation of medical products and management of intellectual property.

Financial review

The Company's key financial and other performance indicators during the year were as follows.

	9 months to 31 Dec 2019	12 month comparative	Year to 31 Mar 2019	Change
	£m	£m	£m	£m
Royalty Revenue	126.0	168.0	217.2	(49.2)
Revenue Share	(59.9)	(79.9)	(104.9)	25.0
Gross Profit	66.1	88.1	112.3	(24.2)
Gross Profit %	52.4%	52.4%	51.7%	

The Company's revenue for the 9 months to 31 December 2019 of £126.0m (year to 31 March 2019: £217.2m) predominantly comprises royalties from products marketed by licensees. The comparable decrease in revenue is a direct result of the launch of generic competitors to Zytiga® in November 2018.

Revenue sharing with licensors on royalties received was £59.9m (year to 31 March 2019: £104.9m). The comparable decrease is directly attributable to the decrease in revenue.

The Company had an operating profit of £53.5m (year to 31 March 2019: £102.7m).

Sale of Zytiga® licence royalty rights

The Company generates licencing revenues from an agreement with Cougar Biotechnology Inc for a licence used in the development of a pharmaceutical drug to treat certain forms of prostate cancer ('the Zytiga® Licence').

On 26 November 2019, the Company entered into an agreement with OCM IP Healthcare Portfolio LP ('OCM') whereby the Company sold its right to the royalties received from the Zytiga® Licence to OCM in exchange for a one-time, upfront payment of US\$256 million (£199 million).

A financial liability was recognised for the cash received reflecting its fair value. The financial liability is subsequently measured at amortised cost adjusting for changes in expected cash flows from royalties with movements recognised in profit or loss.

Pension scheme

In October 2017, the Trustees of the plan entered into a 'buy-in' policy with Just to secure some of the larger pensioner liabilities with an insurer, resulting in a reduction in longevity and other risks.

In August 2019, a second 'buy-in' policy was entered into with PIC which insured the remaining members. At this date the Trustee paid 97.5% of the total premium expected to cover the corresponding liabilities insured. The remaining 2.5% of the premium will be paid as a deferred premium following a data cleanse exercise.

The liabilities of the plan are now therefore fully insured, with the only key residual risks being counter party risk and the risk that the deferred premium is higher than expected.

BTG International Limited

Strategic report (continued)

Principal risks and uncertainties

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

The Group and its licensee Janssen Group are subject to several 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.

The Company operates a defined benefit pension scheme on behalf of the legacy BTG Group. The liabilities of the plan are fully insured, with the only key residual risks being counter party risk and the risk that the deferred premium is higher than expected.

The majority of royalties are earned in US dollars and movements in foreign exchange rates could adversely impact results. Prior to the BSC Group acquisition the Company actively managed 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. Following the acquisition hedging has been managed centrally by the BSC Group Treasury function.

The effect of Brexit on the Company is not currently considered to be material, but significant uncertainties remain over the final form, if any, that Brexit will take, so the risks will continue to be assessed. Plans have been drawn up to deal with all risks resulting from a 'hard' Brexit.

Section 172 (1) Statement

Section 172 (1) of the Companies Act 2006 provides that a director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the following six factors:

- (a) the likely consequences of any decision in the long term,
- (b) the interests of the company's employees,
- (c) the need to foster the company's business relationships with suppliers, customers and others,
- (d) the impact of the company's operations on the community and the environment,
- (e) the desirability of the company maintaining a reputation for high standards of business conduct, and
- (f) the need to act fairly as between members of the company.

The Directors, both individually and together, are aware of this duty and consider that they have acted in accordance of s172 of the Companies Act 2006.

BTG International Limited

Strategic report (continued)

Section 172 (1) Statement (continued)

Matters below summarise how the Directors fulfilled their duty.

