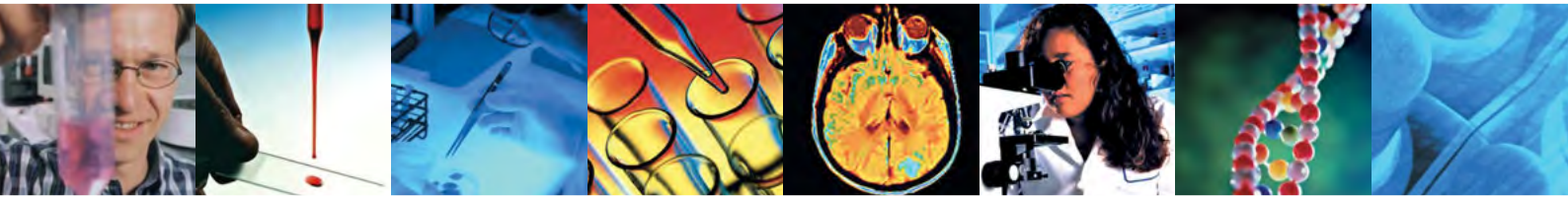


International Biotechnology Trust plc

Annual Report

Year ended 31 August 2016



Why invest in International Biotechnology Trust plc?

(the Company)

Innovation in biotechnology continues apace, with another year of breakthroughs in areas like cancer immunotherapy, gene therapy and gene editing. In the last twelve months alone, novel treatments were approved in multiple myeloma (Darzalex and Empliciti), Parkinson's disease psychosis (Nuplazid), chronic liver disease (Ocaliva), dry eye (Xiidra), pulmonary arterial hypertension (Uptravi), lung cancer (Alectinib) and HIV (Genvoya). These drugs, among many others, are improving the quality of life for millions of patients around the world.

Demand is strong and increasing: The population of the world is ageing. The likelihood of suffering from illnesses, which are often chronic in nature, increases with age. The proportion of the population aged over 65 years old is set to double from 7% to 14% between 2008 and 2040. This is the single most significant driver of growth in the biotechnology industry and there is little chance of the trend being reversed. Healthcare expenditure is expected to accelerate in 2016 by 4% and rise over 6% per year in 2017 and 2018.

Supply is robust and improving: Expanding scientific knowledge and unmet medical needs continue to drive the search for new and innovative treatments. The biotechnology industry strives to understand the highly complex human body and makes important discoveries every year. But there are still many serious conditions without either treatments or cures, and many diseases where even the cause is poorly understood.

The supply of new treatment options from the biotechnology industry to meet this need is improving. This is due to, first, advances in science and discovery, especially the increasing use of biologics and, secondly, due to improvements in the regulation of drugs, leading to faster development and approval times. FDA approvals between 2012 and 2015 averaged 38 per annum, compared to an average of 25 per annum in the previous four years.

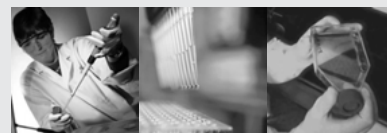
New therapies that come to the market can generate multi-billion dollar revenues. For example, J&J's multiple myeloma treatment, Darzalex, is expected to record revenues of \$450m in its first year of sales, with peak sales potentially reaching \$10bn. The increasing scientific knowledge in the biotechnology space continues to ensure that the number of new products that are found to be safe and effective is growing year on year, which in turn reduces the risk of investing in the sector with fewer high profile drug failures than previously.

Investment outlook is positive: The outlook for the sector from an investment perspective remains positive with strong growth drivers on both the demand and the productivity sides. Furthermore, merger and acquisition transactions (M&A) in the sector are plentiful with substantial premia being paid, which can produce significant value for investors. Big pharma companies that have matured and have a wide reach to distribute and sell products, but lack the strength and depth in their drug development pipelines continue to acquire smaller biotechnology companies where R&D productivity is increasing. There was an average of 320 M&A transactions announced per annum in the sector over the past ten years, and over 450 announced in 2015 alone. Short term concerns over the pricing environment in the US, fuelled by uncertainty over the US election, have had a dampening effect on the performance of biotechnology equities, but it is felt among the sector experts that the innovative part of the market, in which International Biotechnology Trust invests, will not be the target of any proposed changes to the pricing environment in the US.

International Biotechnology Trust is well placed to benefit: International Biotechnology Trust is managed by SV Life Sciences Managers LLP (SV or the Investment Manager) whose experts are medically and/or scientifically trained, as well as having solid financial and commercial experience. This background enables the investment managers to assess potential investment opportunities from a position of technical expertise and experience and consider which companies are the most likely to succeed. They specialise both in identifying the successful innovative drugs and medical devices that will serve unmet medical needs and which are in complex disease areas such as diabetes and cancer, as well as the most credible treatments for orphan diseases where the number of patients may be fewer but the path to approval may be smoother with less competition. The Investment Managers' achievements have been recognised with three industry awards won in the past year.

International Biotechnology Trust uniquely invests in both unquoted, usually earlier stage companies, as well as quoted equities. Investors are able to gain exposure to value creating events across the whole pathway from early stage innovation, through M&A situations and regulatory hurdles, through to regulatory approval and revenue generation. This broad spectrum of investments offers investors diversification while still giving exposure to potentially exciting returns.

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Pages 3 to 16 inclusive (together with the sections of the Annual Report incorporated by reference) comprise 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.

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

Financial Summary

year ended 31 August 2016



Highlights in the year ended 31 August 2016

Net asset value (NAV) return	(1.7)%
NASDAQ Biotechnology Index (NBI) return	(3.8)%
Share price return	(9.8)%

	Company** 31 August 2016	Company 31 August 2015	% Change
Performance			
Net assets (£'000)	216,651	235,490	(8.0)
Ordinary shares in issue# ('000)	37,673	40,248	(6.4)
NAV per share	575.1p	585.1p	(1.7)
Share price	497.5p	551.5p	(9.8)
Share price discount	(13.5)%	(5.7)%	
Ongoing charges*	1.4%	1.5%	
Ongoing charges including performance fee	1.7%	2.0%	

Index Returns

NBI (sterling-adjusted)	2,245.1	2,332.5	(3.8)
FTSE All-Share Index (Total Return)	6,080.6	5,442.1	11.7

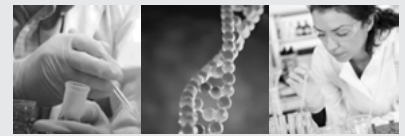
#Excludes those held in treasury (31 August 2016: 3,965,000; 31 August 2015: 4,215,000).

*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.

**The trading subsidiary, IBT Securities Limited was dissolved and removed from the Companies House Register on 16 February 2016. As such, there is no longer a Group in existence and therefore the Financial Statements, have been presented on a Company only basis. For a reconciliation of the Company and Group results in comparative periods, and an explanation of the impact of the dissolution of IBT Securities Limited, refer to note 7 to the Financial Statements.



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 %
2016*	216,651	37,672,663	575.1	(1.7)	497.5	(9.8)	(13.5)	11.7
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.

*Company only figures. Earlier years included the Group.



Strategic Report – Chairman’s Statement

Total return to 31 August 2016

	One year	Three years	Five years
NAV per share	(1.7)%	83.7%	249.0%
Share Price	(9.8)%*	84.9%	247.9%
NBI (sterling)	(3.8)%	72.6%	270.4%
FTSE All-Share Index	11.7%*	20.4%	57.8%

*UK markets were closed on 31 August 2015, 28 August 2015 has been used for comparative purposes for IBT and FTSE All-Share

After a number of years of strong growth, returns for the Company were lower in the year ended 31 August 2016 with the NAV per share down 1.7%. This reflected a period of consolidation in the biotechnology sector. Although 2016 was a challenging year for the biotechnology market, our Investment Manager has outperformed the NBI for the second consecutive year.

I am pleased to report outstanding three year performance numbers on the third anniversary of the appointment of the Company’s lead Fund Manager, Carl Harald Janson. The Company has returned 83.7% over this period, versus the benchmark gain of 72.6% and the FTSE All-Share’s return of 20.4%. Since 2013, the Investment Manager has outperformed the benchmark in both strong and weak markets, illustrating the benefits of active investing. It is also encouraging to see the unquoted portfolio continue in its ‘harvesting’ stage, with another year of positive returns uncorrelated with the public markets.

The Company also recently announced two initiatives which I believe will benefit our investors. Sustainable, predictable income is important to investors in the current environment of low yields and we are delighted to be offering a dividend to all Shareholders whilst maintaining a strong focus on capital growth. We also made some changes to the investment policy allowing investment into unquoted funds which themselves invest in biotechnology companies. Both of these proposals were overwhelmingly supported by our Shareholders at the General Meeting held on 29 September 2016.

I believe our Company offers a compelling investment proposition. With the potential for a 4% dividend on top of capital growth, Shareholders have access to an outstandingly attractive investment opportunity.

Performance fee

The outperformance by the Investment Manager across both the unquoted and quoted pools of investments has given rise to a fee of £575,000. This is predominantly due to the 9.5% return from our unquoted investments, though our quoted investment portfolio also outperformed.

The Board considers that SV provides the Company with experienced fund management expertise, which enjoys an excellent track record. The biotechnology sector is highly specialised and requires in depth expert knowledge that the Investment Manager possesses, being solely focused on the biotech sector.

Share buy backs & discount

Over the period, although the discount widened from 5.7% to 13.5%, the average discount for the period was broadly consistent at 13.2% compared with 12.6% for the year ended 31 August 2015, despite comparatively volatile market conditions. The Company’s policy of strategic share buy backs has helped to maintain a stable discount level throughout the year. A total of 2,575,000 Ordinary shares were repurchased during the period (2015: 14,085,000), representing 6.4% of the issued share capital at the beginning of the year. Of the shares repurchased, 2,825,000 have been cancelled, with 3,965,000 shares held in treasury at the end of the year. These buybacks reduced the overall Company net assets but enhanced the NAV per share by 4.7p because the shares were bought at a discount to NAV that averaged 13.3%.

Since year end, a total of 125,000 further shares have been repurchased, for a consideration of £0.6m. A total of 295,000 Ordinary shares previously held in treasury have been cancelled since the year end.

Investment in unquoted companies

International Biotechnology Trust’s strategy of investing a minor part of its assets in unquoted companies offers investors exposure to a distinct investment area. The Company has not made any new unquoted investments since December 2013 and the current portfolio is maturing. As this is harvested, new investments will need to be made in order to continue with our strategy of investing in both unquoted and quoted shares.

An opportunity arose to make a commitment to invest in SV Life Sciences Fund VI (SVLSF VI), a new venture fund recently launched by SV, which will invest in unquoted companies using SV’s diversified approach covering biotechnology, medical devices and healthcare services and IT. Following Shareholder approval on 29 September 2016, the Board agreed to make a commitment of \$30m (£22m) into SVLSF VI. There will be no double charging of investment management fees in relation to this commitment. We expect the investment period for SVLSF VI to overlap with the exit period for our existing investments, allowing our guideline of 10% - 15% investment in unquoted companies to be maintained.

This change in strategy for unquoted investments will help diversify the Company’s investment opportunities, provide access to a wider range of unquoted companies and most likely increase liquidity due to the existence of a broader market for secondary sales of unquoted fund interests than single company interests.

Strategic Report – Chairman’s Statement



Results and Dividends

Shareholders approved at the General Meeting held on 29 September 2016, the proposed introduction of an annual dividend, equivalent to 4% of the Company’s NAV as at the last day of the Company’s preceding financial year, being 31 August, to be payable through two equal distributions in January and August of each year, and which is expected to be paid out of capital reserves.

Board of Directors

In July 2016, Caroline Gulliver was appointed as Chair of the Audit Committee, succeeding John Aston in this role. I would like to welcome Caroline to her new role and to thank John for his valuable contribution as Chair of the Audit Committee for the previous 4 years.

Prospects

Valuations in the sector are looking attractive compared to the broader market and historical levels. Healthcare, including biotechnology, is often in the spotlight, however, as a US election approaches, given concerns about rising healthcare costs including drug pricing. This undoubtedly can make investors nervous but I am reassured by the Investment Manager that many of these concerns are not justified. Drug pricing makes up only a small fraction of overall US healthcare expenditure and recently the democratic candidate, Hillary Clinton, stated she would not be targeting innovation but hopes to clamp down on egregious price hikes of old generic drugs. The Company’s strategy of choosing to invest in innovative companies rather than those producing generic drugs should allow us to continue to achieve good returns for our Shareholders. I am confident that the outlook for the companies in which International Biotechnology Trust invests remains both positive and encouraging.

Annual General Meeting (AGM)

This year’s AGM will be held at 12.30 pm on Tuesday, 13 December 2016 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, 10 Harewood Avenue, London NW1 6AA. Shareholders who are unable to attend the AGM are encouraged to use their proxy votes.

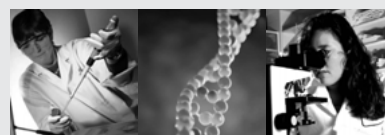
I look forward to welcoming as many of you as possible to the meeting.

