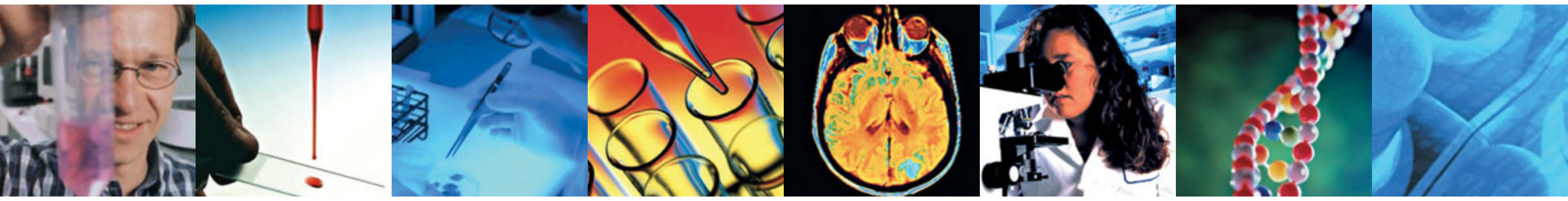
International Biotechnology Trust plc

Annual Report

Year ended 31 August 2015



Why invest in International Biotechnology Trust plc?

(IBT or the Company)

The biotechnology market

Biotechnology and novel techniques are increasingly utilised in the healthcare industry. These techniques are becoming essential in the development of innovative new drugs, which can have the potential to generate billion dollar revenues. The healthcare industry is large and continues to grow: in 2014 the US spent 36% more on healthcare than the whole of UK GDP.

Within the wider healthcare sector, the biotechnology sector is increasingly significant, and market capitalisations have kept pace with its increased profitability and growth potential. By the end of 2014, US quoted biotech companies within the NASDAQ Biotechnology Index (NBI) were valued in total at $945bn. Over the last five years the NBI has outperformed the S&P 500 Index and the NASDAQ 100 Technology Index by 212% and 185% respectively.

The biotechnology sector's future remains bright. The characteristics that have made it successful to date remain and there are still many diseases without effective treatment. From 2003 to 2013 two-thirds of all new drugs approved by the Food and Drug Administration (FDA) originated from biotech companies rather than from more traditional pharmaceutical companies.

IBT offers an excellent opportunity to invest in the biotechnology market

IBT is focused on identifying innovative drugs and medical devices that meet unmet medical needs. There are particular opportunities in complex disease areas, such as diabetes and cancer, which are substantial features of modern society, often associated with increasing longevity and unhealthy lifestyles.

Spending on specialty drugs increased by 26.5% to $124bn in 2014. It now accounts for one third of spending on medicines in the US, driven by a wave of recent innovations in the treatment of autoimmune diseases, hepatitis C and cancer. Rare diseases, which represent more than 20% of pharmaceutical costs also present attractive investment opportunities. They offer the possibility of gaining market exclusivity and a streamlined path to market, often paving the way to entry into large patient populations with similar disease mechanisms.

Drugs that can cure or alleviate disease have the potential to generate superior investment returns. But drug development is a long term business: the process of taking novel ideas through to approved and marketed products can take up to fifteen years. Significant value increasing events can occur throughout the drug development process. IBT, with its ability to invest in unquoted situations as well as quoted companies, taken together with its closed ended investment trust structure is particularly well suited to investing in such companies. Its portfolio approach provides risk diversification whilst still giving access to potentially exciting returns.

Whilst the larger biotechnology companies are now stable and highly cash generative, drug development remains risky. Successfully picking the winners from the losers requires deep medical knowledge and extensive industry contacts, and this remains a market for specialist investors, if the best opportunities are to be identified and exploited. IBT offers investors access to the expertise required to invest in this sector successfully.

Portfolio approach

IBT gives investors exposure to this important global sector. Currently the biotechnology sector is dominated by US companies. Investing in smaller biotechnology and emerging medical device companies carries higher risk than investment in their larger peers since earlier-stage companies typically have fewer products and more modest cash resources. Product successes or failures can therefore have a very significant effect on the prospects for these companies.

IBT is able to invest across a whole range of opportunities with differing investment characteristics; from early-stage innovation and product development in smaller companies to strong earnings driven growth in mid and large-cap companies.

Investing in a portfolio of companies across different sub sectors: drug development, medical devices and also healthcare service companies, allows IBT to gain exposure to both strong earnings growth and new technologies, while minimising the exposure to company specific risk.

Specialist management

IBT has appointed the specialist Investment Manager SV Life Sciences Managers LLP (SVLS). SVLS invests across the life sciences universe from small start-ups to large publicly quoted companies with very substantial revenues and profits. The core team is located in London, with other specialists located in Boston and San Francisco. These cities are important biotechnology innovation centres, allowing SVLS access to vital new opportunities, contacts and information.

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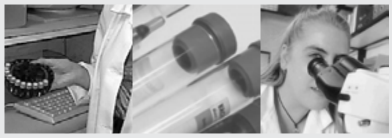
Further information on the Company may be found on the internet at **www.ibtplc.com**

Financial Summary

year ended 31 August 2015



	31 August 2015	31 August 2014	% Change
Group Performance			
Total equity (£'000)	**236,001**	214,970	9.8
Ordinary shares in issue[#] ('000)	**40,248**	54,333	(25.9)
Net asset value (NAV) per share	**586.4p**	395.7p	48.2
Share price	**551.5p**	314.5p	75.4
Share price discount	**(6.0)%**	(20.5)%	
Ongoing charges*	**1.5%**	1.7%	
Ongoing charges including performance fee	**2.0%**	1.7%	
Index Returns			
NASDAQ Biotechnology Index (NBI) (sterling-adjusted)	**2,327.37**	1,741.81	33.6
FTSE All-Share Index (Total Return)	**5,442.06**	5,572.21	(2.3)

[#] *Excludes those held in treasury (31 August 2015: 4,215,000; 31 August 2014: 1,425,000).*

* *Calculated in accordance with The Association of Investment Companies (the AIC) guidance. Based on total expenses excluding finance costs and performance fee and expressed as a percentage of average daily net assets. The ratio including performance fee has also been provided, in line with the AIC recommendations.*

Strategic Report – Long-term Record

As at 31 August	Total NAV £'000	Number[ii] of shares in issue	NAV per share pence	Annual Return %	Share price pence	Annual Return %	(Discount) /premium %	FTSE All-Share Total Return %
2015	**236,001**	**40,247,663**	**586.4**	**48.2**	**551.5**	**75.4**	**(6.0)**	**(2.3)**
2014	214,970	54,332,663	395.7	26.4	314.5	16.9	(20.5)	10.3
2013	172,672	55,157,663	313.1	34.7	269.0	31.5	(14.1)	18.9
2012	128,922	55,457,663	232.5	41.9	204.5	43.0	(12.0)	10.2
2011	91,764	56,007,663	163.8	5.6	143.0	6.9	(12.7)	7.3
2010	93,658	60,357,664	155.2	2.4	133.8	10.8	(13.8)	10.6
2009	98,255	64,832,664	151.6	(5.8)	120.8	(12.7)	(20.3)	(8.2)
2008	113,517	70,592,664	160.8	10.9	138.3	(0.9)	(14.0)	(8.7)
2007(i)	102,360	70,592,664	145.0	1.9	139.5	7.3	(3.8)	11.8
2006	66,951	47,065,467	142.3	17.3	130.0	24.7	(8.6)	16.8

[i] *Issue of 24,777,433 'C' shares on 12 February 2007, converted into 22,577,197 Ordinary shares on 24 May 2007. In addition, 950,000 Ordinary shares were issued on 12 July 2007.*

[ii] *Excludes treasury shares.*

Strategic Report – Chairman's Statement

Total return to 31 August 2015

	One year	Three years	Five years
IBT NAV per share	**48.2%**	**157.9%**	**280.4%**
IBT Share Price	**75.4%**	**169.7%**	**304.8%**
NBI (sterling)	**33.6%**	**161.1%**	**340.6%**
FTSE All-Share Index	**(2.3)%**	**29.3%**	**53.9%**

The year ended 31 August 2015 saw the strongest performance yet reported by the Company, in both absolute and relative terms against the NBI benchmark. The NAV rose by 48.2% to 586.4p per share, while the share price increased by 75.4%, from 314.5p to 551.5p. Over the same period, the FTSE All-Share gave a negative return of (2.3)%. This also represents a significant outperformance of the sector, compared to the return of the NBI (sterling denominated) of 33.6%.

For the fourth year in succession, the quoted portfolio generated strong absolute performance of 42.1% with material outperformance over the NBI achieved through contributions from across the portfolio. This was supported by an excellent year for the unquoted stocks, which produced a return of 60.4% driven by exits and listings. Currency movements during the year produced a favourable impact on the NAV of £18.7m.

Performance Fee

As noted above the demonstrably superior performance achieved by the Investment Manager on both the quoted and unquoted pools of investments has given rise to a fee of £1,348,000. This payment includes £211,000 to reflect the intention of the Schedule to the Management Deed rather than its strict wording.

The Board considers that SVLS gives the Company experienced fund management expertise with an excellent track record. The biotechnology sector is highly specialised and requires in depth expert knowledge that the fund manager provides being solely focused on the healthcare sector.

Share buybacks & discount

Over the period, the discount was reduced significantly, from 20.5% to 6.0%. The average discount for the period decreased to 12.6% from 15.0% for the year ended 31 August 2014. Contributing to this improvement has been the continuation of the Company's policy of strategic share buybacks. A total of 14,085,000 Ordinary shares were repurchased during the period (2014: 825,000), representing 25.3% of issued share capital at the beginning of the year. Of the shares repurchased, 10,995,000 have been cancelled, with 3,090,000 shares held in treasury. This reduced the overall Company NAV but enhanced the NAV per share by 24.3p because the shares were bought at a discount to NAV that averaged approximately 13.5%.

Since year end, a total of 510,000 further shares have been repurchased, for a consideration of £2.5m. A total of 1,125,000 ordinary shares previously held in treasury were cancelled since year end.

Investment in unquoted companies

Last year the Board decided to pause investments in new unquoted opportunities and to focus IBT's resources on the quoted portfolio. As noted above, the share prices of listed biotechnology stocks have risen significantly over the past 3 years, reflecting the maturation of the constituents of the index into more stable revenue-generating businesses. This reduction in the risk profile of the quoted portfolio provides a rationale for considering fresh investment opportunities in the unquoted area where the potential for substantial gains remains attractive. The Company will also continue to make additional follow-on investments in its existing unquoted portfolio in line with those companies' own development plans and where there is a strong investment case.

Board of Directors

Caroline Gulliver was appointed as a non-executive Director of the Company on 1 April 2015, and will be presented for election at the forthcoming Annual General Meeting (AGM). Dr David Clough has decided to retire after eleven years of service as a Director of the Company at the forthcoming AGM. The Company has benefited greatly from his considerable experience and valuable insights and, on behalf of Shareholders, I thank him for his contribution and wish him well in the future.

Prospects

The sector has experienced another year of impressive growth, and the fund's performance has beaten the benchmark set by the NBI. Excitement around developments in areas of key unmet medical need such as dementia, and novel approaches to cancer treatments continue to draw attention to the biotechnology sector and provide ongoing opportunities for value creation.

My belief is that investments in the biotechnology sector thus continue to offer excellent long-term investment opportunity. The healthcare sector is highly profitable with predictable and stable sales and earnings. Post-approval, innovative drugs and technologies benefit from market exclusivity due to intellectual property rights. The worldwide market for pharmaceutical products is increasing in line with a rising world population, a growing middle class in emerging market economies and an ageing population. In addition to the growth of the market, the sector's productivity has improved due to more effective drug development and differentiated regulatory review times for drugs meeting high medical need. However, the most important factor for the mid and long term positive outlook for the sector is the increasing understanding of the biology/pathology of human diseases. The great scientific advancements in many fields give hope to patients with mostly untreatable conditions and also help drug development by focusing the efforts on the right molecular targets and biological pathways.

Strategic Report – Chairman's Statement

The burden on global healthcare systems of changing demographics and population trends means that there is greater need than ever to develop new treatments for chronic conditions. These are being pursued with continued vigour and improving efficiency by both biotech and pharma companies and I continue to believe that the sector remains an excellent prospect for long-term growth. The expertise provided by our Investment Manager in identifying the best companies within the sector has a real impact in this complex field and has been successful as evidenced by the Company's impressive performance for the year.

The Company's Articles of Association require the Board to put a proposal for the continuation of the Company to shareholders at two yearly intervals. The next continuation vote will be put to shareholders at the forthcoming AGM in December, and the Directors strongly recommend shareholders vote in favour.

Annual General Meeting (AGM)

This year's AGM will be held at 12.30 pm on Wednesday 9 December 2015 at BNP Paribas Fortis, 5 Aldermanbury Square, London EC2V 7BP. In addition to the formal process of voting on various resolutions, the AGM is an opportunity for Shareholders to meet the Board and representatives of the Investment Manager.

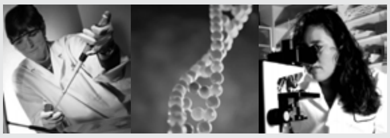
As in previous years, there will be a presentation from the Investment Manager. If you have any detailed or technical questions, it would be helpful if you could raise these in advance of the meeting by emailing the Company Secretary at secretarialservice@uk.bnpparibas.com or in writing to BNP Paribas Secretarial Services Limited, 55 Moorgate, London EC2R 6PA. Shareholders who are unable to attend the AGM are encouraged to use their proxy votes.

I look forward to welcoming as many of you as possible to the meeting.

Alan Clifton
Chairman

4 November 2015

Strategic Report – Investment Manager's Review



Best performing investments

	Contribution to NAV
Chimerix	**£6.2m**
Celgene	**£5.3m**
Incyte Genomics	**£5.2m**
Pharmacyclics	**£5.1m**
Regeneron	**£5.0m**

Worst performing investments

	(Reduction) in NAV
Biogen	**£(2.2)m**
Intercept pharmaceuticals	**£(1.3)m**
Mylan	**£(1.3)m**
TransEnterix	**£(0.7)m**
VITAE Pharmaceuticals	**£(0.6)m**

Summary – strong performance

In the year under review, the Company's NAV increased by 48.2%. Both parts of the portfolio contributed to this, with the quoted part of the portfolio increasing by 42.1%, and the unquoted portfolio increasing by 60.4%. The NBI (sterling denominated) returned 33.6% and the FTSE All-Share Index fell 2.3%.

Overview and performance

	2015	2014
Total portfolio companies	**101**	85
Quoted	**81**	61
Unquoted	**20**	24
NAV	**£236.0m**	£214.9m
Quoted*	**£219.1m**	£206.5m
Unquoted*	**£27.8m**	£18.2m
Other assets/(liabilities)	**£(10.9m)**	£(9.8m)
Legal commitments to investments in unquoted	**£0.6m**	£1.0m
Reserved for further investment in unquoted	**£2.2m**	£4.1m

**Adjusted for investments considered as part of the unquoted portfolio for performance evaluation purposes.*

Quoted and Unquoted performance

For the purposes of performance measurement, companies that were first invested in whilst in the unquoted pool and have now become quoted but which suffer from illiquidity or other restrictions on trading are retained in the unquoted portfolio. This mirrors the performance fee arrangements and the responsibilities of the fund managers from SVLS of the two portfolios. The performance review below reflects this analysis. At the period end the difference in analysis was represented by investments in Entellus and TransEnterix, representing £7.3m or 3.1% of NAV.

Quoted portfolio

The quoted portfolio returns were strong and outperformed the NBI by 8.5% in the period under review.

Chimerix, Celgene, Incyte, Pharmacyclics and Regeneron were the largest contributors to relative performance in the period. Sector momentum has been helped by significant news flow. Chimerix announced positive progress of its late stage anti-infective programme. Celgene has been executing well on its current franchise that is dominated by the sales of its lead asset Revlimid. Investors were also impressed by Celgene's strategic move to acquire Receptos, which has the potential to diversify its product mix with an exciting mid stage multiple sclerosis asset. In addition to the Receptos acquisition, Celgene has one of the sectors' broadest advancing pipelines. Pharmacyclics was acquired by AbbVie for $21bn in March and Incyte continued its successful launch of its lead drug Jakafi as well as announcing strong advances within their extensive drug pipeline. Regeneron benefited from higher than anticipated sales of Eylea and announced strong late stage data in its new approach to tackling high cholesterol. The FDA approved Regeneron's Praluent in July and the sales launch is set to begin towards the end of the calendar year.

The main detractor from absolute performance was Biogen, which was impacted by reduced sales expectations of its multiple sclerosis drug Tecfidera. However, on the positive side, Biogen announced early stage data for a treatment for Alzheimer's disease. It was early data, so expectations should be tempered. However, it showed signals that point to possibly halting the course of the disease. Should this data translate positively in later stage trials, this would be a significant advance for patients suffering from this devastating disease. The sales potential for this programme, if successful, is large and could easily surpass Gilead's hepatitis C treatment, Sovaldi, which has sales of over $10bn per annum.

During the year, the fund has used its gearing facility in a tactical manner when opportunities have arisen, reducing the position as and when it was felt valuations were over heated. The fund was 9.2% geared at the end of the year.

Unquoted investments

During the year ended 31 August 2015, the unquoted portfolio contributed £12.0m or 29.89p per share to the Company's NAV, a return of 60.4%.

As at 31 August, the Company held 9.0% in investments in thirteen active unquoted or classified as unquoted portfolio companies plus 2.7% in interests in seven further companies that have been sold, but where further gains are possible contingent on reaching drug development or financial milestones set at the point when those companies were sold.

Strategic Report – Investment Manager's Review

The main contributors to performance within the unquoted portfolio came from Convergence (£3.8m), Oncoethix (£2.4m), Entellus (£2.3m), Sutro (£1.1m) and Kalvista (£1.1m). There have been no significant changes to the investments contributing to the performance of the unquoted portfolio since the half year. Further details of the performance can be found in the interim financial statements available on the IBT website. There were no write downs or write offs of note in the period.

Follow-on investments were also made into eight existing holdings. Investments into all unquoted holdings totalled £3.1m. At the year end, there were further commitments totalling £0.6m and also additional estimated reserves of £2.2m to support existing unquoted portfolio companies. The proportion of unquoted companies in the portfolio has risen to 11.7% (31 August 2014: 9.7%) due to the increase in the value of contingent future payments on sold portfolio companies.

Outlook

Can biotech continue to outperform?

The biotechnology sector has been the top performing sector for the past five consecutive years, with 2015 set to be another year of excellent returns. The momentum of the sector is a result of a combination of factors, namely: new and exciting clinical data, strong drug launches and continued mergers and acquisitions.

Innovative new drug sub sectors

Last year investors were drawn to strong drug launches in hepatitis C and multiple sclerosis from Gilead and Biogen. This year's focus has shifted to new areas of development namely the exciting new data or drug approvals in Cystic Fibrosis (Vertex), Alzheimer's disease (Biogen) and cardiovascular disease (Amgen/Regeneron). This continuous stream of innovation and new product launches is far from over. Next year we will begin to see how the launches of Vertex's Orkambi and Amgen/Regeneron's PCSK9s pan out. Strong launches should bode well for the sector. We also expect to see new clinical data from across the industry, notably data from Biogen's Anti-LINGO drug in multiple sclerosis and further immune-oncology data which, if successful, could add to the momentum.

Valuations – large biotech

The main contributor to sector performance over the past five years has been the increase in valuations of the profitable biotechnology companies. In terms of forward P/E multiples, the sector has expanded from 9x in 2010 to 22x in 2015. However, over the same time period, the S&P 500's P/E multiple has expanded 85%. Therefore the strong absolute return that has so markedly outstripped the wider equity markets, has been driven mostly by earnings growth.

Valuations – small and mid-size biotech

These companies have also experienced a significant increase in valuations but we believe that they remain justified. Where we believe a valuation is inflated we have avoided investment, as was the case with some of the recent IPOs in the sector. It is important to note that merger and acquisition valuations are still at a premium to current market valuations, for example Alexion acquired Synergeva for $8.4bn when the market valued the company for less than half that. This highlights, not only that larger pharmaceutical companies still see value in the mid-cap arena, but also that the current backdrop of easy access to capital driven by low interest rates and strong cash generation makes acquisitive growth attractive.

Drug pricing

We would agree that one of the main risks facing the healthcare sector, is the perpetual increase in the cost burden faced by governments today. The cost, in percentage of GDP terms, is creeping up year on year in many western countries. However, drugs make up only 10% of the total healthcare bill in the US and that includes both branded and generic drugs. We believe innovative drugs will continue to secure robust prices despite the pressure on government spending. Other areas that we believe are more likely to be in focus when reducing expenditure are lengthy hospital stays and drugs without clear safety or efficacy benefits in an indication with existing approved treatment. This is why we choose to invest in highly innovative drugs for high unmet medical need. Moreover many of these new drugs actually reduce the overall cost burden by for example keeping a patient out of hospital. It is a simple and effective argument that we believe stands up to the pricing debate.

Conclusion

The outlook for the sector continues to be strong. Biotech companies continue to impress with their scientific breakthroughs and execution. We believe valuations are reasonable, at around 20x forward price/earnings ratios for true innovation and growth.

SV Life Sciences Managers LLP
Investment Manager

4 November 2015

Strategic Report – Ten Largest Investments

as at 31 August 2015

	Investment	Region	Sector classification	Fair value of holding £'000	2015 % of total equity	2014 % of total equity
1	Celgene	USA	Biotechnology	21,538	9.1	6.9
	A company engaged in the discovery, development and commercialisation of innovative therapies designed to treat cancer and immunological diseases. The company has four marketed products: Revlimid, Thalomid, Vidaza, Abraxane and a full pipeline of drug candidates in clinical development. Total revenues were $7.6bn in 2014.					
2	Gilead	USA	Biotechnology	17,563	7.4	9.8
	A company with an industry-leading franchise in hepatitis C and HIV drug development and commercialisation. Behind these programs the company has a diversified R&D and commercial portfolio covering other disease areas such as hypertension, oncology and cystic fibrosis. Total revenues were $24.5bn in 2014.					
3	Regeneron	USA	Biotechnology	16,904	7.2	3.7
	A company with two significant marketed drugs called Eylea, indicated to treat age-related macular degeneration and Praluent for patients with elevated cholesterol. Eylea is partnered with Bayer ex-US and Praluent is partnered with Sanofi. The Company also has a development deal with Sanofi. Total revenues were $2.8bn in 2014.					
4	Biogen	USA	Biotechnology	12,005	5.1	7.1
	A company developing, manufacturing and commercialising drugs primarily for inflammatory and autoimmune diseases as well as cancer. The company's major marketed products include Avonex, Tecfidera and Tysabri for the treatment of multiple sclerosis; and Rituxan for the treatment of blood-based cancers and rheumatoid arthritis. Total revenues were $6.7bn in 2014.					
5	Amgen	USA	Biotechnology	11,535	4.9	6.1
	A company that pioneered the development of novel products based on advances in molecular biology. Amgen markets products which are used to treat anaemia, oncology, and autoimmune diseases. In 2013, the company bought Onyx Pharmaceuticals to gain access to its growing oncology franchise. Total revenues were $20.1bn in 2014.					
6	Alexion	USA	Biotechnology	10,909	4.6	7.3
	A company whose main drug product Soliris is approved for the treatment of PNH and aHUS, both are rare 'orphan' disease indications. The company has successfully expanded the number of diseases treated for Soliris which has the potential to generate future "blockbuster" sales. Total revenues were $2.2bn in 2014.					
7	Vertex	USA	Biotechnology	9,329	4.0	1.8
	A company engaged in the discovery and development of small molecule drugs for serious diseases. Vertex's pipeline is primarily focused on cystic fibrosis. The key value drivers are marketed products Kalydeco and Orkambi both now launched for the treatment of cystic fibrosis. Total revenues were $0.6bn in 2014.					
8	Chimerix	USA	Biotechnology	7,507	3.2	3
	A company focused on developing novel, oral anti-viral drugs. The company has a phase three drug candidate called brincidofovir to treat viral infections such as cytomegalovirus and adenovirus. The company has an excellent management team who previously worked at Pharmasset which was sold to Gilead for $11.0bn in 2014.					
9	Incyte	USA	Biotechnology	7,085	3.0	1.7
	A company focused on oncology and inflammation. The lead product, Jakafi, is approved in the USA for the treatment of myeloflbrosis and polycythemia vera. Total revenues were $511m in 2014.					
10	Biomarin	USA	Biotechnology	7,056	3.0	3.3
	A company developing and commercialising drugs for rare genetic diseases of growth and metabolism. The company's product portfolio comprises four approved products - Naglazyme, Aldurazyme, Kuvan and Firdapse, and multiple clinical and preclinical drug candidates. Total revenues were $751m in 2014.					
	Total			**121,431**	**51.5**	

At 31 August 2014, the ten largest investments represented 54.1% of the NAV.