Who?	Why?	How?	What?	Outcomes and Actions
Our People	Employee engagement is a key factor in the success of the Company	<p>The Company regularly engages with employees in local site townhall meetings to share and discuss current important information and encourage employee feedback</p> <p>This engagement also occurs at a higher BSC Group level with quarterly business updates and regional meetings</p>	<p>Employee question and answer sessions are held at the end of townhall meeting to address employee concerns</p> <p>BSC also utilises online anonymous surveys to gather more sensitive feedback</p>	Management use the information received from these sessions and surveys to ensure they address employee concerns
	Acquisition of the BTG Group by BSC has led to employee uncertainty over the future of current roles and the implications for duplication	<p>BSC and BTG management created an integration workgroup to address the implications of the acquisition employees and identify areas of potential redundancy</p> <p>Following the output from the workgroup employees and employee representatives engaged with BSC management to identify the impact of job redundancies</p>	Management engaged with wider BSC Group to ensure new roles and opportunities identified with the objective of reducing the impact of redundancies	New roles and vacancies within the organisation were identified and redundancies only made as a last resort
Shareholders The Company is a 100% subsidiary of BSC	There was a future cashflow risk from decreasing Zytiga® royalties due to the launch of generic products	BSC management engaged with external parties to find a process for removing future cash risk	BTG Intl Ltd financed its 50% share of future Zytiga® royalties for a payment of \$256m with pension company OCM IP Healthcare Portfolio LP	The cash flow risk associated with falling Zytiga® royalties has been reduced

On behalf of the Board

DocuSigned by:

Jonathan R. Monson

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Jonathon Monson
Director

Registered Office
100 New Bridge Street
London EC4V 6JA

17 December 2020

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 9 months to 31 December 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:

Jonathan Monson (appointed 28 February 2020)
Vance Brown (appointed 28 February 2020)
Timothy Martel (resigned 28 February 2020)
Elaine Johnston (resigned 28 February 2020)

Directors' remuneration is disclosed in note 6. 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 £244.5m during the period (year to 31 March 2019: £85.0m).

Political contributions

The Company made no political donations or incurred any political expenditure during the period (year to 31 March 2019: £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.

In reaching their opinion, the Directors have taken into consideration the impact of COVID-19 on the Company.

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 ('BSC') announced that they had reached agreement on the terms of a recommended acquisition by BSC of the entire issued and to be issued ordinary share capital of BTG.

The acquisition was completed on 19 August 2019.

COVID-19

In December 2019, the novel strain of coronavirus (SARS-Cov-2), and its disease commonly known as COVID-19, was reported in China and has since widely impacted the global public health and economic environment. In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic.

BTG International Limited recognises royalty revenue from the sale of Zytiga, a pharmaceutical product for the treatment of prostate cancer. 50% of the royalty received (net of certain eligible offsets) is paid out under a revenue share agreement and is recognised within cost of sales. In November 2019, rights to the other 50% of Zytiga® royalties were sold to OCM in exchange for a one-time, upfront cash receipt of US\$256 million (£199 million) as set out in the strategic review. Therefore, whilst COVID-19 may impact the amount of Zytiga® royalty income recognised in the future, it will have no impact, either adverse or favourable, on the future cash flows or financial position of BTG International Limited.

BTG International Limited

Directors' report (continued)

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

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed reappointed and EY will therefore continue in office.

On behalf of the Board

DocuSigned by:

Jonathan R. Monson

C81E8143310B4FD...

Jonathan Monson

Director

Registered Office
100 New Bridge Street
London EC4V 6JA

17 December 2020

Registered Number 2664412

BTG International Limited

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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, the Directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 to 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

Opinion

We have audited the financial statements of BTG International Limited for the 9 months ended 31 December 2019 which comprise the Income statement, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 below. 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 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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.

Other information

The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of BTG International Limited (continued)

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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 7, 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.

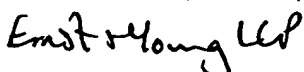
Auditor's responsibilities for the audit of the financial statements

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 Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.



Neil Cullum (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

17 December 2020

BTG International Limited

Income statement for the 9 months to 31 December 2019

	Notes	9 months to 31 Dec 2019 £m	Year to 31 Mar 2019 £m
Revenue	4	126.0	217.2
Revenue sharing		(59.9)	(104.9)
Gross profit		66.1	112.3
Operating expenses		(12.6)	(9.6)
Operating profit	5	53.5	102.7
Financial income	7	1.2	2.5
Financial expense	7	(6.5)	(4.5)
Profit before tax		48.2	100.7
Tax charge	8	(7.5)	(11.0)
Profit for the year		40.7	89.7

All activity arose from continuing operations.