Alan Clifton

Chairman

3 November 2016

Strategic Report – Investment Manager’s Review



Best performing investments

	Contribution to NAV
Medivation	£7.9m
GenMab	£4.3m
Ophthotech	£4.3m
Exelixis	£3.6m
Amgen	£3.3m

Worst performing investments

	(Reduction) in NAV
Chimerix	£(5.1m)
Endo International	£(4.6m)
Gilead	£(3.0m)
Regeneron	£(1.8m)
Radius Pharma	£(1.5m)

Quoted and Unquoted performance

For the purposes of performance measurement, some companies in which investments were first made in the unquoted pool and have now become quoted, continue to be managed by the unquoted portfolio team and are considered as part of the unquoted portfolio. Performance is adjusted to mirror the incentive fee arrangements and the responsibilities of the investment managers at SV regarding the two portfolios. The table above reflects this analysis. At the year end the difference in analysis to the Financial Statements comprises investments in Entellus and Transenterix, representing £6.7m or 3.1% of NAV. From a liquidity perspective, quoted and unquoted portfolio companies make up £199.6m and £22.6m of the NAV, respectively.

Summary

In the year under review, the Company’s NAV fell by 1.7%. Both parts of the portfolio outperformed the Company’s benchmark, the NBI, which was down 3.8% (sterling denominated), with the quoted part of the portfolio falling by 2.6%, and the unquoted portfolio increasing by 9.5%. The FTSE All-Share Index rose 11.7%. This achievement builds upon two previous years of good performance since Carl Harald Janson joined as Lead investment manager and, over the past three years, the Company’s NAV per share has risen by 83.7% versus the NBI return of 72.6%.

Overview and performance

	2016	2015†
Total portfolio companies*	75	101
Quoted	58	81
Unquoted	17	20
NAV	£216.7m	£235.5m
Quoted	£199.6m	£219.1m
Unquoted	£22.2m	£27.8m
Other assets/(liabilities)	£(5.1m)	£(11.4m)
Legal commitments to investments in unquoted	£0.0m	£0.6m
Reserved for further investment in unquoted	£2.4m	£2.2m

† The trading subsidiary, IBT Securities Limited was dissolved and removed from the Companies House Register on 16 February 2016. As such, there is no longer a Group in existence and therefore the Financial Statements, including comparatives, have been presented on a Company only basis. For a reconciliation of the Company and Group results in comparative periods, and an explanation of the impact of the dissolution of IBT Securities Limited, refer to note 7 to the Financial Statements.

*Excluding unquoted companies fully written off (2016: 6; 2015: 7).

Quoted portfolio

The quoted portfolio outperformed the NBI by 1.1% in the period under review.

Medivation, Genmab, Ophthotech, Exelixis and Amgen were the largest contributors to relative performance in the period. Medivation was acquired by Pfizer for approximately \$14.0bn after a period of competitive bidding initiated by Sanofi’s proposed bid in April of \$52.50 a share. Over the four months since April, multiple parties entered the bidding process for Medivation culminating in the offer from Pfizer for \$81.5 per share on 22 August 2016. Genmab (alongside its partner Janssen Biotech) executed an impressive launch of its multiple myeloma drug Darzalex. Initial sales have been strong and further positive studies have been reported in earlier stages of the disease, all helping to boost the share price during the period under review. Ophthotech shares moved higher in anticipation of the phase 3 data announcement expected at the end of 2016. Exelixis sales of their recently launched cabozantinib for advanced renal cell cancer have been strong with the company reporting \$17.6m in sales for the first nine weeks on the market following the FDA approval on 25 April 2016.

The main negative impact to absolute performance came in December when Chimerix announced negative data for their phase 3 trials investigating Brincidofovir as an anti-viral agent in stem cell transplant patients. Endo International shares sold off after the company reported disappointing quarterly results and lowered guidance. Gilead shares were under pressure after sales of their hepatitis C virus franchise slowed at a faster rate than expected and investors grew tired of waiting for a transformative deal to materialise. Regeneron shares were weak on the news that it lost the first ruling of an intellectual property battle with Amgen.

During the year, four of International Biotechnology Trust’s holdings were acquired. ZS Pharma was bought in November by AstraZeneca for \$2.7bn. Dyax was acquired in the same month by Shire for \$5.9bn. Anacor was taken over in May of this year for \$5.2bn and finally Medivation was acquired by Pfizer for \$14.0bn in August as noted above.

Strategic Report – Investment Manager’s Review



Unquoted portfolio

Unquoted investments increased by 9.5% over the year, positively contributing to the NAV for a third consecutive period. As the unquoted portfolio has matured, many of the earlier investments have begun to be harvested, with cash received in respect of contingent milestones for previous exits in the year totalling £2.3m, or 1.1% of NAV. The receipt of cash in respect of the remaining milestones from ESBATech, which was sold to Alcon in 2006, was the largest contributor.

The value of the remaining contingent milestones decreased by £0.2m as a result of cash received in relation to Oncoethix and delays in expected receipts of milestones from Ikano Therapeutics (decrease of £0.8m). The value of Convergence milestones increased by £0.5m following the presentation of data at the Biogen R&D day in January 2016.

Transenterix decreased by £0.6m over the year. In April 2016, Transenterix received a response on its 510(k) submission for substantial equivalence stating that the FDA has determined that the SurgiBot™ System did not meet the criteria. Whilst the FDA’s decision was disappointing the company has continued to move forward and announced the first sale of the ALF-X Surgical Robotic system in Europe in August 2016.

Current investments rose in value by £2.2m in the period, with uplifts in the valuations of Reshape (£0.9m) and Karus Therapeutics (£0.5m) based on increased values of later funding rounds and NCP Holdings (£0.6m) based on higher EBITDA. These were partially offset by a write down in the value of Atopix/Oxagen due to a lack of clinical efficacy in the Phase 2 trials for CRTH2 in moderate to severe atopic dermatitis. Phase 2 trials are ongoing for CRTH2 in asthma. Novartis released Phase II data of a similar CRTH2 antagonist, showing significant reduction of sputum in eosinophilia, following which the Company invested a further £200k in Atopix. Delenex Therapeutics AG was sold in the year to Cell Medica in a share-for-share exchange, leading to a new holding. Cell Medica is a UK company which applies innovative technologies with the aim of improving the treatment of cancer and immune reconstitution in the exciting field of immuno-oncology.

Outlook

The biotechnology equity market has consolidated and sector valuations now look attractive.

In the aftermath of the global financial market collapse in 2008, the valuation of the whole equity market, as well as the biotechnology sector, retreated to a level that could be characterised as inexpensive, bearing in mind its earnings growth prospects. In the subsequent years the valuation of the equity market has returned to a level closer to its long-term average, supported by easier monetary policy globally. Part of the strong performance of the biotechnology sector in the years up to 2015 could thus be characterised as regression to the mean phenomena. In the last

twelve months the biotechnology sector has moved down from its peak and has underperformed broader equity markets. Based on the current valuation of the sector and taking into consideration its near-term earnings growth potential and the long-term growth drivers, we have a positive view on the outlook for the sector.

The forward pricing/earnings multiples of the larger US biotechnology companies are at a discount to the market as a whole, notwithstanding their superior earning growth prospects. The headwinds represented by uncertainties around market volatility and the imminent US election should substantially ease.

How worried should we be about the drug pricing debate?

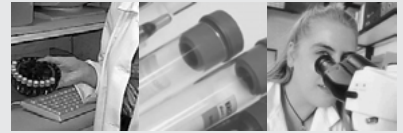
The biotechnology business model is simple. New innovative products (drugs) are “protected” by a combination of intellectual property (patents) and government regulations. This limits competition and companies can charge high prices until this protection ends, usually 7-15 years later. After this period, government agencies regulating drug approvals will make original trial results available for generic/specialty pharma drug producers to market inexpensive copies of the original drug. The price gouging which has sparked political outrage in the US is related to the non-innovative end of the market. Some manufacturers have increased the prices of cheap off-patent drugs to the level of innovative drugs (e.g. Daraprim) and others have implemented excessive price hikes for drugs unrelated to any improvement or innovation in the product (e.g. EpiPen), drawing fire from both politicians and the patients who rely upon these medicines. We believe these practices amount to an abuse of the business model and we agree that this ought to be tackled.

International Biotechnology Trust currently invests predominantly in “biotech” – highly profitable innovative drug companies – and not in the low margin generic/specialty pharma companies, some of which have been responsible for employing these tactics. Unfortunately the well-known NBI for reasons that we do not understand, also includes generic/specialty pharma companies, thus confusing investors. It is our firm belief that the fundamental business model will remain intact and that potential future changes from law makers will improve the model, both at the innovative end but, more importantly, also at the generic end of the market. Hillary Clinton was outraged by price gouging by generic/specialty pharma companies but she also presented an initiative on Technology and Innovation, defended intellectual property rights and proclaimed the importance of innovative industries for the US economy.

What are the future drivers for the sector?

Our view remains unchanged. The biotechnology sector continues to be a growth sector. The growth drivers remain intact. On the demand side we continue to have a growing and ageing population and an expanding middle class in parts of the world outside the G20 countries. On the output side we are experiencing an era of unprecedented scientific discovery and advancement, including

Strategic Report – Investment Manager’s Review



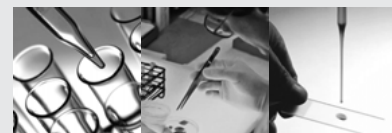
in the life sciences. With the increased knowledge about the underlying causes of human diseases, a whole new range of drugs can be developed. This can clearly be seen in the number of development projects in the biotechnology industry, which is constantly increasing. This will undoubtedly lead to future sales growth and strong earnings progression for the sector.

Conclusion

The biotechnology sector has recently been out of favour, largely due to concerns that there may be policy changes in the US that could negatively impact drug pricing. We believe these fears have provided a buying opportunity for the sector as investors gain comfort in the knowledge that truly innovative companies will not be targeted and returns from successful drug discovery and development will continue to be attractive.

SV Life Sciences Managers LLP

Investment Manager
3 November 2016



Strategic Report – Ten Largest Investments

as at 31 August 2016

	Investment	Region	Sector classification	Fair value of asset £'000	2016 % of total equity	2015 % of total equity
1	Biogen	USA	Biotechnology	16,617	7.7	5.1
	A company developing, manufacturing and commercialising biologic 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 \$10.8bn in 2015.					
2	Celgene	USA	Biotechnology	15,216	7.0	9.1
	A company engaged in the discovery, development and commercialisation of innovative therapies designed to treat cancer and immunological diseases. The company has six main marketed products: Revlimid, Pomalyst, Otezla, Thalomid, Vidaza, Abraxane and a full pipeline of drug candidates in clinical development. Total revenues were \$9.2bn in 2015.					
3	Regeneron	USA	Biotechnology	13,557	6.3	7.2
	A company with two significant marketed drugs. Eylea is indicated to treat age-related macular degeneration and Praluent is for patients with elevated cholesterol. Total revenues were \$4.1bn in 2015.					
4	Incyte	USA	Biotechnology	11,324	5.2	3.0
	A company focused on oncology and inflammation. The company's lead product, Jakafi, is approved in the USA for the treatment of myelofibrosis and polycythemia vera. Total revenues were \$754m in 2015.					
5	Alexion	USA	Biotechnology	10,267	4.7	4.6
	A company whose main drug product Soliris was approved for the treatment of PNH and Ahus, both rare "orphan" disease indications. The Company recently embarked on two global launches for two additional rare disease medicines, Kanuma and Stensiq which the company gained from its recent acquisition of Synageva. Total revenues were \$2.6bn in 2015.					
6	Actelion	Europe	Biotechnology	9,865	4.6	0.9
	A company focused on pulmonary arterial hypertension (PAH) therapy. Their focus on G-Protein Coupled Receptors led to the discovery of Opsumit, which was launched in the US in November 2013, the EU in 2014 and is now commercially available in 35 markets. They are currently running four Phase III studies, two for the expansion of Opsumit into other indications. Total revenues were CHF 2.0bn in 2015.					
7	Amgen	USA	Biotechnology	8,324	3.8	4.9
	A company that pioneered the development of novel products based on advances in molecular biology. Amgen markets products which are used to treat oncology/haematology, cardiovascular, inflammation, bone health and nephrology. The Company also has an advanced pipeline of biosimilars in late stage development. Total revenues were \$21.7bn in 2015.					
8	Vertex	USA	Biotechnology	7,866	3.6	4.0
	A Company engaged in the discovery and development of small molecule drugs for serious diseases. Vertex's pipeline is focused on viral diseases, cystic fibrosis, inflammation and cancer. The key value driver is Kalydeco which was launched in 2012 for the treatment of cystic fibrosis. Total revenues were \$9.0bn in 2015.					
9	Biomarin	USA	Biotechnology	7,167	3.3	3.0
	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 \$890m in 2015.					
10	Exelixis	USA	Biotechnology	6,805	3.1	0.0
	A company focused on developing and commercialising small molecule therapies with the potential to improve the treatment of cancer. In April 2016 the FDA approved Cabometyx for patients with Advanced Renal Cell Carcinoma. Cabometyx was also approved by the European Commission in September 2016. Total revenues were \$37m in 2015.					
	Total			107,008	49.3	

At 31 August 2015, the ten largest investments represented 51.5% of the NAV.

