BTG International Limited

Annual Report and Financial Statements for the year ended 31 December 2022

Registered Number 02664412

BTG International Limited

Annual Report
for the year ended 31 December 2022

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BTG International Limited

Strategic report

Principal activities and business review

BTG International Limited (the 'Company') is a member of the Boston Scientific Corporation Group (the 'BSC Group' or the 'Group') comprising Boston Scientific Corporation ('BSC') and its subsidiary undertakings. The principal activity of the Company is the development and commercialisation of medical products and management of intellectual property.

There has not been any change to the Company's principal activity in the year under review and the Directors, at the date of this report, are not aware of any likely major change in the Company's activities in the next year.

Financial review

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

	2022	**2021**	Change
	£m	**£m**	£m
Royalty revenue	**100.8**	126.5	(25.7)
Revenue share	**(52.3)**	(63.1)	10.8
Gross profit	**48.5**	63.4	(14.9)
Gross profit %	*48%*	*50%*	

The Company's revenue for the year ended 31 December 2022 of £100.8m (2021: £126.5m) comprises royalties from products marketed by licensees, principally Zytiga®, a prostate cancer treatment. The decrease in revenue is a result of the continued impact of generic competition for Zytiga® as global patents lapse over time.

Revenue sharing with licensors on royalties received was £52.3m (2021: £63.1m). The decrease is directly attributable to the decrease in revenue.

The Company had an operating profit of £97.7m (2021: £74.5m).The main driver for this increase in profit was the recovery of an amount due from a Group company of £62.1m (2021: £24.2m) offset by the lower gross profit explained above and net foreign exchange losses of £12.0m (2021: £1.3m profit).

Principal risks and uncertainties

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

Financial risk management

Foreign Currency Exchange Risk
Zytiga® royalty income, which represents substantially all of the Company's revenue, is received in US Dollars, however on 26 November 2019, the Company sold its share of the rights to the royalties received from the Zytiga® Licence in exchange for a one-time, upfront payment effectively fixing the profit that the company would take from these royalties as the proceeds received, albeit the period of recognition and the income statement heading where it is recognised will depend on the actual royalties received and movements in the US dollar exchange rate. Furthermore the Zytiga® related cash inflows in US dollars are matched with outflows in US Dollars.

Credit risk
Credit risk is the risk that one party to the financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's receivables are predominantly funds deposited with the BSC Group's cash pooling arrangement.

BTG International Limited

Strategic report (continued)

Financial risk management (continued)

Liquidity risk
The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely. Primarily this is achieved through the Company's deposit with the BSC Group's cash pooling arrangement.

Zytiga® related claims against the Company

The BSC Group and its licensee Janssen Group were subject to three separate claims brought in Canada under section 8 of the Canadian Patented Medicines (Notice of Compliance) Regulations, by (1) Apotex, (2) Dr. Reddy's Laboratories, and (3) Pharmascience. These claims alleged lost sales of the plaintiffs' generic versions of Zytiga® purportedly owing to delay caused by unsuccessful patent infringement litigation brought against them. The cases brought by Apotex and Dr. Reddy's Laboratories were settled in the first half of 2023 with no liability as to the Company. The Pharmascience case is ongoing. The Company is defending the Pharmascience case but at this time it is not possible to predict the outcome of this proceeding or to make a reliable estimate of the expected financial effect, if any, that could result from its ultimate resolution.

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 with s172 of the Companies Act 2006.

The sole operation of the Company is to receive cash from royalties and distribute onwards to external intellectual property owners on a quarterly basis. There are no plans to expand the operations of the Company beyond this very narrow role, therefore there are no specific activities that demonstrate the Directors' actions with regards to s172.

On behalf of the Board

Jonathon Monson
Director

Registered Office
100 New Bridge Street
London EC4V 6JA

8 September 2023

Registered Number 02664412

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 December 2022. 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
Vance Brown

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.

Directors' indemnity provisions

The Bylaws of BSC contain a section that provides for indemnification of directors of BSC's subsidiaries (including the Company) under certain conditions, and BSC also has directors and officers insurance that covers the Company's directors. These provisions were in force throughout the period and remain in force at the date of this report.

Streamlined energy and carbon reporting

The Company is exempt from the Streamlined Energy and Carbon Reporting (SI 2018 No. 1155) regulations as the total energy use was less than 40 MWh over the reporting year.