Statement of comprehensive income for the 9 months to 31 December 2019

	Notes	9 months to 31 Dec 2019 £m	Year to 31 Mar 2019 £m
Profit for the financial year attributable to equity shareholders		40.7	89.7
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurements of the net defined benefit pension scheme asset	16	(33.0)	0.1
Deferred tax on defined benefit pension scheme asset	8	6.2	-
Total recognised gains for the year		13.9	89.8

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

The notes on pages 13 to 31 form part of these financial statements.

BTG International Limited

Statement of financial position as at 31 December 2019

	Notes	31 Dec 2019 £m	31 Mar 2019 £m
Assets			
Non-current assets			
Property, plant and equipment	9	-	-
Intangible assets	10	13.6	15.5
Investments	11	2.1	2.1
Employee benefits	16	-	24.1
		15.7	41.7
Current assets			
Trade and other receivables	12	343.7	343.4
Cash and cash equivalents		4.4	5.0
Deferred tax asset	8	1.3	0.7
Derivative financial instruments	14	-	0.2
		349.4	349.3
Total assets		365.1	391.0
Equity			
Share capital	17	0.1	0.1
Retained earnings		90.3	320.3
Total equity		90.4	320.4
Non-current liabilities			
Deferred tax liabilities	8	-	4.6
Deferred revenue	14	123.6	-
Employment benefits	16	2.3	-
Derivative financial instruments	15	-	0.1
		125.9	4.7
Current liabilities			
Trade and other payables	13	76.3	64.1
Deferred revenue	14	72.3	-
Current tax liabilities		0.1	0.7
Provisions		0.1	-
Derivative financial instruments	15	-	1.1
Total current liabilities		148.8	65.9
Total liabilities		274.7	70.6
Total equity and liabilities		365.1	391.0

The financial statements were approved by the Board of Directors on 17 December 2020 and were signed on its behalf by:

DocuSigned by:

Jonathan R. Monson

Jonathan Monson
Director

The notes on pages 13 to 31 form part of these financial statements.

Registered Number 2664412

BTG International Limited

Statement of changes in equity for the 9 months to 31 December 2019

	Share capital £m	Retained earnings £m	Total equity £m
At 1 Apr 2018	0.1	312.9	313.0
Implementation of IFRS 9	-	2.0	2.0
	0.1	314.9	315.0
<i>Comprehensive income:</i>			
Profit for the year	-	89.7	89.7
Actuarial gain on defined benefit pension scheme	-	0.1	0.1
Total comprehensive loss for the year	-	89.8	89.8
<i>Transactions with owners:</i>			
Share based payments	-	0.6	0.6
Dividend	-	(85.0)	(85.0)
Transactions with owners	-	(84.4)	(84.4)
At 31 Mar 2019	0.1	320.3	320.4
At 1 Apr 2019	0.1	320.3	320.4
<i>Comprehensive income:</i>			
Profit for the period	-	40.7	40.7
Actuarial gain on defined benefit pension scheme	-	(33.0)	(33.0)
Deferred tax credit on defined benefit pension scheme	-	6.2	6.2
Total comprehensive income for the period	-	13.9	13.9
<i>Transactions with owners:</i>			
Share based payments	-	0.6	0.6
Dividend	-	(244.5)	(244.5)
Transactions with owners	-	(243.9)	(243.9)
At 31 Dec 2019	0.1	90.3	90.4

The notes on pages 13 to 31 form part of these financial statements.

BTG International Limited

Notes to the financial statements for the 9 months to 31 December 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 4. 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.

2 Significant accounting policies

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

(a) Basis of accounting and preparation of financial statements

The Company has transitioned to preparing its financial statements in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101'), from EU-adopted IFRS. This change had no material effect on the measurement of the amounts in these financial statements for either of the periods presented. The financial statements have been prepared under the historical cost convention, as modified to include revaluation to fair value of certain financial instruments as set out below.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

These financial statements are presented in Sterling and all values are rounded to the nearest £0.1m except where otherwise indicated.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- IFRS 7, 'Financial instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
 - paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B–D (additional comparative information);
 - 111 (cash flow statement information); and
 - 134–136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.