All of the above investments are in quoted companies.

Strategic Report – Unquoted Investments

as at 31 August 2016



	Investment	Region	Sector classification	Fair value of asset	
				£'000	% of total equity
1	Sutro Biopharma 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.	USA	Biotechnology	2,923	1.3
2	Kalvista Pharmaceuticals 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.	Europe	Biotechnology	2,827	1.3
3	ReShape Medical A revenue growth company in the US that has developed 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.	USA	Medical Devices	2,629	1.2
4	NCP Holdings 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.	USA	Medical Research Services	2,167	1.0
5	EBR Systems A 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 of 8% CAGR 2016 - 2020.	USA	Medical Devices	1,376	0.6
6	Karus Therapeutics A drug discovery and development company focused on the delivery of novel compounds for the treatment of inflammatory disorders and oncology indications.	Europe	Biotechnology	1,165	0.5
7	Atopix Therapeutics 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.	Europe	Biotechnology	1,028	0.5
8	TopiVert 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).	Europe	Biotechnology	1,000	0.5
9	Autifony Therapeutics A company focused on delivering drugs for hearing disorders by targeting specific ion channels which regulate the neuronal activity within the auditory system.	Europe	Biotechnology	773	0.4
10	Spinal Kinetics 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.	USA	Medical Devices	493	0.2
11	Cell Medica A company which applies innovative technologies with the aim of improving the treatment of cancer and immune reconstitution following hematopoietic stem cell transplant. The company is developing a pipeline of naturally occurring and gene-modified immune cell products. Cell Medica acquired Delenex AG, an International Biotechnology Trust investment, in July 2016 in a share-for-share exchange.	Europe	Biotechnology	228	0.1
	Total			16,609	7.6

1. Entellus Medical and Transenterix are included in the unquoted portfolio from a performance and reporting perspective, but are quoted on the NASDAQ and NYSE MKT LLC 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. 2016: 6 companies (2015: 7 companies).

Strategic Report – Unquoted Investments

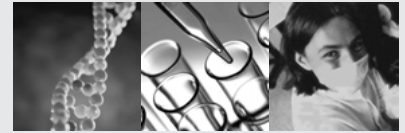
as at 31 August 2016



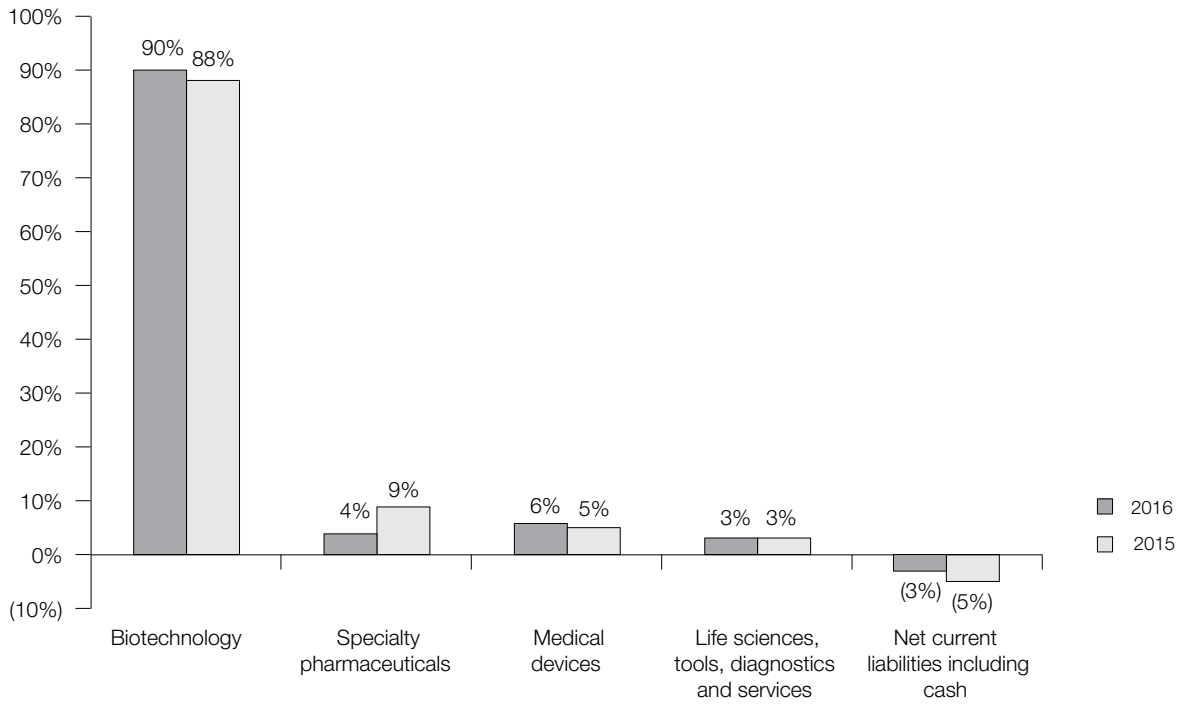
Exited unquoted companies for which the Company retains rights to receive future contingent performance-based payments are shown below.

Investment	Region	Sector classification	Fair value of asset		
			£'000	% of total equity	
1	Convergence Pharmaceuticals	Europe	Biotechnology	2,655	1.2
	A company, spun out from GSK, focused on developing novel analgesic/pain relieving drugs that was sold to Biogen in 2015. The terms of the deal provide for an upfront payment and a series of milestones. Previous proceeds received in respect of this investment were £2.0m.				
2	Ikano Therapeutics	USA	Biotechnology	1,427	0.8
	A company focused on nasally delivered pharmaceutical products that was sold to Upsher Smith Laboratories in 2010. The terms of the deal provide for an upfront payment and a series of milestones. Previous proceeds received in respect of this investment were £0.2m.				
3	Oncoethix	Europe	Biotechnology	1,152	0.6
	A company, acquired by Merck in December 2014, focused on developing a portfolio of three promising new drugs for cancer treatment. The terms of the deal provide for an upfront payment and a series of milestones. Previous proceeds received in respect of this investment were £2.4m.				
4	Archemix	USA	Biotechnology	284	0.1
	A company that was sold to Baxter in 2010 and focused on the development of haemophilia therapy. The terms of the deal provide for an upfront payment and series of milestones. Previous proceeds received in respect of this investment were £0.8m.				
5	ESBATEch	Europe	Biotechnology	41	0.0
	Valuation represents amounts due from Escrow. ESBATEch had a technological platform that allows the development of human single-chain antibody fragments. Previous proceeds received in respect of this investment were £5.2m.				
6	Itero Holdings LLC	USA	Biotechnology	28	0.0
	A company that was sold to Watson in 2010. Valuation represents amounts due from escrow. Itero Holdings LLC was developing a Recombinant Follicle Stimulating Hormone (rFSH). Previous proceeds received in respect of this investment were £0.4m.				
Total				5,587	2.7

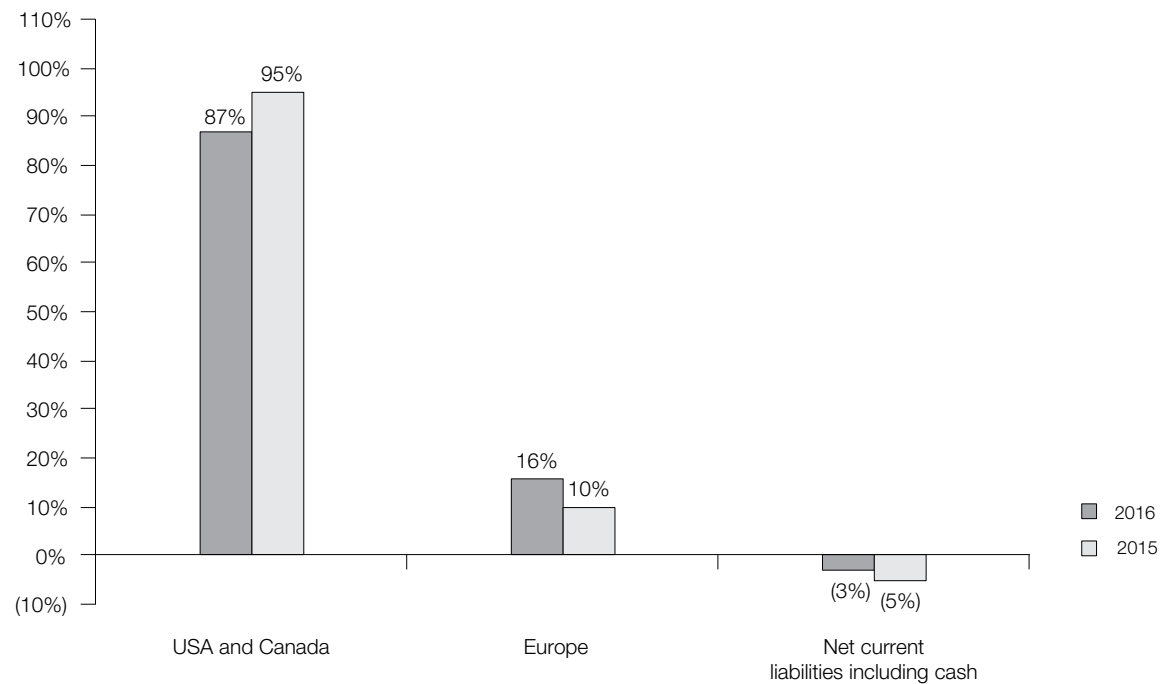
Strategic Report - Classification of Investments



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 for the year ended 31 August 2016.

Business model

The Company 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 9 December 2015 and was passed on a show of hands. Proxy votes cast in respect of the last continuation vote were 22,470,125 (99.99%) in favour, 2,000 (0.01%) against and nil withheld. The next continuation vote will be put to Shareholders at the 2017 AGM.

Change to investment objective and policy

Shareholders approved an amendment to the Company's investment objective and policy at a General Meeting held on 29 September 2016 to allow the Company to invest in unquoted funds which themselves invest in biotechnology companies.

Investment objective and policy

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

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. Investments may also be made in related sectors such as medical devices and 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. The portfolio is diversified by geography, industry sub-sector and investment size with no single investment in a company 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 quoted on stock exchanges in North America, where the most established and commercial biotech and other life sciences companies and companies operating in related sectors are based, though investments will also be made in Europe, Asia and Australia. Investments may also be made into unquoted companies and into funds not quoted on a stock exchange, including venture capital funds. This may include funds managed

by the Investment Manager and/or members of its group. The primary purpose of investment in unquoted funds will be to gain exposure to unquoted companies.

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.

The Company may borrow from time to time to exploit specific investment opportunities, rather than to apply long-term structural gearing to the Company's portfolio of investments.

Investment restrictions

The Company observes the following investment restrictions:

- The Company will invest primarily in biotechnology and other life science companies that are either quoted or unquoted.
- The Company will not invest more than 15% in aggregate, of the value of its gross assets in any one individual company 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 quoted companies. The weighting of investment in unquoted companies will vary according to the attractiveness of the opportunities identified.
- Gearing is restricted to 30% of NAV.
- The Company will not invest more than 15% in aggregate, of the value of its gross assets in other closed-ended investment companies quoted on the London Stock Exchange or any other stock exchanges.

No material change will be made to the investment objective or policy without the approval of Shareholders by ordinary resolution.

Investment strategy

The Company has delegated responsibility for day-to-day investment of its assets to the Alternative Investment Fund Manager (AIFM), SV. Consistent with the Company's investment policy SV 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.

SV uses a bottom up approach to selection 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.

Strategic Report – Strategic Review



The Company has a £35.0m overdraft facility in place with HSBC Bank plc which 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.

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 to 8.

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. The Directors have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. A full analysis of the Directors' review of internal control is set out in the Corporate Governance Statement on page 25.

The Company's key risks include:

Strategic/Performance 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. SV 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.

Discount to 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.

Investment-related risks

Alignment of the investment strategy with the Company's investment objective is essential and an inappropriate approach by SV 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 SV's adherence to the agreed investment strategy.

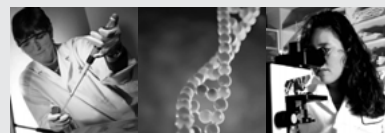
SV provides regular reports to the Board on portfolio activity, strategy and performance, as well as risk monitoring. The reports are discussed in detail at Board meetings, which are all attended by the Investment Manager, to allow the Board to monitor the implementation of investment strategy and process.

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 the Board's policy to hedge against foreign currency movements.

Operational risks

As the Company's main functions are delegated to third party service providers, operational risk arises from insufficient processes

Strategic Report – Strategic Review



of internal control which would include compliance with statutes and regulations governing the functions of the Company.

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 SV. Reports confirming the Company's compliance with the provisions of Section 1158 CTA are submitted by SV to each Board meeting together with relevant portfolio and financial information.

The Company is also subject to other laws and regulations, including the Act, Financial Conduct Authority (FCA) Listing, Prospectus and Disclosure Guidance and Transparency Rules and the Alternative Investment Fund Manager's Directive (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. SV 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.