All of the above investments are in quoted companies.

Strategic Report – Unquoted Investments

as at 31 August 2015

	Investment	Region	Sector classification	Fair value of holding £'000	% of total equity
1	Kalvista Pharmaceuticals	Europe	Biotechnology	2,562	1.1
	An ophthalmology company developing Plasma Kallikrein inhibitors for the intra vitreal and oral treatment of Diabetic Macular Edema, which has been spun out of Vantia.				
2	Sutro Biopharma	USA	Biotechnology	2,490	1.1
	A company developing the production of low-cost, high quality rapidly developed products, such as antibody drug conjugates and technology for manufacturing protein pharmaceuticals and innovative vaccines.				
3	ReShape Medical	USA	Medical Devices	1,746	0.7
	An early-stage company developing an endoscopically placed balloon in the stomach without surgery to stimulate the sensation of being full and so modulate appetite. The device is designed to be easily implantable and removable to facilitate temporary, as well as long-term, use.				
4	NCP Holdings	USA	Medical Research Services	1,606	0.7
	Trading as Nordic Consultancy Partners. A company focused on providing Epic-only consulting within the US – implementation support and optimisation. Epic makes software for mid-size and large medical groups, hospitals and integrated healthcare organisations – working with customers that include community hospitals, academic facilities, children's organisations, safety net providers and multi-hospital systems.				
5	EBR Systems	USA	Medical Devices	1,379	0.6
	An early-stage company developing the first wireless cardiac stimulation device. The existing market for CRT devices exceeds $3bn in annual sales and is expected to experience significant growth over the next five years.				
6	Atopix Therapeutics/Oxagen	Europe	Biotechnology	1,350	0.6
	An early-stage biotechnology company developing a pipeline of novel drugs to treat inflammatory diseases. The company's portfolio includes a lead drug programme with the potential to treat asthma and other respiratory and inflammatory conditions with a once daily pill.				
7	Autifony Therapeutics	Europe	Biotechnology	773	0.3
	A company focused on delivering drugs for hearing disorders by targeting specific ion channels which regulate the neuronal activity within the auditory system.				
8	TopiVert	Europe	Biotechnology	765	0.3
	A company developing small, novel molecule medicines as topical treatments for inflammatory diseases of the gut and eye. Founded in 2011 as a spin out of RespiVert, following its acquisition by Centocor Ortho BioTech (now Janssen BioTech).				
9	Karus Therapeutics	Europe	Biotechnology	647	0.3
	A drug discovery and development company focused on the delivery of novel compounds for the treatment of inflammatory disorders and oncology indications.				
10	Spinal Kinetics	USA	Medical Devices	417	0.2
	A company pioneering a new generation of artificial discs for treating degenerative disc disease in the cervical and lumbar spine. The company's unique technology is designed to replicate a natural vertebral disc in its structure and physiologic range of motion in all planes, including axial compression and rotation. This "natural" artificial disc has been designed to enable patients to move freely while enjoying a sustained quality of life.				
11	Delenex Therapeutics	Europe	Biotechnology	296	0.1
	A clinical stage biotechnology company specialised in the development of highly tissue-penetrant therapeutic antibodies. The company's efforts are focussed in the field of dermatology and immuno-inflammation.				
	Total			**14,031**	**6.0**

1. *Entellus Medical and TransEnterix are included in the unquoted portfolio from a performance and reporting perspective, but are quoted on the NASDAQ and NYSEMKT respectively. Information regarding these companies is publicly available.*
2. *Investments in unquoted companies that have previously been written down to nil net book value, but where ownership in the company is retained are not disclosed in this table.*

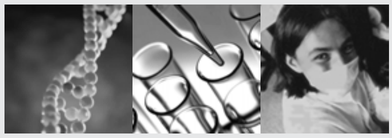
Strategic Report – Unquoted Investments

as at 31 August 2015

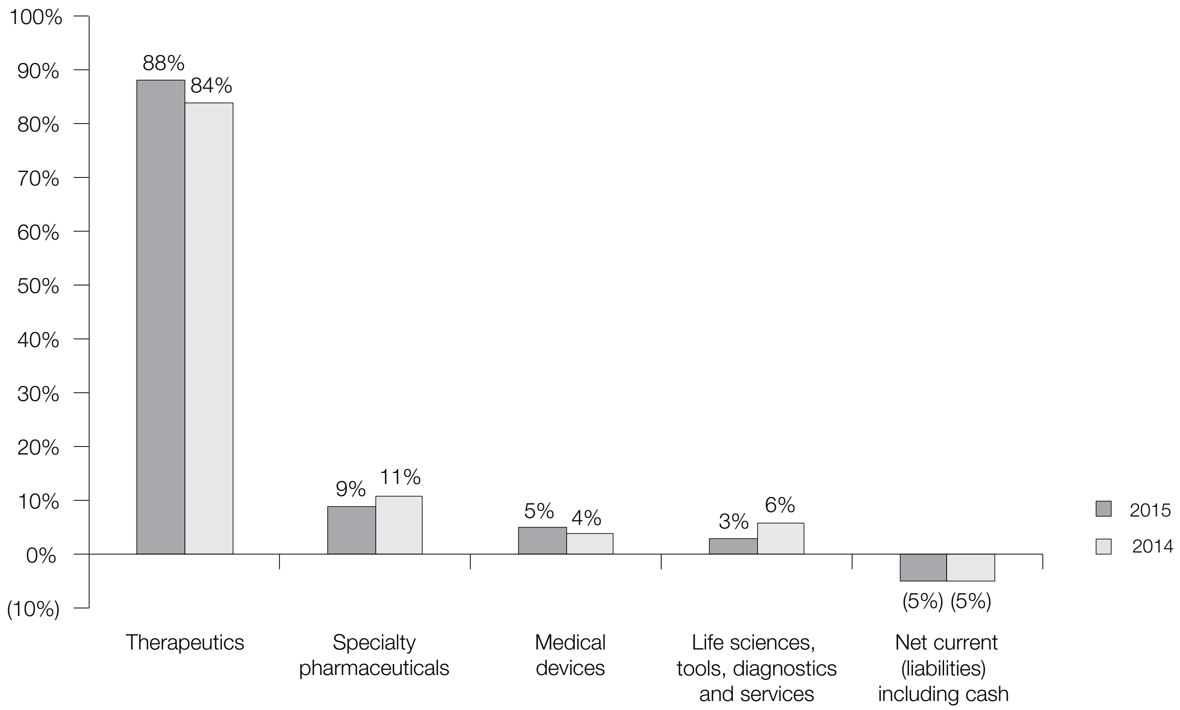
Exited unquoted companies for which the Company retains rights to receive future contingent performance-based payments are shown below.

	Investment	Region	Sector classification	Fair value of holding £'000	% of total equity
1	Ikano Therapeutics	USA	Biotechnology	2,223	0.9
	A company focused on nasally delivered pharmaceutical products that was sold to Upsher Smith Laboratories in May 2010. The terms of deal provide for an upfront payment and a series of milestones.				
2	Convergence Pharmaceuticals	Europe	Biotechnology	2,192	0.9
	A company, spun out from GSK, focused on developing novel analgesic/pain relieving drugs.				
3	Oncoethix	Europe	Biotechnology	1,490	0.6
	A company, acquired by Merck in December 2014, focused on developing a portfolio of three promising new drugs for cancer treatment.				
4	ESBATech	Europe	Biotechnology	216	0.1
	Valuation represents amounts due from Escrow following takeover by Alcon. The terms of the deal provide for milestones which if successfully achieved would provide a further £4.3m in addition to current value. ESBATech had a technological platform that allows the development of human single-chain antibody fragments. These are being developed for three ophthalmological indications.				
5	Itero Holdings LLC	USA	Biotechnology	178	0.1
	A company that was sold to Watson in 2010. The terms of the deal provide for an upfront payment and a series of milestones, which if successfully achieved could provide a further £0.5m in addition to the current value. Itero Holdings LLC was developing a Recombinant Follicle Stimulating Hormone (rFSH).				
6	Archemix	USA	Biotechnology	78	0.0
	A company that was sold to Baxter in 2010. focused on the development of haemophilia therapy. The terms of the deal provide for an upfront payment and series of milestones.				
7	Celerion	USA	Medical Services	55	0.0
	A company that was sold to a private equity investment fund (MTS Health Investors LLC) in October 2014. The terms of the deal provide for an upfront payment and series of milestones. The company is focused on Applied Translational Medicine to enable decision making in drug development.				
	Total			**6,432**	**2.6**

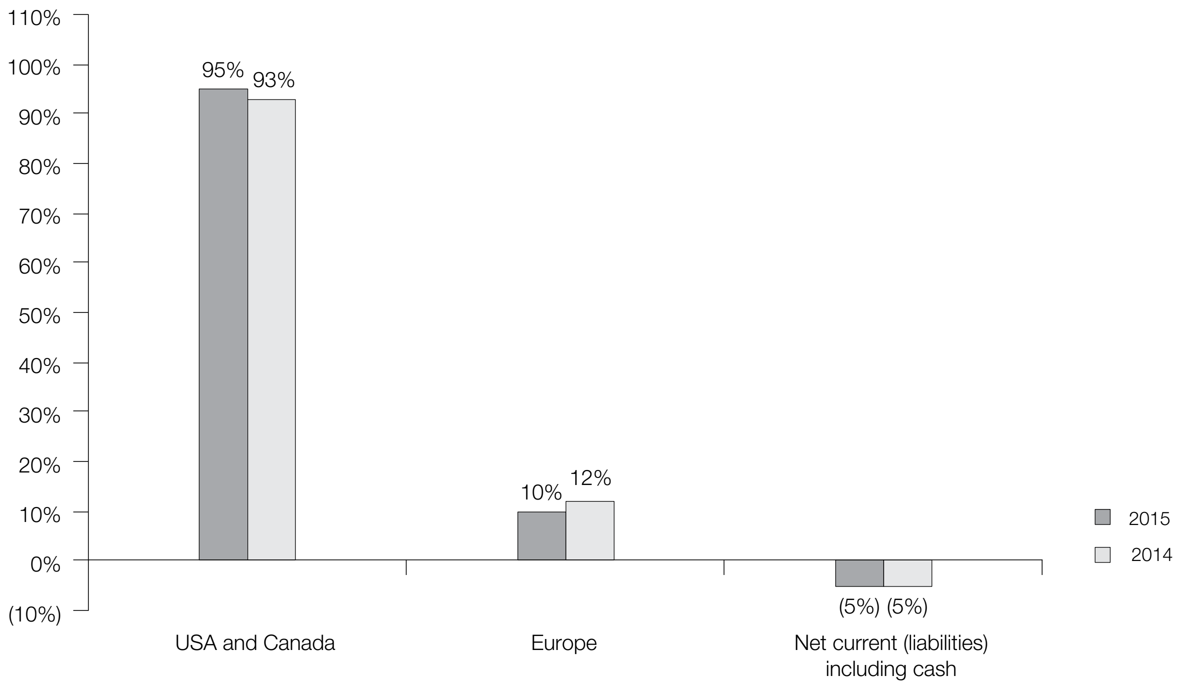
Strategic Report – Classification of Investments



Classification of investments by sector
as at 31 August



Classification of investments by region
as at 31 August



The figures stated above are expressed as a percentage of NAV.

Strategic Report – Strategic Review

The Directors present their Strategic Review for the Company and the Group for the year ended 31 August 2015.

Pages 3 to 14 inclusive (together with the sections of the Annual Report incorporated by reference) consist of a Strategic Report that has been prepared in accordance with Section 414A of the Companies Act 2006 (the Act).

The Strategic Report contains a review of the Company's strategy and business model as well as the principal risks and challenges it faces, an analysis of its performance during the financial year and its future developments.

Business model

The Group comprises the Company and its wholly owned Subsidiary, IBT Securities Limited, whose business is to hold investments. The Company's results are consolidated with those of its Subsidiary to produce Group results.

IBT is an investment company as defined in Section 833 of the Act and its Ordinary shares are listed and traded on the London Stock Exchange. The Company is incorporated in England and Wales as a public limited company and domiciled in the UK.

Life of the Company

The Company's Articles of Association provide for Directors to put forward a proposal for the continuation of the Company at the AGM at two-yearly intervals. The last continuation vote was held at the AGM on 11 December 2013 and was passed on a show of hands. Proxy votes cast in respect of the last continuation vote were 30,584,711 (96.77%) in favour, 1,020,000 (3.23%) against and 4,018 withheld. The next continuation vote will be put to Shareholders at the forthcoming AGM in December, and the Directors strongly recommend Shareholders vote in favour.

Investment objective

The Company's investment objective is to achieve long-term capital growth by investing in biotechnology and other life sciences companies.

Investment policy

The Company will seek to achieve its objective by investing in a diversified portfolio of companies which may be quoted or unquoted and whose shares are considered to have good growth prospects, with experienced management and strong potential upside through the development and/or commercialisation of a product, device or enabling technology. The portfolio is diversified by geography, industry sub-sector and investment size with no single investment normally accounting for more than 15% of the portfolio at the time of investment.

The portfolio is split between large, mid and small-capitalisation companies, primarily listed on stock exchanges in North America, where the most established and commercial biotech companies are based, though investments will also be made in Europe, Asia and Australia. Investments will also be made into selected unquoted companies where the Investment Manager has expertise.

The Company may invest through equities, index-linked securities and debt securities, cash deposits, money market instruments and foreign currency exchange transactions. Forward or derivative transactions are not used by the Company.

Investment strategy

The Company has delegated responsibility for day-to-day investment of its assets to the Alternative Investment Fund Manager (AIFM), SVLS. Consistent with the Company's investment policy SVLS makes the majority of its investments in biotechnology companies focused on drug discovery and development. Investments are also made in related sectors such as medical devices or healthcare services.

While the Company's portfolio is held as one pool of assets, for operational purposes there is a quoted portfolio and an unquoted portfolio. SVLS uses a bottom up approach focused on assessing the fundamentals of each investment. The universe of possible investments is assessed and reduced to take into account a number of key criteria such as disease area target and market, unmet medical need, management team, stock liquidity, market capitalisation, product portfolio and competition. The risk/reward of each investment is assessed on its own merits.

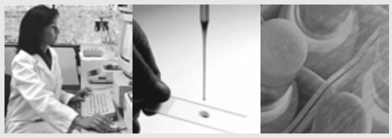
The Company has a £35.0m overdraft facility in place with HSBC Bank plc. This facility was extended from £30.0m during the year under review and provides the Company with funds to take advantage of investment opportunities that occur from time to time on occasions when the portfolio is otherwise fully invested. It is the intention of the Board that borrowings are made to exploit specific investment opportunities, rather than to apply long-term structural gearing to the Company's portfolio of investments.

Investment limitations

The Board imposes various investment limits and restrictions as follows:

- The Company will invest primarily in biotechnology and other life science companies that are either quoted or unquoted and possess potential for high growth.
- The Company will not invest more than 15%, in aggregate, of the value of its gross assets in any one individual stock at the time of acquisition.
- The great majority of the Company's assets will be invested in the quoted biotechnology sector with a global mandate across the entire spectrum of listed companies. The weighting of investment in unquoted companies will vary according to the attractiveness of the opportunities identified.

Strategic Report – Strategic Review



- Gearing is restricted to 30% of NAV – a limit that is reviewed at least annually by the Board. It is the intention of the Board that borrowings are made to exploit specific investment opportunities, rather than to apply long-term structural gearing to the Company's portfolio of investments.
- The Company will not invest more than 15%, in aggregate, of the value of its gross assets in other closed-ended investment companies listed on the London Stock Exchange or any other stock exchanges.

Changes to the investment objective, investment policy and investment strategy

Under the Listing Rules, the Company is required to seek the approval of Shareholders for any material changes to the published investment policy and in such circumstances, an ordinary resolution would be proposed at a General Meeting. Any changes to the investment strategy are agreed by the Board of the Company.

Performance

An outline of performance, market background, investment activity and portfolio strategy during the year under review, as well as the outlook, is provided in the Chairman's Statement on pages 4 and 5 and the Investment Manager's Review on pages 6 and 7.

Measuring performance – key performance indicators (KPIs)

The Board uses the following KPIs to help assess progress against the Company's investment objective, further details of which can be seen in the Financial Summary on page 2.

Absolute investment returns

The Company's stated investment objective is to achieve long-term capital growth and therefore the Board considers the progress of the NAV per share to be the principal measure of the Company's success in meeting its objective.

Relative investment returns

The Board continues to compare its own returns against the NBI (sterling-adjusted) and the FTSE All-Share Index as well as other biotechnology funds over the longer-term.

Discount to the NAV

The Board routinely monitors the level of share price to NAV and acts to limit its volatility and extent.

Ongoing charges (OC)

The Company's OC are used as a further KPI to demonstrate the Company's ability to control costs to maximise Shareholder returns.

Principal risks and uncertainties

The Board uses a framework of key risks which affect its business, and related internal controls designed to enable the Directors to take steps to mitigate these risks as appropriate. A full analysis of the Directors' system of internal control is set out in the Corporate Governance Statement on page 23.

The Company's key risks include:

Market risk

The Company's returns are affected by changes in economic, financial and corporate conditions which can cause market fluctuations; a significant fall in equity markets is likely to affect adversely the value of the Company's portfolio. SVLS provides the Board with information on the market at each Board meeting and the Board discusses appropriate strategies to manage the impact of any significant change in circumstances. The biotechnology sector has its own specific risks leading to higher volatility than broad equity market indices. While the Company seeks to maintain a diversified portfolio within the confines of the current investment policy, biotechnology sector-specific or equity market risks cannot be eliminated by a diversified exposure to global biotechnology.

Investment and strategy risks

Alignment of the investment strategy with the Company's investment objective is essential and an inappropriate approach by SVLS towards stock selection and asset allocation may lead to loss and/or underperformance and failure to achieve the Company's objective of long-term capital growth, resulting in a widening of the discount. The Board manages these risks through its framework of investment restrictions and regular monitoring of SVLS' adherence to the agreed investment strategy.

SVLS provides regular reports to the Board on portfolio activity, strategy and performance, as well as risk monitoring. The reports are discussed in detail at Board meetings, which are all attended by the Investment Manager, to allow the Board to monitor the implementation of investment strategy and process.

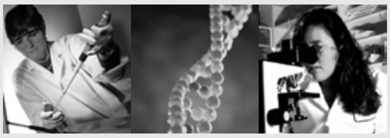
Currency risk

The Financial Statements and performance of the Company are denominated in sterling because it is the currency of most relevance to the Company's investors. However, the majority of the Company's assets are denominated in US dollars. Accordingly, the total return and capital value of the Company's investments can be significantly affected by movements in foreign exchange rates. It is not currently the Board's policy to hedge against foreign currency movements.

Discount to the NAV

Failure to meet investment objectives and/or poor sector-specific or general equity sentiment can affect the Company's share price, resulting in shares trading at a relatively large discount to the underlying NAV. The Board continually reviews the Company's investment performance, taking into account changes in the market, and regularly reviews the position of the NAV per share compared to the share price. Further information on the Company's discount is provided in the Chairman's Statement on page 4.

Strategic Report – Strategic Review



Tax, legal and regulatory risks
To qualify as an investment trust, the Company must comply with Section 1158 Corporation Tax Act 2010 (CTA). Further details of the Company's approval under Section 1158 CTA are set out in the Directors' Report in "Principal activities".

A breach of Section 1158 CTA could result in the Company being subject to Capital Gains Tax on the sale of investments. Consequently, pre-trade compliance checks are embedded into the investment procedures of SVLS. Reports confirming the Company's compliance with the provisions of Section 1158 CTA are submitted by SVLS to each Board meeting together with relevant portfolio and financial information.

The Company and the Group is also subject to other laws and regulations, including the Act, Financial Conduct Authority (FCA) Listing, Prospectus and Disclosure and Transparency Rules and AIFMD. Breaches of these laws and regulations could lead to criminal action being taken against Directors or suspension of the Company's shares from trading. SVLS and the Company Secretary provide regular reports to the Board on compliance with relevant provisions and report breaches without delay. The Board also relies on the services of its other professional advisers to minimise these risks.

Operational risks
As the Company's main functions are delegated to third party service providers, operational risk arises from insufficient processes of internal control which would include compliance with statutes and regulations governing the functions of the Company.

Such risks are assessed by the Audit Committee, which receives regular reports from its main service providers as to the internal control processes in place within those organisations.

Social and environmental policy
The Board recognises the requirement under Section 414C(7) of the Act to detail information about environmental matters (including the impact of the Company's business on the environment), any Company employees and social and community issues; including information about any policies it has in relation to these matters and effectiveness of these policies.

As an investment company, the Company has no direct social, community, employee or environmental responsibilities and delegates all its functions to third party services providers. Details of the Investment Management Agreement and arrangements with other advisers, are provided in the Directors' Report on page 17.

SVLS takes into account these considerations when making investment decisions and determines its voting instructions at investee company meetings accordingly. Full details around the application of the UK Stewardship Code can be found in the Directors' Report on page 23.

Further, the Company has not adopted a policy on Human Rights.

Gender representation on the Board
During the year under review, there were four male Directors and two female Directors on the Board.

Current and future developments
Details of the Company's developments during the year ended 31 August 2015, along with its prospects for the future are set out in the Chairman's Statement on pages 4 and 5 and the Investment Manager's Review on pages 6 and 7. These are not intended to be detailed forecasts.

