International Biotechnology Trust plc

Annual Report

Year ended 31 August 2017

EUROPEAN MEDISCIENCE AWARDS 2016 SPONSORED BY KEMPEN & CO

Investors Chronicle and Financial Times Investment and Wealth Management Awards 2016 Winner

Best Specialist Fund International Biotechnology Trust

winner International Biotechnology Trust PLC tech fund manager of the year award UKtech awards 2015

BiA UK BioIndustry Association

The investment objective of International Biotechnology Trust plc (the Company) is to achieve long-term capital growth by investing in biotechnology and other life sciences companies

Contents

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

Offering investors access to the fast growing biotechnology sector

Biotechnology sector – strong fundamentals but undervalued

Ageing populations increase demand

- Over 65s as a percentage of population set to double between 2008 and 2040

Supply is improving

- Expanding scientific knowledge and exciting developments expected
- Regulatory advancements and faster approvals
- Fewer late-stage drug development failures

Mergers and Acquisitions set to continue

- Average of 320 M&A events in sector per year with premiums of 30-60%
- Big pharma and big biotech companies have accrued significant cash reserves, which they may deploy

Market fears overblown

- US administration has not repealed Obamacare and its Executive Order seems industry friendly
- Lower political threat yet to be fully reflected in valuations

Strong performance over market cycles

Since Carl Harald Janson joined in September 2013, the Company's NAV has risen 122.0% vs. the Nasdaq Biotech Index of 110%.

This can be attributed to:

- Medical and scientific expertise of Lead Fund Manager
- Support and expertise of SV Health Managers LLP *(55 strong team globally, 70 live venture investments, USD2.4bn raised in 7 funds, home to the UK's Dementia Discovery Fund)*
- Rigorous bottom-up stock selection process
- Proven approach to risk mitigation

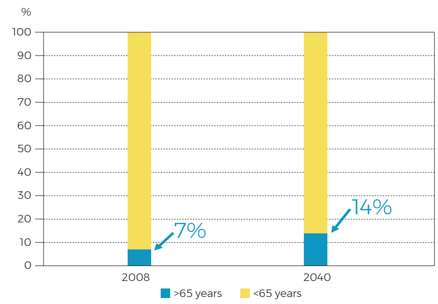
Unrivalled access to both quoted and unquoted biotechnology companies

- Quoted investments make up 85-90% of portfolio
- Earlier-stage unquoted companies form 10-15% of portfolio
- Investment in unquoted stocks via a fund giving access to a wider range of unquoted companies
- Invested mostly in US (85%) with 60% large cap and 60% profitable companies
- Focus on high growth areas of oncology (40%) and rare diseases (13%)

Exposure to both growth and yield

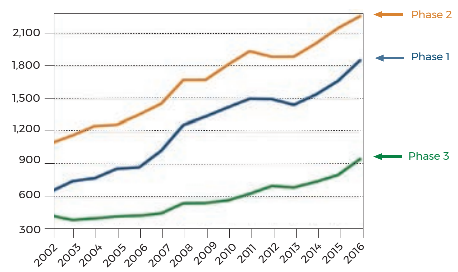
- Annual dividend of 4% of NAV, paid semi-annually
- Paid from capital reserves, without affecting investment strategy

Fig 1. Increasingly elderly population



Source: US Census Bureau – Worldwide population

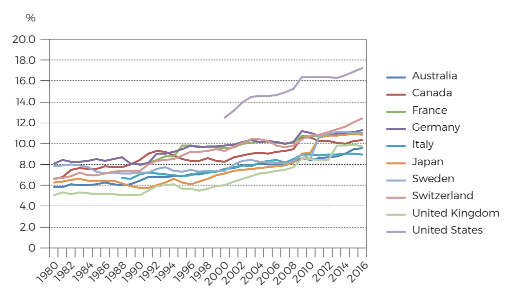
Fig 2. More drugs in development



Disclosed Worldwide Active R&D Projects in Development by Stage Source: Pharmaceutical Research and Manufacturers of America (PhRMA), Pharmaprojects, Bank of America Merrill Lynch Global Research

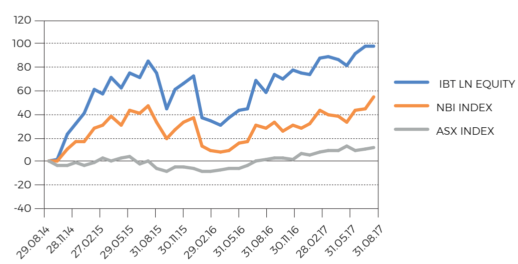
Fig 3. Healthcare expenditure

Current expenditure on health, % of gross domestic product



Source: OECD Health Data 2013
Produced by Veronique de Rugby, Mercatus Center at George Mason University

Fig 4. Share price vs NBI



Source: Bloomberg

Performance and Financial Highlights

year ended 31 August 2017

Performance

Net asset value (NAV)	**+20.9%**
Quoted portfolio (NAV)	**+31.2%**
Share price	**+30.5%**
NASDAQ Biotechnology Index (NBI)	**+21.7%**
FTSE All-Share Index	**+14.4%**

All sterling-adjusted and on a total return basis.