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.

Viability Statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, published by the Financial Reporting Council in September 2014, the Audit Committee has assessed the prospects of the Company over a five year period. This is considered to be an appropriate period given the long-term nature of investment and the expected maturity period of the unquoted portfolio.

In its assessment of the viability of the Company, the Audit Committee have considered each of the Company's principal risks and uncertainties and how these are managed. These risks and uncertainties are detailed in the Strategic Review on pages 14 and 15 and the effectiveness of the Company's risk management and internal control systems are detailed on page 25. The Audit Committee has also considered the following assumptions in relation to the longer-term viability of the Company:

- the Articles of Association require the Company to seek approval from Shareholders on the continuation of the Company at the every second Annual General Meeting. In December 2015, 99.9% of the votes cast were in favour of the continuation of the Company. The next continuation vote will be proposed in December 2017.

- healthcare will continue to be an investable sector of the international stock markets and that investors will still wish to have an exposure to such investments;
- closed ended investment trusts will continue to be wanted by investors;
- regulation will not increase to a level that makes the running of the Company uneconomical in comparison to other competitive products;
- the performance of the Company will continue to be satisfactory and should performance be less than the Board deems acceptable it has the appropriate powers to replace the Investment Manager; and
- there are no material or significant changes in the principal risks.

The Audit Committee has also considered the income and expenditure projections and the fact that the majority of the Company's investments comprise readily realisable securities which can be sold to meet funding requirements if necessary.

In light of the considerations and based upon the Company's processes for considering the composition of the investment portfolio, monitoring the ongoing costs of the Company, the discount to the NAV, the level of gearing, and taking into account the Company's current position and principal risks and uncertainties, the Board, based on a recommendation by the Audit Committee, considers that there is a reasonable expectation that the Company will continue to operate and meet its liabilities, as they fall due, over the next five years.

Social, community, environmental and human rights policy

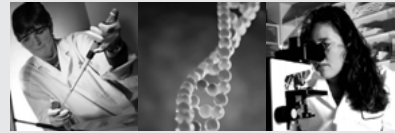
The Board recognises the requirement under Section 414C(7) of the Act to detail information about environmental matters (including the impact of the Company's business on the environment), any Company employees and social and community issues; including information about any policies it has in relation 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 19.

SV 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 24.

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

Strategic Report – Strategic Review



Modern Slavery Act 2015

The Company does not fall within the scope of the Modern Slavery Act 2015 and the Directors also consider the Company's supply chain to be low risk as its suppliers are typically professional advisers.

Accordingly, a slavery and human trafficking statement has not been included.

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.

Gender representation on the Board

As at the date of this Report, there were three 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 2016, 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 to 8. These are not intended to be detailed forecasts.

By order of the Board

BNP Paribas Secretarial Services Limited

Company Secretary
3 November 2016

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 a director of several other investment companies.

John Aston, OBE

John Aston was appointed as a non-executive Director of the Company on 23 February 2011 and served as Chairman of the Audit Committee from April 2011 to July 2016. 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 Schrodgers 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 and a member of the Advisory Board of the CRT Pioneer Fund.

Dr Véronique Bouchet (Senior Independent Director)

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 and Finance and Investment Committee of Queen Mary, University of London. She has an MB BS from St Bartholomew'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).

Caroline Gulliver (Chair of the Audit Committee)

Caroline Gulliver was appointed as a non-executive Director of the Company on 1 April 2015 and as Chair of the Audit Committee on 13 July 2016. 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 Management as a UK pension fund manager becoming an account director, a director and in 1998 UK managing director. He left Schrodgers 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 for the year ended 31 August 2016.

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 16: the Company's status, investment objective and policy, investment strategy, investment restrictions, financial risk management, the Company's exposure to risks, a statement regarding the Company's greenhouse gas emissions and the current and future developments as well as important events affecting the Company 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 13. The Board delegates investment management of the Company's portfolio to SV. 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 to 8.

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 Statement of Comprehensive Income on page 36. Shareholders approved at the General Meeting held on 29 September 2016, the proposed introduction of an annual dividend, equivalent to 4% of the Company's NAV as at the last day of the Company's preceding financial year, being 31 August, to be payable through two equal distributions in January and August of each year, which is expected to be paid out of capital reserves.

The Company has not declared a dividend in 2016 (2015: £nil).

Share capital

At the AGM on 9 December 2015, Shareholders gave approval for the Company to purchase up to 5,956,675 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 2,575,000 Ordinary shares into treasury representing 6.4% of the issued share capital at the start of the year (excluding shares held in treasury). The Company also cancelled 2,825,000 Ordinary shares previously held in treasury. Subsequent to the year end, the Company repurchased 125,000 Ordinary shares for holding in treasury and cancelled 295,000 Ordinary shares previously held in treasury. The issued share capital of the Company is detailed in note 15 to the Financial Statements. The total number of Ordinary shares at the date of this report is 41,342,663 of which 3,795,000 Ordinary shares are held in treasury.

Directors

The biographies of the Directors of the Company are set out on page 17, all of whom were in office during the year and up to the date of the signing of the Financial Statements. Since 2009, the Board has been regularly refreshed with the appointment of a new Director replacing a resigning Director every two years. The Board will continue to refresh the Board where necessary, taking into consideration the Company's agreed strategic priorities, to ensure the right balance of skills and experience is achieved to enable them to discharge their respective duties and responsibilities effectively.

The Board has agreed a formalised policy on tenure as outlined in the Corporate Governance Statement on page 22. 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, Jim Horsburgh offers himself for re-election at the forthcoming AGM.

Alan Clifton and Jim Horsburgh are both deemed by the Board to be independent in both character and judgement, as indicated on page 22 and have performed their duties in an independent manner at all times.

The Board supports the re-elections of the above mentioned Directors and considers that they 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 Alan Clifton and Jim Horsburgh.

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 for the financial year in respect of the Directors and will be due for renewal in April 2017.

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.

Investment Manager's performance and contractual arrangements

The Investment Manager is SV Life Sciences Managers LLP (SV). 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 SV, 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 2016 with a recommendation being made to the Board.

The Board believes the continued appointment of SV 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.

SV is entitled to a management fee payable monthly at the rate of 0.9% per annum of the Company's NAV. In addition, SV is entitled to an annual performance fee. During the year under review the Board and the Investment Manager agreed amendments to the performance fee effective from 1 September 2015 (subsequently updated on 29 September 2016 to reflect the change in the Investment Objective and Policy). The revised fee is 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.
- The payment of the performance fee is subject to the following limits:
 - The maximum performance fee in any one year is 2% of average net assets;
 - Any underperformance of the quoted portfolio against the Benchmark is carried forward for the current financial period plus two succeeding periods; and
 - Performance fees in excess of the performance fee cap are carried forward for the current financial period plus two

succeeding periods and being offset against any subsequent underperformance before being paid out.

Under normal circumstances the Investment Management Deed is terminable by either party on 12 months' written notice.

A performance fee of £575,000 is payable in respect of the year ended 31 August 2016 (31 August 2015: £1,348,000). This is predominantly due to the 9.5% return from the unquoted portfolio, though the quoted portfolio also outperformed.

Following Shareholder approval of the amendments to the investment objective and policy at the Company's General Meeting on 29 September 2016, the Board agreed to make a commitment of \$30 million into SVLSF VI, which should enable the Company to achieve the benefits of diversification, access to a wider range of unquoted companies and increased liquidity as outlined above. There will be no double charging of investment management fees in relation to this commitment. The performance fee is calculated as 20% of realised gains once all committed capital has been repaid.

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 S.C.A. who delegate this activity to their wholly owned subsidiary, BNP Paribas Secretarial Services Limited. The Agreement with BNP Paribas Securities Services S.C.A. 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 71, 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;

Directors' Report

(incorporating the Corporate Governance Statement)



- 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
- 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 Guidance and Transparency Rules or ascertained by the Company were as follows:

Shareholder	As at 31 August 2016		As at 3 November 2016	
	Number of Ordinary shares held	% of total voting rights	Number of Ordinary shares held	% of total voting rights
Lazard Asset Management (US)	10,206,891	27.1	9,726,706	25.9
East Riding Pension Fund	3,725,000	9.9	3,725,000	9.9
Hargreaves Lansdown Asset Management	2,761,382	7.3	2,933,449	7.8
South Yorkshire Pensions Authority	1,700,000	4.5	1,700,000	4.5
M&G Investment Management	1,698,928	4.5	1,653,749	4.4
Alliance Trust	1,262,414	3.4	1,330,418	3.5
West Yorkshire Pension Fund	1,245,599	3.3	1,245,599	3.3
Barclays Wealth	1,157,065	3.1	1,213,374	3.2

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 2016. In doing so, the Directors have considered the Company's borrowing requirements and covenants on existing borrowings; liquidity risk (see note 24 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. 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. Shareholders approved the continuation of the Company in 2015 and a further vote will take place in 2017.

As a result, 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

In light of the requirements of the EU Audit Directive, the Company has recently conducted a tender of audit services and, following recommendation by the Audit Committee, the Board has decided to retain PricewaterhouseCoopers LLP as Auditor for the Company. Having been appointed in 2007, the Company's Auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office. Accordingly, resolutions to re-appoint them as Auditors and to authorise the Directors to determine their 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 17, confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's Auditors are unaware; and
- each Director has taken all the steps that they ought to have taken as a Director in order to make themselves 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 Tuesday, 13 December 2016 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 68 to 73, amongst which the Board is seeking Shareholders' approval of three special resolutions.

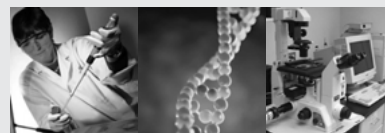
Share buybacks and treasury share authority

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 the AGM held on Wednesday, 9 December 2015.

During the year ended 31 August 2016, the Company bought back 2,575,000 of its issued shares to be held in treasury and 2,825,000 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

Directors' Report

(incorporating the Corporate Governance Statement)



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. 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 £469,345.75, equivalent to 1,877,383 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 10 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 as they intend to do so in respect of their own beneficial holdings. 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 2014 (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 the 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;
- no Senior Independent Director was appointed throughout the year under review with the role being carried out by both Caroline Gulliver as Audit Committee Chairman (as regards to being available to Shareholders if they have a concern that contact through the normal channels has failed to resolve or where such contact is inappropriate) and Véronique Bouchet (as regards to the annual appraisal of the Chairman). Subsequent to the year end, Véronique Bouchet was appointed as Senior Independent Director with effect from 1 November 2016. Dr Bouchet's appointment as Senior Independent Director will be considered on an annual basis;
- as there are no executive Directors the provisions of the UK Corporate Governance Code in respect of executive directors' remuneration are not relevant;
- 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 SV. The Board monitors these systems of internal control to provide assurance that they operate as intended; and

Directors' Report

(incorporating the Corporate Governance Statement)



- following the year end, a General Meeting was convened for 29 September 2016. This General Meeting was called on not less than 14 clear days' notice in accordance with the authority approved by Shareholders at the AGM last year. However the AIC Code states that General Meetings should be called on not less than 14 working days' notice and therefore on that basis, the Company was not compliant with this aspect of the AIC Code.

Application of the AIC Code's principles

The Board considers that it has managed its affairs throughout the year ended 31 August 2016 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 the future.

This Corporate Governance Statement, together with the Management Report and Directors' Responsibilities Statement set out on page 29, 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 objective 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 2016, 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 five non-executive Directors. The biographical details of each Director, including his/her length of service, are set out on page 17.

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.

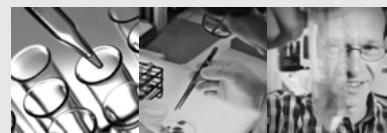
The Board is satisfied that it is of sufficient size, with an appropriate balance of skills and experience, and that no individual or group of individuals is, or has been, in a position to dominate decision making.

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.

Directors' Report

(incorporating the Corporate Governance Statement)



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 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 the Senior Independent Director. 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 SV'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, SV and the Company Secretary is maintained throughout the year. Representatives of SV 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	2	1
John Aston	5	3	2	1
Véronique Bouchet	5	3	2	1
Alan Clifton	5	3	2	1
David Clough*	2	1	0	0
Caroline Gulliver	5	3	2	1
Jim Horsburgh	5	3	2	1

*Retired on 9 December 2015.

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

Four additional Board meetings were also held during the year under review.

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 SV, 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, with effect from 13 July 2016, Caroline Gulliver replaced John Aston as Chairman of the Audit Committee. Committee membership is detailed on page 17.

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 2016 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 17 of this Report.

Directors' Report

(incorporating the Corporate Governance Statement)



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

During the year ended 31 August 2016, the Audit Committee considered the following significant issues:

Issue considered	How the issue was addressed
Valuation and existence of unlisted investments and gains and losses from those investments	Consideration and review of valuation processes and methodology at SV and HSBC to establish accuracy and completeness over the valuations being recommended for approval to the Board.
Valuation and existence of listed investments and gains and losses from those investments	Consideration and review of processes and procedures at HSBC and SV to identify key processes and controls over the pricing and valuation of stocks.
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.