BTG International Limited

Notes to the financial statements (continued) for the 9 months to 31 December 2019

2 Significant accounting policies (continued)

(a) Basis of accounting and preparation of financial statements (continued)

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.

In reaching their opinion, the Directors have taken into consideration the impact of COVID-19 on the Company.

(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 9 months to 31 December 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.

BTG International Limited

Notes to the financial statements (continued) for the 9 months to 31 December 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 pension 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 16. 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 operated by BTG allowed Company employees to acquire shares of BTG, subject to certain criteria. The fair value of options granted was recognised as an expense of employment in the income statement with a corresponding increase in equity. The fair value was 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 was 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 was adjusted to reflect the actual number of share options that are expected to vest. However if share options failed to vest due to the Company's total shareholder's return not achieving the designated performance threshold for vesting, no such adjustment took 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 9 months to 31 December 2019

2 Significant accounting policies (continued)

(l) Revenue recognition

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

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) Zytiga royalty sale agreement

The Company sold its share of the rights to the royalties received from the Zytiga® Licence in exchange for a one-time, upfront payment.

A financial liability was recognised for the cash received reflecting fair value of the discounted expected cash flows from royalties. The financial liability is subsequently measured at amortised cost adjusting for changes in expected cash flows from royalties with movements recognised in profit or loss. The movement corresponding to royalties received in the period is recognised as revenue.

(o) 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.

(p) 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.

BTG International Limited

Notes to the financial statements (continued) for the 9 months to 31 December 2019

2 Significant accounting policies (continued)

(q) 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.

3 Critical accounting estimates and judgements

On 26 November 2019, the Company entered into an agreement with OCM IP Healthcare Portfolio LP ('OCM') whereby the Company sold its right to the royalties received from the Zytiga® Licence to OCM in exchange for a one-time, upfront payment of US\$256 million (£199 million).

A financial liability was recognised for the cash received reflecting its fair value. The financial liability is subsequently measured at amortised cost adjusting for changes in expected cash flows from royalties with movements recognised in profit or loss.

The estimation of the future expected cash flows from the royalties is based on historical experience and other factors including expectations of future events that are believed to be to be reasonable.

4 Revenue

Total revenue for the year was as follows:

	9 months to 31 Dec 2019 £m	Year to 31 Mar 2019 £m
Royalties	120.4	213.5
Management charges	5.6	3.7
	126.0	217.2

Geographic segment analysis

	9 months to 31 Dec 2019 £m	Year to 31 Mar 2019 £m
UK	5.8	4.0
USA	120.0	212.7
European Union (excluding UK)	0.2	0.5
	126.0	217.2

The Directors consider that there are two classes of business, namely the development, management and commercialisation of intellectual property rights which give rise to royalty income, and management charges.

BTG International Limited

Notes to the financial statements (continued) for the 9 months to 31 December 2019

5 Operating profit

	9 months to 31 Dec 2019 £m	Year to 31 Mar 2019 £m
Operating profit is stated after charging/(crediting):		
Other net foreign exchange loss/(gain)	1.6	(3.4)
Depreciation of property, plant and equipment – owned assets	-	0.1
Amortisation of intangible fixed assets	1.9	2.7
Staff costs (note 6)	4.5	3.5

The Auditor's remuneration for the audit of the Company's annual financial statements was £0.1m (year to 31 Mar 2019: £0.1m).

6 Staff costs

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

	9 months to 31 Dec 2019 Number	Year to 31 Mar 2019 Number
Management	-	3
Administration	2	2
Production	3	2
	5	7

	9 months to 31 Dec 2019 £m	Year to 31 Mar 2019 £m
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	2.3	1.7
Social security costs	0.5	0.5
Equity settled share based payment transactions	0.6	0.6
Pension costs	1.1	0.7
	4.5	3.5

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 qualifying services to the Company is analysed below:

	9 months to 31 Dec 2019 £k	Year to 31 Mar 2019 £k
Salary and fees	-	35
Pension	-	2
	-	37

During the year two of the Directors were members of the Group defined contribution pension scheme (year to 31 Mar 2019: two) and none was a member of the Group defined benefit pension scheme (year to 31 Mar 2019: none). Two of the Directors exercised share options during the year.