Dividend

The Company declared and paid a dividend of £230.0m during the year (2021: £nil). The Directors do not propose a final dividend.

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2021: £nil).

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 3.

The Company participates in the BSC Group's cash pooling arrangement. The terms of the agreement allow the Company to increase or reduce its borrowings or deposit with the nominated company that acts as the in-house 'bank'. The in-house 'bank' has provided a loan facility of £100.0m to the Company.

The Directors have made enquiries of Group management and reviewed the financial position of the BSC Group, as set out in its Financial Statements for the year ended 31 December 2022, and are satisfied that the BSC Group has sufficient liquidity for the Company to continue to access the cash balance deposited with the in-house 'bank' and request funding through its loan facility where required throughout the going concern period considered.

The Directors have reviewed the financial performance and position of the Company and have assessed the monthly cash flow forecasts through to 30 September 2024 and considered the Company's ability to settle its expected cost commitments, the headroom in the cash flow forecast and the ability of the Company to control its capital expenditure.

The Directors noted that the Company's cash inflows from royalties match the cash outflows. Other than the settlement of its Corporation Tax liability through the in-house 'bank', the Company does not anticipate any material cash expenditure in the foreseeable future.

BTG International Limited

Directors' report (continued)

Going concern (continued)

The Directors noted as at 31 December 2022, the Company had £0.4m held in its bank accounts and £133,7m held on deposit with the in-house 'bank' (as at 31 July 2023, the balances stood at £0.1m and £119.0m respectively). At 31 December 2022 and 31 July 2023, the balance outstanding on the Company's Loan Facility was £nil.

On the basis of their assessment, taking into consideration all the matters set out above, the Directors have a reasonable expectation that the Company will be able to continue in operational existence for the period to 30 September 2024. Accordingly the financial statements have been prepared on a going concern basis.

Pension Scheme

In June 2021 the Directors gave notice to BTG DB Pension Trustees Limited that the Company wished to terminate its liability to contribute to the Fund. The Trustees have accepted this notice and the Fund was wound up on 24 February 2023.

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

Jonathan Monson
Director

Registered Office
100 New Bridge Street
London EC4V 6JA

8 September 2023

Registered Number 2664412

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 'Reduced Disclosure Framework'. 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 year ended 31 December 2022 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 17, 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 2022 and of its profit for the year 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. 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period from when the financial statements are authorised for issue until 30 September 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 set out on page 6, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax legislation in the United Kingdom. In addition, the company has to comply with laws and regulations relating to its operations, including those relating to data protection and guidance issued by the Medicines and Healthcare products Regulatory Agency (MHRA).
- We understood how the company is complying with those frameworks by making enquiries of management to understand how the company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation. We also reviewed correspondence with relevant authorities.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by assuming revenue to be a fraud risk. We incorporated data analytics into our testing of manual journals, including segregation of duties. We tested specific transactions backing to source documentation or independent confirmation, ensuring appropriate authorisation of the transactions.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations.
- Our procedures involved testing journals identified by specific risk criteria and ensuring that dividend payments complied with the relevant accounting and legal requirements.
- We also read the financial statements disclosures, corroborating to supporting documentation including the completion of a disclosure checklist to assess compliance with applicable laws and regulations.

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.

Ernst & Young LLP

Carl Stone (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading

8 September 2023

BTG International Limited

Income statement
for the year ended 31 December 2022

	Notes	2022 £m	2021 £m
Revenue	4	**100.8**	126.5
Revenue sharing		**(52.3)**	(63.1)
Gross profit		**48.5**	63.4
Operating expenses		**(12.9)**	(2.7)
Impairment of intangible assets	9	**-**	(8.4)
Movement in provision against receivables	5	**62.1**	24.2
Movement in valuation of investment	5	**-**	(2.0)
Operating profit	5	**97.7**	74.5
Financial income	7	**2.0**	-
Financial expense	7	**(9.5)**	(9.2)
Profit before tax		**90.2**	65.3
Tax charge	8	**(5.5)**	(7.8)
Profit for the year		**84.7**	57.5

All activity arose from continuing operations.

Statement of comprehensive income
for the year ended 31 December 2022

	Notes	2022 £m	2021 £m
Profit for the year attributable to equity shareholders		**84.7**	57.5
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains on defined benefit pension (net)	14	**1.1**	0.1
Deferred tax charge on defined benefit pension scheme		**(0.3)**	-
Total comprehensive income for the year		**85.5**	57.6

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

The notes on pages 13 to 26 form part of these financial statements.