Having taken all available information into consideration and having discussed the content of the Annual Financial Report with the AIFM, Investment Manager, Company Secretary and other third party service providers, the Audit Committee has concluded that the Annual Financial Report for the year ended 31 August 2016, taken as a whole is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position and performance, business model and strategy and has reported these findings to the Board. The Board's conclusions in this respect are set out on page 29. The Board was made fully aware of any significant financial reporting issues and judgements made in connection with the preparation of the Financial Statements.

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 Auditors are required to rotate the audit partner every five years. Mr Allan McGrath is the assigned audit partner overseeing the audit for the fourth 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 44. 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 twice during the year ended 31 August 2016 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.

On those occasions when the Committee is reviewing the Chairman, or considering his successor, the Nomination Committee is chaired by the Senior Independent Director or, in their absence, 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 2016 and will meet annually thereafter to review matters relating to the performance of the Company's third party service providers, including SV, 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 SV, 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 SV. 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.

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.

Directors' Report

(incorporating the Corporate Governance Statement)



The Company has delegated to SV 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 29 and a statement of going concern is set out in the Directors' Report on page 20. The Independent Auditors' Report can be found on pages 30 to 35.

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. It 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 it 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 risk management and internal control systems 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.

However, the SSA16 HSBC Securities Services' (HSS) ISAE3402 Global Information Technology report for 1 January 2015 to 31 December 2015 had a qualified opinion. This qualification is in respect of access restriction controls related to Logical Access and Change Management. For both of these issues, remediation testing has been completed by HSS's auditors. In the year, Caroline Gulliver, in her capacity as Chairman of the Audit Committee, and SV have visited HSS and assessed the processes and controls over all areas affecting the Company and are satisfied that no significant matters arose as a result of the reported weakness in controls.

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 its 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

3 November 2016

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 30 to 35.

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 commencing 1 September 2016	Year ended 31 August 2016	Year ended 31 August 2015
Chairman's base fee	£42,500	£41,000	£41,000
Non-executive Director base fee	£28,000	£27,000	£27,000
Additional fee for the Chair of the Audit Committee	£4,500	£4,500	£4,500

1. The Company's policy is for the Chairman of the Board and the Chair 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 2016.

Directors' fees are reviewed annually by the Board and, following the last review in July 2016, it was agreed that Directors' fees would be increased with effect from 1 September 2016 as detailed in the table above entitled 'Component parts of the Directors' remuneration'. Earlier changes to Directors' remuneration were made in 2008 and 2012. Recent adjustments to Directors' fees have been at rates below general inflation levels.

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 2016 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 ^(iv)	
	Year ended 31 August 2016	Year ended 31 August 2015
Directors		
John Aston	30,889 ⁽ⁱⁱⁱ⁾	31,500
Véronique Bouchet	27,000	27,000
Alan Clifton (Chairman)	41,000	41,000
David Clough	7,416 ⁽ⁱ⁾	27,000
Caroline Gulliver	27,611 ⁽ⁱⁱⁱ⁾	11,226 ⁽ⁱⁱ⁾
Jim Horsburgh	27,000	27,000
Total	160,916	164,726

(i) Retired 9 December 2015.

(ii) Appointed 1 April 2015.

(iii) Caroline Gulliver replaced John Aston as Chairman of the Audit Committee on 13 July 2016.

(iv) 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, of a similar size and also self managed trusts 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.

	2016	2015	% change compared to previous year
Aggregate spend on Directors' fees*	£160,916	£164,726	(2.31)
Distributions to Shareholders – share buybacks†	£11,623,218	£57,448,560	(79.8)

* 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 2016	Ordinary shares of 25p each as at 1 September 2015
John Aston	10,000	10,000
Véronique Bouchet	7,500	7,500
Alan Clifton	10,000	10,000
Caroline Gulliver	5,000	2,500
Jim Horsburgh	15,000	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.

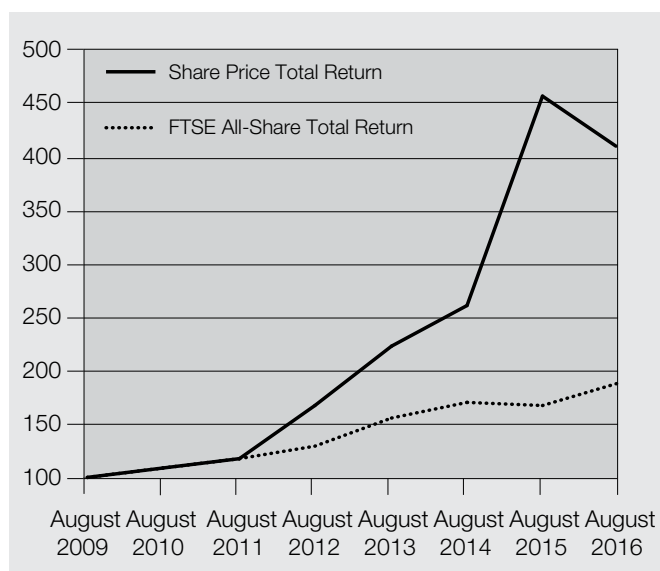
Report on Directors' Remuneration



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 seven 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.

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 2016.

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 2016:

- the major decisions on Directors' remuneration;
- any substantial changes relating to Directors' remuneration made during the year; and
- 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 9 December 2015, votes cast (including the votes cast at the Chairman's discretion) in respect of the Annual Report on Directors' Remuneration were 22,443,244 (99.88%) in favour, 26,280 (0.12%) against and 2,601 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

3 November 2016

Management Report and Directors' Responsibilities Statement

(incorporating the Corporate Governance Statement)



Management report

Listed companies are required by the FCA's Disclosure Guidance 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 16 inclusive (together with the sections of the Annual Report incorporated by reference) and the Director's Report on pages 18 to 25. 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 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 Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- Select suitable accounting policies 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 will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements and the Report on Directors' Remuneration comply with the Act. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Annual Report is published on the following website:

www.ibtplc.com

which is a website maintained by SV. The maintenance and integrity of the website is, so far as it relates to the Company, the responsibility of SV. 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.

Having taken advice from the Audit Committee, 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 position, performance, business model and strategy.

Each of the Directors, whose names and functions are listed on page 17 of this Report, confirms that, to the best of his or her knowledge:

- The 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;
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces; and
- As outlined on page 20 of this Report, the Directors have undertaken all necessary reviews to provide a going concern recommendation.

On behalf of the Board

Alan Clifton

Chairman

3 November 2016

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 financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 August 2016 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Balance Sheet as at 31 August 2016;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended
- the Cash Flow Statement 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 IFRSs as adopted by the European Union, and applicable law.

Our audit approach

OVERVIEW	
<ul style="list-style-type: none"> • Overall materiality: £2.17 million which represents 1% of net assets. 	<p>Our areas of focus included:</p> <ul style="list-style-type: none"> • 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.

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.

Independent Auditors' Report

to the Members of International Biotechnology Trust plc

AREA OF FOCUS	HOW OUR AUDIT ADDRESSED THE AREA OF FOCUS
<p><i>Gains/losses on quoted and unquoted investments held at fair value</i></p> <p>Refer to page 24 (Audit Committee Report), page 41 (Accounting Policies) and page 43 (notes).</p> <p>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 Company.</p> <p>We focused on realised and unrealised gains/losses on quoted and unquoted investments held at fair value.</p> <p>We also focused on unrealised gains/losses on investments held at fair value due to the subjective nature of the valuation of unquoted investments.</p> <p>This is because incomplete or inaccurate gains/losses on quoted and unquoted investments held at fair value could have a material impact on the Company's net asset value.</p>	<p>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 the stated accounting policy as set out in note 1. (f) on page 41 of the financial statements.</p> <p>We found that the accounting policy implemented was 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.</p> <p>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.</p> <p>The gains/losses on investments held at fair value comprise realised and unrealised gains/losses.</p> <p>For unrealised gains/losses, we obtained an understanding of, and then tested, the valuation process as set out in the 'Valuation and existence of quoted investments' and 'Valuation and existence of unquoted investments' areas of focus, to ascertain whether these gains/losses were appropriately calculated.</p> <p>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.</p> <p>No misstatements were identified by our testing which required reporting to those charged with governance.</p>
<p><i>Valuation and existence of unquoted investments</i></p> <p>Refer to page 24 (Audit Committee Report), page 41 (Accounting Policies) and page 43 (notes).</p> <p>The investment portfolio at 31 August 2016 included unquoted investments.</p> <p>We focused on the valuation of the unquoted investments as these investments represented a material balance in the financial statements (£22.2m) 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.</p>	<p>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:</p> <ul style="list-style-type: none"> • comparing valuations based on recent transactions; • comparing 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. <p>We also read the 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.</p>

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 unquoted investments (continued)	
	<p>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.</p> <p>We tested the existence of the unquoted investment portfolio by agreeing a sample of the holdings to an independent custodian confirmation from HSBC Bank plc.</p> <p>Differences identified were investigated and explanations received from the Manager/Custodian which we then corroborated to appropriate supporting evidence.</p>
Valuation and existence of quoted investments	
<p>Refer to page 24 (Audit Committee Report), page 41 (Accounting Policies) and page 43 (notes).</p> <p>The investment portfolio at the year-end comprised quoted equity investments valued at £199.6m.</p> <p>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 Balance Sheet.</p>	<p>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.</p> <p>We tested the existence of the investment portfolio by agreeing a sample of the holdings of investments to an independent custodian confirmation from HSBC Bank plc. Any differences identified were investigated and explanations received from the Manager/Custodian which we then corroborated to appropriate supporting evidence.</p>
Performance fees recognised	
<p>Refer to page 24 (Audit Committee Report), page 40 (Accounting Policies) and page 44 (notes).</p> <p>A performance fee is payable for the year of £575,000. We focused on this area because the performance fee is calculated using an updated methodology as set out in the Investment Management Agreement between the Company and the Manager.</p>	<p>We tested the performance fee of £575,000 to ensure it is calculated in accordance with the methodology set out in the Investment Management Agreement and agreed the inputs to the calculation, including the benchmark data, to independent third party sources, where applicable. No misstatements were identified by our testing which required reporting to those charged with governance.</p> <p>We tested the allocation of the performance fee between the revenue and capital return columns of the Statement of Comprehensive Income with reference to the accounting policy as set out on page 40. We found that the allocation of the performance fee was consistent with the accounting policy.</p>

Independent Auditors' Report

to the Members of International Biotechnology Trust plc

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 Company, the involvement of the Manager and Administrator, the accounting processes and controls, and the industry in which the Company operates.

The Company'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 Company. 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.

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

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 on the individual financial statement line items and disclosures and in evaluating 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	£2.17 million (2015: £2.36 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 £108,000 (2015: £118,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page page 20, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the directors intend it 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 Company's ability to continue as a going concern.

Independent Auditors' Report

to the Members of International Biotechnology Trust plc

Other required reporting

Consistency of other information

Companies Act 2006 reporting

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 statements.

ISAs (UK & Ireland) reporting	
Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:	
<ul style="list-style-type: none"> • Information in the Annual Report is: <ul style="list-style-type: none"> – materially inconsistent with the information in the audited Financial Statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or – otherwise misleading. 	We have no exceptions to report.
<ul style="list-style-type: none"> • the statement given by the directors on page 29, 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 Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Company acquired in the course of performing our audit. 	We have no exceptions to report.
<ul style="list-style-type: none"> • the section of the Annual Report on page 24, 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.

The directors' assessment of the prospects of the Company and of the principal risks that would threaten the solvency or liquidity of the Company

ISAs (UK & Ireland) reporting	
Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:	
<ul style="list-style-type: none"> • the directors' confirmation on page 14-15 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. 	We have nothing material to add or to draw attention to.
<ul style="list-style-type: none"> • the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated. 	We have nothing material to add or to draw attention to.
<ul style="list-style-type: none"> • the directors' explanation on page 15 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. 	We have nothing material to add or to draw attention to.

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

We have no exceptions to report arising from this responsibility.

Independent Auditors' Report

to the Members of International Biotechnology Trust plc

Directors' remuneration

Directors' remuneration report - Companies Act 2006 opinion

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

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 ten further provisions of the 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 Management Report and Directors' Responsibilities Statement set out on page 29, 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 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
3 November 2016

Statement of Comprehensive Income

	Notes	For the year ended 31 August 2016			For the year ended 31 August 2015		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments held at fair value							
through profit or loss	2	–	(1,725)	(1,725)	–	83,559	83,559
Exchange losses on currency balances	2	–	(2,333)	(2,333)	–	(425)	(425)
Income	3	676	–	676	409	–	409
Expenses							
Management fee	4	(1,894)	–	(1,894)	(2,360)	–	(2,360)
Performance fee	4	–	(575)	(575)	–	(1,348)	(1,348)
Administrative expenses	5	(1,047)	–	(1,047)	(1,136)	–	(1,136)
(Loss)/profit before finance costs and tax		(2,265)	(4,633)	(6,898)	(3,087)	81,786	78,699
Finance costs							
Interest payable	6	(212)	–	(212)	(166)	–	(166)
(Loss)/profit on ordinary activities before tax		(2,477)	(4,633)	(7,110)	(3,253)	81,786	78,533
Taxation	8	(105)	–	(105)	(54)	–	(54)
(Loss)/profit for the year attributable to owners of the parent		(2,582)	(4,633)	(7,215)	(3,307)	81,786	78,479
Basic and diluted (loss)/earnings per Ordinary share	9	(6.63)p	(11.89)p	(18.52)p	(7.52)p	186.06p	178.54p

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

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

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

The notes on pages 40 to 61 form part of these Financial Statements.