BTG International Limited

Notes to the financial statements (continued) for the 9 months to 31 December 2019

7 Financial income/ expense

	9 months to 31 Dec 2019 £m	Year to 31 Mar 2019 £m
Financial income		
Pension interest	0.5	-
Interest on loans to fellow Group companies	0.7	2.5
	1.2	2.5

	9 months to 31 Dec 2019 £m	Year to 31 Mar 2019 £m
Financial expense		
Fair value movements from foreign exchange forward contracts	1.0	2.3
Other financial expense	3.6	-
Realised losses from foreign exchange forward contracts	1.9	2.2
	6.5	4.5

8 Tax

	9 months to 31 Dec 2019 £m	Year to 31 Mar 2019 £m
Current taxation		
Current year group relief payable	6.3	11.2
Adjustments in respect of prior years	0.2	(0.1)
Total current taxation charge	6.5	11.1
Deferred taxation		
Deferred tax charge/(credit)	1.0	(0.1)
Total tax charge for the year	7.5	11.0

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% (year to 31 March 2019: 19%). The differences are explained below:

	9 months to 31 Dec 2019 £m	Year to 31 Mar 2019 £m
Profit before tax	48.2	100.7
Tax charge on profit on ordinary activities at 19% (Year to 31 Mar 2019: 19%)	9.2	19.1
Adjustments in respect of prior years	0.1	(0.1)
Effect of patent box deduction	(1.8)	(8.0)
	7.5	11.0

BTG International Limited

Notes to the financial statements (continued) for the 9 months to 31 December 2019

8 Tax (continued)

Deferred tax

Deferred tax is calculated on temporary differences using a tax rate of 17%. The movement on the deferred tax liability is as shown below:

	Asset £m	Liability £m	Net £m
Deferred tax recognised at 1 Apr 2018	0.1	(4.1)	(4.0)
Income statement credit/(charge)	0.6	(0.5)	0.1
Deferred tax recognised at 31 Mar 2019	0.7	(4.6)	(3.9)
Income statement charge	(1.0)	-	(1.0)
Other comprehensive income charge	1.6	4.6	6.2
Deferred tax recognised at 31 Dec 2019	1.3	-	1.3

The deferred tax asset at 31 December 2019 relates to Pension deficit and other timing differences recognised at 17% (31 March 2019: 17%).

The 2020 Finance Act repealed the previously enacted reduction to the main rate of corporation tax to 17%, thereby maintaining the main rate of corporation tax at 19%. As this change was not substantively enacted at 31 December 2019, it is not reflected in these accounts.

9 Property, plant and equipment

	Leasehold improvements £m	Computer hardware £m	Furniture and equipment £m	Total £m
Cost				
At 1 Apr 2019 and 31 Dec 2019	0.6	0.1	0.2	0.9
Depreciation				
At 1 Apr 2019 and 31 Dec 2019	0.6	0.1	0.2	0.9
Net book value				
At 31 Mar 2019 and Dec 2019	-	-	-	-

BTG International Limited

Notes to the financial statements (continued) for the 9 months to 31 December 2019

10 Intangible assets

	Patents and other IPR £m
Cost	
At 1 Apr 2019	37.1
Disposals	(0.3)
At 31 Dec 2019	36.8
Amortisation	
At 1 Apr 2019	21.6
Amortised during the year	1.9
Disposals	(0.3)
At 31 Dec 2019	23.2
Net book value	
At 31 Dec 2019	13.6
At 31 Mar 2019	15.5

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

	31 Dec 2019 £m	31 Mar 2019 £m
Varithena®	13.5	14.4

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 12.0% 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 9 months to 31 December 2019

11 Investments

£m

At 1 Apr 2019 and 31 Dec 2019

2.1

Investments comprise non-current equity investments.