On behalf of the Board

BNP Paribas Secretarial Services Limited
Company Secretary

4 November 2015

Directors' Biographies

Alan Clifton (Chairman)
Alan Clifton was appointed as a non-executive Director of the Company on 21 February 2001 and subsequently as Chairman on 13 April 2012. He was previously the managing director of Morley Fund Management (now Aviva Investors), the asset management arm of Aviva plc, the UK's largest insurance group. He is currently chairman of JPMorgan Japan Smaller Companies Trust plc and of Schroder UK Growth Fund plc, and a director of several other investment companies.

John Aston, OBE (Chairman of the Audit Committee)
John Aston was appointed as a non-executive Director of the Company on 23 February 2011 and as Chairman of the Audit Committee on 15 April 2011. He was chief financial officer of Astex Therapeutics Limited between January 2007 and May 2010, and was chief financial officer of Cambridge Antibody Technology for ten years to 2006. Prior to this he was a director in investment banking with Schroders in London and previously worked for British Technology Group and Price Waterhouse. He is a Chartered Accountant and has a degree in Mathematics from Cambridge University. He is currently a director of Polar Capital Global Healthcare Growth and Income Trust plc, Calchan Holdings Limited and a member of the Advisory Board of the CRT Pioneer Fund.

Dr Véronique Bouchet
Véronique Bouchet was appointed as a non-executive Director of the Company on 1 September 2009. She is the founder director of Novudel Associates, a lifesciences consultancy company. She has previously held a variety of senior international roles in the healthcare industry across several therapeutic areas and functions. She is a non-executive director of Stevenage Bioscience Catalyst, a trustee of Breast Cancer Now and a member of the Council of Queen Mary, University of London. She has an MB BS from St Bartholomews's Hospital Medical School and holds a BSc in Psychology from University College London. She has an MBA from INSEAD, and has been awarded the Institute of Directors' Diploma in Company Direction (Distinction).

Dr David Clough
David Clough was appointed as a non-executive Director of the Company on 25 February 2004. He was director of Research at Roche in the UK between 1986 and 1999. He was responsible for over 300 staff with departments covering chemistry, biology and pre-clinical development. He holds a BSc and PhD in Physiology from the University of Glasgow.

Caroline Gulliver
Caroline Gulliver was appointed as a non-executive Director of the Company on 1 April 2015. She spent a 25 year career with Ernst & Young LLP, from where she retired in 2012 to pursue other interests including non-executive directorship positions. She is a chartered accountant with a background in the provision of audit and advisory services to the asset management industry, with a particular focus on investment trusts. She is also a non-executive director of JPMorgan Global Emerging Markets Income Trust plc.

Jim Horsburgh
Jim Horsburgh was appointed as a non-executive Director of the Company on 1 February 2013. He commenced his career in 1977, joining Hill Samuel Investment Management as a graduate trainee. He moved to the ICI Pension Fund in 1979 and Abbey Life Assurance Company in 1982, where he managed the company's flagship life and pension equity funds. In 1984 he joined Schroder Investment Manager (SIM) as a UK pension fund manager becoming an account director, a director and in 1998 UK managing director. He left Schroders in 2001 and, following a career break, was chief executive of Witan Investment Trust plc from February 2004 to October 2008.

All Directors are independent

All Directors are members of the Audit, Management Engagement and Nomination Committees.

Mr Clifton is Chairman of the Management Engagement and Nomination Committees as well as the main Board.

Directors' Report

(incorporating the Corporate Governance Statement)

The Directors present their Report and the audited Financial Statements of the Company and the Group for the year ended 31 August 2015.

Information disclosed in the Strategic Report

The following matters required to be disclosed in this Report under the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 are covered in the Strategic Report on pages 3 to 14: the Company's status, investment objectives, investment policy, investment strategy, investment limitations, financial risk management, the Company's exposure to risks and the current and future developments (this is not intended to be a detailed forecast) as well as important events affecting the Group since the year end.

Principal activities

The principal activity of the Company is the making of investments in accordance with the investment objective and policy set out on page 12. The Board delegates investment management of the Company's portfolio to SVLS. A description of the Company's activities and strategy during the year, as well as the outlook, is given in the Chairman's Statement on pages 4 and 5 and the Investment Manager's Review on pages 6 and 7.

The Company conducts itself as an approved investment trust for the purposes of Section 1158 CTA which allows exemption from Capital Gains Tax. Such approval has been granted from HM Revenue & Customs (HMRC) and the Directors expect the affairs of the Company to continue to satisfy the conditions for exemption.

The current portfolio of the Company is such that its shares are eligible for inclusion in an ISA, and the Directors expect this eligibility to be maintained.

The Company currently conducts its affairs so that its shares can be recommended by Independent Financial Advisers in the UK to ordinary retail investors in accordance with the FCA rules in relation to non-mainstream investment products and intends to continue to do so. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an authorised investment trust.

Results and dividends

The results for the year are shown in the Group Statement of Comprehensive Income on page 34. The Company has not declared a dividend (2014: £nil).

Share capital

The Company held a General Meeting on Monday, 24 November 2014 in order to renew the Shareholder authority to repurchase shares. At this Meeting, Shareholders gave approval for the Company to purchase up to 7,438,437 Ordinary shares of its own capital for cash, being 14.99% of the share capital in issue as at the date of the Notice of Meeting. This authority expired and was replaced with a new authority at the AGM on Tuesday, 16 December 2014. At this Meeting, Shareholders gave approval for the Company to purchase up to 7,504,393 Ordinary shares of its own capital for cash, being 14.99% of the share capital in issue as at the date of the Notice of Meeting. During the year under review the Company repurchased 14,085,000 Ordinary shares, (of which 3,090,000 were purchased into treasury and 10,995,000 were cancelled) representing 25.9% of the issued share capital at the start of the year. The Company also cancelled 300,000 Ordinary shares previously held in treasury. Subsequent to the year end, the Company repurchased 510,000 Ordinary shares for holding in treasury and cancelled 1,125,000 Ordinary shares previously held in treasury. The issued share capital of the Company is detailed in note 14 to the Financial Statements. The total number of Ordinary shares at the date of this report is 43,337,663 of which 3,600,000 Ordinary shares are held in treasury.

Directors

The biographies of the Directors of the Company are set out on page 15, all of whom were in office during the year and up to the date of the signing of the Financial Statements with the exception of Caroline Gulliver who was appointed on 1 April 2015. The Board has previously disclosed its intention to look to refresh the Board over the coming years and accordingly, Caroline Gulliver was appointed as a non-executive Director with effect from 1 April 2015. David Clough has decided to retire at the conclusion of the Company's AGM scheduled for Wednesday, 9 December 2015.

The Board has agreed a formalised policy on tenure as outlined in the Corporate Governance Statement on page 20. In accordance with the Company's policy on tenure, Alan Clifton, having served as a non-executive Director for more than nine years, will retire at the forthcoming AGM and, being eligible, offer himself for re-election. In addition, in accordance with the Company's Articles of Association, Véronique Bouchet offers herself for re-election at the forthcoming AGM.

Further, in accordance with the Company's Articles of Association, Caroline Gulliver having been appointed to the Board on 1 April 2015 offers herself for election at the forthcoming AGM.

Alan Clifton, Véronique Bouchet and Caroline Gulliver are all deemed by the Board to be independent in both character and judgement, as indicated on page 20 and have performed their duties in an independent manner at all times.

The Board supports these re-elections and election of the above mentioned Directors and considers that these Directors continue to demonstrate commitment to their roles and provide a valuable contribution to the deliberations of the Board. Furthermore, Alan Clifton, in his role as Chairman, provides the Board with sound leadership and demonstrates strong independence in the manner in which he discharges this responsibility. The Board therefore recommends that Shareholders vote in favour of the re-election of Véronique Bouchet, Alan Clifton and the election of Caroline Gulliver.

Directors' Report

(incorporating the Corporate Governance Statement)

Directors' and Officers' Liability Insurance and Directors' indemnities

Directors' and Officers' Liability Insurance cover was purchased and maintained by the Company and the Group for the financial year in respect of the Directors and will be due for renewal in April 2016.

The Company had a Deed Poll in place during the year under review to indemnify the Directors against any liability suffered or incurred in his or her capacity as a Director of the Company or the Group.

Investment Management Performance and contractual arrangements

The performance of the Investment Manager is reviewed continuously by the Board with a formal evaluation being undertaken by the Management Engagement Committee at least annually. As part of this process, the Committee reviewed the key terms of the Company's agreement with SVLS, the terms of their remuneration as set out below and a comparison with their peers. The Committee reviewed the appropriateness of the appointment of the AIFM in February 2015 with a recommendation being made to the Board.

SVLS is entitled to a management fee payable monthly at the rate of 0.9% per annum of the Company's NAV (reduced from 1.15% per annum of the Company's NAV with effect from 1 March 2015).

In addition, SVLS is entitled to an annual performance fee calculated as follows:

The portfolio consists of two pools: quoted and unquoted.

The fee on the quoted pool is 10% of relative outperformance above the sterling-adjusted NBI plus a 0.5% hurdle.

The fee on the unquoted pool is 20% of net realised gains, taking into account any unrealised losses but not unrealised gains, with a high water mark.

The payment of the performance fee is subject to the following limits:

- The maximum performance fee in any one year is 3% of average net assets during the year, with any excess held over and adjusted up or down according to the performance of the share price over the period between the end of the period in which it is earned and the period in which it becomes payable;
- The performance fee for any period may not cause the NAV of the Company to drop below the NAV on the first day of the relevant period;
- A fund high water mark, initially set at close of business on 31 August 2011, will be reset whenever a performance fee is paid. It will also be reset upwards or downwards for share buybacks or fund raisings or any other movement associated with a change of capital; and
- No performance fee may be paid unless the NAV exceeds this high water mark. Any fee that would otherwise be payable will be added to the next sum payable in respect of the performance fee subject to these limits.

The Investment Management Deed is terminable by either party on 12 months' notice.

A performance fee of £1,348,000 is payable in respect of the year ended 31 August 2015 (31 August 2014: £nil). The Board believes the continued appointment of SVLS is in the interests of shareholders as a whole. In coming to this decision, it also took into consideration the quality and depth of experience allocated to the management of the portfolio and the level of performance of the portfolio in absolute terms and also by reference to the benchmark index.

Administration, Depositary and Company Secretarial Services

Fund accounting administration, depositary and custody services are provided to the Company by HSBC Bank plc. The Administration Agreement with HSBC Bank plc continues until terminated by either party on giving not less than 12 months' written notice. The Depositary Agreement with HSBC Bank plc continues until terminated by either party on giving not less than 90 days' written notice. The Depositary also retains the right to serve notice on the Company requiring it, at the expiry of a period of not less than 270 calendar days, to give notice to the FCA of a proposal to wind-up the affairs of the Company unless a replacement Depositary has been appointed before the end of that period.

Company Secretarial services are provided by BNP Paribas Securities Services who delegate this activity to their wholly owned subsidiary, BNP Paribas Secretarial Services Limited. The Agreement with BNP Paribas Securities Services may be terminated by either party on giving not less than six months' written notice.

Companies Act 2006 disclosures

In accordance with Section 992 of the Act the Directors disclose the following information:

- The Company's capital structure is summarised on page 49, voting rights are summarised on page 70, and there are no restrictions on voting rights nor any agreement between holders of securities that result in restrictions on the transfer of securities or on voting rights;
- There exist no securities carrying special rights with regard to the control of the Company;
- The Company does not have an employees' share scheme;
- The rules concerning the appointment and replacement of Directors, amendment to the Articles of Association and powers to issue or buy back the Company's shares are contained in the Articles of Association of the Company and the Act;
- There exist no agreements to which the Company is party that may affect its control following a takeover bid; and

Directors' Report

(incorporating the Corporate Governance Statement)

- There exist no agreements between the Company and its Directors providing for compensation for loss of office that may occur because of a takeover bid.

Substantial share interests

As at the year end and up to the date of this Report, the interests of 3% or more of the voting rights attaching to the Company's issued share capital, as notified to the Company in accordance with Chapter 5 of the FCA's Disclosure and Transparency Rules or ascertained by the Company were as follows:

	As at 31 August 2015		As at 4 November 2015	
Shareholder	Number of Ordinary shares held	% of total voting rights	Number of Ordinary shares held	% of total voting rights
Lazard Asset Management (US)	10,544,544	26.2	**10,366,120**	**26.1**
East Riding Pension Fund	3,775,000	9.4	**3,725,000**	**9.4**
Hargreaves Lansdown Asset Management	3,115,146	7.7	**3,189,372**	**8.0**
M&G Investment Management	1,908,543	4.7	**1,827,399**	**4.6**
South Yorkshire Pensions Authority	1,700,000	4.2	**1,700,000**	**4.3**
Barclays Wealth	1,349,466	3.4	**1,252,733**	**3.2**
West Yorkshire Pension Fund	1,245,599	3.1	**1,245,599**	**3.1**

Global greenhouse gas emissions

All of the Company's activities are outsourced to third parties. As such, it does not have any greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Act (Strategic Report and Directors' Report) Regulations 2013.

Going concern

The Company has reviewed the guidance issued by the Financial Reporting Council (FRC) in order to determine whether the going concern basis should be used in preparing the Financial Statements for the year ended 31 August 2015. In doing so, the Directors have considered the Company's borrowing requirements and covenants on existing borrowings; liquidity risk (see note 23 on page 56); the business environment and its impact on financial risk; the nature of the portfolio; and expenditure projections for the next 12 months. The Company's assets consist mainly of equity shares in companies listed on the NASDAQ stock exchange and in most circumstances are realisable within a short timescale. As discussed in the Chairman's statement, the Company's Articles of Association require the Board to put a proposal for the continuation of the Company to shareholders at two yearly intervals. The Directors strongly recommend shareholders vote in favour of the continuation.

As a result, the Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors believe that it is appropriate to adopt the going concern basis in the preparation of the Financial Statements as there are no material uncertainties related to events or conditions that may cast significant doubt about the Company's ability to continue as a going concern.

Independent Auditors

Having been appointed in 2007, the Company's Auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office. The Audit Committee has responsibility for making a recommendation to the Board on the re-appointment of the external Auditors. After careful consideration of the services provided during the year, the Audit Committee recommended to the Board that PricewaterhouseCoopers LLP should be re-appointed as the Company's Auditors. Accordingly, resolutions to re-appoint it as Auditors and to authorise the Directors to determine its remuneration will be proposed at the forthcoming AGM. There do not exist any contractual obligations that restrict the choice of Auditors. The Board considers that the Auditors remain independent.

Disclosure of information to Auditors

In accordance with Section 418 of the Act, the Directors at the date of approval of this Report, as listed on page 15, confirm that:

(a) so far as the Director is aware, there is no relevant audit information of which the Company's Auditors are unaware; and

(b) he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

AGM

The AGM will be held on Wednesday, 9 December 2015 at 12.30 pm at the offices of BNP Paribas Fortis, 5 Aldermanbury Square, London EC2V 7BP. Details of the business of the Meeting are set out in the Notice of Meeting on pages 67 to 71, amongst which the Board is seeking Shareholders' approval of three special resolutions.

Share buybacks and treasury share authority

Shareholders approved authorities for the Company to repurchase up to 14.99% of its issued share capital (of which up to 10% of the issued share capital may be retained in treasury for potential re-issue at any time) at a General Meeting held on Monday, 24 November 2014 and again at the AGM held on Wednesday, 16 December 2014.

Directors' Report

(incorporating the Corporate Governance Statement)

During the year ended 31 August 2015, the Company bought back 14,085,000 of its issued shares, of which 3,090,000 were held in treasury and 10,995,000 were cancelled. The Directors continue to believe it is in the best interests of the Company and its Shareholders to have a general authority for the Company to buy back its shares in the market for cancellation or holding in treasury for potential subsequent re-issue. No shares held in treasury will be re-issued at a discount wider than the discount prevailing at the time of acquisition. The authority to hold shares in treasury is in addition to the power to buy back shares for immediate cancellation.

Accordingly, a special resolution to authorise the Company to purchase up to 14.99% of the share capital in issue at the date of this Report for cancellation or for holding in treasury (up to a maximum of 10% of the share capital in issue at the date of this Report) will be proposed at the forthcoming AGM for which Notice is given on pages 67 to 71. Purchases will only be made if the Directors consider them to be for the benefit of the Company and its Shareholders, taking into account relevant factors and circumstances at the time.

Issues of new shares and disapplication of pre-emption rights

In order to provide maximum flexibility, the Directors also wish to seek the power to allot new Ordinary shares for cash at a premium to the NAV at the forthcoming AGM.

The Directors intend to use this authority to issue new shares only if they believe it is advantageous both to new investors and to the Company's existing Shareholders to do so. If new Ordinary shares are to be allotted for cash, the Act requires such new shares to be offered first to existing holders of Ordinary shares. This entitlement is known as a "pre-emption right". In certain circumstances it is beneficial for the Directors to allot shares for cash otherwise than pro rata to existing Shareholders and the Act provides for Shareholders to give such power to the Directors by waiving their pre-emption rights. Therefore, resolutions will be proposed at the AGM which, if passed, will give the Directors power to allot Ordinary shares for cash on a non pre-emptive basis up to an aggregate nominal amount of £496,720.75, equivalent to 1,986,883 Ordinary shares of 25p each and 5% of the Company's existing issued Ordinary share capital as at the date of this Report.

Notice of General Meetings

At last year's AGM, a special resolution was passed allowing General Meetings of the Company to be called on a minimum notice period as provided for in the Act. For meetings other than AGMs this is a period of 14 clear days. The Board believes that it should have the flexibility to convene General Meetings of the Company (other than AGMs) on 14 clear days' notice. The Board is therefore proposing Resolution 12 as a special resolution to approve 14 clear days as the minimum period of notice for all General Meetings of the Company other than AGMs. The authority, if given, will be effective until the Company's next AGM or until the expiry of 15 months from the date of the passing of the special resolution (whichever is earlier).

Recommendation

The Directors consider that passing the resolutions proposed at the AGM will be in the best interests of Shareholders as a whole and unanimously recommend that Shareholders vote in favour of each of the resolutions. The Board encourages your attendance at the AGM.

CORPORATE GOVERNANCE STATEMENT

Corporate governance

The Board is committed to high standards of corporate governance and has implemented a framework for corporate governance appropriate for an investment trust. The Board has considered the principles and recommendations of the AIC Code of Corporate Governance 2012 (AIC Code) by reference to the AIC Corporate Governance Guide for Investment Companies (AIC Guide), both of which can be found on the AIC website www.theaic.co.uk. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

As an investment company most of the day to day responsibilities are delegated to outside parties as the Company has no employees and all the Directors are non-executive. Many of the provisions of the UK Corporate Governance Code are not directly applicable to the Company. The Board has determined that reporting against the AIC Code provides the most appropriate information to Shareholders, therefore the report on corporate governance describes how the principles of the AIC Code have been applied.

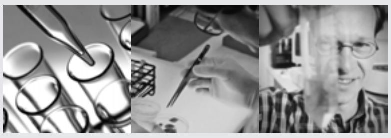
Statement of compliance

The Board considers that, for the year under review each Director, the Board and Company have complied with the recommendations of the AIC Code in so far as they apply to the Company's business and with the relevant provisions of the UK Corporate Governance Code except as noted below:

- as all Directors are non-executive Directors and day to day management has been contracted to third parties the Company does not have a separate role for a Chief Executive from that of Chairman of the Board;
- as the Company is an investment trust company and the Chairman is deemed independent, a Senior Independent Director was not appointed;
- as there are no executive Directors the provisions of the UK Corporate Governance Code in respect of executive directors' remuneration are not relevant; and
- the Company does not have an internal audit function as it relies on the systems of control operated by third party suppliers in particular those of SVLS. The Board monitors these systems of internal control to provide assurance that they operate as intended.

Directors' Report

(incorporating the Corporate Governance Statement)



Application of the AIC Code's principles

The Board considers that it has managed its affairs throughout the year ended 31 August 2015 in compliance with the recommendations of the AIC Code and observed the relevant requirements throughout the year under review. Where non compliance occurs, an explanation has been provided.

The Board will continue to observe the principles and recommendations set out in the AIC Code in future.

This Corporate Governance Statement, together with the Management Report and Directors' Responsibilities Statement set out on page 27, indicate how the Company has complied with the principles of good governance and meets internal control requirements.

Role of the Chairman

The Chairman is responsible for leading the Board, ensuring its effectiveness in all aspects of its role, and setting its agenda.

Role of the Board

The Board determines and monitors the Company's investment objectives and policy, and considers its future strategic direction; being collectively responsible for the long-term success of the Company. A schedule of matters specifically reserved for consideration and decision by the Board has been adopted. The Board is responsible for presenting a fair, balanced and understandable assessment of the Company's position and, where appropriate, future prospects in Annual and Half Yearly Financial Reports and other forms of public reporting. It monitors and reviews the Shareholder base of the Company, marketing and Shareholder communication strategies, and evaluates the performance of all service providers, with input from its Committees where appropriate. A procedure has been adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company, where appropriate. The Directors have access to the advice and services of the corporate Company Secretary through its appointed representative, who is responsible to the Board for, inter alia, ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The appointment and removal of the Company Secretary is a matter for the whole Board.

Conflicts of interest

The Directors have declared any conflicts of interest to the Company Secretary, who maintains the Register of Directors' Conflicts of Interests. It is reviewed annually by the Board, and the Directors advise the Company Secretary as soon as they become aware of any conflicts of interest.

The Board confirms that, during the year ended 31 August 2015, it authorised any potential conflicts of interest that would impact the Board's or the Company's operations, and that all procedures relating to their authorisation were appropriate and followed.

Board diversity, composition and independence

The Board currently consists of six non-executive Directors, which will reduce to five following the resignation of David Clough following the AGM scheduled for Wednesday, 9 December 2015. The biographical details of each Director, including his/her length of service, are set out on page 15.

The Board recognises the objectives of the Davies Report to improve the performance of corporate boards by encouraging the appointment of the best people from a range of differing perspectives and backgrounds.

The Directors have adopted a policy on tenure that is considered appropriate for an investment trust. The Board is of the opinion that long service does not necessarily compromise the independence or contribution of Directors of investment trusts where continuity and experience can significantly benefit a board, a view supported by the AIC.

The independence of Directors will continue to be assessed on a case by case basis. In order to give Shareholders the opportunity to endorse this policy, any Director who has served for more than nine years will thereafter be subject to annual re-election by Shareholders. Alan Clifton has served the Company for over nine years. The Board has considered his independence with particular care and considers that his individual skills and knowledge of both the Company and the industry provide continuity and an overall balance to the Board. In particular, he continues to demonstrate a strong independence in the manner in which he discharges his responsibilities as Chairman.

The Board is satisfied that it is of sufficient size, with an appropriate balance of skills and experience, and that no individual or group of individuals is, or has been, in a position to dominate decision making.