Statement of Changes in Equity

Company		Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total equity £'000
For the year ended 31 August 2016	Notes							
Balance at 1 September 2015		11,116	18,805	30,701	–	204,440	(29,572)	235,490
Total Comprehensive Income:								
Loss for the year		–	–	–	–	(4,633)	(2,582)	(7,215)
Transactions with owners, recorded directly to equity:								
Shares bought back and held in treasury	15	–	–	–	–	(11,624)	–	(11,624)
Shares cancelled from treasury	17	(707)	–	707	–	–	–	–
Balance at 31 August 2016		10,409	18,805	31,408	–	188,183	(32,154)	216,651

Company		Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total equity £'000
For the year ended 31 August 2015	Notes							
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	15	–	–	–	(4,064)	(9,398)	–	(13,462)
Shares bought back and cancelled	15	(2,748)	–	2,748	(38,433)	(5,553)	–	(43,986)
Shares cancelled from treasury	17	(75)	–	75	–	–	–	–
Balance at 31 August 2015		11,116	18,805	30,701	–	204,440	(29,572)	235,490

The notes on pages 40 to 61 form part of these Financial Statements.

Balance Sheet

	Notes	At 31 August 2016 Company £'000	At 31 August 2015 Company £'000
Non-current assets			
Investments held at fair value through profit or loss	10	221,788	246,929
		221,788	246,929
Current assets			
Receivables	11	9,242	14,456
Cash and cash equivalents	12	90	296
		9,332	14,752
Total assets		231,120	261,681
Current liabilities			
Borrowings	12	(11,813)	(21,864)
Payables	13	(2,656)	(4,327)
		(14,469)	(26,191)
Net assets		216,651	235,490
Equity attributable to equity holders			
Called up share capital	15	10,409	11,116
Share premium account	16	18,805	18,805
Capital redemption reserve	17	31,408	30,701
Share purchase reserve	18	–	–
Capital reserves	19	188,183	204,440
Revenue reserve	20	(32,154)	(29,572)
Total equity		216,651	235,490
NAV per Ordinary share	21	575.09p	585.10p

The Financial Statements on pages 36 to 61 were approved by the Board on 3 November 2016 and signed on its behalf by:

Alan Clifton
Chairman

Caroline Gulliver
Chair of the Audit Committee

The notes on pages 40 to 61 form part of these Financial Statements.

International Biotechnology Trust plc
Company Number: 2892872

Cash Flow Statement

	Notes	For the year ended 31 August 2016 Company £'000	For the year ended 31 August 2015 Company £'000
Cash flows from operating activities			
(Loss)/profit before tax		(7,110)	78,533
Adjustments for:			
Decrease/(increase) in investments		25,141	(22,206)
Decrease/(increase) in receivables		5,214	(13,566)
Decrease in payables		(1,671)	(3,810)
Taxation		(105)	(54)
Net cash flows generated from operating activities	22	21,469	38,897
Cash flows used in financing activities			
Share repurchase costs		(11,624)	(57,448)
Net cash used in financing activities		(11,624)	(57,448)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at 1 September		(21,568)	(3,017)
Cash and cash equivalents at 31 August	12	(11,723)	(21,568)

The notes on pages 40 to 61 form part of these Financial Statements.

Notes to the Financial Statements

1. Accounting policies

The Company comprises International Biotechnology Trust plc (the Company).

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

The 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 Financial Statements, the results and financial position of the Company are expressed in pounds sterling, which is the functional currency and the presentational currency of the Company. 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 Company's operating expenses are paid.

The trading subsidiary IBT Securities Limited was dissolved and removed from the Companies House Register on 16 February 2016. As such, there is no longer a Group in existence and therefore the Financial Statements have been presented on a Company only basis.

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

(a) Basis of preparation

The 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 November 2014 (which superseded the SORP issued 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) 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 loss after taxation in the revenue column is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 1158 Corporation Tax Act 2010 (CTA).

(c) 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 Company 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.

(d) 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.

Notes to the Financial Statements

1. Accounting policies *(continued)*

(e) 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.

(f) 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 Company 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 2015). 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 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.

(g) 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 "(Losses)/Gains on investments held at fair value".

Notes to the Financial Statements

1. Accounting policies (continued)

(h) 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.

(i) 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 rather than for investment or other purpose and cash balances are held at their value (translated to sterling at the Balance Sheet date where appropriate) and are stated at £90,000. In the Balance Sheet, bank overdrafts (£11.8m) are shown within borrowings in current liabilities.

(j) 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.

(k) Other payables

Other payables are not 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.

(l) 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.

(m) 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, representing 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;

Notes to the Financial Statements

1. Accounting policies (continued)

(iv) Capital reserves (continued)

- Foreign exchange gains and losses;
- Performance fee; and
- Repurchase of shares in issue.

Note: Unrealised unquoted holding gains are not distributable.

(v) Revenue reserve

Comprises accumulated undistributed revenue profits and losses.

(n) New and revised accounting Standards

No new IFRS, or amendments to IFRS, became applicable in the year which had any impact on the Financial Statements.

At the date of authorisation of these Financial Statements, the following new and amended IFRS are in issue but are not yet effective and have not been applied in these accounts:

- IFRS 5 (amended) Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 (amended) Financial Instruments: Disclosures
- IFRS 9 (2014) Financial Instruments
- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from Contracts with Customers
- IAS 1 (amended) Presentation of Financial Statements
- IAS 16 (amended) Property, Plant and Equipment
- IAS 19 (amended) Employee Benefits
- IAS 28 (amended) Investments in Associates and Joint Ventures
- IAS 34 (amended) Interim Financial Reporting

The Directors do not expect that the adoption of the Standards listed above will have a significant impact on the Company's accounts in future periods.

2. (Losses)/gains on investments held at fair value

	For the year ended 31 August 2016 £'000	For the year ended 31 August 2015 £'000
Net gains on disposal of investments at historic cost	10,811	99,394
Less fair value adjustments in earlier years	(23,170)	(39,241)
(Losses)/gains based on carrying value at previous Balance Sheet date	(12,359)	60,153
Investment holding gains during the year	10,634	23,406
	(1,725)	83,559
Attributable to:		
Quoted investments	(4,939)	72,833
Unquoted investments	3,214	10,726
	(1,725)	83,559
Exchange losses on currency balances	(2,333)	(425)

Exchange losses on currency balances arise on the retranslation of foreign currency balances held by the Company. Throughout the year, the Company has held borrowings, predominantly in US dollars. As US dollars have strengthened significantly during the year vs. Sterling, this has led to an exchange loss being recorded in respect of these borrowings.

Notes to the Financial Statements

3. Income

	For the year ended 31 August 2016 £'000	For the year ended 31 August 2015 £'000
Income from investments held at fair value through profit or loss:		
Unfranked dividends	676	363
Interest on debt securities	–	46
	676	409

4. Management and performance fees

	For the year ended 31 August 2016 £'000	For the year ended 31 August 2015 £'000
Fees payable to the Investment Manager are as follows:		
Management fees (allocated to revenue)	1,894	2,360
	1,894	2,360
Performance fee (allocated to capital)	575	1,348
	575	1,348

Details of the management and performance fee arrangements are included in the Directors' Report on page 19.

5. Administrative expenses

	For the year ended 31 August 2016 £'000	For the year ended 31 August 2015 £'000
General expenses	620	723
Directors' fees*	161	165
Company secretarial and administration fees	222	216
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of the annual Financial Statements	44	32
	1,047	1,136

*See the Directors' Remuneration Report on pages 26 to 28.

6. Interest payable

	For the year ended 31 August 2016 £'000	For the year ended 31 August 2015 £'000
Bank overdraft interest payable	212	166

Notes to the Financial Statements

7. Subsidiary undertaking

The Company had an investment in the entire issued ordinary share capital, fully paid, of £100 in its wholly owned subsidiary undertaking, IBT Securities Limited, which was registered in England and Wales and operated in the United Kingdom. The subsidiary company was placed into members' voluntary liquidation on 16 February 2016. Therefore the Financial Statements are no longer prepared on a consolidated basis and Company only accounts are produced.

Prior to its dissolution, following the decision by the Directors, the intercompany receivable of £511,000 from the Company was derecognised and included in gains on investments. As a result, the corresponding creditor in the Company's Financial Statements was also released to the Profit & Loss Account (P&L). IBT Securities Limited was being carried at a value of £100 in the Company's accounts. This amount was written off to the P&L upon dissolution. These were the only reconciling items between the Group and Company accounts.

8. Taxation

(a) Analysis of charge in period

	For the year ended 31 August 2016 £'000	For the year ended 31 August 2015 £'000
Overseas tax	105	54
Total current tax charge for the year	105	54

(b) Factors affecting tax charge for the year

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

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% (2015: 20.58%). The differences are explained below:

	For the year ended 31 August 2016			For the year ended 31 August 2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Factors affecting tax charge for the year:						
(Loss)/profit on ordinary activities before taxation	(2,477)	(4,633)	(7,110)	(3,253)	81,786	78,533
Tax at the UK Corporation Tax rate of						
20% (2015: 21%)	–	–	–	(398)	10,019	9,621
20% (2015: 20%)	(495)	(927)	(1,422)	(271)	6,816	6,545
	(495)	(927)	(1,422)	(669)	16,835	16,166
Tax effect of:						
Non-taxable dividend income	(140)	–	(140)	(75)	–	(75)
Capital returns on investments	–	345	345	–	(17,199)	(17,199)
Exchange gains	–	467	467	–	87	87
Expenses not utilised in the year	635	115	750	744	277	1,021
Overseas tax	105	–	105	54	–	54
	105	–	105	54	–	54

Notes to the Financial Statements

8. Taxation (continued)

(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 2016 the Company had a potential deferred tax asset of £9,514,000 (2015: £9,809,000) on taxable losses based on a prospective Corporation Tax rate of 18% (2015: 20%), 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.

9. Net (loss)/earnings per Ordinary share

	For the year ended 31 August 2016 £'000	For the year ended 31 August 2015 £'000
Net revenue loss	(2,582)	(3,307)
Net capital (loss)/profit	(4,633)	81,786
	(7,215)	78,479
Weighted average number of Ordinary shares in issue during the year*	38,959,794	43,955,896
	Pence	Pence
Revenue loss per Ordinary share	(6.63)	(7.52)
Capital (loss)/profit per Ordinary share	(11.89)	186.06
Total earnings per Ordinary share	(18.52)	178.54

*Excluding those held in treasury.

10. Investments held at fair value through profit or loss

(a) Analysis of investments

	At 31 August 2016 £'000	At 31 August 2015 £'000
Quoted overseas	199,592	226,466
	199,592	226,466
Unquoted in the United Kingdom	8,829	7,667
Unquoted overseas	13,367	12,796
	22,196	20,463
Valuation of investments at 31 August	221,788	246,929

Notes to the Financial Statements

10. Investments held at fair value through profit or loss (continued)

(b) Movements on investments

	For the year ended 31 August 2016 £'000	For the year ended 31 August 2015 £'000
Opening book cost	214,657	176,616
Opening fair value adjustment	32,272	48,107
Opening valuation	246,929	224,723
Purchases at cost	288,219	323,596
Proceeds of disposals	(311,635)	(384,949)
Net (losses)/gains realised on disposals	(12,359)	60,153
Increase in fair value adjustment	10,634	23,406
Valuation of investments at 31 August	221,788	246,929
Closing book cost	202,052	214,657
Closing fair value adjustment	19,736	32,272
Closing valuation	221,788	246,929

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

	For the year ended 31 August 2016 £'000	For the year ended 31 August 2015 £'000
On acquisitions	170	184
On disposals	181	230
	351	414

(c) Significant undertaking

The Company 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	6.73	UK
EBR Systems	Series C	7.84	USA
EBR Systems	Series D	4.16	USA
Kalvista Pharmaceuticals	Series A & B	4.23	UK
Karus Therapeutics	Series B Pref	4.34	UK
Oxagen Stocks	Series B Pref	9.10	UK
Oxagen Stocks	Series A Pref	4.63	UK
Oxagen Stocks	Series C pref	4.18	UK
Reshape	Series B	10.00	USA
Reshape	Series C Pref	4.50	USA
Topivert	Series A	3.02	UK

Notes to the Financial Statements

10. Investments held at fair value through profit or loss (continued)

(d) Disposals of unquoted investments

The significant unquoted investment disposals during the year were:

Investment	Carrying value at 31 August 2015 £'000	Proceeds £'000	Carrying value at 31 August 2016 £'000
Celerion	55	147	–
Delenex	296	316	–
ESBA Tech	216	1,665	41
Oncoethix	1,490	365	1,152

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

(e) 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
Reshape Medical	883
NCP Holdings	561
Karus Therapeutics	519
Ikano Therapeutics	(796)

11. Receivables

	At 31 August 2016 £'000	At 31 August 2015 £'000
Amounts due within one year:		
Sales awaiting settlement	9,153	14,311
Accrued income	42	106
Prepaid expenses	23	24
Tax recoverable	8	–
VAT recoverable	16	15
	9,242	14,456

12. Cash and cash equivalents

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

	At 31 August 2016 £'000	At 31 August 2015 £'000
Cash at bank	90	296
Bank overdraft	(11,813)	(21,864)
Cash and cash equivalents	(11,723)	(21,568)

The Company has a £35m uncommitted multi-currency overdraft facility. On 31 August 2016, £11,813,000 (2015: £21,864,000) 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

13. Payables

	At 31 August 2016 £'000	At 31 August 2015 £'000
Amounts falling due within one year:		
Purchases awaiting settlement	1,792	2,203
Accrued expenses	864	1,613
Amount due to subsidiary	-	511
	2,656	4,327

14. Capital commitments – contingent assets and liabilities

The Company has no commitments to further investments. All commitments outstanding at 31 August 2015 in the prior year were made during the year in line with expected amounts (2015: Karus £353,434; Topivert £235,295; and Delenex £31,066). Subsequent to the year end, following Shareholder approval on 29 September 2016, the Company made a commitment of \$30m into SVLSF VI. This is discussed in the Chairman's Statement on page 4.