	31 August 2017	31 August 2016
Financial Highlights		
Total equity (£'000)	**252,651**	216,651
NAV per share	**672.9p**	575.1p
Share price	**624.0p**	497.5p
Share price discount	**(7.3)%**	(13.5)%
Ongoing charges*	**1.3%†**	1.4%
Ongoing charges including performance fee	**1.9%†**	1.7%

* *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.*

† *Includes Management fees paid to SV Health directly from investment in SV Fund VI of £985,000.*

Strategic Report – Long-term Record

As at 31 August	Total NAV £'000	Number† of shares in issue	NAV per share pence	Annual return %	Share price pence	Annual return %	(Discount) /premium %	FTSE All-Share Index total return %
2017*	**252,651**	**37,547,663**	**672.9**	**20.9****	**624.0**	**30.5****	**(7.3)**	**14.4**
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)

†*Excludes treasury shares.*

**Company only figures. Earlier years included the Group.*

***Includes dividends paid in year.*

Strategic Report – Chairman's Statement

Summary

In the year ended 31 August 2017, the NAV per Ordinary share of the Company rose from 575.1p to 672.9p, including a significant currency gain, equivalent to 14.4 pence per share. The NAV per share returned 20.9%. Over the same period, the Shareholders total return was 30.5%. This compares to a rise in the NBI of 21.7% and a gain in the FTSE All-Share Index of 14.4%. All figures are on a total return basis and are sterling-adjusted. The quoted portfolio has performed very strongly, outperforming the benchmark by 7.7%.

Longer-term results

The Company's performance since our lead investment manager, Carl Harald Janson, joined SV Health Managers in September 2013 has been impressive. Over the last four years, the Company has significantly outperformed the NBI on both a NAV and share price basis, with outperformances of 12.1% and 31.5% respectively. Shareholders will also be pleased by our substantial outperformance of the broader UK equity market, as measured by the FTSE All-Share Index. Over the last four years, our NAV is up by 122.0%, versus a return of 37.7% for the UK market as a whole.

Unquoted portfolio

Shareholders granted approval at the General Meeting held on 29 September 2016 for the Company to invest directly into unquoted funds, including venture funds. We subsequently made a commitment of $30m into SV Life Sciences Fund VI (SV Fund VI), of which $10.8m (£8.8m) had been invested at the year end. Investing directly into this venture fund allows us access to a wider range of unquoted investments, and to date SV Fund VI has invested in 16 underlying portfolio companies. Our investment in SV Fund VI will increase slowly over the investment period and overlap with the exits of our existing direct holdings in unquoted companies. The Board expects the unquoted portfolio to remain within the guideline range of 10-15% of total investments.

The legacy portion of the unquoted companies performed disappointingly over the year ended 31 August 2017, with a return of -22.2%, and now makes up 5.2% of the NAV. The reasons for this are more fully explained in the Investment Manager's Review.

Dividends, buybacks and discount

I am pleased to report that our first dividend payment was made to Shareholders on 31 January 2017 at a rate of 11.5p per share. We paid out a dividend equal to 4% of NAV as at 31 August 2016 in two equal tranches on 31 January 2017 and 31 August 2017. As anticipated, the underlying growth of our investments is more than sufficient to support the payment of the dividend out of capital growth.

In accordance with the Shareholder Circular dated 13 September 2016 and as a matter of best practice, the Board will be seeking Shareholder approval to continue the payment of dividends, and a resolution will be put to Shareholders at the forthcoming Annual General Meeting (AGM). For the year ended 31 August 2017, we propose a dividend of two equal tranches of 13.5p to be paid on 31 January 2018 (to Shareholders on the Register at the close of business on Friday, 5 January 2018) and 31 August 2018. This represents a 17.4% increase on the previous year's dividend.

The Company bought back 125,000 shares at a cost of £0.6m during the year, as part of our discount management activity for the benefit of Shareholders.

This enhanced the NAV per share by 0.3p because the shares were bought at a discount to NAV that averaged approximately 13.9%.

Since the announcement of our policy changes and the introduction of the dividend in September 2016, no further buybacks have been required for discount management purposes. Indeed, the discount narrowed to 7.3% from 13.5% at the previous year end. It is the Board's long-term intention to continue to reduce the discount as market conditions allow.

Performance fee

As noted above, the exceptional outperformance of the quoted portfolio versus the benchmark has given rise to a performance fee of £1,374,000.

Board of Directors

It is my intention to retire at the AGM in December this year and John Aston will succeed me. I am pleased to have witnessed the impressive growth of the Company during my time as Chairman and I am confident that the remaining Board members will continue to support the next successful stage of the Company's development. Over the last five years, we have regularly refreshed the composition of the Board and do not feel the need to add an additional Board member at this time.