Induction and training

When a Director is appointed, he or she receives a full, formal and tailored induction, which is administered by the Company Secretary. Directors are provided, on a regular basis, with key information on the Board's policies, regulatory requirements and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise and the Chairman regularly reviews and agrees with each Director his or her training and development needs. Other advisers to the Company also prepare reports for the Board from time to time. In addition, Directors attend ad-hoc seminars, conferences and other forums covering issues and developments relevant to both the investment trust and biotechnology industries.

Board evaluation

The Board has adopted an annual evaluation of its own performance and that of its Committees and individual Directors using a questionnaire as the basis for this formal and rigorous annual

Directors' Report

(incorporating the Corporate Governance Statement)

evaluation. Evaluation takes place in two stages. First, the evaluation of individual Directors is led by the Chairman and the evaluation of the Chairman's performance is led by a Director nominated by the Board. Secondly, the Board evaluates its own performance and that of its Committees.

The Board evaluation considers attendance, the balance of skills, experience, independence and knowledge of the Board, its diversity, including gender, how the Board works together as a unit, and other factors relevant to its effectiveness including the Board's ability to challenge SVLS's recommendations.

The Chairman uses the feedback from the discussion to make recommendations to improve performance where necessary. The Board considers annually, in the absence of the Chairman, matters pertaining to his performance. It was concluded that the performance of the Directors was satisfactory in all areas and they were confident in their ability to make effective contributions and to demonstrate commitment to their roles.

Meetings and attendance

The Board meets at least five times each year. Additional meetings are arranged as required and regular contact between Directors, SVLS and the Company Secretary is maintained throughout the year. Representatives of SVLS and the Company Secretary attend each meeting and other advisers also attend when requested to do so by the Board.

The number of formal meetings of the Board and its Committees held during the year and the attendance of individual Directors are shown below:

	Board	Audit Committee	Nomination Committee	Management Engagement Committee
Total	**5**	**3**	**3**	**1**
John Aston	5	3	3	1
Véronique Bouchet	5	3	3	1
Alan Clifton	5	3	3	1
David Clough	5	3	3	1
Caroline Gulliver*	2	2	1	0
Jim Horsburgh	5	3	3	1

**appointed with effect from 1 April 2015.*

The Board met twice to discuss strategic matters separate from normal agenda matters. The matters covered included marketing initiatives and discount management, and the meetings were attended by external consultants.

Seven ad-hoc Board meetings were also held during the year.

The Board is satisfied that each of the Chairman and the non-executive Directors commit sufficient time to the affairs of the Company to fulfil his or her duties as Directors.

Information flows

The Chairman ensures that all Directors receive, in a timely manner, relevant management, regulatory and financial information and are provided, on a regular basis, with key information on the Company's policies, regulatory requirements and internal controls. The Board receives and considers reports regularly from SVLS, the Company Secretary and other key advisers. Ad-hoc reports and information are supplied to the Board as required.

Committees

The Board has delegated certain responsibilities and functions to three Board Committees, all of which operate under written terms of reference. Copies of the terms of reference for the Board Committees have been published on the Company's website. The Chairman of the Board acts as Chairman for the Management Engagement and Nomination Committees, and John Aston acts as Chairman of the Audit Committee. Committee membership is detailed on page 15.

Audit Committee

The Audit Committee provides a forum through which the Company's external Auditors report to the Board. The main responsibilities of the Audit Committee include monitoring the integrity of the Company's Annual Report and appropriateness of its accounting policies; reviewing the internal control systems and the risks to which the Company is exposed; and making recommendations to the Board regarding the appointment of the external Auditors, their independence and the objectivity and effectiveness of the audit process.

The Audit Committee monitors any non-audit services being provided to the Company by its external Auditors, in accordance with the recommendations of the AIC Code. The Audit Committee met three times during the year ended 31 August 2015 and reported its findings to the Board on the matters described above after each meeting. The Board considers that all the Directors have relevant and recent financial experience as a result of their professional positions in financial services and other industries as detailed in the biographies on page 15 of this Report.

The Company having no employees does not have a whistleblowing policy procedure in place.

Directors’ Report

(incorporating the Corporate Governance Statement)

During the year ended 31 August 2015, the Audit Committee considered the following significant issues:

Issue considered	How the issue was addressed
Valuations and existence of unlisted investments and gains and losses from those investments	Consideration and review of valuation processes and methodology at SVLS and HSBC to establish accuracy and completeness over the valuations being recommended for approval to the Board.
Valuations and existence of listed investments and gains and losses from those investments	Consideration and review of processes and procedures at HSBC and SVLS to identify key processes and controls over the pricing and valuation of stocks.
Risk of fraud in revenue recognition	Review of variances against budgeted income and performance relative to indices. Quarterly reports are also received from the Company’s Depositary who monitor the flow of cash.
Review of internal control system and risks	Review of risk map, compliance against the AIC Code, compliance with Section 1158 Corporation Tax Act 2010 and all policies and procedures in place.
Performance Fee	Review of the accuracy of the calculation and completeness of disclosure.
Going Concern	Consideration of the appropriateness of adopting the going concern basis in view of the continuation vote.

Effectiveness of the external audit process

The Audit Committee annually reviews the performance of PricewaterhouseCoopers LLP, the Company’s external Auditors and remains satisfied with the effectiveness of the audit provided. The Audit Committee is currently assessing the requirements of the EU Audit Directive and their impact on the Company with regards to audit tendering. The Auditors are required to rotate the audit partner every five years. Mr Allan McGrath is the assigned audit partner overseeing the audit for the third year.

Details of the amount paid to the external Auditors during the financial year under review, for their audit services, are set out in note 5 to the Financial Statements on page 43. The Audit Committee annually monitors the non-audit services provided to the Company and has developed a formal policy to ensure that such services do not impair the independence or objectivity of the Auditors. No non-audit services were provided during the year under review

Nomination Committee

The Nomination Committee met three times during the year ended 31 August 2015 and intends to meet at least annually in the future. The function of the Committee is to consider and make recommendations to the Board on its composition and balance, including identifying and nominating to the Board new Directors and proposing that existing Directors be re-elected.

Before considering new appointments the Nomination Committee evaluates the balance of skills, experience, independence, and knowledge of the Board, and, in light of this evaluation, prepares a description of the roles and capabilities required for particular appointments. Directors’ independence and diversity of the Board (including gender) is also considered. Newly appointed Directors are then assessed using the aforementioned criteria. This process was followed when Caroline Gulliver was appointed. An external search consultancy was not used in seeking candidates for this appointment as the Board were able to identify candidates matching their criteria.

On those occasions when the Committee is reviewing the Chairman, or considering his successor, the Nomination Committee is chaired by another Committee member and the Chairman abstains from discussions in this regard.

Management Engagement Committee

The Management Engagement Committee met once during the year ended 31 August 2015 and will meet annually thereafter to review matters relating to the performance of the Company’s third party service providers, including SVLS, and to review the terms of their contractual arrangements with the Company, ensuring their continued competitiveness for Shareholders.

Relations with Shareholders

The Board receives feedback on the views of Shareholders from its corporate broker and SVLS, both of whom regularly meet with the larger Shareholders. The Chairman, and other Directors where appropriate, discuss governance and strategy with major Shareholders and the Chairman ensures the communication of Shareholders’ views to the Board.

The Board believes that the AGM provides an appropriate forum for investors to communicate with the Board, and encourages Shareholder participation. The AGM is typically attended by the full Board of Directors and proceedings include a presentation by SVLS. There is an opportunity for individual Shareholders to question the Chairman of the Board and the Chairman of each Board Committee at the AGM. Details of proxy votes received in respect of each resolution are made available to Shareholders at the meeting and are published on the Company’s website following the meeting.

Directors' Report

(incorporating the Corporate Governance Statement)

UK Stewardship Code

The UK Stewardship Code published in July 2014 aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to Shareholders and the efficient exercise of governance responsibilities.

The Company has delegated to SVLS the day to day operations of this, full details of which can be found on the website www.ibtplc.com.

Accountability and audit

The Management Report and Directors' Responsibilities Statement in respect of the Financial Statements are on page 27 and a statement of going concern is set out in the Directors' Report on page 18. The Independent Auditors' Report can be found on pages 28 to 33.

Internal control

The AIC Code requires the Board to conduct at least annually a review of the adequacy of the Company's systems of internal control and report to Shareholders that it has done so. The Board has reviewed a detailed Risk Map identifying significant strategic, investment-related, operational and service provider-related risks, and has adopted a monitoring system to ensure that risk management and all aspects of internal control are considered on a regular basis, and fully reviewed at least annually. The Board is satisfied that these tools permit it to review the effectiveness of the Company's internal controls and on that basis confirms that it has reviewed the effectiveness of the Company's systems of internal control for the year under review, taking into account all matters leading up to the date of the approval of the Financial Statements.

The Board believes that the key risks identified and the implementation of an ongoing system to identify, evaluate and manage these risks are relevant to the Company's business as an investment trust. The ongoing risk assessment, which has been in place throughout the financial year and up to the date of this Report, includes consideration of a number of terms of the scope and quality of the systems of internal control. These include ensuring regular communication of the results of monitoring by third parties to the Board, the incidence of significant control failings or weaknesses that have been identified at any time and the extent to which they have resulted in unforeseen outcomes or contingencies that may have a material impact on the Company's performance or condition. There were no significant control failings or weaknesses identified during the course of the year and up to the date of this Report.

Although the Board believes that it has robust systems of internal control in place this can provide only reasonable and not absolute assurance against material financial misstatement or loss and is designed to manage, not eliminate, risk. The Company does not have an internal audit function as it employs no staff and delegates to third parties most of its operations. By the procedures set out above, the Board will continue to monitor its system of internal control in accordance with the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting and will continue to take steps to embed the system of internal control and risk management into the operations of the Company. In doing so, the Audit Committee will review at least annually whether a function equivalent to an internal audit is needed. During the course of its review of the systems of internal control, the Board has not identified nor has it been advised of any findings or weakness which it has determined to be significant.

Anti-bribery policy

The Company is committed to the practice of responsible behaviour and to complying with all laws, regulations and other requirements which govern the conduct of our activity. The Company is fully committed to instilling a strong anti-corruption culture and is fully committed to compliance with anti-bribery legislation including, but not limited to, the Bribery Act 2014.

On behalf of the Board

Alan Clifton
Chairman

4 November 2015

Report on Directors' Remuneration

Introduction
This Report is submitted in accordance with Sections 420 to 422 of the Act and it also meets the relevant Listing Rules of the FCA and describes how the Board has applied the principles relating to Directors' remuneration.

The Company's Auditors are required to report on certain information contained within this Report. Where information set out below has been audited, it is indicated as such. The Auditors' opinion is included within the Independent Auditors' Report on pages 28 to 33.

Directors' remuneration policy
The determination of the Directors' fees is a matter dealt with by the Board. A separate Remuneration Committee has not been appointed.

The Company's Articles of Association limit the aggregate fees payable to Directors to £250,000 per annum. Subject to this limit, it is the Company's policy to determine the level of Directors' fees having regard to the level of fees payable to non-executive directors in the industry, the role that individual Directors fulfil in respect of Board and Committee responsibilities and time committed to the Company's affairs. Fees payable to Directors should be sufficient to motivate and retain candidates of a high calibre to deliver the Company's investment objectives. No element of the Directors' remuneration is performance-related.

The Board considers any comments received from Shareholders on the remuneration policy on an ongoing basis and if appropriate, takes these into consideration when reviewing remuneration.

All Directors have a Letter of Appointment with the Company. The Letters of Appointment are available for inspection at the Company's Registered Office during normal business hours and at the location of the AGM during the Meeting. Directors do not have service contracts with the Company and no compensation is payable to Directors on leaving office. It is the intention of the Board that this policy will continue to apply in the forthcoming and subsequent financial years.

All Directors are appointed for an initial term covering the period from the date of their appointment until the first AGM thereafter, at which they are required to stand for election in accordance with the Company's Articles of Association. Thereafter, Directors retire by rotation at least every three years. The Chairman meets with each Director before he or she is proposed for re-election and, subject to the evaluation of performance carried out each year, the Board agrees whether it is appropriate for such Director to seek an additional term. When recommending whether an individual Director should seek re-election, the Board will take into account the ongoing recommendations of the AIC Code, including the need to refresh the Board and its Committees.

The component parts of the Directors' Remuneration are set out in the table below:

Component parts of the Directors' remuneration

	Year ended 31 August 2015	Year ended 31 August 2014
Chairman's base fee	**£41,000**	£41,000
Non-executive Director base fee	**£27,000**	£27,000
Additional fee for the Chairman of the Audit Committee	**£4,500**	£4,500

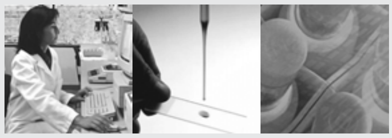
1. The Company's policy is for the Chairman of the Board and the Chairman of the Audit Committee to be paid higher fees than the other Directors, to reflect their more onerous roles.
2. Directors' fees are paid up to the date of termination of their appointment, with no exit payments or compensation for loss of office payments applicable.
3. As the Company has no employees, there are no comparisons to be made between this Directors' Remuneration Policy and a policy on the remuneration of employees.
4. Directors' are entitled to claim expenses in respect of duties undertaken in connection with the management of the Company.
5. Fees are paid quarterly in arrears.
6. Fees are reviewed on an annual basis.
7. The Company retains the flexibility to pay additional one off fees to Directors should they be required to undertake additional work in order to deliver time consuming projects in the Shareholders' interests.

Annual report on Directors' remuneration
This Report sets out how the Directors' Remuneration Policy was implemented during the year ended 31 August 2015.

Directors' fees are reviewed annually by the Board and, following the last review in February 2015, it was agreed that Directors' fees would remain unchanged.

The amounts, set out in the following table, were paid by the Company to the Directors for services as Directors in respect of the year ended 31 August 2015 and the previous financial year.

Report on Directors' Remuneration



Single total figure of remuneration for each Director (audited)
The Directors who served during the year under review received the following emoluments:

	Total Fees(ii)	
	Year ended 31 August 2015	Year ended 31 August 2014
Directors		
John Aston	**31,500**	31,500
Véronique Bouchet	**27,000**	27,000
Alan Clifton (Chairman)	**41,000**	41,000
David Clough	**27,000**	27,000
Caroline Gulliver(i)	**11,226**	–
Jim Horsburgh	**27,000**	27,000
Total	**164,726**	153,500

(i) Appointed 1 April 2015.
(ii) No aspect of the Directors' remuneration, past or present, is performance-related in light of the Directors' non-executive status. As a result, no Director is entitled to any bonuses, benefit in kind, share options, long-term incentives, pension or other retirement benefit. The Directors are entitled to reimbursement of all reasonable and properly documented expenses incurred in performing their duties.

Consideration of matters relating to Directors' remuneration
The Board as a whole reviewed the level of fees paid to Directors during the year and no Director was responsible for setting their own remuneration. No external advice was sought in considering the level of Directors' fees. However, the Company Secretary provided an analysis of fees payable to other investment trust companies with comparable investment objectives which was taken into consideration.

Expenditure by the Company on Directors' remuneration compared with distributions to Shareholders
The table below compares the remuneration paid to Directors and distributions to Shareholders by way of share buybacks for the year under review and the prior financial year.

	2015	2014	% change compared to previous year
Aggregate spend on Directors' fees*	**£164,726**	£153,500	7.3
Distributions to Shareholders – share buybacks†	**£57,448,560**	£2,421,428	2,272.5

** As the Company has no employees the total spend on remuneration comprises solely of Directors' fees.*
† During the year under review no dividends were paid.

Directors' beneficial and family interests (audited)

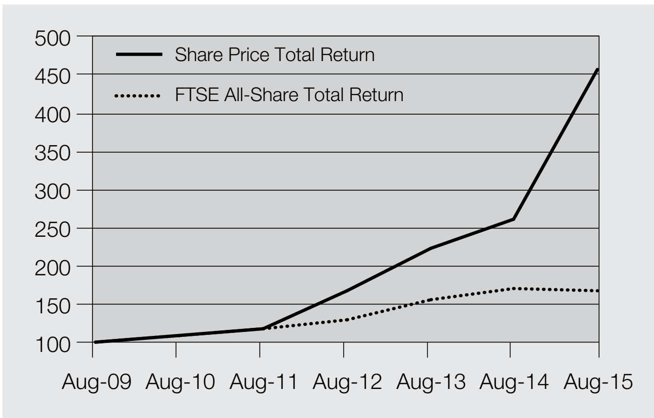
	Ordinary shares of 25p each as at 31 August 2015	Ordinary shares of 25p each as at 1 September 2014
John Aston	**10,000**	10,000
Véronique Bouchet	**7,500**	5,000
Alan Clifton	**10,000**	10,000
David Clough	**5,000**	5,000
Caroline Gulliver	**2,500**	–
Jim Horsburgh	**10,000**	10,000

There have been no changes in the above holdings between the year end and the date of this Report. No Director has any material interest in any contract that is significant to the Company's business.

Neither the Company's Articles of Association nor the Directors' Letters of Appointment require any Director to own Shares in the Company.

Performance graph
The performance graph below charts the cumulative share price total return to Shareholders since 31 August 2009 compared to that of a broad equity market index. The FTSE All-Share Index has been used for this purpose as the NBI has a lack of diversity within its constituents. A graph showing the Company's share price total return, compared with the FTSE All-Share Index Total Return, over the last six years, is shown below. The data have been rebased to 100 at 31 August 2009 (the start of the period covered by the graph).

Share price/FTSE All-Share Index performance (%)



Source: Share Price Total Return from Morningstar. FTSE All-Share Total Return from Thompson Datastream. Data rebased to 100 at 31 August 2009.

Report on Directors' Remuneration

Statement of implementation of Directors' remuneration policy

The Board does not envisage that there will be any significant changes to the implementation of the Directors' Remuneration Policy during the current financial year compared to how it was implemented during the year ended 31 August 2015.

Annual statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulation 2013, I, as Chairman of the Board, confirm that the above Directors' Remuneration Annual Report summarises, as applicable, for the year ended 31 August 2015:

a) the major decisions on Directors' remuneration;

b) any substantial changes relating to Directors' remuneration made during the year; and

c) the context in which those changes occurred and decisions taken.

Shareholder approval

Shareholders will be asked to approve the Annual Report on Directors' Remuneration annually by an advisory vote and an ordinary resolution to approve the Report will be put to Shareholders at the forthcoming AGM. In addition, Shareholders will be asked to approve the Directors' Remuneration Policy, which is subject to a binding Shareholder vote, on a three-yearly basis. Any changes to this policy would also require Shareholder approval. The Directors' Remuneration Policy was last approved at the AGM held on 16 December 2014 and accordingly, an ordinary resolution will be put to Shareholders next at the AGM to be held in 2017, unless the Directors choose to amend the policy, at which time it would be resubmitted to Shareholders for approval.

At the AGM held on 16 December 2014, votes cast (including the votes cast at the Chairman's discretion) in respect of the Directors' Remuneration Policy were 23,586,929 (99.85%) in favour, 35,833 (0.15%) against and 7,989 votes withheld.

At the AGM held on 16 December 2014, votes cast (including the votes cast at the Chairman's discretion) in respect of the Annual Report on Directors' Remuneration were 23,598,717 (99.88%) in favour, 28,588 (0.12%) against and 3,446 votes withheld.

Recommendation

The Board considers the resolutions to be proposed at the forthcoming AGM are in the best interests of the Company and Shareholders as a whole. Accordingly, the Board unanimously recommends to Shareholders that they vote in favour of the resolutions, as they intend to do so in respect of their own beneficial holdings.

On behalf of the Board

Alan Clifton
Chairman

4 November 2015

Management Report and Directors' Responsibilities Statement

(incorporating the Corporate Governance Statement)

Management report

Listed companies are required by the FCA's Disclosure and Transparency Rules (the Rules) to include a management report in their Financial Statements. The information required to be in the management report for the purposes of the Rules is included in the Strategic Report on pages 3 to 14 inclusive (together with the sections of the Annual Report incorporated by reference) and the Director's Report on pages 16 to 23. Therefore, a separate management report has not been included.

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report, the Report on Directors' Remuneration 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 prepared the Group and Parent Company Financial Statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Parent Company and of the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable IFRS as adopted by the EU have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Prepare Financial Statements on the going concern basis unless it is inappropriate to presume the Company and the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and the Group and enable them to ensure that the Financial Statements and the Report on Directors' Remuneration comply with the Act and, as regards the Group Financial Statements, Article 4 of the International Accounting Standards (IAS) Regulation. They are also responsible for safeguarding the assets of the Parent Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Annual Report is published on the following website: www.ibtplc.com, which is a website maintained by SVLS. The maintenance and integrity of the website is, so far as it relates to the Company, the responsibility of SVLS. The work carried out by the Auditors does not involve consideration of the maintenance and integrity of this website and accordingly, the Auditors accept no responsibility for any changes that have occurred to the Annual Report since it was initially presented on the website. Visitors to the website need to be aware that legislation in the UK governing the preparation and dissemination of the Annual Report may differ from legislation in their home jurisdiction.

The Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides information necessary for Shareholders to assess the Company's performance business model and strategy.

Each of the Directors, whose names and functions are listed on page 15 of this Report, confirms that, to the best of his or her knowledge:

- The Group Financial Statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the Group;
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that it faces; and
- As outlined on page 18 of this Report, the Directors have undertaken all necessary reviews to provide a going concern recommendation.

On behalf of the Board

Alan Clifton
Chairman

4 November 2015

Independent Auditors' Report

to the Members of International Biotechnology Trust plc

Report on the financial statements

Our opinion

In our opinion:

- International Biotechnology Trust plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 August 2015 and of the group's net profit and the group's and the parent company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

What we have audited

International Biotechnology Trust plc's financial statements comprise:

- the Group and Company Balance Sheets as at 31 August 2015;
- the Group Statement of Comprehensive Income for the year then ended;
- the Group and Company Cash Flow Statements for the year then ended;
- the Group and Company Statements of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Our audit approach

Overview

- Overall group materiality: £2.36 million which represents 1% of net assets.
- The group comprises an investment company and its subsidiary, managing a widely diversified portfolio. The group financial statements are a consolidation of one subsidiary and the parent company.
- We audited the financial information of the group and the parent company which accounted for 100% of the group's income and 100% of its net assets.
- We conducted our audit of the financial statements using accounting records held at HSBC Bank plc (the 'Administrator') to whom the Manager has, with the consent of the directors, delegated the provision of certain administrative functions.
- We tailored the scope of our audit taking into account the types of investments within the group, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the company operates.
- Our areas of focus included:
  - Gains/losses on quoted and unquoted investments held at fair value
  - Valuation and existence of quoted investments
  - Valuation and existence of unquoted investments
  - Performance fees recognised

Independent Auditors’ Report

to the Members of International Biotechnology Trust plc

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (“ISAs (UK & Ireland)”).