15. Called up share capital

	Ordinary shares of 25p each at 31 August 2016	Ordinary shares of 25p each at 31 August 2015	Nominal value at 31 August 2016 £'000	Nominal value at 31 August 2015 £'000
Allotted, called up and fully paid:				
Ordinary shares in issue	37,672,663	40,247,663	9,418	10,062
Ordinary shares held in treasury	3,965,000	4,215,000	991	1,054
	41,637,663	44,462,663	10,409	11,116

During the year 2,575,000 Ordinary shares were repurchased to be held in treasury at a cost of £11,624,000 (2015: 3,090,000 shares at a cost of £13,462,000). In addition, no shares were bought back for cancellation (2015: 10,995,000 shares at cost of £43,986,000).

2,825,000 (2015: 300,000) 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.

This reserve is not distributable.

16. Share premium account

	At 31 August 2016 £'000	At 31 August 2015 £'000
Balance brought forward	18,805	18,805
Balance carried forward	18,805	18,805

This reserve is not distributable.

Notes to the Financial Statements

17. Capital redemption reserve

	At 31 August 2016 £'000	At 31 August 2015 £'000
Balance brought forward	30,701	27,878
Nominal value of 2,825,000 (2015: 300,000) Ordinary shares cancelled from treasury	707	75
Nominal value of nil (2015: 10,995,000) Ordinary shares bought back and cancelled	-	2,748
Balance carried forward	31,408	30,701

This reserve is not distributable.

18. Share purchase reserve

	At 31 August 2016 £'000	At 31 August 2015 £'000
Balance brought forward	-	42,497
Cost of shares bought back and held in treasury	-	(4,064)
Cost of shares bought back and cancelled	-	(38,433)
Balance carried forward	-	-

This reserve may be used to repurchase the Company's shares or be distributed as dividends (subject to being a positive balance).

19. Capital reserves

	At 31 August 2016 £'000	At 31 August 2015 £'000
Balance brought forward	204,440	137,605
(Losses)/gains on investments	(1,725)	83,559
Cost of shares bought back and held in treasury	(11,624)	(9,398)
Cost of shares bought back and cancelled	-	(5,553)
Performance fee	(575)	(1,348)
Realised exchange losses on currency balances	(2,333)	(425)
Balance carried forward	188,183	204,440

The capital reserves may be further analysed as follows:

Reserve on investments sold ⁽ⁱ⁾	168,447	172,168
Reserve on investments held ⁽ⁱⁱ⁾	19,736	32,272
	188,183	204,440

(i) These are realised distributable capital reserves which maybe used to repurchase the Company's shares or be distributed as dividends.

(ii) This reserve comprises holding gains on investments (which maybe deemed to be realised) and other amounts which are unrealised. An analysis has not been made between amounts that are realised (and maybe distributed or used to repurchase the Company's shares) and those that are unrealised.

20. Revenue reserve

	At 31 August 2016 £'000	At 31 August 2015 £'000
Balance brought forward	(29,572)	(26,265)
Net loss for the year	(2,582)	(3,307)
Balance carried forward	(32,154)	(29,572)

The revenue reserve may be distributed or used to repurchase the Company's shares (subject to being a positive balance).

Notes to the Financial Statements

21. Net Asset Value per Ordinary share

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

	At 31 August 2016	At 31 August 2015
NAV (£'000)	216,651	235,490
Number of Ordinary shares in issue	37,672,663	40,247,663
NAV per Ordinary share (pence)	575.09	585.10

The decrease in the NAV per share from 585.10p (31 August 2015) to 575.09p (31 August 2016) 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.

22. 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 Company. Cash flow from operating activities can therefore be further analysed as follows:

	For the year ended 31 August 2016 £'000	For the year ended 31 August 2015 £'000
Proceeds on disposal of fair value through profit and loss investments	316,793	371,439
Purchases of fair value through profit and loss investments	(288,630)	(328,771)
Net cash inflow from investing activities	28,163	42,668
Cash flows from other operating activities	(6,694)	(3,771)
Net cash flows generated from operating activities	21,469	38,897

23. Transactions with the Investment Manager and related party transactions

(a) Transactions with the Investment Manager

Details of the management fee arrangement are given in the Directors' Report on page 19. The total fee payable under this Agreement to SV (the Investment Manager) for the year ended 31 August 2016 was £1,894,000 (2015: £2,360,000) of which £nil (2015: £nil) was outstanding at the year end. In addition to this, SV is also entitled to a performance fee of £575,000 (2015: £1,348,000), which was outstanding at the year end.

SV 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. SV has agreed with the Board a set of guidelines on how any economic interest will be divided between the Company and SV. 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 2016 £nil (2015: £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 2016 was £160,916 (2015: £164,726) of which £38,375 (2015: £45,125) was outstanding at the year end.

Details of the Directors' interests in the Company's Ordinary shares are detailed in the Report on Directors' Remuneration on page 27.

Notes to the Financial Statements

24. Financial instruments and risk management

Risk management policies and procedures

The Company'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 Company's net assets or a reduction of the total return.

The main risks arising from the Company's pursuit of its investment objective 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 Company 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 breakdown of the investment portfolio is given on pages 9 to 12 and in the Investment Manager's Review on pages 6 to 8. 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 Company's current policy to use derivative instruments to hedge the investment portfolio against market price risk.

Price risks exposure

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

	At 31 August 2016 £'000	At 31 August 2015 £'000
Non-current asset investments at fair value through profit or loss	221,788	246,929
Total	221,788	246,929

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 75 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 12.

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

24. Financial instruments and risk management (continued)

Company	31 August 2016 Increase in fair value £'000	31 August 2016 Decrease in fair value £'000	31 August 2015 Increase in fair value £'000	31 August 2015 Decrease in fair value £'000
Effect on revenue return	(200)	200	(222)	222
Effect on capital return	22,218	(22,218)	24,693	(24,693)
Effect on total return and net assets	22,018	(22,018)	24,471	(24,471)

b) Currency risk

The Financial Statements and performance of the Company are denominated in sterling. However, the majority of the Company's net assets and the total return 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 the Company's policy to hedge against foreign currency movement. The geographical split of investments is detailed on page 12.

Management of the risk

The Investment Manager monitors the Company'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 2016 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 2016 £'000	At 31 August 2015 £'000
Monetary assets/(liabilities)		
Cash and cash equivalents:		
US dollars	-	96
Short-term receivables:		
US dollars	9,202	14,407
Short-term payables:		
Swiss francs	-	(1)
US dollars	(13,628)	(22,664)
Euros	-	(1,023)
Danish krone	-	(402)
Foreign currency exposure on net monetary items	(4,426)	(9,587)
Non-current asset investments held at fair value		
US dollars	186,364	223,410
Danish krone	11,831	7,441
Swiss francs	9,865	2,515
Euros	9,762	8,460
Canadian dollars	-	741
Swedish kroner	-	827
Total net foreign currency exposure	213,396	233,807

At the year end, approximately 98% (2015: 99%) of the Company'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

24. Financial instruments and risk management (continued)

Foreign currency sensitivity

During the financial year sterling weakened by 14.8% against the US dollar, 13.5% against the Swiss franc and by 14.3% against the Euro (2015: weakened 7.4%, 2.2% and strengthened 8.9% respectively). Given this and more recent market movements a change of 10% or even more is clearly possible.

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

If sterling had weakened against the exposure currencies by 10%, with all other variables held constant, this would have affected net assets and net profit/(loss) for the year attributable to equity Shareholders as follows:

	At 31 August 2016 £'000	At 31 August 2015 £'000
US dollars	18,194	21,525
Swiss francs	987	251
Euros	976	744
Danish krone	1,183	704
Canadian dollars	-	74
Swedish krona	-	83
	21,340	23,381

If sterling had strengthened against the exposure currencies by 10%, with all other variables held constant, this would have affected net assets and net profit/(loss) after taxation attributable to equity Shareholders as follows:

	At 31 August 2016 £'000	At 31 August 2015 £'000
US dollars	(18,194)	(21,525)
Swiss francs	(987)	(251)
Euros	(976)	(744)
Danish krone	(1,183)	(704)
Canadian dollars	-	(74)
Swedish krona	-	(83)
	(21,340)	(23,381)

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 Company's objectives.

c) Interest rate risk

The Company 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 Company's financial structure with operations mainly financed through the share capital, share premium and retained reserves. The majority of the Company's financial assets are, under normal circumstances, equity shares and other investments which neither pay interest nor have a stated maturity date. Liquidity and overdraft facilities are managed with the aim of increasing returns for Shareholders.

In the normal course of business, the Company'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

24. Financial instruments and risk management (continued)

At the year end £11,813,000 (2015: £21,864,000) was drawn down under the Company's committed overdraft facility.

It is not the Company'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 2016, 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.

Company	At 31 August 2016			At 31 August 2015		
	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	(11,723)	–	(11,723)	(21,568)	–	(21,568)
Exposure to fixed interest rates:						
Non-current asset investments held at fair value through profit or loss	–	–	–	124	–	124
Total exposure to interest rates	(11,723)	–	(11,723)	(21,444)	–	(21,444)

The weighted average interest rate for the fixed rate financial assets was 0.0% (2015: 7.0%) and the effective period for which the rate was fixed was 0.00 years (2015: 0.07 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 £2.5m and £26.8m.

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 (2015: 50) basis points in interest rates in regard to the Company'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 Company's monetary financial instruments held at each Balance Sheet date, with all other variables held constant.

	31 August 2016 Increase in rate £'000	31 August 2016 Decrease in rate £'000	31 August 2015 Increase in rate £'000	31 August 2015 Decrease in rate £'000
Effect on revenue return	(59)	59	(108)	108
Effect on capital return	–	–	–	–
Effect on total return and on net assets	(59)	59	(108)	108

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

24. 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 Company has fulfilled its responsibilities. Additionally, the Company 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 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 Company 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 2016 Group & Company £'000	At 31 August 2015 Group & Company £'000
Sales awaiting settlement	9,153	14,311
Accrued income	42	106
Cash at bank	90	296
	9,285	14,713

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 Company's financial assets are past 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 Company assets in the form of readily realisable securities which can be sold to meet funding commitments as necessary. In addition, the Company has an overdraft facility with HSBC Bank PLC of £35 million.

It should be noted, however, that investments in unquoted securities will not be readily realisable. Furthermore, even where the Company holds an investment in quoted securities, the Company 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 Company 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

24. Financial instruments and risk management (continued)

4. Specific risk

As well as the general risk factors outlined above, investing in the biotechnology sector 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 Company'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(f).

6. Summary of financial assets and financial liabilities by category

The carrying amounts of the Company'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

	At 31 August 2016 £'000	At 31 August 2015 £'000
Financial assets at fair value through profit or loss:		
Non-current asset investments - designated as such on initial recognition	221,788	246,929
Loans and receivables:		
Current assets:		
Receivables	9,219	14,432
Cash and cash equivalents	90	296
	9,309	14,728

Notes to the Financial Statements

24. Financial instruments and risk management (continued)

6. Summary of financial assets and financial liabilities by category (continued)

Financial Liabilities

	At 31 August 2016 Group £'000	At 31 August 2015 Company £'000
Measured at amortised cost		
Creditors: amounts falling due within one month:		
Purchases awaiting settlement	1,792	2,203
Bank overdraft	11,813	21,864
Accruals	864	1,613
	14,469	25,680

Note: Amortised cost is the same as the carrying value shown above.

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

At 31 August 2016	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Equity investments	221,788	199,592	–	22,196
Fixed interest investments	–	–	–	–
	221,788	199,592	–	22,196

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

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 40 and 41.