12 Trade and other receivables

31 Dec 2019

31 Mar 2019

£m

£m

Amounts due within one year:

Amounts owed by Group companies

302.4

290.1

Accrued royalties

36.6

51.8

Other receivables

4.6

1.5

Prepayments

0.1

-

343.7

343.4

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

13 Trade and other payables

31 Dec 2019

31 Mar 2019

£m

£m

Amounts falling due within one year:

Amounts owed to Group companies

12.0

11.2

Other payables

-

-

Accruals and deferred income

64.3

52.9

76.3

64.1

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

14 Deferred revenue

31 Dec 2019

31 Mar 2019

£m

£m

Deferred revenue due within one year

72.3

-

Deferred revenue due in more than one year

123.6

-

195.9

-

Deferred revenue represents discounted expected cash flows from Zytiga® royalties sold on 26 November 2019 in return for a one-time, upfront payment.

BTG International Limited

Notes to the financial statements (continued) for the 9 months to 31 December 2019

15 Derivative financial instruments

	31 Dec 2019 £m	31 Mar 2019 £m
Contracts in an asset position:		
Forward foreign exchange contracts due within one year	-	0.2
Derivative assets	-	0.2

	31 Dec 2019 £m	31 Mar 2019 £m
Contracts in a liability position:		
Forward foreign exchange contracts due within one year	-	1.1
Forward foreign exchange contracts due after more than one year	-	0.1
Derivative liabilities	-	1.2

16 Retirement benefit schemes

For eligible UK employees the Company 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 initial results of the formal valuation of the plan as at 31 March 2019 were updated to the accounting date by an independent qualified actuary in accordance with IAS19.

In October 2017, the Trustees of the plan entered into a 'buy-in' policy with Just to secure some of the larger pensioner liabilities with an insurer, resulting in a reduction in longevity and other risks.

In August 2019, a second 'buy-in' policy was entered into with PIC which insured the remaining members. At this date the Trustee paid 97.5% of the total premium expected to cover the corresponding liabilities insured. The remaining 2.5% of the premium will be paid as a deferred premium following a data cleanse exercise.

The liabilities of the plan are now therefore fully insured, with the only key residual risks being counter party risk and the risk that the deferred premium is higher than expected.

The Company 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 Company 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 Company. Given the liabilities of the plan are now fully insured, the gross assets and liabilities may still differ under the two measures, but the net surplus/deficit position should be very similar going forwards.

The latest triennial funding valuation as at 31 March 2019 was completed in March 2020.

BTG International Limited

Notes to the financial statements (continued) for the 9 months to 31 December 2019

16 Retirement benefit schemes (continued)

The estimated amount of total employer contributions expected to be paid to the plan during 2020 is £2.5m (actual for the 9 months to 31 December 2019: £6.3m). Contributions for the 9 months to 31 December 2019 included a contribution of £6.1m towards the PIC buy-in premium. Contributions are set based upon funding valuations carried out every three years with the next valuation currently being carried out as at 31 March 2019.

The Company 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 Company 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 Dec 2019	31 Mar 2019	31 Mar 2018
Retail price inflation	3.0% p.a.	3.5% p.a.	3.4% p.a.
Discount rate	2.1% p.a.	2.4% p.a.	2.6% p.a.
Life expectancy at age 60 of a male age 60 at the accounting date	87.6	87.7	88.2
Life expectancy at age 60 of a male age 40 at the accounting date	89.8	89.8	90.4

The discount rate as at 31 December 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 (31 March 2019: same).

Assumptions regarding future mortality experience are set based on actuarial advice and in accordance with published statistics. The mortality tables used at 31 December 2019 were the S3NA tables based on year of birth, with a multiplicative adjustment factor to reflect the Company'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 31 March 2019, with the exception of the S3NA tables, which have been updated to reflect the assumptions being proposed by the trustee for the 31 March 2019 triennial valuation.

BTG International Limited

Notes to the financial statements (continued) for the 9 months to 31 December 2019

16 Retirement benefit schemes (continued)

The following table sets out related IAS19 assumptions used:

	31 Dec 2019	31 Mar 2019	31 Mar 2018
Pension increases in deferment – RPI inflation	3.0%	3.5% p.a.	3.4% p.a.
Pension increases in payment – RPI inflation	3.0%	3.5% p.a.	3.4% p.a.
Pension increases in payment – inflation capped at 2.5%	2.0%	2.2% p.a.	2.1% p.a.
General salary increases	3.0%	3.5% p.a.	3.4% p.a.