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as “areas of focus” in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

AREA OF FOCUS	HOW OUR AUDIT ADDRESSED THE AREA OF FOCUS
Gains/losses on quoted and unquoted investments held at fair value	
Refer to page 22 (Audit Committee Report), page 39 (Accounting Policies) and page 42 (notes). ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition because of the pressure management may feel to achieve capital growth in line with the objective of the group. We focused on realised and unrealised gains/losses, on quoted and unquoted investments held at fair value. We also focused on unrealised gains/losses on investments held at fair value due to the subjective nature of the valuation of unquoted investments. This is because incomplete or inaccurate gains/losses on quoted and unquoted investments held at fair value could have a material impact on the group’s net asset value.	We assessed the accounting policy for quoted and unquoted investments held at fair value for compliance with accounting standards, International Private Equity and Venture Capital Valuation Guidelines and the AIC SORP and performed testing to check that quoted and unquoted investments held at fair value had been accounted for in accordance with this stated accounting policy as set out in note 1. (g) on page 39 of the financial statements. We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that realised and unrealised gains/losses has been accounted for in accordance with the stated accounting policy. We understood and assessed the design and implementation of key controls surrounding recognition of realised and unrealised gains/losses on quoted and unquoted investments held at fair value recognition. The gains/losses on investments held at fair value comprise realised and unrealised gains/losses: • For unrealised gains/losses, we obtained an understanding of, and then tested the valuation process as set out in the ‘Valuation of quoted investments’ and ‘Valuation of unquoted investments’ areas of focus, to ascertain whether these gains/losses were appropriately calculated. • For realised gains/losses, we tested disposal proceeds by agreeing the proceeds to bank statements and sale agreements and we re-performed the calculation of a sample of realised gains/losses. No misstatements were identified by our testing which required reporting to those charged with governance.

Independent Auditors' Report

to the Members of International Biotechnology Trust plc

AREA OF FOCUS	HOW OUR AUDIT ADDRESSED THE AREA OF FOCUS
Valuation and existence of quoted investments	
Refer to page 22 (Audit Committee Report), page 39 (Accounting Policies) and page 45 (notes). The investment portfolio at the year-end comprised quoted equity investments valued at £226.5m. We focused on the valuation and existence of quoted investments because investments represent the principal element of the net asset value as disclosed on the Group and Company Balance Sheets in the group financial statements.	We tested the valuation of the quoted equity investments by agreeing the prices used in the valuation to independent third party sources. No misstatements were identified by our testing which required reporting to those charged with governance. We tested the existence of the investment portfolio by agreeing the holdings of investments to an independent custodian confirmation from HSBC Bank plc. Differences identified were investigated and explanations received from the Manager/Custodian which we then corroborated to appropriate supporting evidence.

AREA OF FOCUS	HOW OUR AUDIT ADDRESSED THE AREA OF FOCUS
Valuation and existence of unquoted investments	
Refer to page 22 (Audit Committee Report), page 39 (Accounting Policies) and page 45 (notes). The investment portfolio at 31 August 2015 included unquoted investments. We focused on the valuation of the unquoted investments as these investments represented a material balance in the financial statements (£20.5m) and the valuation requires estimates and significant judgements to be applied by the Manager such that changes to key inputs to the estimates and/or the judgements made can result, either on an individual unquoted investment or in aggregate, in a material change to the valuation of unquoted investments.	We understood and evaluated the valuation methodology applied, by reference to industry practice, and tested the techniques used, by the Manager in determining the fair value of unquoted investments. The testing included: • comparing the Manager's valuations to valuations based on recent transactions; • comparing the Manager's valuations to valuations based on recent investments made in investee companies where there was a significant new investor; and • assessing valuation models that applied comparable quoted company earnings multiples, discounted appropriately to reflect the illiquidity of the investment, to earnings data from audited financial statements, unaudited management accounts and/or forecasts for the investee entities, being the key inputs in valuing the unquoted investments. We also read the Valuation Committee papers/Valuation reports and meeting minutes where the valuations of the unquoted investments were discussed and agreed. This, together with the work outlined above and our knowledge of the investee entities and the International Private Equity and Venture Capital Valuation guidelines, enabled us to discuss with and challenge the Manager and directors as to the appropriateness of the methodology and key inputs used, and the valuations themselves. We found that the Manager's valuations of unquoted investments were consistent with the International Private Equity and Venture Capital Valuation guidelines and that the assumptions used to derive the valuations within the financial statements were appropriate based on the investee's circumstances, and actual and expected financial performance. We tested the existence of the unquoted investment portfolio by agreeing the holdings to an independent custodian confirmation from HSBC Bank plc. Differences identified were investigated and explanations received from the Manager/ Custodian which we then corroborated to appropriate supporting evidence.

Independent Auditors' Report

to the Members of International Biotechnology Trust plc

AREA OF FOCUS	HOW OUR AUDIT ADDRESSED THE AREA OF FOCUS
Performance fees	
Refer to page 22 (Audit Committee Report), page 39 (Accounting Policies) and page 43 (notes). A performance fee is payable for the year of £1,348,000. We focused on this area because the performance fee is calculated using a complex methodology as set out in the Investment Management Agreement between the group and the Manager.	We tested the performance fee of £1,348,000 to ensure it is calculated in accordance with the methodology set out in the Investment Management Agreement, taking into account the Board's approval of the total fee due under the agreement. Where applicable, we agreed the inputs to the calculation, including the benchmark data, to independent third party sources. No material misstatements were identified by our testing which required reporting to those charged with governance. We tested the allocation of the performance fee between the revenue and capital return columns of the Income Statement with reference to the accounting policy as set out on page 39. We found that the allocation of the performance fee was consistent with the accounting policy.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the types of investments within the group, the involvement of the Manager and Administrator, the accounting processes and controls, and the industry in which the group operates.

The group's accounting is delegated to the Administrator who maintain their own accounting records and controls and report to the Manager and the directors.

As part of our risk assessment, we assessed the control environment in place at both the Manager and the Administrator to the extent relevant to our audit. This assessment of the operating and accounting structure in place at both organisations involved obtaining and reading the relevant control reports issued by the independent auditor of the Manager and Administrator in accordance with generally accepted assurance standards for such work. We then identified those key controls at the Administrator on which we could place reliance to provide audit evidence. We also assessed the gap period of 8 months between the period covered by the controls report and the year-end of the group. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements, including whether we needed to perform additional testing in respect of those key controls to support our substantive work. For the purposes of our audit, we determined that additional testing of controls in place at the Administrator was not required because additional substantive testing was performed.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	£2.36 million (2014: £2.15 million).
How we determined it	1% of net assets.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate and consistent year-on-year basis for our audit.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £118,000 (2014: £112,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent Auditors' Report

to the Members of International Biotechnology Trust plc

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 18, in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the group and parent company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the group's and parent company's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion:

- 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 statement.

ISAs (UK & Ireland) reporting	
Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:	
• Information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group and parent company acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report arising from this responsibility.
• the statement given by the directors on page 27, in accordance with provision C.1.1 of the UK Corporate Governance Code ("the Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the group's and parent company's performance, business model and strategy is materially inconsistent with our knowledge of the group and parent company acquired in the course of performing our audit.	We have no exceptions to report arising from this responsibility.
• the section of the Annual Report on page 21, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Report on Directors' Remuneration to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' Remuneration Report - Companies Act 2006 opinion

In our opinion, the part of the Report on Directors' Remuneration to be audited has been properly prepared in accordance with the Companies Act 2006.

Independent Auditors' Report

to the Members of International Biotechnology Trust plc

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the parent company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities set out on page 27, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Allan McGrath (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh

4 November 2015

Group Statement of Comprehensive Income

	Notes	For the year ended 31 August 2015 Revenue £'000	Capital £'000	Total £'000	For the year ended 31 August 2014 Revenue £'000	Capital £'000	Total £'000
Gains on investments held at fair value through profit or loss	2	**–**	**83,559**	**83,559**	–	47,426	47,426
Exchange (losses)/gains on currency balances		**–**	**(425)**	**(425)**	–	8	8
Income	3	**409**	**–**	**409**	536	–	536
Expenses							
Management fee	4	**(2,360)**	**–**	**(2,360)**	(2,145)	–	(2,145)
Performance fee	4	**–**	**(1,348)**	**(1,348)**	–	–	–
Administrative expenses	5	**(1,136)**	**–**	**(1,136)**	(962)	–	(962)
Profit/(loss) before finance costs and tax		**(3,087)**	**81,786**	**78,699**	(2,571)	47,434	44,863
Finance costs							
Interest payable	6	**(166)**	**–**	**(166)**	(109)	–	(109)
Profit/(loss) on ordinary activities before tax		**(3,253)**	**81,786**	**78,533**	(2,680)	47,434	44,754
Taxation	7	**(54)**	**–**	**(54)**	(35)	–	(35)
Profit/(loss) for the year attributable to owners of the parent		**(3,307)**	**81,786**	**78,479**	(2,715)	47,434	44,719
Earnings/(loss) per Ordinary share	8	**(7.52)p**	**186.06p**	**178.54p**	(4.94)p	86.24p	81.30p

The total column of this statement represents the Group's Statement of Comprehensive Income, prepared in accordance with IFRS as adopted by the EU.

The Group does not have any other comprehensive income and hence the net profit/(loss) for the year, as disclosed above, is the same as the Group's total comprehensive income.

The revenue and capital columns are supplementary and are prepared under guidance published by the AIC.

The notes on pages 38 to 61 form part of these Financial Statements.

Group and Company Statements of Changes in Equity

Group **For the year ended 31 August 2015**	Notes	**Called up share capital £'000**	**Share premium account £'000**	**Capital redemption reserve £'000**	**Share purchase reserve £'000**	**Capital reserves £'000**	**Revenue reserve £'000**	**Total £'000**
Balance at 1 September 2014		**13,939**	**18,805**	**27,878**	**42,497**	**138,116**	**(26,265)**	**214,970**
Total Comprehensive Income:								
Profit/(loss) for the year		**–**	**–**	**–**	**–**	**81,786**	**(3,307)**	**78,479**
Transactions with owners, recorded directly to equity:								
Shares bought back and held in treasury	14, 17	**–**	**–**	**–**	**(4,064)**	**(9,398)**	**–**	**(13,462)**
Shares bought back and cancelled	14, 17	**(2,748)**	**–**	**2,748**	**(38,433)**	**(5,553)**	**–**	**(43,986)**
Shares cancelled from treasury		**(75)**	**–**	**75**	**–**	**–**	**–**	**–**
Balance at 31 August 2015		**11,116**	**18,805**	**30,701**	**–**	**204,951**	**(29,572)**	**236,001**

Group For the year ended 31 August 2014		Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
Balance at 1 September 2013		13,939	18,805	27,878	44,918	90,682	(23,550)	172,672
Total Comprehensive Income:								
Profit/(loss) for the year		–	–	–	–	47,434	(2,715)	44,719
Transactions with owners, recorded directly to equity:								
Shares bought back and held in treasury	14, 17	–	–	–	(2,421)	–	–	(2,421)
Balance at 31 August 2014		13,939	18,805	27,878	42,497	138,116	(26,265)	214,970

Company **For the year ended 31 August 2015**		**Called up share capital £'000**	**Share premium account £'000**	**Capital redemption reserve £'000**	**Share purchase reserve £'000**	**Capital reserves £'000**	**Revenue reserve £'000**	**Total £'000**
Balance at 1 September 2014		**13,939**	**18,805**	**27,878**	**42,497**	**137,605**	**(26,265)**	**214,459**
Total Comprehensive Income:								
Profit/(loss) for the year		**–**	**–**	**–**	**–**	**81,786**	**(3,307)**	**78,479**
Transactions with owners, recorded directly to equity:								
Shares bought back and held in treasury	14, 17	**–**	**–**	**–**	**(4,064)**	**(9,398)**	**–**	**(13,462)**
Shares bought back and cancelled	14, 17	**(2,748)**	**–**	**2,748**	**(38,433)**	**(5,553)**	**–**	**(43,986)**
Shares cancelled from treasury		**(75)**	**–**	**75**	**–**	**–**	**–**	**–**
Balance at 31 August 2015		**11,116**	**18,805**	**30,701**	**–**	**204,440**	**(29,572)**	**235,490**

Company For the year ended 31 August 2014		Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
Balance at 1 September 2013		13,939	18,805	27,878	44,918	90,171	(23,550)	172,161
Total Comprehensive Income:								
Profit/(loss) for the year		–	–	–	–	47,434	(2,715)	44,719
Transactions with owners, recorded directly to equity:								
Shares bought back and held in treasury	14, 17	–	–	–	(2,421)	–	–	(2,421)
Balance at 31 August 2014		13,939	18,805	27,878	42,497	137,605	(26,265)	214,459

The notes on pages 38 to 61 form part of these Financial Statements.

Group and Company Balance Sheets

	Notes	At 31 August 2015 Group £'000	At 31 August 2015 Company £'000	At 31 August 2014 Group £'000	At 31 August 2014 Company £'000
Non-current assets					
Investments held at fair value through profit or loss	9	**246,929**	**246,929**	224,723	224,723
		246,929	**246,929**	224,723	224,723
Current assets					
Receivables	10	**14,456**	**14,456**	890	890
Cash and cash equivalents	11	**296**	**296**	–	–
		14,752	**14,752**	890	890
Total assets		**261,681**	**261,681**	225,613	225,613
Current liabilities					
Borrowings	11	**(21,864)**	**(21,864)**	(3,017)	(3,017)
Payables	12	**(3,816)**	**(4,327)**	(7,626)	(8,137)
		(25,680)	**(26,191)**	(10,643)	(11,154)
Net assets		**236,001**	**235,490**	214,970	214,459
Equity attributable to equity holders					
Called up share capital	14	**11,116**	**11,116**	13,939	13,939
Share premium account	15	**18,805**	**18,805**	18,805	18,805
Capital redemption reserve	16	**30,701**	**30,701**	27,878	27,878
Share purchase reserve	17	**–**	**–**	42,497	42,497
Capital reserves	18	**204,951**	**204,440**	138,116	137,605
Revenue reserve	19	**(29,572)**	**(29,572)**	(26,265)	(26,265)
Total equity		**236,001**	**235,490**	214,970	214,459
NAV per Ordinary share	20	**586.37p**	**585.10p**	395.66p	394.71p

The Financial Statements on pages 34 to 61 were approved by the Board on 4 November 2015 and signed on its behalf by:

Alan Clifton
Chairman

John Aston
Audit Committee Chairman

The notes on pages 38 to 61 form part of these Financial Statements.

International Biotechnology Trust plc
Company Number: 2892872

Group and Company Cash Flow Statements

	Notes	For the year ended 31 August 2015 Group £'000	For the year ended 31 August 2015 Company £'000	For the year ended 31 August 2014 Group £'000	For the year ended 31 August 2014 Company £'000
Cash flows from operating activities					
Profit before tax		**78,533**	**78,533**	44,754	44,754
Adjustments for:					
Increase in investments		**(22,206)**	**(22,206)**	(56,285)	(56,285)
(Increase)/decease in receivables		**(13,566)**	**(13,566)**	1,933	1,933
(Decease)/increase in payables		**(3,810)**	**(3,810)**	7,402	7,402
Taxation		**(54)**	**(54)**	(35)	(35)
Net cash flows generated from/(used in) operating activities	21	**38,897**	**38,897**	(2,231)	(2,231)
Cash flows used in financing activities					
Share repurchase costs		**(57,448)**	**(57,448)**	(2,421)	(2,421)
Net cash used in financing activities		**(57,448)**	**(57,448)**	(2,421)	(2,421)
Net decrease in cash and cash equivalents		**(18,551)**	**(18,551)**	(4,652)	(4,652)
Cash and cash equivalents at 1 September		**(3,017)**	**(3,017)**	1,635	1,635
Cash and cash equivalents at 31 August	11	**(21,568)**	**(21,568)**	(3,017)	(3,017)

The notes on pages 38 to 61 form part of these Financial Statements.

Notes to the Financial Statements

1. Accounting Policies

The Group comprises International Biotechnology Trust plc (the Company) and its wholly owned subsidiary, IBT Securities Limited (the Subsidiary).

The nature of the Group's operations and its principal activities are set out in the Strategic Report and Directors' Report.

Consolidated and Company Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and those parts of the Companies Act 2006 (the Act) applicable to companies reporting under IFRS. These comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and International Accounting Standards Committee (IASC), as adopted by the EU.

For the purposes of the consolidated Financial Statements, the results and financial position of each entity is expressed in pounds sterling, which is the functional currency of the Company and of its Subsidiary and the presentational currency of the Group. Sterling is the functional currency because it is the currency which is most relevant to the majority of the Company's Shareholders and creditors and the currency in which the majority of the Group's operating expenses are paid.

The principal accounting policies followed, which have been applied consistently for all years presented, are set out below:

(a) Basis of preparation

The consolidated and parent company Financial Statements have been prepared on a going concern basis and under the historical cost convention, as modified by the inclusion of investments at fair value through profit or loss.

Where presentational guidance set out in the Statement of Recommended Practice (the SORP) for investment trusts issued by The Association of Investment Companies (the AIC) in January 2009 is consistent with the requirements of IFRS, the Directors have sought to prepare the Financial Statements on a basis compliant with the recommendations of the SORP.

(b) Basis of consolidation

The consolidated Financial Statements of the Group comprise the Financial Statements of the Company and its Subsidiary. The Subsidiary is fully consolidated from the date on which control is transferred to the Group. Control is achieved where the Company has power to govern the financial and operating policies of an investee entity so as to obtain all the benefits from its activities. Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated. Accounting policies of the subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group.

No Statement of Comprehensive Income is presented for the Company, as permitted under Section 408 of the Act.

(c) Presentation of Statement of Comprehensive Income

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income.

The net profit after taxation in the revenue column is the measure the Directors believe appropriate in assessing the Group's compliance with certain requirements set out in Section 1158 Corporation Tax Act 2010 (CTA).

(d) Income

Dividends receivable on equity shares are recognised as revenue for the year on an ex-dividend basis. Special dividends are treated as revenue return or as capital return, depending on the facts of each individual case. Income from current asset investments is included in the revenue for the year on an accruals basis and is recognised on a time apportionment basis. Where the Group has elected to receive its dividends in the form of additional shares rather than cash, the amount of cash dividend foregone is recognised as income in the revenue column of the Statement of Comprehensive Income. Any excess in the value of shares over the amount of cash dividend foregone is recognised as a gain in the capital column of the Statement of Comprehensive Income.

Interest from fixed income securities is recognised on a time-apportionment basis so as to reflect the effective yield on the fixed income securities.

Deposit interest outstanding at the year end is calculated and accrued on a time apportionment basis using market rates of interest.

Notes to the Financial Statements

1. Accounting Policies *(continued)*

(e) Expenses and interest payable

Administrative expenses including the management fee and interest payable are accounted for on an accruals basis and are recognised when they fall due.

All expenses and interest payable have been presented as revenue items except as follows:

- Any performance fee payable is allocated wholly to capital, as it is primarily attributable to the capital performance of the Company's assets; and
- Transaction costs incurred on the acquisition or disposal of investments are expensed and included in the costs of acquisition or deducted from the proceeds of sale as appropriate.

(f) Taxation

Deferred tax is calculated in full, using the liability method, on all taxable and deductible temporary differences at the Balance Sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates and tax laws that have been enacted or substantively enacted at the Balance Sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

In line with recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented in the capital column of the Statement of Comprehensive Income is the marginal basis. Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue column of the Statement of Comprehensive Income, then no tax relief is transferred to the capital column.

(g) Non-current asset investments held at fair value

Investments are recognised or derecognised on the trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

On initial recognition all non-current asset investments are designated as held at fair value through profit or loss as defined by IFRS. They are further categorised into the following fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Having inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Having inputs for the asset or liability that are not based on observable market data.

All non-current investments (including those over which the Group has significant influence) are measured at fair value with gains and losses arising from changes in their fair value being included in net profit or loss for the year as a capital item.

The fair value for quoted investments is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted.

In respect of unquoted investments, or where the market for a financial instrument is not active, fair value is established by using various valuation techniques, in accordance with the International Private Equity and Venture Capital (IPEVC) Valuation Guidelines (December 2012). These may include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to recent rounds of re-financing undertaken by investee companies involving knowledgeable parties, reference to the current fair value of another instrument that is substantially the same or an earnings multiple.

As many of the unquoted investments are early stage investments, without revenue, valuation is also assessed up or down with reference to a range of factors among which are: ability of portfolio company management to keep within cash and operating budgets, clinical developments towards management and/or investor milestone targets, clinical trial data, progress of competitor products, performance and quality of the management team, litigation brought by or against the portfolio company, patent approval or challenge, the market for the product being developed and the broad climate of the economies of the countries in which they will likely be sold by reference to public stock market performance.

Any gains and losses realised on disposal are recognised in the capital column of the Statement of Comprehensive Income.

Notes to the Financial Statements

1. **Accounting Policies** *(continued)*

(h) Investment in subsidiary

The Company's investment in the Subsidiary is included at cost in the Company's Balance Sheet.

(i) Foreign currencies

Transactions involving currencies other than sterling are recorded at the exchange rate ruling on the transaction date.

At each Balance Sheet date, monetary items and non-monetary assets and liabilities that are fair valued, which are denominated in foreign currencies, are retranslated at the closing rates of exchange. Foreign currency exchange differences arising on translation are recognised in the Statement of Comprehensive Income. Exchange gains and losses on investments held at fair value through profit or loss are included within "Gains on investments held at fair value through profit or loss".

(j) Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The critical estimates and assumptions relate, in particular, to the valuation of unquoted investments, as summarised in (g) on the previous page.

Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(k) Cash and cash equivalents

In the Statement of Cash Flows, cash and cash equivalents includes cash in hand, short-term deposits and bank overdrafts. These are held for the purpose of meeting short-term cash commitments or investment opportunities and cash balances are held at their value (translated to sterling at the Balance Sheet date where appropriate). In the Balance Sheet, bank overdrafts are shown within borrowings in current liabilities.

(l) Receivables

Other receivables do not carry any right to interest and are short term in nature. Accordingly they are stated at their nominal value (amortised cost) reduced by appropriate allowances for estimated irrecoverable amounts.

(m) Other payables

Other payables are non interest-bearing and are stated at their nominal amount (amortised cost). Where there are any long-term borrowings, finance costs are calculated over the term of the debt on the effective interest basis.

(n) Repurchase of Ordinary shares (including those held in treasury)

The costs of repurchasing Ordinary shares including related stamp duty and transaction costs are taken directly to equity and reported through the Statement of Changes in Equity as a charge on the share purchase reserve and thereafter the capital reserves. Share purchase transactions are accounted for on a trade date basis. The nominal value of Ordinary share capital repurchased and cancelled is transferred out of called up share capital and into the capital redemption reserve. Where shares are repurchased and held in treasury, the transfer to capital redemption reserve is made if and when such shares are subsequently cancelled.

Notes to the Financial Statements

1. Accounting Policies *(continued)*

(o) Reserves

(i) Capital redemption reserve

The capital redemption reserve, which is non-distributable, holds the amount by which the nominal value of the Company's issued share capital is diminished when shares redeemed or purchased out of the Company's distributable reserves are subsequently cancelled.

(ii) Share premium account

A non-distributable reserve, represents the amount by which the fair value of the consideration received exceeds the nominal value of shares issued.

(iii) Share purchase reserve

A distributable reserve, which is used to finance the repurchase of shares in issue.