BTG International Limited

Statement of financial position as at 31 December 2022

	Notes	2022	2021
Assets		**£m**	£m
Non-current assets			
Intangible assets	9	**0.2**	0.4
Investments	10	**0.1**	0.1
Total non-current assets		**0.3**	0.5
Current assets			
Trade and other receivables	11	**141.8**	329.8
Cash and cash equivalents		**0.4**	0.3
Deferred tax asset	8	**0.2**	1.1
Total current assets		**142.4**	331.2
Total assets		**142.7**	331.7
Equity			
Share capital	15	**0.1**	0.1
Retained earnings		**48.7**	193.2
Total equity		**48.8**	193.3
Non-current liabilities			
Deferred revenue	13	**27.8**	44.5
Employment benefits	14	**-**	2.3
Total non-current liabilities		**27.8**	46.8
Current liabilities			
Trade and other payables	12	**46.1**	57.0
Deferred revenue	13	**20.0**	34.6
Total current liabilities		**66.1**	91.6
Total liabilities		**93.9**	138.4
Total equity and liabilities		**142.7**	331.7

The financial statements were approved by the Board of Directors on 8 September 2023 and were signed on its behalf by:

Jonathan Monson
Director

The notes on pages 13 to 26 form part of these financial statements.

Registered Number 02664412

BTG International Limited

Statement of changes in equity for the year ended 31 December 2022

	Share capital £m	Retained earnings £m	Total equity £m
At 1 Jan 2021	**0.1**	**135.6**	**135.7**
Comprehensive income:			
Profit for the year	-	57.5	57.5
Actuarial gains on defined benefit pension (net)	-	0.1	0.1
Total comprehensive income for the year	**-**	**57.6**	**57.6**
At 31 Dec 2021	**0.1**	**193.2**	**193.3**
Comprehensive income:			
Profit for the year	-	84.7	84.7
Actuarial gains on defined benefit pension (net)	-	1.1	1.1
Deferred tax charge on defined benefit pension scheme	-	(0.3)	(0.3)
Total comprehensive income for the year	**-**	**85.5**	**85.5**
Transactions with owners:			
Dividend (Note 15)	-	(230.0)	(230.0)
Transactions with owners	**-**	**(230.0)**	(230.0)
At 31 Dec 2022	**0.1**	**48.7**	**48.8**

The notes on pages 13 to 26 form part of these financial statements.

BTG International Limited

Notes to the financial statements

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.

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 financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101'). The financial statements have been prepared under the historical cost convention.

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.

Notes to the financial statements (continued)

2 Significant accounting policies (continued)

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

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 3.

The Company participates in the BSC Group's cash pooling arrangement. The terms of the agreement allow the Company to increase or reduce its borrowings or deposit with the nominated company that acts as the in-house 'bank'. The in-house 'bank' has provided a loan facility of £100.0m to the Company.

The Directors have made enquiries of Group management and reviewed the financial position of the BSC Group, as set out in its Financial Statements for the year ended 31 December 2022, and are satisfied that the BSC Group has sufficient liquidity for the Company to continue to access the cash balance deposited with the in-house 'bank' and request funding through its loan facility where required throughout the going concern period considered.

The Directors have reviewed the financial performance and position of the Company and have assessed the monthly cash flow forecasts through to 30 September 2024 and considered the Company's ability to settle its expected cost commitments, the headroom in the cash flow forecast and the ability of the Company to control its capital expenditure.

The Directors noted that the Company's cash inflows from royalties match the cash outflows. Other than the settlement of its Corporation Tax liability through the in-house 'bank', the Company does not anticipate any material cash expenditure in the foreseeable future.

The Directors noted as at 31 December 2022, the Company had £0.4m held in its bank accounts and £133.7m held on deposit with the in-house 'bank' (as at 31 July 2023, the balances stood at £0.1m and £119.0m respectively). At 31 December 2022 and 31 July 2023, the balance outstanding on the Company's Loan Facility was £nil.

On the basis of their assessment, taking into consideration all the matters set out above, the Directors have a reasonable expectation that the Company will be able to continue in operational existence for the period to 30 September 2024. Accordingly the financial statements have been prepared on a going concern basis.

(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 each reporting 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 the 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) 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

BTG International Limited

Notes to the financial statements (continued)

2 Significant accounting policies (continued)

(c) Intangible assets (continued)

(iii) Income statement disclosure
Amortisation relating to acquired intangible assets is presented within operating expenses.