The amount included in the statement of financial position arising from the Company's obligations in respect of the plan is as follows:

	31 Dec 2019	31 Mar 2019 £m	31 Mar 2018 £m
Present value of defined benefit obligation	(125.0)	(129.7)	(128.4)
Fair value of scheme assets	122.7	153.8	150.3
Net asset recognised in the statement of financial position	(2.3)	24.1	21.9

A net liability is presented in the statement of financial position within non-current liabilities.

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.

The allocation of the plan's assets is as follows:

	31 Dec 2019	31 Mar 2019	31 Mar 2018
Diversified growth funds	-	-	5%
Liability driven investment	-	25%	18%
Illiquid inflation assets	-	17%	17%
Insurance policy	102%	26%	27%
Cash/net current assets	(2%)	32%	33%
	100%	100%	100%

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

The fund's investment policy is to invest in fully matching assets. This has been achieved via the purchase of two buy-in policies, which provide payments designed to equal all future benefit payments due from the fund.

In setting the investment strategy prior to the second buy-in transaction, the trustees considered the views of the Company, their assessment of the Company'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.

BTG International Limited

Notes to the financial statements (continued) for the 9 months to 31 December 2019

16 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 period 1 April 2019 to 31 December 2019 are as follows:

	Obligation £m	Plan assets £m	Net asset/ (liability) £m
At 1 Apr 2019	(129.7)	153.8	24.1
Past service costs	-	-	-
Employer's part of the current service cost	(0.2)	-	(0.2)
Interest income/(cost)	(2.3)	2.8	0.5
Administrative costs	-	-	-
Contributions by the employer	-	6.3	6.3
Contributions from plan members	-	-	-
Actuarial gain/(loss) – experience	1.7	(35.3)	(33.6)
Actuarial loss – financial assumptions	0.8	-	0.8
Actuarial gain – demographic assumptions	(0.2)	-	(0.2)
Benefits paid	4.9	(4.9)	-
At 31 Dec 2019	(125.0)	122.7	(2.3)

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

	Obligation £m	Plan assets £m	Net asset/ (liability) £m
At 1 Apr 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)	-
At 31 Mar 2019	(129.7)	153.8	24.1

The actual return on the plan's assets over the 9 months to 31 December 2019 was a loss of £32.5m (year to 31 March 2019: gain of £8.2m). This loss is predominantly due to the way in which the buy-in assets are measured under IAS19.

The weighted average duration of the defined benefit obligation at the end of the reporting period is around 15 years (31 March 2019: 15 years).

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

BTG International Limited

Notes to the financial statements (continued) for the 9 months to 31 December 2019

16 Retirement benefit schemes (continued)

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 Dec 2019	31 Mar 2019	31 Dec 2019	31 Mar 2019	31 Dec 2019	31 Mar 2019
				£m	£m	£m	£m	£m	£m
Discount rate	Decrease 0.1%			2.0	2.0	2.0	2.5	-	(0.5)
RPI inflation	Increase 0.1%			1.7	1.8	1.7	2.1	-	(0.3)
Life expectancy	Increase 1 year			5.2	4.3	5.2	1.3	-	3.0

As the fund's liabilities are now fully insured, any change to assumptions used to value the defined benefit obligation will result in an equal and opposite gain or loss on the value of the buy-in policy assets. The impacts on the net liability of each of the sensitivities above are therefore nil.

The sensitivity information has been derived using projected cash flows valued using the relevant assumptions as at 31 December 2019. The sensitivity methodology has not changed from prior years. Extrapolation of these results beyond the sensitivity figures shown may not be appropriate.

17 Share capital

	31 Dec 2019		31 Mar 2019	
	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

18 Share-based payments

During the 9 months to 31 December 2019, no share options were issued and all outstanding options at the date of acquisition by BSC were exercised. Details of the plans that operated in the year to 31 March 2019 are set out below.

Share options

Employees of the Company were entitled to participate in awards, available to all eligible members of the BTG Group, under an equity-settled share option plan that entitled employees to purchase shares in BTG. In accordance with the rules of the plan, options were 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 expired. Furthermore, options were forfeited if the employee left the Group before the options vested unless the conditions under which they left were such that they were considered to be a 'good leaver'. In this case their options remained exercisable for a limited period of time.