(iv) Capital reserves

The following are accounted for in this reserve and are distributable:

- Gains and losses on the realisation of investments;
- Unrealised investment holding gains and losses;
- Foreign exchange gains and losses;
- Performance fee; and
- Repurchase of shares in issue.

(v) Revenue reserve

Comprises accumulated undistributed revenue profits and losses.

(p) Accounting developments

(i) Standards, amendments and interpretations becoming effective in the year to 31 August 2015:

- IAS 27 (revised), 'Separate financial statements' Requirements for consolidated financial statements moved to IFRS10.
- IAS 28 (revised), 'Associates and joint ventures' Supersedes IAS28, 'Investments in Associates'.
- IFRS 10, 'Consolidated Financial Statements' Provides additional guidance to assist in the determination of control where this is difficult to assess.
- IFRS 11, 'Joint Arrangements' Replaces IAS31, Interests in Joint Ventures.
- IFRS 12, 'Disclosure of Interests in Other Entities' Includes the disclosure requirement for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- Amendments to IFRS 10,11,12 - transition guidance.
- Amendments to IFRS 10, IFRS12 and IAS27 - Exception from consolidation for 'investment entities'.
- Amendments to IAS 32 - 'Financial instruments: Presentation', clarifies offsetting financial assets and liabilities.
- Amendments to IAS 39 'Financial instruments: Recognition and measurement', novation of derivatives and continuation of hedge accounting.
- IFRIC 21, 'Levies'.

None of the above had any significant impact on the amounts reported in these Financial Statements.

Notes to the Financial Statements

1. Accounting Policies *(continued)*

(ii) Standards, amendments and interpretations to existing standards that become effective in future accounting periods and have not been adopted early by the Group:

- IFRS 9, 'Financial Instruments' (effective for financial periods beginning on or after 1 January 2018) - addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2018, subject to endorsement by the EU.
- IFRS 15, 'Revenue from contracts with customers' (effective for annual reporting periods beginning on or after 1 January 2018).

It is not expected that the standards listed above will have a significant impact on the Financial Statements of the Group in future periods.

(iii) Standards, amendments and interpretations to existing standards that become effective in future accounting periods (periods after 1 January 2016), but are not relevant for the Group's operations:

- IAS 1 - (amended) Presentation of Financial Statements;
- IAS 16 - (amended) Property, Plant and Equipment; and
- IAS 38 - (amended) Intangible Assets.

2. Gains on Investments Held at Fair Value

	For the year ended 31 August 2015 £'000	For the year ended 31 August 2014 £'000
Net gains on disposal of investments at historic cost	**99,394**	28,523
Less fair value adjustments in earlier years	**(39,241)**	(14,438)
Gains based on carrying value at previous Balance Sheet date	**60,153**	14,085
Investment holding gains during the year	**23,406**	33,341
	83,559	47,426
Attributable to:		
Quoted investments	**72,833**	46,630
Unquoted investments	**10,726**	796
	83,559	47,426

Notes to the Financial Statements

3. Income

	For the year ended 31 August 2015 £'000	For the year ended 31 August 2014 £'000
Income from investments held at fair value through profit or loss:		
Unfranked dividends	**363**	247
Interest on debt securities	**46**	289
	409	536

4. Management and Performance Fees

	For the year ended 31 August 2015 £'000	For the year ended 31 August 2014 £'000
Fees payable to the Investment Manager are as follows:		
Management fees (allocated to revenue)	**2,360**	2,145
	2,360	2,145
Performance fee (allocated to capital)	**1,348**	–
	1,348	–

Details of the management and performance fee arrangements are included in the Directors' Report on page 17.

5. Administrative Expenses

	For the year ended 31 August 2015 £'000	For the year ended 31 August 2014 £'000
General expenses	**723**	573
Directors' fees*	**165**	154
Secretarial and administration fees	**216**	201
Auditors' remuneration:		
Fees payable to the Group's auditor for the audit of the annual Financial Statements	**32**	34
	1,136	962

**See the Directors' Remuneration Report on pages 24 to 26.*

6. Interest Payable

	For the year ended 31 August 2015 £'000	For the year ended 31 August 2014 £'000
Bank overdraft interest payable	**166**	109

Notes to the Financial Statements

7. Taxation

(a) Analysis of charge in period

	For the year ended 31 August 2015 £'000	For the year ended 31 August 2014 £'000
Overseas tax	**54**	35
Total current tax charge for the period	**54**	35

Under the Finance Act 2013 the standard rate of Corporation Tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the Company's profits for the accounting period to 31 August 2015 are taxed at an effective rate of 20.58% (2014: 22.17%).

(b) Factors affecting tax charge for the year

Approved investment trust companies are exempt from tax on capital gains within the Group.

The tax assessed for the year is lower than that resulting from applying the standard rate of Corporation Tax in the UK for a medium or large company of 20% (2014: 21%). The differences are explained below:

	For the year ended 31 August 2015			For the year ended 31 August 2014		
	Revenue Group £'000	**Capital Group £'000**	**Total Group £'000**	Revenue Group £'000	Capital Group £'000	Total Group £'000
Factors affecting tax charge for the year:						
Profit/(loss) on ordinary activities before taxation	**(3,253)**	**81,786**	**78,533**	(2,680)	47,434	44,754
Tax at the UK Corporation Tax rate of						
21% (2014: 23%)	**(398)**	**10,019**	**9,621**	(360)	6,365	6,005
20% (2014: 21%)	**(271)**	**6,816**	**6,545**	(235)	4,150	3,915
	(669)	**16,835**	**16,166**	(595)	10,515	9,920
Tax effect of:						
Non-taxable dividend income	**(75)**	**–**	**(75)**	(55)	–	(55)
Capital returns on investments	**–**	**(17,199)**	**(17,199)**	-	(10,513)	(10,513)
Exchange losses/(gains)	**–**	**87**	**87**	-	(2)	(2)
Expenses not utilised in the year	**744**	**277**	**1,021**	650	–	650
Overseas tax	**54**	**–**	**54**	35	–	35
Tax relief on overseas tax suffered	**–**	**–**	**–**	–	–	–
	54	**–**	**54**	35	–	35

(c) Provision for deferred taxation

No provision for deferred tax has been made in the current or prior year.

(d) Factors that may affect future tax charges

At 31 August 2015 the Company had a potential deferred tax asset of £9,809,000 (2014: £8,816,000) on taxable losses, which is available to be carried forward and offset against future taxable profits. A deferred tax asset has not been recognised for these losses as it is considered unlikely that the Company will make taxable revenue profits in the future and it is not liable to tax on capital gains.

Due to the Company's status as an investment trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided for deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

It is unlikely that the Company will obtain relief in the future for the potential asset disclosed above, so no deferred tax asset has been recognised.

Notes to the Financial Statements

8. Net Profit/(Loss) per Ordinary Share

	For the year ended 31 August 2015 £'000	For the year ended 31 August 2014 £'000
Net revenue loss	**(3,307)**	(2,715)
Net capital profit	**81,786**	47,434
	78,479	44,719
Weighted average number of Ordinary shares in issue during the year*	**43,955,896**	55,003,553
	Pence	Pence
Revenue loss per Ordinary share	**(7.52)**	(4.94)
Capital profit per Ordinary share	**186.06**	86.24
Total earnings per Ordinary share	**178.54**	81.30

**Excluding those held in treasury.*

The increase in the NAV per share from 395.66p (31 August 2014) to 586.37p (31 August 2015) includes the total earnings per share as disclosed above and the effect of the Company, during the year, repurchasing shares at a discount to the prevailing NAV per share.

9. Investments Held at Fair Value Through Profit or Loss

(a) Analysis of investments

	At 31 August 2015 Group £'000	**At 31 August 2015 Company* £'000**	At 31 August 2014 Group £'000	At 31 August 2014 Company* £'000
Quoted overseas	**226,466**	**226,466**	206,491	206,491
	226,466	**226,466**	206,491	206,491
Unquoted in the United Kingdom	**7,667**	**7,667**	4,240	4,240
Unquoted overseas	**12,796**	**12,796**	13,992	13,992
	20,463	**20,463**	18,232	18,232
Valuation of investments at 31 August	**246,929**	**246,929**	224,723	224,723

**The subsidiary is held at cost of 100 Ordinary shares of £1 each, fully paid, and held by the Company.*

Notes to the Financial Statements

9. Investments Held at Fair Value Through Profit or Loss *(continued)*

(b) Movements on investments

	For the year ended 31 August 2015 Group £'000	**For the year ended 31 August 2015 Company £'000**	For the year ended 31 August 2014 Group £'000	For the year ended 31 August 2014 Company £'000
Opening book cost	**176,616**	**176,616**	139,234	139,234
Opening fair value adjustment	**48,107**	**48,107**	29,204	29,204
Opening valuation	**224,723**	**224,723**	168,438	168,438
Purchases at cost	**323,596**	**323,596**	218,478	218,478
Proceeds of disposals	**(384,949)**	**(384,949)**	(209,619)	(209,619)
Net gains realised on disposals	**60,153**	**60,153**	14,085	14,085
Increase in fair value adjustment	**23,406**	**23,406**	33,341	33,341
Valuation of investments at 31 August	**246,929**	**246,929**	224,723	224,723
Closing book cost	**214,657**	**214,657**	176,616	176,616
Closing fair value adjustment	**32,272**	**32,272**	48,107	48,107
Closing valuation	**246,929**	**246,929**	224,723	224,723

The following transaction costs, including stamp duty and broker commissions were incurred during the year:

	For the year ended 31 August 2015 £'000	For the year ended 31 August 2014 £'000
On acquisitions	**184**	125
On disposals	**230**	125
	414	250

(c) Subsidiary undertaking

Company and business	**Country of registration, incorporation and operation**	**Number and class of shares held by the Company**	**Holding**
IBT Securities Limited*	England and Wales	100 Ordinary shares of £1	100%

**Investment holding company.*

The investment is stated in the Company's Financial Statements at cost, which is considered by the Directors to equate to fair value.

Notes to the Financial Statements

9. Investments Held at Fair Value Through Profit or Loss *(continued)*

(d) Significant undertaking

The Group has interests of 3% or more of any class of capital in the following investee companies.

	Class of shares held	% of class held	Country of incorporation
Archemix	Series B	3.80%	USA
Atopix Therapeutics	Series A Pref	4.14%	UK
Celerion Series A	Series A	3.51%	USA
EBR Systems	Series C	7.84%	USA
EBR Systems	Series D	4.16%	USA
EBR Systems	Series E	3.81%	USA
Ikano Therapeutics Liquidating trust	Units	6.41%	USA
Kalvista Pharmaceuticals	Series A	4.87%	UK
Karus Therapeutics	Series B Pref	3.40%	UK
NCP Holdings	Series A Convertible	3.10%	USA
Oxagen Stocks	Series A Pref	4.63%	UK
Oxagen Stocks	Series B Pref	9.10%	UK
Oxagen Stocks	Series C pref	4.18%	UK
Reshape	Series B	10.00%	USA
Reshape	Series C Pref	4.50%	USA
Sutro Biopharma	Series B	3.93%	USA
Vantia	Series A	3.37%	UK

(e) Disposals of unquoted investments

The significant unquoted investment disposals during the year were:

Investment	Carrying value at 31 August 2014 £'000	Transactions prior to disposal £'000	Cost £'000	Proceeds £'000	Carrying value at 31 August 2015 £'000
Convergence Pharmaceuticals	420	–	420	1,981	**2,192**
Celerion	1,509	–	233	1,452	**55**
ESBA Tech	1,085	–	–	1,316	**216**
Oncoethix	1,097	–	993	1,980	**1,490**

The carrying value of these investments represents the value of contingent future payments and milestones.

Notes to the Financial Statements

9. Investments Held at Fair Value Through Profit or Loss *(continued)*

(f) Significant changes in fair values of unquoted investments

During the year under review the following unquoted investments were written up/(down) by a significant extent (adjusted for currency movements):

	Write up/(down) £'000
Convergence	3,751
Entellus Medical	2,250
Kalvista	1,075
Oncoethix	2,373
Sutro	1,148

10. Receivables

	At 31 August 2015 Group £'000	**At 31 August 2015 Company £'000**	At 31 August 2014 Group £'000	At 31 August 2014 Company £'000
Amounts due within one year:				
Sales awaiting settlement	**14,311**	**14,311**	801	801
Accrued income	**106**	**106**	53	53
Prepaid expenses	**24**	**24**	22	22
Tax recoverable	**–**	**–**	1	1
VAT recoverable	**15**	**15**	13	13
	14,456	**14,456**	890	890

11. Cash and Cash Equivalents

Cash and cash equivalents include the following for the purposes of the Statement of Cash Flows:

	At 31 August 2015 Group £'000	**At 31 August 2015 Company £'000**	At 31 August 2014 Group £'000	At 31 August 2014 Company £'000
Cash at bank	**296**	**296**	–	–
Bank overdraft	**(21,864)**	**(21,864)**	(3,017)	(3,017)
Cash and cash equivalents	**(21,568)**	**(21,568)**	(3,017)	(3,017)

The Company has a £35m uncommitted multi-currency overdraft facility. On 31 August 2015, £21,864,000 (2014: £3,017,000) was drawn down. The principal covenants relating to this facility are that there must be at least twenty investments in the portfolio and that performance must not fall 15% in a month, 25% in two months or 30% in any six month period. The Company has complied with the terms of the facility throughout the financial year.

Notes to the Financial Statements

12. Payables

	At 31 August 2015 Group £'000	At 31 August 2015 Company £'000	At 31 August 2014 Group £'000	At 31 August 2014 Company £'000
Amounts falling due within one year:				
Purchases awaiting settlement	**2,203**	**2,203**	7,378	7,378
Accrued expenses	**1,613**	**1,613**	248	248
Amount due to subsidiary	**–**	**511**	–	511
	3,816	**4,327**	7,626	8,137

13. Capital Commitments – contingent assets and liabilities

The Company is committed to further investment in the following investee companies, subject to the fulfilment of certain conditions:

2015: Karus £353,433; TopiVert £235,295 and Delenex £31,066 (2014: Karus £353,434; Ricerca £38,611 and Topivert £588,236)

14. Called Up Share Capital

	Ordinary shares of 25p each at 31 August 2015	Ordinary shares of 25p each at 31 August 2014	Nominal value at 31 August 2015 £'000	Nominal value at 31 August 2014 £'000
Allotted, Called up and Fully paid:				
Ordinary shares in issue	**40,247,663**	54,332,663	**10,062**	13,583
Ordinary shares held in treasury	**4,215,000**	1,425,000	**1,054**	356
	44,462,663	55,757,663	**11,116**	13,939

During the year 3,090,000 Ordinary shares were repurchased to be held in treasury at a cost of £13,462,000 (2014: 825,000 shares at a cost of £2,421,000). In addition, 10,995,000 shares were bought back for cancellation at a cost of £43,986,000 (2014: nil).

300,000 (2014: nil) Ordinary shares held in treasury were cancelled during the year.

The Ordinary shares held in treasury have no voting rights and are not entitled to dividends.

15. Share Premium Account

	At 31 August 2015 £'000	At 31 August 2014 £'000
Balance brought forward	**18,805**	18,805
Balance carried forward	**18,805**	18,805

Notes to the Financial Statements

16. Capital Redemption Reserve

	At 31 August 2015 £'000	At 31 August 2014 £'000
Balance brought forward	**27,878**	27,878
Nominal value of 300,000 (2014: nil) Ordinary shares cancelled from treasury	**75**	–
Nominal value of 10,995,000 (2014: nil) Ordinary shares bought back and cancelled	**2,748**	–
Balance carried forward	**30,701**	27,878

17. Share Purchase Reserve

	At 31 August 2015 £'000	At 31 August 2014 £'000
Balance brought forward	**42,497**	44,918
Cost of shares bought back and held in treasury	**(4,064)**	(2,421)
Cost of shares bought back and cancelled	**(38,433)**	–
Balance carried forward	**–**	42,497

18. Capital Reserves

	At 31 August 2015 Group £'000	At 31 August 2015 Company £'000	At 31 August 2014 Group £'000	At 31 August 2014 Company £'000
Balance brought forward	**138,116**	**137,605**	90,682	90,171
Gains on investments	**83,559**	**83,559**	47,426	47,426
Cost of shares bought back and held in treasury	**(9,398)**	**(9,398)**	–	–
Cost of shares bought back and cancelled	**(5,553)**	**(5,553)**	–	–
Performance fee	**(1,348)**	**(1,348)**	–	–
Realised exchange (losses)/gains on currency balances	**(425)**	**(425)**	8	8
Balance carried forward	**204,951**	**204,440**	138,116	137,605
The capital reserves may be further analysed as follows:				
Reserve on investments sold	**172,679**	**172,168**	90,009	89,498
Reserve on investments held	**32,272**	**32,272**	48,107	48,107
	204,951	**204,440**	138,116	137,605

19. Revenue Reserve

	At 31 August 2015 £'000	At 31 August 2014 £'000
Balance brought forward	**(26,265)**	(23,550)
Net loss for the year	**(3,307)**	(2,715)
Balance carried forward	**(29,572)**	(26,265)

As permitted by section 408 of the Act, the Company has not presented its own Statement of Comprehensive Income. The loss for the year of the Company amounted to £3,307,000 (2014: £2,715,000).

Notes to the Financial Statements

20. Net Asset Value per Ordinary Share

The calculation of the NAV per Ordinary share is based on the following:

	At 31 August 2015 Group	**At 31 August 2015 Company**	At 31 August 2014 Group	At 31 August 2014 Company
NAV (£'000)	**236,001**	**235,490**	214,970	214,459
Number of Ordinary shares in issue	**40,247,663**	**40,247,663**	54,332,663	54,332,663
NAV per Ordinary share (pence)	**586.37**	**585.10**	395.66	394.71

21. Notes to the Cash Flow Statement

Cash and cash equivalents comprise cash at bank, short-term deposits and bank overdrafts.

Included within the cash flows from operating activities are the cash flows associated with the purchases and sales of investments, as these are not considered to be investing activities, given the purpose of the Group. Cash flow from operating activities can therefore be further analysed as follows:

	For the year ended 31 August 2015 £'000 Group & Company £'000	For the year ended 31 August 2014 £'000 Group & Company £'000
Proceeds on disposal of fair value through profit and loss investments	**371,439**	211,544
Purchases of fair value through profit and loss investments	**(328,771)**	(211,100)
Net cash inflow from investing activities	**42,668**	444
Cash flows from other operating activities	**(3,771)**	(2,675)
Net cash flows generated from/(used in) operating activities	**38,897**	(2,231)

22. Transactions with the Manager and Related Party Transactions

(a) Transactions with the Manager

Details of the management fee arrangement are given in the Directors' Report on page 17.

The total fee payable under this Agreement to SVLS (the Investment Manager) for the year ended 31 August 2015 was £2,360,000 (2014: £2,145,000) of which £nil (2014: £nil) was outstanding at the year end. In addition to this, SVLS is also entitled to a performance fee of £1,348,000 (2014: £nil), which was outstanding at the year end.

SVLS will often take seats on boards of companies in which the Company holds an investment. These positions help to monitor the investee companies and in many cases add to the strength and depth of management. They sometimes provide an economic benefit to the individual who takes the position - often in the form of a director's fee or share awards. SVLS has agreed with the Board a set of guidelines on how any economic interest will be divided between the Company and SVLS. The Board is informed of both the position held and any economic benefits as they arise and a summary of all the positions, benefits and allocations is presented for review at each Board Meeting for formal approval. During the year ended 31 August 2015 £nil (2014: £nil) was received.

(b) Related party transactions

The Directors of the Company are key management personnel. The total remuneration payable to Directors in respect of the year ended 31 August 2015 was £164,726 (2014: £153,500) of which £45,125 (2014: £38,375) was outstanding at the year end.

At 31 August 2015 there was an outstanding balance of £511,000 due to subsidiary, IBT Securities Limited (2014: £511,000 due to subsidiary).

Notes to the Financial Statements

23. Financial Instruments and Risk Management

Risk management policies and procedures

The Group's financial assets and liabilities, in addition to short-term debtors and creditors and cash, comprise financial instruments which include investments in equity funds.

The holding of securities, investment activities and associated financing undertaken pursuant to the investment policy involve certain inherent risks. Events may occur that would result in either a reduction in the Group's net assets or a reduction of the total return.

The main risks arising from the Group's pursuit of its investment objective (see page 12) are those that affect stock market levels: market risk. In addition, there are specific risks inherent in investing in the biotechnology sector. The Board reviews and agrees policies for managing these risks, as summarised below. These policies have remained substantially unchanged throughout the current and preceding year.

1. Market Risk

The fair value or future cash flows of a financial instrument held by the Group may fluctuate because of changes in market prices. This market risk comprises three elements - price risk, currency risk and interest rate risk. The Investment Manager assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

a) Price Risk

The Company is an investment company and as such its performance is dependent on the valuation of its investments. A detailed breakdown of the investment portfolio is given on pages 8 to 11 and in the Investment Manager's Review on pages 6 and 7. Market price risk arises mainly from uncertainty about future prices of the financial instruments held.

Management of the risk

The Board regularly considers the asset allocation of the portfolio as part of the process of managing the risks associated with the biotechnology sector, described in greater detail in the section on specific risk, whilst continuing to follow the investment objective.

It is not the Group's current policy to use derivative instruments to hedge the investment portfolio against market price risk.

Price risks exposure

At the year end, the Group's assets exposed to market price risk were as follows:

	At 31 August 2015 Group £'000	**At 31 August 2015 Company £'000**	At 31 August 2014 Group £'000	At 31 August 2014 Company £'000
Non-current asset investments at fair value through profit or loss	**246,929**	**246,929**	224,723	224,723
Total	**246,929**	**246,929**	224,723	224,723

The level of assets exposed to market price risk increased by approximately 10% during the year, through a combination of acquisitions of investments and increases in fair values.

Concentration of exposure to price risk

The Company currently holds investments in 101 companies, in a mixture of quoted and unquoted investments in a variety of countries, which significantly spreads the risk of individual investments performing poorly and reduces the concentration of exposure. The classification of investments by sector and region is provided on page 11.

Price risk sensitivity

The following table illustrates the sensitivity of the profit for the year and the equity to an increase or decrease of 10% in the fair values of the Company's investments. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Company's investments at each Balance Sheet date, with all other variables held constant.

Notes to the Financial Statements

23. Financial Instruments and Risk Management *(continued)*

Group and Company:

	31 August 2015 Increase in fair value £'000	**31 August 2015 Decrease in fair value £'000**	31 August 2014 Increase in fair value £'000	31 August 2014 Decrease in fair value £'000
Effect on revenue return	**(222)**	**222**	(258)	258
Effect on capital return	**24,693**	**(24,693)**	22,472	(22,472)
Effect on total return and net assets	**24,471**	**(24,471)**	22,214	(22,214)

b) Currency Risk

The Financial Statements and performance of the Group are denominated in sterling. However, the majority of the Group's assets and the total return are denominated in US dollars, accordingly the total return and capital value of the Group's investments can be significantly affected by movements in foreign exchange rates. It is not the Group's policy to hedge against foreign currency movement. The geographical split of investments is detailed on page 11.