(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.

(d) Investments

Investments in 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.

(e) 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.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

(g) 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) 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.

(h) Employee benefits - 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 reporting date. The assumptions used to determine the valuation are shown in note 14. 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 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. The Company purchased two 'buy-in' policies that fully insure the liabilities of the plan before winding up the plan as described in note 14.

Notes to the financial statements (continued)

2 Significant accounting policies (continued)

(i) 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.

(j) 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.

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.

(k) 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.

(l) 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, with other movements recognised as financial income or expense.

(m) 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.

(n) 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.

2 Significant accounting policies (continued)

(o) 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 reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the 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 reporting 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 reasonable.

4 Revenue

Total revenue for the year was as follows:

	2022	2021
	£m	£m
Royalties	**100.8**	126.5

Geographic segment analysis

	2022	2021
	£m	£m
UK	**0.8**	3.1
USA	**100.0**	123.4
	100.8	126.5

5 Operating profit

	2022 £m	2021 £m
Operating profit is stated after charging/(crediting):		
Other net foreign exchange loss/(gain)	**12.0**	(1.3)
Amortisation of intangible assets (note 9)	**0.2**	2.3
Impairment of intangible assets (note 9)	**-**	8.4
Movement in provision against amounts due from Group undertakings	**(62.1)**	(24.2)
Movement in valuation of investment	**-**	2.0
Staff costs (note 6)	**-**	0.1

The Auditor's remuneration for the audit of the Company's annual financial statements was £0.1m (2021: £0.1m).

6 Staff costs

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

	2022 Number	2021 Number
Administration	**-**	1

	2022 £m	2021 £m
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	**-**	0.1
Social security costs	**-**	-
Pension costs	**-**	-
	-	0.1

The number of directors remunerated by the Company for the year ended 31 December 2022 was nil (2021: nil). The two directors of the Company who served during the year (2021: two) were remunerated by other BSC Group entities. They did not receive specific remuneration for their qualifying services as directors of BTG International Limited and no allocation of their remuneration costs has been made for the year (2021: £nil).

During the year, none of the directors (2021: two) exercised share options.

Notes to the financial statements (continued)

7 Financial income/expense

	2022 £m	2021 £m
Financial income		
Interest on loans to fellow Group companies	**2.0**	-

	2022 £m	2021 £m
Financial expense		
Other financial expense	**9.5**	9.2

8 Tax

	2022 £m	2021 £m
Current taxation		
Current year group relief payable	**4.9**	7.7
Total current taxation charge	**4.9**	7.7
Deferred taxation		
Deferred tax charge	**0.6**	0.4
Deferred tax – change in rate	**-**	(0.3)
	0.6	0.1
Total tax charge for the year	**5.5**	7.8

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% (2021: 19%). The differences are explained below:

	2022 £m	2021 £m
Profit before tax	**90.2**	65.3
Tax charge on profit at 19% (2021: 19%)	**17.1**	12.4
Non-taxable income	**(11.8)**	(4.2)
Change in rate	**-**	(0.4)
Difference between current tax and deferred tax rate	**0.2**	0.1
Other reconciling items	**-**	(0.1)
	5.5	7.8

8 Tax (continued)

Deferred tax

Deferred tax is calculated on temporary differences using a tax rate of 25% (2021: 19%). The movement on the deferred tax liability is as shown below:

	Asset £m
Deferred tax recognised at 1 Jan 2021	1.2
Income statement charge	(0.1)
Deferred tax recognised at 31 Dec 2021	1.1
Income statement charge	(0.6)
Other comprehensive income charge	(0.3)
Deferred tax recognised at 31 Dec 2022	**0.2**

The deferred tax assets, recognised at 25% (2021: 25%), were as follows:

	2022 **£m**	2021 £m
Accelerated capital allowances	**0.2**	0.2
Short-term timing differences	**-**	0.9
	0.2	1.1

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

An increase in the UK rate from 19% to 25% has been enacted to occur from 1 April 2023.

9 Intangible assets

	Patents and other IPR&D £m
Cost	
At 1 Jan 2022	36.8
Disposals	(23.0)
At 31 Dec 2022	**13.8**
Amortisation	
At 1 Jan 2022	36.4
Amortised during the year	0.2
Disposals	(23.0)
At 31 Dec 2022	**13.6**
Net book value	
At 31 Dec 2022	**0.2**
At 31 Dec 2021	0.4

Notes to the financial statements (continued)

10 Investments

	£m
At 1 Jan 2021	2.1
Movement in valuation of investment	(2.0)
At 31 Dec 2021 and 31 Dec 2022	**0.1**

Investments comprise non-current equity investments.