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

24. Financial instruments and risk management (continued)

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

	At 31 August 2016 £'000	At 31 August 2015 £'000
Opening valuation	20,463	18,232
Transfers out of Level 3	–	(3,190)
Acquisitions	1,476	2,867
Disposal proceeds	(2,956)	(8,172)
Total gains/(losses) included in the Statement of Comprehensive Income		
- on assets sold	1,733	5,511
- on assets held at the year end	1,480	5,215
Closing valuation	22,196	20,463

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

Valuation techniques	Significant unobservable inputs	For the year ended 31 August 2016 Effect of reasonably possible alternative assumptions			For the year ended 31 August 2015 Effect of reasonably possible alternative assumptions		
		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	–	–	–	–	–	–
Multiple of EBITDA	EBITDA multiple	–	–	–	–	–	–
Discounted cash flow	Discount rate	5,250	–	–	6,299	213	(29)
	Probability of milestone achievement	–	2,075	(1,261)	–	1,527	(1,614)
	Revenue estimates	–	488	(209)	–	210	(204)
Market comparable/ multiple of revenue	Revenue multiple	–	–	–	–	–	–
Probability weighted expected return	Probability of expected outcomes	–	–	–	2,562	89	(170)
Market comparable/ multiple of EBITDA	EBITDA multiple	2,167	590	(279)	1,606	261	(149)
		7,417	3,153	(1,749)	10,467	2,300	(2,167)

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

24. 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 2016 £'000	At 31 August 2015 £'000
Debt		
Bank overdraft	11,813	21,864
Equity		
Called up share capital	10,409	11,116
Reserves	206,242	224,374
	216,651	235,490
Total debt and equity	228,464	257,354

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 2016 £'000	At 31 August 2015 £'000
Borrowings used for investment purposes, less cash	11,723	21,568
Net assets	216,651	235,490
Gearing	5.4%	9.2%

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.

Notes to the Financial Statements

25. 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 Company 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.

26. Exchange rates

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

	At 31 August 2016	At 31 August 2015
Australian dollars	1.74267	2.16941
Danish krone	8.75220	10.24470
Euros	1.17594	1.37260
Norwegian krone	10.92434	12.89682
Swiss francs	1.28685	1.48732
US dollars	1.30970	1.53800

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 in December 2017.

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 Financial 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.

2017 Financial Calendar

January	Payment of interim dividend
April	Half Yearly Results announced
August	Payment of interim dividend
31 August	Year End
November	Annual Results announced
December	Annual General Meeting (AGM)

Shares in Issue

As at 31 August 2016, the Company had 37,672,663 Ordinary shares of 25p each in issue and 3,965,000 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 SV, 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
Véronique Bouchet (Senior Independent Director)
Caroline Gulliver (Chair of the Audit Committee)
Jim Horsburgh

Advisers

Investment Manager and AIFM

SV Life Sciences Managers LLP
71 Kingsway, London WC2B 6ST
Telephone: 020 7421 7070

Company Secretary and Registered Office

BNP Paribas Secretarial Services Limited
10 Harewood Avenue, London NW1 6AA
Telephone: 020 7410 5791
Email: secretarialservice@uk.bnpparibas.com

Administrator, Banker and Custodian

HSBC Bank plc
8 Canada Square, London E14 5HQ

Independent Auditor

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Atria One, 144 Morrison Street, Edinburgh EH3 8EX

Stockbroker

Centos Securities plc
6.7.8 Tokenhouse Yard, London EC2R 7AS

Registrar

Equiniti Limited
Aspect House, Spencer Road
Lancing, West Sussex BN99 6DA
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

SV is the Company's Alternative Investment Fund Manager (AIFM). Details of the Management Agreements dated 11 February 2016 are included in the Directors' Report on page 19.

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 and policy, and investment strategy, including limits, are on page 13 of the Annual Report 2016.

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 2016, 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 2016, 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 indemnity 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 2015 that with effect from 21 July 2015 the Company had entered into new agreements with the relevant suppliers of services to the Company to comply with AIFMD. The agreements with the Company's Investment Manager and AIFM – SV Life Sciences Managers LLP, the Company Secretary BNP Paribas Securities Services S.C.A. and Administrator, HSBC Security Services Ltd – differ only to the extent necessary to comply with the AIFMD.

Also on 21 July 2015, the Company appointed HSBC Bank plc to the new AIFMD role of Depositary which amended the custody agreement and created a new Custody Agreement with HSBC Bank plc to reflect the different roles under the AIFMD legislation. Under the terms of the Depositary 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 19 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 NAV 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 (IPEVC) www.privateequityvaluation.com. Further information regarding the valuation of unquoted assets and any sensitivities arising from unobservable inputs can be found in note 24 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 Guidance 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 NAV 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 2016 are available for inspection at the Registered Office address of BNP Paribas Secretarial Services Limited 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 2016, the overdraft facility available to the Company was £35m.

Risk management

In its capacity as AIFM, SV 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 Investment Manager maintains adequate risk management systems in order to identify, measure and monitor principal risks at least annually under AIFMD. The Investment 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 Review on pages 14 and 15 of the Annual Report 2016 and in note 24 to the Financial Statements 2016 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 2016, actual leverage was 5.4% for both the Gross Method and the Commitment Method.

At 31 August 2016, £11.8m was drawn down against the uncommitted overdraft facility. The Company has complied with the terms of the facility throughout the financial year. Further details can be found in note 12 on page 48 and note 24 on page 55.

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.

Statement of the Depositary's Responsibilities

Periodic disclosures

The Depositary must ensure that the Company is managed in accordance with the FCA's Investment Funds Sourcebook (the Sourcebook), the AIFMD (together the Regulations) and the Company's Articles of Association.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary is responsible for the safekeeping of the assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the assets under management and the NAV per share of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- that the Company's income is applied in accordance with the Regulations; and
- the instructions of the AIFM are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Articles of Association in relation to the investment and borrowing powers applicable to the Company.

Report of the Depositary to the Shareholders of International Biotechnology Trust plc (the Company) for the year ended 31 August 2016

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the AIFM has been managed in accordance with the rules in the Sourcebook, the Articles of Association of the Company and as required by the AIFMD.

HSBC Bank plc

3 November 2016

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 Tuesday, 13 December 2016 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 7 will be proposed as ordinary resolutions and resolutions 8 to 10 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 2016.
2. To approve the Annual Report on Directors' Remuneration for the year ended 31 August 2016.
3. To re-elect Mr Alan Clifton as a Director of the Company.
4. To re-elect Mr Jim Horsburgh as a Director of the Company.
5. 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.
6. To authorise the Directors to determine the Auditors' remuneration.
7. 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 £469,345.75 (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 £938,691.50 (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 2017 (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:

8. THAT, if resolution 7 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 7, 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
 - (ii) to holders of other equity securities, as required by the rights of those securities or, as the Board otherwise considers necessary;

Notice of Meeting

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 7 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 £469,345.75, equivalent to 1,877,383 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 2017 (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.

9. 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 5,628,394 (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 2017 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.

10. 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
3 November 2016

Registered Office:
10 Harewood Avenue
London NW1 6AA

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 6.30 pm on Friday, 9 December 2016, or 6.30 pm two working 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 6.30 pm on Friday, 9 December 2016 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 Friday, 9 December 2016.
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 Tuesday, 13 December 2016 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 Friday, 9 December 2016. 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 should 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 17 of the Company's Annual Report for the year ended 31 August 2016.
10. As at 3 November 2016, 37,547,663 Ordinary shares of 25 pence were in issue and 3,795,000 Ordinary shares were held in treasury. Accordingly, the total number of voting rights of the Company as at 3 November 2016 is 37,547,663.
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 73 to 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, 10 Harewood Avenue, London NW1 6AA 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

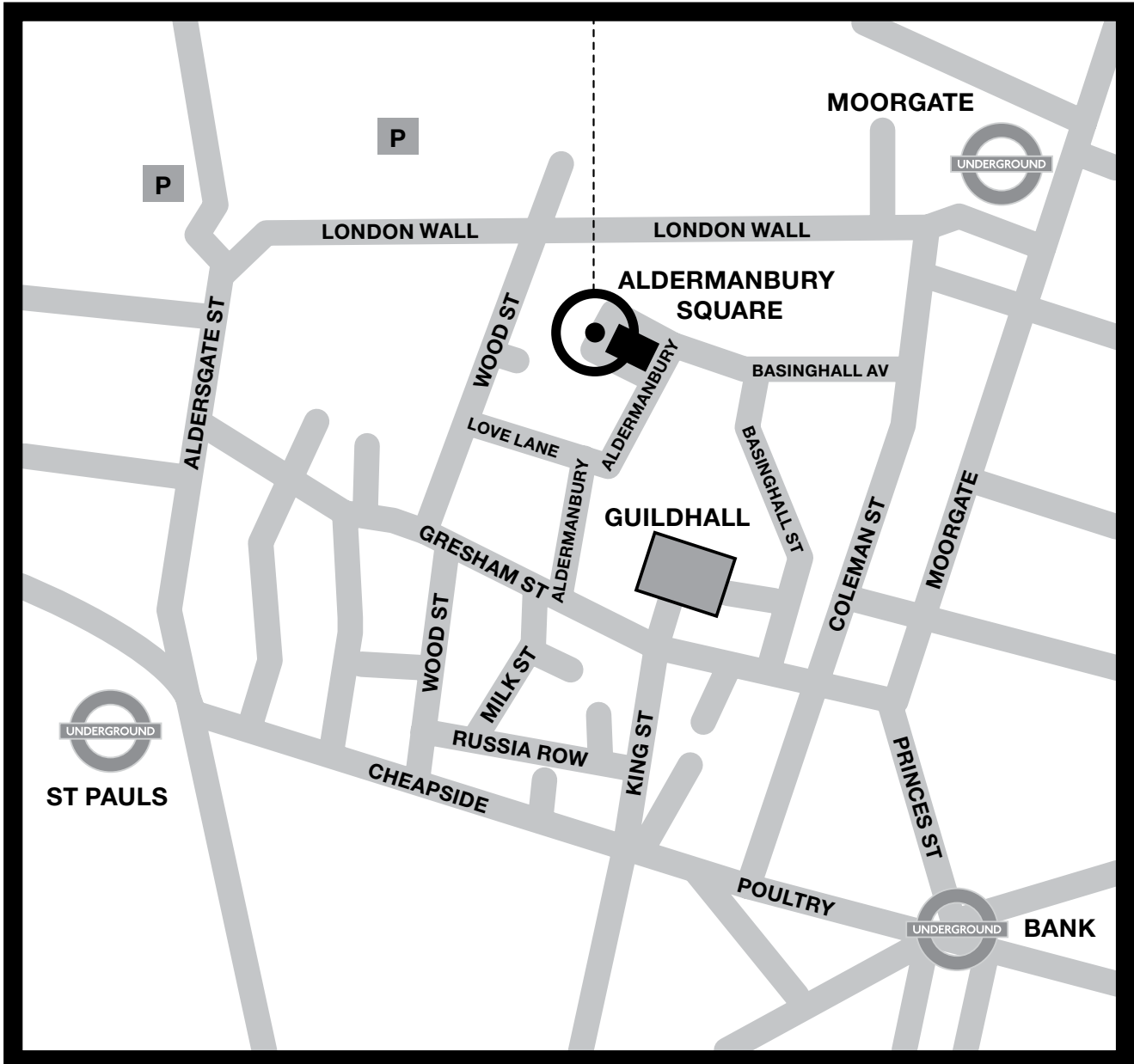
The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the Act to publish on a website.

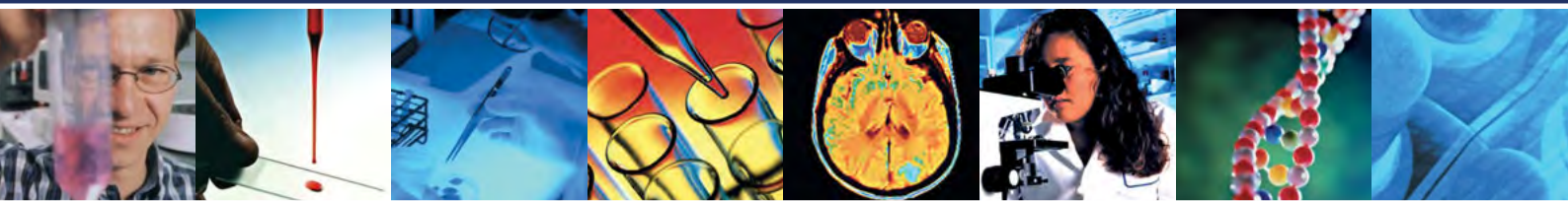
17. A copy of this notice, and other information by Section 311A of the Act, can be viewed and/or downloaded at www.ibtplc.com and, if applicable, any Members' statements, resolutions or matters of business received by the Company after the date of this Notice will be available on the Company's website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

Registered Office:
10 Harewood Avenue
London NW1 6AA

Location of Meeting

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





For further information:

www.ibtplc.com

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