Management of the risk

The Investment Manager monitors the Group's exposure to foreign currencies on a daily basis, and reports to the Board on a regular basis.

Foreign currency exposure

The fair values of the Company's monetary items that have foreign currency exposure at 31 August 2015 are shown below.

Where the Company's equity investments (which are non monetary items) are priced in foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

	At 31 August 2015 Group & Company £'000	At 31 August 2014 Group & Company £'000
Monetary assets/(liabilities)		
Cash and cash equivalents:		
US dollars	**96**	–
Short term receivables:		
US dollars	**14,407**	851
Short term payables:		
Swiss francs	**(1)**	(2)
US dollars	**(22,664)**	(10,278)
Euros	**(1,023)**	–
Danish krone	**(402)**	–
Foreign currency exposure on net monetary items	**(9,587)**	(9,429)
Non-current asset investments held at fair value		
US dollars	**223,410**	208,887
Swiss francs	**2,515**	7,538
Euros	**8,460**	1,723
Danish krone	**7,441**	1,445
Canadian dollars	**741**	890
Swedish kroner	**827**	–
Total net foreign currency exposure	**233,807**	211,054

At the year end, approximately 99% (2014: 98%) of the Group's net assets were denominated in currencies other than sterling. This level of exposure is broadly representative of the levels throughout the year.

Notes to the Financial Statements

23. Financial Instruments and Risk Management *(continued)*

Foreign currency sensitivity

During the financial year sterling weakened by 7.4% against the US dollar, 2.2% against the Swiss franc and strengthened by 8.9% against the Euro. (2014: strengthened 7.4%, 5.5% and 7.5% respectively). It is not possible to forecast how much rates might move in the next year, but based on the movements in the three major currencies above in the last two years, it appears reasonably possible that rates could change by as much as 10%.

The following table illustrates the sensitivity of the profit after taxation for the year and the equity in regard to the Group's financial assets and financial liabilities, assuming a 10% change in exchange rates.

If sterling had weakened against the exposure currencies, with all other variables held constant, this would have affected Group net assets and net profit/(loss) for the year attributable to equity shareholders as follows:

	At 31 August 2015 £'000	At 31 August 2014 £'000
US dollars	**21,525**	19,946
Swiss francs	**251**	754
Euros	**744**	172
Danish krone	**704**	145
Canadian dollars	**74**	89
Swedish krona	**83**	–
	23,381	21,106

If sterling had strengthened against the exposure currencies, with all other variables held constant, this would have affected Group net assets and net profit/(loss) after taxation attributable to equity shareholders as follows:

	At 31 August 2015 £'000	At 31 August 2014 £'000
US dollars	**(21,525)**	(19,946)
Swiss francs	**(251)**	(754)
Euros	**(744)**	(172)
Danish krone	**(704)**	(145)
Canadian dollars	**(74)**	(89)
Swedish krona	**(83)**	–
	(23,381)	(21,106)

In the opinion of the Directors, the above sensitivity analyses are not necessarily representative of the year as a whole, since the level of exposure changes as part of the currency risk management process used to meet the Group's objectives.

c) Interest Rate Risk

The Group will be affected by interest rate changes as it holds interest-bearing financial assets and liabilities. Interest rate changes will also have an impact in the valuation of investments, although this forms part of price risk, which is considered separately above.

Management of the risk

Interest rate risk is limited by the Group's financial structure with operations mainly financed through the share capital, share premium and retained reserves. The majority of the Group's financial assets are, under normal circumstances, equity shares and other investments which neither pay interest nor have a stated maturity date.

In the normal course of business, the Group's policy is to be fully invested and, other than as arising from the timing of investment transactions, the cash holding is kept to a minimum.

Notes to the Financial Statements

23. Financial Instruments and Risk Management *(continued)*

At the year end £21,864,000 (2014: £3,017,000) was drawn down under the Company's committed overdraft facility. It is not the Group's policy to use derivative instruments to mitigate interest rate risk, as the Board believes that the effectiveness of such instruments does not justify the costs involved.

Interest rate exposure

The exposure, at 31 August 2015, of financial assets and liabilities to interest rate risk is shown by reference to:

• Floating interest rates (i.e. giving cash flow interest rate risk) – when the rate is due to be re-set; and

• Fixed interest rates (i.e. giving fair value interest rate risk) – when the financial instrument is due for repayment.

Group and Company:

	At 31 August 2015			At 31 August 2014		
	Within one year £'000	**More than one year £'000**	**Total £'000**	Within one year £'000	More than one year £'000	Total £'000
Exposure to floating interest rates:						
Cash and cash equivalents	**(21,568)**	**–**	**(21,568)**	(3,017)	–	(3,017)
Exposure to fixed interest rates:						
Non-current asset investments held at fair value through profit or loss	**124**	**–**	**124**	167	–	167
Total exposure to interest rates	**(21,444)**	**–**	**(21,444)**	(2,850)	–	(2,850)

The weighted average interest rate for the fixed rate financial assets was 7.0% (2014: 8.3%) and the effective period for which the rate was fixed was 0.07 years (2014: 0.7 years).

The above amounts are not necessarily representative of the exposure to interest rates in the year ahead, as the level of cash or cash like assets such as money market funds and borrowings varies during the year according to the performance of the stock market, events within the wider economy and opportunities within the unquoted market and the Investment Manager's decisions on the best use of cash or borrowings over the period. During the year under review the level of financial assets and liabilities exposed to interest rates fluctuated between £1.2m and £21.44m.

Interest rate sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year and equity to an increase or decrease of 50 (2014: 50) basis points in interest rates in regard to the Group's monetary financial assets, which are subject to interest rate risk. This level of change is considered to be reasonably possible based on observation of current market conditions.

The sensitivity analysis is based on the Group's monetary financial instruments held at each balance sheet date, with all other variables held constant.

	31 August 2015 Increase in rate £'000	**31 August 2015 Decrease in rate £'000**	31 August 2014 Increase in rate £'000	31 August 2014 Decrease in rate £'000
Effect on revenue return	**(108)**	**108**	(15)	15
Effect on capital return	**–**	**–**	–	–
Effect on total return and on net assets	**(108)**	**108**	(15)	15

In the opinion of the Directors, the above sensitivity analyses may not be representative of the year as a whole, since the level of exposure may change.

Notes to the Financial Statements

23. Financial Instruments and Risk Management *(continued)*

2. Credit risk

In undertaking purchases and sales of investments, there is a risk that the counterparty will not deliver the investment before or after the Group has fulfilled its responsibilities. Additionally, the Group has funds on deposit with banks or in money market funds. HSBC Bank plc is the Custodian of the Company's assets. The Company's investments are held in accounts which are segregated from the Custodian's own trading assets. If the Custodian were to be become insolvent, the Company's right of ownership is clear and they are therefore protected. However cash balances deposited with the Custodian may be at risk in this instance, as the Company would rank alongside other creditors.

Management of the risk

During the year the Group bought and sold investments only through brokers which had been approved by the Investment Manager as acceptable counterparties. In addition, limits are set as to the maximum exposure to any individual broker that may exist at any time. These limits are reviewed regularly.

Cash balances will only be deposited with reputable banks with high quality credit ratings.

Credit risk exposure

The exposure to credit risk at the year end comprised:

	At 31 August 2015 Group & Company £'000	At 31 August 2014 Group & Company £'000
Sales awaiting settlement	**14,311**	801
Accrued income	**106**	53
Cash at bank	**296**	–
	14,713	854

All of the above financial assets are current, their fair values are considered to be the same as the values shown and the likelihood of a material credit default is considered to be low.

None of the Group's financial assets are over due or impaired.

3. Liquidity risk

Liquidity risk is the possibility of failure of the Company to realise sufficient assets to meet its financial liabilities.

Management of the risk

Liquidity and cash flow risk are minimised as the Investment Manager aims to hold sufficient Group assets in the form of readily realisable securities to meet funding commitments as necessary. In addition, the Group has an overdraft facility with HSBC Bank plc of £35m.

It should be noted, however, that investments in unquoted securities will not be readily realisable. Furthermore, even where the Group holds an investment in quoted securities, the Group may be restricted in its ability to trade that investment either because the investment becomes subject to restrictions when the company concerned becomes publicly quoted or, at certain times, as a consequence of the Group being privy to confidential price sensitive information as a result of the Investment Manager's active involvement in that company.

Liquidity risk exposure

A summary of the Company's financial assets and liabilities is provided on the following pages in sub-note 6.

Notes to the Financial Statements

23. Financial Instruments and Risk Management *(continued)*

4. Specific Risk

As well as the general risk factors outlined above, investing in IBT's portfolio carries some particular risks:

(a) the stock prices of publicly quoted biotechnology companies have been characterised by periods of high volatility;

(b) a proportion of the Group's investments will be in companies whose securities are not publicly traded or freely marketable and may, therefore, be difficult to realise. In addition, there are inherent difficulties in valuing unquoted investments and the realisations from sales of investments could be less than their carrying value;

(c) biotechnology companies typically have a limited product range and those products may be subject to extensive government regulation. Obtaining necessary approval for new products can be a lengthy process, which is expensive and uncertain as to outcome;

(d) technological advances can render existing biotechnology products obsolete;

(e) intense competition exists in certain product areas in relation to obtaining and sustaining proprietary technology protection and the complex nature of the technologies involved can lead to patent disputes;

(f) certain biotechnology companies may be exposed to potential product liability risks, particularly in relation to the testing, manufacturing and sales of healthcare products;

(g) biotechnology companies spend a considerable proportion of their resources on R&D, which may be commercially unproductive or require the injection of further funds to exploit the results of their work; and

(h) the growing cost of providing healthcare has placed financial strains on governments, insurers, employers and individuals, all of whom are searching for ways to reduce costs. As a result, certain areas may be affected by price controls and reimbursement limitations.

5. Fair Values of Financial Assets and Financial Liabilities

All financial assets and liabilities are either carried in the Balance Sheet at fair value or the Balance Sheet amount is a reasonable approximation of fair value. The fair value of Quoted shares and securities is based on the bid price or last traded price, depending on the convention of the exchange on which the investment is quoted.

Unquoted investments are valued in accordance with IPEVC Valuation Guidelines. The methods commonly used to value unquoted securities are stated in accounting policy 1(g).

6. Summary of Financial Assets and Financial Liabilities by Category

The carrying amounts of the Group's financial assets and financial liabilities as recognised at the Balance Sheet date of the reporting periods under review are categorised as follows:

Financial Assets (Group and Company)

	At 31 August 2015 £'000	At 31 August 2014 £'000
Financial assets at fair value through profit or loss:		
Non-current asset investments - designated as such on initial recognition	**246,929**	224,723
Loans and receivables:		
Current assets:		
Receivables	**14,432**	867
Cash and cash equivalents	**296**	–
	14,728	867

Notes to the Financial Statements

23. Financial Instruments and Risk Management *(continued)*

6. Summary of Financial Assets and Financial Liabilities by Category *(continued)*

Financial Liabilities

	At 31 August 2015 Group £'000	At 31 August 2015 Company £'000	At 31 August 2014 Group £'000	At 31 August 2014 Company £'000
Measured at amortised cost				
Creditors: amounts falling due within one month:				
Purchases awaiting settlement	**2,203**	**2,203**	7,378	7,378
Bank overdraft	**21,864**	**21,864**	3,017	3,017
Accruals	**1,613**	**1,613**	248	248
Amount due to subsidiary	**–**	**511**	–	511
	25,680	**26,191**	10,643	11,154

7. Classification under the fair value hierarchy

The table below sets out fair value measurements using the IFRS 7 fair value hierarchy:

(i) Financial assets at fair value through profit or loss (Group and Company)

At 31 August 2015	**Total £'000**	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**
Equity investments	**246,805**	**226,464**	**2**	**20,339**
Fixed interest investments	**124**	**–**	**–**	**124**
	246,929	**226,464**	**2**	**20,463**

At 31 August 2014	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Equity investments	224,556	206,345	146	18,065
Fixed interest investments	167	–	–	167
	224,723	206,345	146	18,232

Categorisation within the hierarchy has been determined on the basis of the lowest level of input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 – valued using quoted prices in active markets for identical assets.

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

The valuation techniques used by the Company are explained in the accounting policies noted on pages 38 and 39.

There have been no transfers during the year between Levels 1 and 2.

A reconciliation of fair value measurements in Level 3 is set out on the opposite page.

Notes to the Financial Statements

23. Financial Instruments and Risk Management *(continued)*

(ii) Level 3 investments at fair value through profit or loss (Group and Company)

	At 31 August 2015 £'000	At 31 August 2014 £'000
Opening valuation	**18,232**	27,269
Transfers out of Level 3	**(3,190)**	(5,055)
Acquisitions	**2,867**	4,219
Disposal proceeds	**(8,172)**	(8,997)
Total gains/(losses) included in the Statement of Comprehensive Income		
- on assets sold	**5,511**	429
- on assets held at the year end	**5,215**	367
Closing valuation	**20,463**	18,232

The transfers out of Level 3 represent the value of investments that were listed during the year, having previously been unquoted.

(iii) Sensitivity of Level 3 valuations

		For the year ended 31 August 2015 Effect of reasonably possible alternative assumptions			For the year ended 31 August 2014 Effect of reasonably possible alternative assumptions		
Valuation techniques	Significant unobservable inputs	**Carrying value £'000**	**Favourable changes £'000**	**Unfavourable changes £'000**	Carrying value £'000	Favourable changes £'000	Unfavourable changes £'000
Multiple of revenue/ comparable market companies	Revenue multiple	**–**	**–**	**–**	3,190	4,453	(2,464)
Multiple of EBITDA	EBITDA multiple	**–**	**–**	**–**	1,509	389	(165)
Discounted cash flow	Discount rate	**6,299**	**213**	**(29)**	3,224	90	(97)
	Probability of milestone achievement	**–**	**1,527**	**(1,614)**	–	152	(1,912)
	Reveue estimates	**–**	**210**	**(204)**	–	–	–
Market comparable/ multiple of revenue	Revenue multiple	**–**	**–**	**–**	987	179	(424)
Probability weighted expected return	Probability of expected outcomes	**2,562**	**89**	**(170)**	–	–	–
Market comparable/ multiple of EBITDA	EBITDA multiple	**1,606**	**261**	**(149)**	–	3	(138)
		10,467	**2,300**	**(2,167)**	8,910	5,266	(5,200)

The table above outlines the Level 3 investments where there are considered to be reasonable possible alternatives to the assumptions used within the valuations. The effects of using the alternatives within the valuations are shown. The table does not include Level 3 investments where there is not considered to be reasonable possible alternatives to the assumptions used within the valuations or where no assumptions are used in the valuations (e.g. where the Level 3 investment is valued by reference to the initial cost).

Notes to the Financial Statements

23. Financial Instruments and Risk Management *(continued)*

8. Capital Management Policies and Procedures

The Company's objectives, policies and processes for managing capital are unchanged from the preceding accounting year.

The Company's debt and capital structure comprises the following:

	At 31 August 2015 £'000	At 31 August 2014 £'000
Debt		
Bank overdraft	**21,864**	3,017
Equity		
Called up share capital	**11,116**	13,939
Reserves	**224,374**	200,520
	235,490	214,459
Total debt and equity	**257,354**	217,476

The Company's capital is managed to ensure that it will continue as a going concern and to maximise the capital return to its equity shareholders over the longer term.

The Board, with the assistance of the Investment Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This includes consideration of:

(i) the buy back or issuance of equity shares;

(ii) the level of gearing, if any; and

(iii) dividend payments, if any.

The Company is subject to externally imposed capital requirements through the Act, with respect to its status as a public limited company.

In addition, with respect to the obligation and ability to pay dividends, the Company must comply with the provisions of Section 1158 Corporation Tax Act 2010 and the Act respectively.

Gearing for this purpose is defined as borrowings used for investment purposes, less cash, expressed as a percentage of net assets.

	At 31 August 2015 £'000	At 31 August 2014 £'000
Borrowings used for investment purposes, less cash	**21,568**	3,017
Net assets	**235,490**	214,459
Gearing	**9.2%**	1.4%

Borrowings are made on a relatively short-term basis to exploit specific investment opportunities, rather than to apply long-term structural gearing to the Company's portfolio of investments.

24. Segmental Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

The Board is of the opinion that the Group is engaged in a single segment of business, namely the investment in development staged biotechnology and other life sciences companies in accordance with the Company's investment objective, and consequently no segmental analysis is provided.

Notes to the Financial Statements

25. Exchange Rates

Foreign currency assets and liabilities have been translated into sterling on the Balance Sheet dates at the following rates of exchange:

	At 31 August 2015	At 31 August 2014
Australian dollars	**2.16941**	1.77563
Danish krone	**10.24470**	9.39304
Euros	**1.37260**	1.26082
Norwegian krone	**12.89682**	10.25879
Swiss francs	**1.48732**	1.52100
US dollars	**1.53800**	1.66075

Company Summary, Shareholder Information, Directors and Advisers

Company Status
The Company was established in 1994 as an independent investment trust whose shares are listed on the London Stock Exchange (Ordinary shares: ISIN No: GB0004559349; EPIC Code: IBT). The Company is registered in England and Wales with a company number of 2892872.

Life of the Company
The Company's Articles of Association provide for Directors to put forward a proposal for the continuation of the Company at the Company's AGM at two-yearly intervals. Accordingly, a proposal will be put forward at the AGM to be held on Wednesday, 9 December 2015.

Share Price and Net Asset Value Information
The Company's shares are listed on the London Stock Exchange. The Company's share price is quoted daily in the Daily Telegraph and The Times.

The Company releases its NAV per share to the market on a daily basis.

Association of Investment Companies
The Company is a member of the Association of Investment Companies (the AIC). Further information on the AIC can be found at its website, www.theaic.co.uk.

2015 Financial Calendar

April	Half Yearly Results announced
31 August	Year End
November	Annual Results announced
December	Annual General Meeting (AGM)

Shares in Issue
As at 31 August 2015, the Company had 40,247,663 Ordinary shares of 25p each in issue and 4,215,000 Ordinary shares of 25p each held in treasury.

Website
The Company's website is located at **www.ibtplc.com**. The site provides share price and NAV information as well as details of the Board of Directors and SVLS, information on investee companies, monthly fact sheets, the latest published Annual and Half Yearly Financial Statements and access to recent market announcements.

Directors
Alan Clifton (Chairman)
John Aston (Audit Committee Chairman)
Véronique Bouchet
David Clough
Caroline Gulliver
Jim Horsburgh

Advisers
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Company Secretary and Registered Office
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Administrator, Banker and Custodian
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Independent Auditor
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Shareholder Helpline: 0371 384 2624*
Overseas Helpline: +44 121 415 7047
Website: www.shareview.co.uk

**Lines are open from 8.30 am to 5.30 pm Monday to Friday (excluding UK public holidays).*

Alternative Investment Fund Manager's Disclosure

SVLS is the Company's Alternative Investment Fund Manager (AIFM). Details of the Management Agreements dated 11 February 2015 are included in the Directors' Report on page 17.

The below disclosures include information required by the FCA Fund 3.2 and 3.3.

Investment management
The AIFM provides portfolio management of assets and investment advice in relation to the assets of the Company. The Board remains responsible for setting the investment strategy, investment policy and investment guidelines and the AIFM operates within these guidelines. Any material changes to the published investment policy are put to shareholders for a vote. Any changes to the investment strategy are agreed by the Board of the Company.

Details of the Company's investment objective, strategy and investment policy, including limits, are on pages 12 and 13 of the Annual Report 2015.

Contractual Relationship with the Company
The articles between the Company's shareholders and the Company is governed by English law and, by purchasing shares, investors agree that the Courts of England have exclusive jurisdiction to settle any disputes. All communications in connection with the purchase of the Company's shares will be in English. Certain judgments obtained in EU member states (excluding Denmark at this time) in proceedings commenced on or after 10 January 2015, can be enforced in England and Wales under the Recast Brussels Regulation by obtaining a certificate from the court of origin certifying that the judgment is enforceable, serving the certificate and judgment on the judgment debtor and, when seeking enforcement, providing the courts of England and Wales with an authenticated copy of the judgment and certificate and certifying compliance with the requirements as to service on the debtor. The judgment debtor can apply for the enforcement of the judgment to be refused on limited grounds. Further, certain judgments obtained in EU member states (including Denmark) in proceedings commenced before 10 January 2015, or in Iceland, Norway and Switzerland can be enforced in England and Wales under the 2001 Brussels Regulation or the 2007 Lugano Convention and certain judgements obtained from a country to which any of the Administration of Justice Act 1920, the Foreign Judgments (Reciprocal Enforcement) Act 1933 or the Civil Jurisdiction and Judgments Act 1982 applies can also be enforced in England and Wales by making an application to the High Court for an order for registration of the judgment for enforcement. The judgment debtor may appeal/challenge registration on limited grounds. It may also be possible to enforce a judgment obtained in a country to which none of the above regimes apply in England and Wales if such judgment is: (1) final and conclusive on the merits; (2) given by a court regarded by English law as competent to do so; and (3) for a fixed sum of money.

Professional Liability Risk
The AIFM maintains both the capital requirements and the required professional inclemently insurance at the level required under AIFM Rules in order to cover potential liability risks arising from professional negligence.

Company Management
The Board announced on 21 July 2014 that with effect from 21 July 2014 the company had entered in to new agreements with the relevant suppliers of services to the Company to comply with AIFMD. The agreements with the company's Manager and AIFM – SV Life Sciences Managers LLP, the Company Secretary, BNP Paribas and Administrator, HSBC Security Services Ltd – differ only to the extent necessary to comply with the AIFMD.

Also on 21 July 2014, the Company appointed HSBC Bank plc to the new AIFMD role of Depository which amended the custody agreement and crated a new custody agreement with HSBC Bank plc to reflect the different roles under the AIFMD legislation. Under the terms of the Depository Agreement the Company has agreed to pay the HSBC fee of 5bps on the net assets of the company.

Management Functions Delegated by AIFM
A description of safe-keeping functions, administrative functions and secretarial functions delegated by the AIFM and the identity of such delegates can be found on page 17 under the heading "Administration, Depositary and Company Secretarial Services". The AIFM does not consider that any conflicts of interest arise from the delegation of these functions.

Valuation Policy
The Company's portfolio of assets will be valued on each Dealing Day (a day on which the London Stock Exchange and banks in England and Wales are normally open for business). All instructions to issue or cancel ordinary shares given for a prior Dealing Day shall be assumed to have been carried out (and any cash paid or received).

Alternative Investment Fund Manager's Disclosure

The valuation will be based on the following:

(a) Cash and amounts held in current and deposit accounts and in other time-related deposits will be valued at their nominal value.

(b) All transferable securities will be valued at fair value:

i. fair value for quoted investments is deemed to be bid market prices, or last traded price, depending on the convention of the exchange on which they are quoted; and

(c) All other property contained within the Company's portfolio of assets will be priced at a value which, in the opinion of the AIFM, represents a fair and reasonable price.

(d) If there are any outstanding agreements to purchase or sell any of the Company's portfolio of assets which are incomplete, then the valuation will assume completion of the agreement.