11 Trade and other receivables

	2022	2021
	£m	£m
Amounts due within one year:		
Amounts owed by Group companies	**133.9**	303.1
Accrued royalties	**7.9**	21.9
Other receivables	**-**	4.8
	141.8	329.8

Amounts owed by Group companies are repayable on demand and includes £113.7m (2021: £nil) which bears interest at SONIA plus a margin. The remainder is non-interest bearing.

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

The following table shows the movement in lifetime expected credit losses that have been recognised for amounts owed by Group companies.

	2022	2021
	£m	£m
At 1 Jan	**(62.1)**	(86.3)
Decrease in expected credit loss	**62.1**	24.2
At 31 Dec	**-**	(62.1)

During the year, the amount due from a BSC Group company was recovered in full with a corresponding reversal in the expected credit loss recognised.

12 Trade and other payables

	2022	2021
	£m	£m
Amounts falling due within one year:		
Trade payables	**0.1**	0.1
Amounts owed to Group companies	**4.9**	8.7
Other taxation and social security costs	**-**	0.1
Accruals and deferred income	**41.1**	48.1
	46.1	57.0

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

13 Deferred revenue

	2022	2021
	£m	£m
Deferred revenue due within one year	**20.0**	34.6
Deferred revenue due in more than one year	**27.8**	44.5
	47.8	79.1

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

14 Retirement benefit schemes

For eligible UK employees the Company operated a funded pension plan providing benefits based on final pensionable emoluments. The plan was closed to new entrants as of 1 June 2004 and the final active members left pensionable service on 5 April 2020. 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 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 was to be paid as a deferred premium following a data cleanse exercise.

This deferred premium was paid in April 2022. In the same month, the Just buy-in policies were fully bought-out, transferring the corresponding pension liabilities from the Fund to the insurer. In May 2022, the same process took place for the PIC buy-in policies. The buyout of the Fund has been accounted for as a settlement, using a settlement date of 30 April 2022 (as permitted under IAS19). From this date the assets and the liabilities in the Fund rounded to nil. For clarity, throughout this note we have adopted the convention that if a figure is truly nil we have shown it as '-'; if it is a small non-zero amount that rounds to nil to the nearest £0.1m, we have shown it as '£0.0m'.

In June 2021 the Directors gave notice to BTG DB Pension Trustees Limited that the Company wished to terminate its liability to contribute to the Fund. The Trustees have accepted this notice and the Fund was wound up on 24 February 2023.

Following the wind-up, the liabilities of the Fund will be fully extinguished. 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 (prior to the buyout transactions).

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'). Up to the point of the buyout transaction, the Company continued 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 bought-out, the gross assets and liabilities will be the same under the two measures (nil).

14 Retirement benefit schemes (continued)

The latest triennial valuation as at 31 March 2019 was completed in March 2020. No further valuations are expected given the insured status of the Fund.

The total employer contribution paid to the plan over 2022 was £1.2m. Now the Fund has been bought out, no further significant contributions are expected to be made.

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.

Following the settlement of the Fund's liabilities under IAS19 as at 30 April 2022, no further actuarial assumptions are required.

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

	30 Apr 2022	2021
Retail price inflation	**3.80% p.a.**	3.55% p.a.
Discount rate	**3.15% p.a.**	1.90% p.a.
Life expectancy at age 60 of a male age 60 at the accounting date	**87.8**	87.8
Life expectancy at age 60 of a male age 40 at the accounting date	**90.0**	89.9

The discount rate as at 30 April 2022 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 December 2021: same).

Assumptions regarding future mortality experience are set based on actuarial advice and in accordance with published statistics. The mortality tables used at 30 April 2022 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% pa for males and females respectively. These are the same assumptions adopted at year-end 31 December 2021.