Sharesave plan

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

BTG International Limited

Notes to the financial statements (continued) for the 9 months to 31 December 2019

18 Share-based payments (continued)

Performance share awards

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

Deferred share bonus plan

The Group established a deferred share bonus plan for the purpose of making awards, initially to executive directors of BTG. This has been extended to selected members of senior management below Board level. The shares vested on the third anniversary of the grant date. Awards were forfeited if the employee left the Group before the awards vested, unless the conditions under which they leave were such that they were considered to be a 'good leaver'; in which case their award was released following their departure, though it may have been 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 was used. No options were issued in the 9 months to 31 December 2019. The assumptions used in the model for options issued in the year to 31 March 2019 are as follows.

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

The expected volatility was 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 were granted under a service condition, a non-market condition and a market condition. Service and non-market conditions were not taken into account in calculating the fair value measurement of the services received.

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

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Notes to the financial statements (continued) for the 9 months to 31 December 2019

18 Share-based payments (continued)

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

	9 months to 31 Dec 2019		Year to 31 Mar 2019	
	Number of share options (000)	Weighted average exercise price (p)	Number of share options (000)	Weighted average exercise price (p)
Share options				
Outstanding at 1 Apr	23	561.3	19	684.8
Granted during year	-	-	17	520.0
Lapsed	(1)	679.5	(13)	688.5
Exercised	(22)	561.3	-	-
Outstanding at 31 Dec/ 31 Mar	-	-	23	561.3
Exercisable at 31 Dec/ 31 Mar	-	-	-	-

	9 months to 31 Dec 2019		Year to 31 Mar 2019	
	Number of sharesave options (000)	Weighted average exercise price (p)	Number of sharesave options (000)	Weighted average exercise price (p)
Sharesave plan				
Outstanding at 1 Apr	15	488.6	13	539.4
Granted during year	-	-	8	428.3
Exercised during year	(8)	512.6	-	-
Lapsed during year	(7)	461.7	(6)	524.6
Outstanding at 31 Dec / 31 Mar	-	-	15	488.6
Exercisable at 31 Dec/ 31 Mar	-	-	-	-

	9 months to 31 Dec 2019 Number of share awards (000)	Year to 31 Mar 2019 Number of share awards (000)
Performance share awards		
Outstanding at 1 Apr	264	232
Granted during year	-	95
Lapsed during year	(22)	(63)
Exercised during year	(242)	-
Outstanding at 31 Dec/ 31 Mar	-	264
Exercisable at 31 Dec/ 31 Mar	-	-

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Notes to the financial statements (continued) for the 9 months to 31 December 2019

18 Share-based payments (continued)

	9 months to 31 Dec 2019 Number of share awards (000)	Year to 31 Mar 2019 Number of share awards (000)
<i>Deferred share bonus plan</i>		
Outstanding at 1 April	19	27
Granted during the year	-	6
Lapsed	-	(14)
Exercised during year	(19)	-
Outstanding at 31 Dec/ 31 Mar	-	19
Exercisable at 31 Dec/ 31 Mar	-	-

19 Ultimate and immediate parent company

The Company's ultimate parent company is Boston Scientific Corporation ('BSC'). BSC is registered in Delaware, USA. The Annual Report and Accounts of BSC are available to the public and may be obtained from 300 Boston Scientific Way, Marlborough, Massachusetts, USA.

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

20 Events after the end of the reporting period

COVID-19

In December 2019, the novel strain of coronavirus (SARS-Cov-2), and its disease commonly known as COVID-19, was reported in China and has since widely impacted the global public health and economic environment. In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic.

BTG International Limited recognises royalty revenue from the sale of Zytiga, a pharmaceutical product for the treatment of prostate cancer. 50% of the royalty received (net of certain eligible offsets) is paid out under a revenue share agreement and is recognised within cost of sales. In November 2019, rights to the other 50% of Zytiga® royalties were sold to OCM in exchange for a one-time, upfront cash receipt of US\$256 million (£199 million) as set out in the strategic review. Therefore, whilst COVID-19 may impact the amount of Zytiga® royalty income recognised in the future, it will have no impact, either adverse or favourable, on the future cash flows or financial position of BTG International Limited.