(e) Added to the valuation will be:

i. any accrued and anticipated tax repayments of the Company;

ii. any money due to the Company because of ordinary shares issued prior to the relevant Dealing Day;

iii. income due and attributed to the Company but not received; and

iv. any other credit of the Company due to be received by the Company. Amounts which are de minimis may be omitted from the valuation.

(f) Deducted from the valuation will be:

i. any anticipated tax liabilities of the Company;

ii. any money due to be paid out by the Company because of ordinary shares bought back by the Company prior to the valuation;

iii. the principal amount and any accrued but unpaid interest on any borrowings; and

iv. any other liabilities of the Company, with periodic items accruing on a daily basis. Amounts which are de minimis may be omitted from the valuation.

Valuations of net asset value per ordinary share will be suspended only in any circumstances in which the underlying data necessary to value the investments of the Company cannot readily or without undue expenditure be obtained. Any such suspension will be announced to the Regulatory Information Service.

The Company's unquoted portfolio of assets will be valued on each working day in accordance with IFRS and the PE and VC Valuation guidelines ('IPEV') www.privateequityvaluation.com. Further information regarding the valuation of unquoted assets and any sensitivities arising from unobservable inputs can be found in note 23 to the financial statements.

Liquidity Risk Management

The AIFM has a liquidity management policy which it uses to monitor the liquidity risk of the Company. Shareholders have no right to redeem their ordinary shares from the Company but may trade their ordinary shares on the secondary market. However, there is no guarantee that there is a liquid market in the ordinary shares.

Further details regarding the risk management process and liquidity management are available from the AIFM, on request.

Fees

A description of certain of the fees, charges and expenses and of the maximum amounts thereof (to the extent that this can be assessed) which are borne by the Company and thus indirectly by investors are included in the paragraph above 'Company Management'. In addition to these administration and depositary fees, the Company will pay all other fees, charges and expenses incurred in the operation of its business including, without limitation:

- brokerage and other transaction charges and taxes;
- Directors' fees and expenses;
- fees and expenses for custodial, registrar, legal, auditing and other professional services;

Alternative Investment Fund Manager's Disclosure

- any borrowing costs;
- the ongoing costs of maintaining the listing of the ordinary shares and their continued admission to trading on the London Stock Exchange;
- directors and officers insurance premiums;
- promotional expenses (including membership of any industry bodies, including the AIC, and marketing initiatives approved by the Board); and
- costs of printing the Company's financial reports and posting them to shareholders.

Such fees and expenses are not subject to a maximum unit.

Remuneration of the AIFM staff
The AIFM operates under the terms of the Remuneration Policy Statement. This ensures that the AIFM complies with the requirements of the FCA's Remuneration Code (SYSC19A); the AIFM Remuneration Code (SYSC19B) and the BIPRU Remuneration Code (SYSC19C).

Following completion of an assessment of the application of the proportionality principle to the FCA's AIFM Remuneration Code, the AIFM has disapplied the pay-out process rules with respect to it and any of its delegates. This is because the AIFM considers that it is operating on a small scale, carries out non-complex activities and has a relatively low risk profile.

Fair Treatment of Investors
The AIFM has procedures, arrangements and policies in place to ensure compliance with the principles more particularly described in the AIFM Rules relating to the fair treatment of investors. The principles of treating investors fairly include, but are not limited to:

- acting in the best interests of the Company and of the shareholders;
- ensuring that the investment decisions taken for the account of the Company are executed in accordance with the Company's investment policy and objective and risk profile;
- ensuring that the interests of any group of shareholders are not placed above the interests of any other group of shareholders;
- ensuring that fair, correct and transparent pricing models and valuation systems are used for the Company;
- preventing undue costs being charged to the Company and shareholders;
- taking all reasonable steps to avoid conflicts of interests and, when they cannot be avoided, identifying, managing, monitoring and, where applicable, disclosing those conflicts of interest to prevent them from adversely affecting the interests of shareholders; and
- recognising and dealing with complaints fairly.

The AIFM maintains and operates organisational, procedural and administrative arrangements and implements policies and procedures designed to manage actual and potential conflicts of interest. In addition, as its ordinary shares are admitted to the Official List, the Company is required to comply with, among other things, the FCA's Listing Rules and Disclosure and Transparency Rules and the Takeover Code, all of which operate to ensure a fair treatment of investors. As at the date of this annual report, no investor has obtained preferential treatment or the right to obtain preferential treatment.

Procedure and Conditions for the Issuance of Ordinary Shares
The Company's ordinary shares are admitted to the Official List of the UKLA and to trading on the main market of the London Stock Exchange. Accordingly, the Company's ordinary shares may be purchased and sold on the main market of the London Stock Exchange.

While the Company will typically have shareholder authority to buy back shares, shareholders do not have the right to have their shares purchased by the Company.

Net Asset Value
The net asset value of the Company's ordinary shares is published daily by the AIFM via a Regulatory Information Service announcement.

Historical performance
Historical financial information demonstrating the Company's historical performance can be found on page 3. Copies of the Company's audited accounts for the three financial years ended 31 August 2015 are available for inspection at the address of BNP Paribas and can be viewed on the Company's website at www.ibtplc.com.

Alternative Investment Fund Manager's Disclosure

Transfer and reuse of the Company's Assets

The Depositary may not use or re-use the Company's securities or other investments without the prior consent of the Company.

Periodic Disclosures

During the year ended 31 August 2015, the Company's overdraft facility was increased from £30m to £35m.

Risk Management

In its capacity as AIFM, SVLS has a responsibility for risk management for the Company which is in addition to the Board's corporate governance responsibility for risk management.

The Company has Risk Management controls which are agreed with the Board. The Manager maintains adequate risk management systems in order to identify, measure and monitor principal risks at least annually under AIFMD. The Manager is responsible for the implementation of various risk activities such as risk systems, risk profile, risk limits and testing.

The Board, as part of UK corporate governance, remain responsible for the identification of significant risks and for the ongoing review of the Company's risk management and internal control processes.

The AIFM has an ongoing process for identifying, evaluating and managing the principal risks faced by the Company and this is regularly reviewed by the Board. The Board remains responsible for the Company's system of internal control and for reviewing its effectiveness. Further details can be found in the Strategic Report on pages 13 and 14 of the Annual Report 2015 and in Note 23 to the Financial Statements 2015 on pages 52 to 60.

Valuation of illiquid assets

The Directive requires the disclosure of the percentage of the AIF's assets which are subject to special arrangements arising from their illiquid nature. Further, any new arrangements for managing the liquidity of the Company must be disclosed.

The liquidity management policy requires the AIFM to identify and monitor its investment in asset classes which are considered to be relatively illiquid. The majority of the Company's investment portfolio is invested directly in liquid equities and this equity portfolio is monitored on an ongoing basis to ensure that it is adequately diversified.

The liquidity management policy is reviewed and updated, as required, on at least an annual basis.

Leverage

The Company uses leverage to increase its exposure primarily for short term investment opportunities. The AIFM in dialogue with the Board has set maximum levels of leverage that are reasonable. It has implemented systems to calculate and monitor compliance against these limits and has ensured that the limits have been complied with at all times.

The maximum leverage limits are 30.0% for both the Gross Method and the Commitment Method of calculating leverage. There have been no changes to the maximum level of leverage that the Company may employ during the year.

At 31 August 2015, actual leverage was 9.2% for both the Gross Method and the Commitment Method.

During the year the uncommitted overdraft facility held by the Company was increased from £30.0m to £35.0m. At 31 August 2015, £21.9m was drawn down. The Company has complied with the terms of the facility throughout the financial year. Further details can be found in Note 11 on page 48 and Note 23 on page 60.

Periodic disclosures will be made to investors through the Company's website, www.ibtplc.com, regarding the following areas as required:

- The percentage of the AIF's assets which are subject to special arrangements arising from their illiquid nature;
- Any new arrangements for managing the liquidity of the AIF;
- The risk profile of the AIF and the risk management systems employed by the AIFM to manage these risks;
- Any changes to the maximum level of leverage and to any right to reuse collateral or any guarantee granted under the leverage arrangements; and
- The total amount of leverage used by the AIF.

Notice of Meeting

Notice is hereby given that the Annual General Meeting (AGM) of International Biotechnology Trust plc will be held at 12.30 pm on Wednesday, 9 December 2015 at BNP Paribas Fortis, 5 Aldermanbury Square, London EC2V 7BP, to consider and, if thought fit, to pass the following resolutions, of which resolutions 1 to 9 will be proposed as ordinary resolutions and resolutions 10 to 12 will be proposed as special resolutions:

Ordinary resolutions

1. To receive the Directors' Report and the audited Financial Statements for the year ended 31 August 2015.
2. To approve the Annual Report on Directors' Remuneration for the year ended 31 August 2015.
3. To re-elect Mr Alan Clifton as a Director of the Company.
4. To re-elect Dr Véronique Bouchet as a Director of the Company.
5. To elect Mrs Caroline Gulliver as a Director of the Company.
6. To re-appoint PricewaterhouseCoopers LLP as the Independent Auditors of the Company from the conclusion of this Meeting until the conclusion of the next AGM at which the Financial Statements are laid before Members.
7. To authorise the Directors to determine the Auditors' remuneration.
8. To consider and, if thought fit, pass the following resolution:

   THAT, in accordance with the Articles of Association, the Company should continue as an investment trust for a further two year period.
9. THAT, the Board be authorised to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company:

   (a) up to a nominal amount of £496,720.75 (being 5% of the issued Ordinary share capital at the date of this Notice); and

   (b) comprising equity securities (as defined in the Companies Act 2006 (the Act)) up to a nominal amount of £993,441.50 (including within such limit any shares and rights to subscribe for or convert any security into shares allotted under paragraph (a) above) in connection with an offer by way of a rights issue or other pre-emptive offer:

   (i) to Ordinary Shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

   (ii) to holders of other equity securities as required by the rights of those securities or as the Board otherwise considers necessary, and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authorities to apply until the end of the AGM to be held in 2016 (or 15 months from the date of passing this resolution, whichever is earlier, unless previously revoked, varied or renewed, by the Company in General Meeting) but, in each case, so that the Company may make offers and enter into agreements during the relevant period which would, or might, require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends and the Board may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authorities had not ended.

Special resolutions

To consider and, if thought fit, pass the following three resolutions as special resolutions:

10. THAT, if resolution 9 is passed, the Board be given power to allot equity securities (as defined in the Act) for cash under the authority given by that resolution and/or to sell Ordinary shares held by the Company as treasury shares for cash, as if Section 561 of the Act did not apply to any such allotment or sale, such power to be limited:

    (a) to the allotment of equity securities and sale of treasury shares in connection with an offer of equity securities (but in the case of the authority granted under paragraph (b) of resolution 9, by way of a rights issue or other pre-emptive offer of equity securities only):

    (i) to Ordinary Shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

Notice of Meeting

(ii) to holders of other equity securities, as required by the rights of those securities or, as the Board otherwise considers necessary;

and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

(b) in the case of the authority granted under paragraph (a) of resolution 9 and/or in the case of any sale of treasury shares, to the allotment (otherwise than under paragraph (a) above) of equity securities up to a nominal amount of £496,720.75, equivalent to 1,986,883 Ordinary shares, (being 5% of the issued Ordinary share capital at the date of this Notice);

such power to apply until the end of the AGM to be held in 2016 (or, 15 months from the date of passing this resolution, whichever is earlier, unless previously revoked, varied or renewed, by the Company in General Meeting) but during this period the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted after the power ends and the Board may allot equity securities under any such offer or agreement as if the power had not ended.

11. THAT, the Company be generally and unconditionally authorised, for the purposes of Section 701 of the Act to make one or more market purchases (within the meaning of Section 693(4) of the Act) of Ordinary shares of 25p each in the capital of the Company, subject to the following restrictions and provisions:

(a) the maximum number of Ordinary shares hereby authorised to be purchased is 5,956,675 (being 14.99% of the issued Ordinary share capital at the date of this Notice);

(b) the maximum price, exclusive of expenses, which may be paid for any such Ordinary share shall be the higher of:

(i) an amount equal to 105% of the average of the closing middle market quotations for an Ordinary share (as derived from the London Stock Exchange Daily Official List) for the five Business Days immediately preceding the day on which that Ordinary share is contracted to be purchased; and

(ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange at the time the purchase is carried out;

(c) the minimum price which may be paid for such Ordinary share is 25p per share; and

(d) unless previously revoked or varied the authority conferred hereby shall expire at the end of the AGM of the Company to be held in 2016 or, if earlier, on the expiry of 15 months from the date of passing this resolution, (unless previously revoked, varied or extended by the Company in General Meeting), except that the Company may before such expiry enter into a new contract or contracts to purchase such Ordinary shares under the authority conferred hereby that will or may be executed wholly or partly after the expiry of such authority and the Company may make a purchase of Ordinary shares in pursuance of any such contract or contracts as if the authority had not expired.

12. THAT, a General Meeting (other than an AGM) may be called on not less than 14 clear days' notice, such authority to expire at the conclusion of the next AGM of the Company or on the expiry of 15 months from the date of the passing of this resolution (whichever is earlier).

By order of the Board

BNP Paribas Secretarial Services Limited
Company Secretary

4 November 2015

Registered Office:
55 Moorgate
London EC2R 6PA

Notice of Meeting

Notes

1. Ordinary Shareholders are entitled to attend and vote at the Meeting and to appoint one or more proxies or corporate representatives to exercise all or any of their rights to attend, speak and vote on their behalf at the Meeting but only if each proxy or corporate representative is appointed to vote on separate or separate blocks of shares registered to the Shareholder. A proxy need not be a Member of the Company. A proxy form is enclosed accordingly. To be valid, the proxy form should be completed, signed and returned in accordance with the instructions printed thereon.

2. Any person to whom this notice is sent, who is a person nominated under Section 146 of the Act to enjoy information rights (a Nominated Person) may, under an agreement between him or her and the Shareholder by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.

   The statement of the rights of Ordinary Shareholders in relation to the appointment of proxies in this note does not apply to Nominated Persons. The rights described in this note can only be exercised by Ordinary Shareholders of the Company.

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those Shareholders registered in the Register of Members of the Company at 6.00 pm on Monday, 7 December 2015, or 6.00 pm two days prior to the date of an adjourned Meeting, shall be entitled to attend and vote at the Meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after 6.00 pm on Monday, 7 December 2015 shall be disregarded in determining the right of any person to attend and vote at the Meeting. The voting record date has been determined as Monday, 7 December 2015.

4. In the case of joint holders of a share the vote of the first named on the Register of Members who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.

5. Members (and any proxies or corporate representatives appointed) agree, by attending the Meeting, that they are expressly requesting and are willing to receive any communications relating to the Company's securities made at the Meeting.

6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM to be held on Wednesday, 9 December 2015 and any adjournment(s) thereof by using the procedures described in the CREST Manual on the Euroclear website (www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by 12.30 pm on Monday, 7 December 2015. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Notice of Meeting

7. You may not use any electronic address provided either in the Notice of Meeting or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

8. Copies of the Appointment Letters of the non-executive Directors, the Company's Articles of Association and a statement of all transactions of each Director and of his family interests in the shares of the Company, will be available for inspection by any Shareholder of the Company at the Registered Office of the Company during normal business hours on any weekday (English public holidays excepted) and at the AGM by any attendee, for at least 15 minutes prior to, and during, the AGM. None of the Directors has a contract of service with the Company.

9. The biographies of the Directors offering themselves for re-election are set out on page 15 of the Company's Annual Report for the year ended 31 August 2015.

10. As at 4 November 2015, 39,737,663 Ordinary shares of 25 pence were in issue and 3,600,000 Ordinary shares were held in treasury. Accordingly, the total number of voting rights of the Company as at 4 November 2015 is 39,737,663.

11. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests of the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the FCA. As a result, any Member holding 3 per cent. or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the FCA.

12. The Annual Report and this Notice of Meeting will be available on the Company's website, www.ibtplc.com, from the date of the announcement of the Company's annual results to the market. The Annual Report contains details of the total number of shares in the Company in which Shareholders are entitled to exercise voting rights, along with the total number of votes that Shareholders are entitled to exercise at the Meeting in respect of each share class.

13. A map of the location of the AGM venue is shown on page 72 and will assist Shareholders who wish to attend the AGM. A personalised proxy form will be sent to each registered Shareholder with the Annual Report and this Notice of Meeting, and instructions on how to vote will be contained thereon.

14. Shareholders are advised that they have the right to have questions answered at the AGM. The Company must cause to be answered any such question relating to the business being dealt with at the AGM but no such answer need be given if:

    (a) to do so would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information;

    (b) the answer has already been given on the Company's website (www.ibtplc.com) in the form of an answer to a question; or

    (c) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.

    The Board encourages Shareholders to submit any questions they may wish to raise at the AGM in writing to the Company Secretary in advance of the Meeting. The Company Secretary can be contacted by writing to: BNP Paribas Secretarial Services Limited, 55 Moorgate, London EC2R 6PA or by email at secretarialservice@uk.bnpparibas.com.

15. As soon as practicable following the AGM, the results of the voting at the Meeting and the number of votes cast for and against and the number of votes withheld in respect of each resolution will be announced via a Regulatory Information Service and placed on the Company's website.

16. Under Section 527 of the Act, Shareholders meeting the threshold requirements set out in that Section have the right to require the Company to publish on a website a statement setting out any matter relating to:

    (i) the audit of the Company's Financial Statements (including the Independent Auditors Report and the conduct of the audit) that are to be laid before the AGM; or

    (ii) any circumstance connected with the Auditors of the Company ceasing to hold office since the previous meeting at which an Annual Report and Financial Statements were laid in accordance with Section 437 of the Act.

    The Company may not require the Shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under Section 527 of the Act, it must forward the statement to the Company's Auditors not later than the time when it makes the statement available on the website.

Notice of Meeting

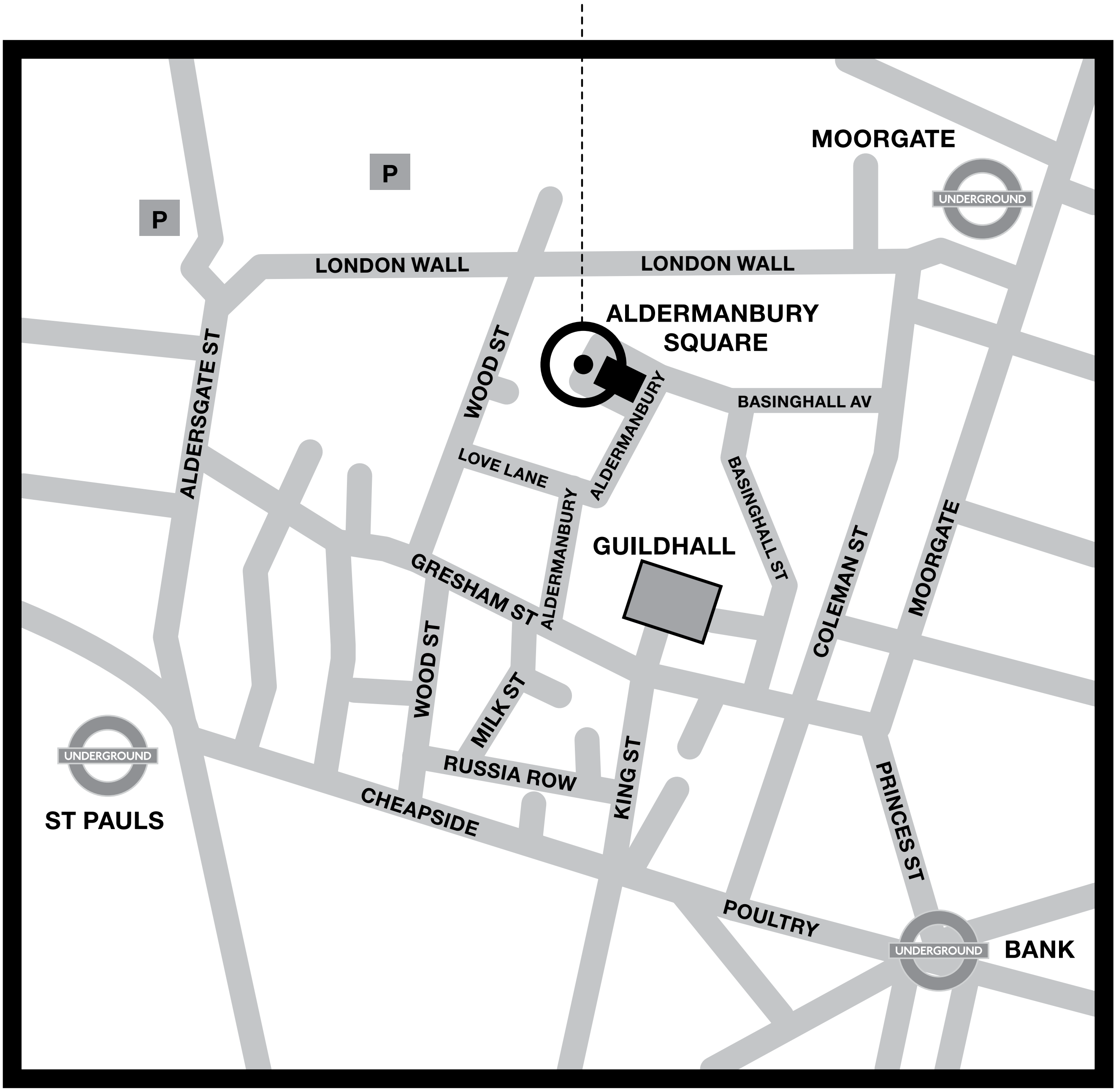
The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the Act to publish on a website.

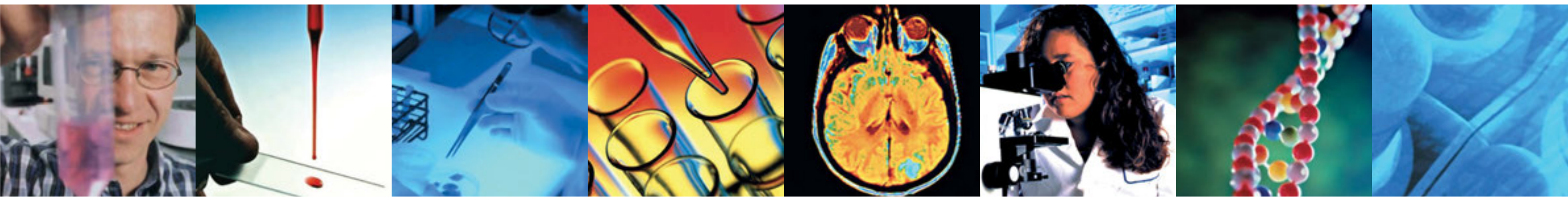
17. A copy of this notice, and other information by Section 311A of the Act, can be viewed and/or downloaded at www.ibtplc.com and, if applicable, any Members' statements, resolutions or matters of business received by the Company after the date of this Notice will be available on the Company's website www.ibtplc.com.

Registered Office:
55 Moorgate
London EC2R 6PA

Location of Meeting

BNP PARIBAS FORTIS, 5 ALDERMANBURY SQUARE, LONDON EC2V 7BP





For further information:
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