The following table sets out related IAS19 assumptions used:

	30 Apr 2022	2021
Pension increases in deferment – RPI inflation	3.80% p.a.	3.55% p.a.
Pension increases in payment – RPI inflation	3.80% p.a.	3.55% p.a.
Pension increases in payment – inflation capped at 2.5%	2.25% p.a.	2.20% p.a.
General salary increases	n/a	n/a

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

	30 Apr 2022	2021
	£m	£m
Present value of defined benefit obligation	-	(125.9)
Fair value of scheme assets	(0.0)	123.6
Net liabilities recognised in the statement of financial position	(0.0)	(2.3)

14 Retirement benefit schemes (continued)

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:

	30 Apr 2022	2021
Insurance policy	**-%**	102%
Cash/net current assets	**100%**	(2%)
	100%	100%

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

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.

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 to 30 April 2022 are as follows:

	Obligation £m	Plan assets £m	Net asset/ (liability) £m
At 1 Jan 2022	(125.9)	123.6	(2.3)
Past service costs	-	-	-
Employer's part of the current service cost	-	-	-
Interest (cost)/ income	(0.8)	0.8	-
Curtailment and settlements	107.1	(107.1)	-
Administrative costs	-	-	-
Contributions by the employer	-	1.2	1.2
Contributions from plan members	-	-	-
Actuarial loss – experience	(1.5)	(16.9)	(18.4)
Actuarial gain – financial assumptions	19.1	-	19.1
Actuarial gain – demographic assumptions	0.4	-	0.4
Benefits paid	1.6	(1.6)	-
At 30 Apr 2022	**-**	**(0.0)**	**0.0**

Notes to the financial statements (continued)

14 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 to 31 December 2021 are as follows:

	Obligation £m	Plan assets £m	Net asset/ (liability) £m
At 1 Jan 2021	(136.6)	134.2	(2.4)
Past service costs	-	-	-
Employer's part of the current service cost	-	-	-
Interest (cost)/ income	(1.6)	1.6	-
Administrative costs	-	-	-
Contributions by the employer	-	-	-
Contributions from plan members	-	-	-
Actuarial gain/ (loss) – experience	0.5	(4.3)	(3.8)
Actuarial gain – financial assumptions	3.7	-	3.7
Actuarial gain – demographic assumptions	0.2	-	0.2
Benefits paid	7.9	(7.9)	-
At 31 Dec 2021	**(125.9)**	**123.6**	**(2.3)**

The actual return on the plan's assets over the period 31 December 2021 to 30 April 2022 was a loss of £16.1m (year to 31 December 2021: loss of £2.7m).

The weighted average duration of the defined benefit obligation pre-transaction as at 30 April 2022 was around 14 years (31 December 2021: around 16 years).

The administrative costs shown above are nil as they are paid directly by the Company 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	
		30 Apr 2022 £m	2021 £m	**30 Apr 2022 £m**	2021 £m	**30 Apr 2022 £m**	2021 £m
Discount rate	Decrease 0.1%	-	2.0	-	2.0	-	-
RPI inflation	Increase 0.1%	-	1.7	-	1.7	-	-
Life expectancy	Increase 1 year	-	5.2	-	5.2	-	-

Following the buyout of the Fund, the IAS19 balance sheet position is not sensitive to any actuarial assumptions as none are required.

BTG International Limited

Notes to the financial statements (continued)

15 Share capital

Movement in share capital and share premium

	2022 Number of shares	**2022** £m	2021 Number of shares	2021 £m
Allotted, issued and fully paid				
Ordinary shares of £1 each				
At 1 Jan and 31 Dec	**50,000**	**0.1**	50,000	0.1

Dividends

	2022 £m	2021 £m
Interim dividend of £4,600 per share (2021: £nil per share)	**230.00**	-

16 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) Limited, registered in England and Wales.

17 *Events after the reporting period*

As described more fully in note 14, the funded pension plan providing benefits based on final pensionable emoluments that had been operated by the Company was wound up on 24 February 2023.

The BSC Group and its licensee Janssen Group were subject to three separate claims brought in Canada under section 8 of the Canadian Patented Medicines (Notice of Compliance) Regulations, by (1) Apotex, (2) Dr. Reddy's Laboratories, and (3) Pharmascience. These claims alleged lost sales of the plaintiffs' generic versions of Zytiga® purportedly owing to delay caused by unsuccessful patent infringement litigation brought against them. The cases brought by Apotex and Dr. Reddy's Laboratories were settled in the first half of 2023 with no liability as to the Company. The Pharmascience case is ongoing. The Company is defending the Pharmascience case but at this time it is not possible to predict the outcome of this proceeding or to make a reliable estimate of the expected financial effect, if any, that could result from its ultimate resolution.