Strategic Report – Chairman's Statement

Prospects

Many of the factors which have contributed to relatively flat growth for the sector over the past two years, namely drug pricing and political concerns, appear to be abating. The final two months of the financial year have seen the sector begin to participate in the broader market rally, which I believe gives investors confidence to gain exposure to a sector with exciting growth prospects. Recent interesting developments in scientific innovation offer promise that biotechnology will remain an exciting investment area over the long-term. I am optimistic that exposure to the sector through a Company managed by investment experts with medical and scientific backgrounds can identify such investments and generate good returns for Shareholders.

AGM

This year's AGM will be held at 2.30 pm on Tuesday, 12 December 2017 at BNP Paribas Securities Services S.C.A., 10 Harewood Avenue, London, NW1 6AA. 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.

Our regular biennial continuation vote required by the Company's Articles of Association will be put to Shareholders at the AGM. I and my fellow Directors strongly recommend that Shareholders vote in favour.

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
2 November 2017

Strategic Report – Investment Manager's Review

Best performing investments

	Contribution to NAV
Exelixis	**£7.1m**
Vertex	**£6.6m**
Ariad	**£6.5m**
Incyte	**£5.9m**
Tesaro	**£5.5m**

Worst performing investments

	(Reduction) in NAV
Shire	**£(2.0)m**
ReShape Medical	**£(1.5)m**
EBR	**£(1.3)m**
OncoEthix	**£(1.2)m**
Kalvista	**£(1.2)m**

Summary

In the year ended 31 August 2017, the Company's NAV per share rose by 20.9% including the dividend. The Company's share price returned 30.5%. The NBI increased by 21.7%, and the FTSE All-Share Index rose by 14.4%. All figures are on a total return basis and are sterling-adjusted.

By subsector, 90% of the portfolio was invested in therapeutics, 9% in specialty pharmaceuticals, 3% in medical devices, 2% in life science tools, diagnostics and services, and 3% in a venture capital fund, SV Fund VI. SV Fund VI makes investments into unquoted companies across three sectors; biotechnology (40%), healthcare services and IT (40%) and medical devices (20%). Cash and other net assets were -7% of NAV.

Overview and performance

	2017	2016
Total portfolio companies*	**83**	75
Quoted	**69**	58
Unquoted	**14**	17
NAV	**£252.7m**	£216.7m
Quoted	**£241.7m**	£192.9m
Unquoted	**£27.7m**	£28.9m
Other assets/(liabilities)	**£(16.7)m**	£(5.1)m
Legal commitments to investments in unquoted	**£14.9m**	£0.0m
Reserved for further investment in unquoted	**£2.7m**	£2.4m

** Excluding unquoted companies fully written off – 2017: 8; (2016: 6)*

At 31 August 2017, for financial reporting the quoted portfolio represented 92.3% of NAV (excluding cash and other net assets) at £248.6m. The unquoted portfolio represented 8.2% of NAV at £20.8m. Companies that were first invested in from the unquoted pool and have now become quoted but continue to be managed by the unquoted investment managers are included within the unquoted portfolio for the purposes of performance measurement. This mirrors the incentive arrangements and the responsiblities of the Investment Managers regarding the two portfolios. The table above and the analysis of performance reflects this analysis. Based on the classification of the investments as adjusted for performance measurement, the quoted portfolio was 89.0% of the portfolio, whilst the unquoted portfolio represented 11.0%.

Quoted portfolio

The return on the quoted portfolio was 31.2%, which outperformed the benchmark Index, the NBI, by 7.7% compared with the NBI total return of 21.7%. This relative geometric performance is used for the purpose of calculating the performance fee. On an arithmetic basis, the quoted portfolio outperformed the NBI by 9.5 percentage points.

As noted in our Half Yearly Report for the six months ended 28 February 2017, the biotechnology sector looked relatively good value compared to the broader market. During the second half of our financial year, the sector performed well. In June in the US, a draft Executive Order on drug pricing was leaked to the press.

The sector moved up on the news as it appeared the administration might be changing tack from comments made earlier in the year by the President of the US. The draft Order indicated a more industry friendly stance with regards to the pricing of drugs. However, geopolitical concerns triggered a sell-off in late July, which sharply reversed in late August driven by a significant M&A transaction of portfolio holding Kite Pharma by Gilead Sciences for $11.9bn. This reignited belief that M&A is alive and well, with hopes that potential US tax reform could drive more deals in the near to medium-term.

M&A deals

Five portfolio holdings were the subjects of successful bids during the year under review Ariad, Actelion, CoLucid, Neuroderm and Kite Pharma.

Ariad Pharmaceuticals was acquired by Takeda on 9 January for $24 per share, a 75% premium to the

Strategic Report – Investment Manager's Review

share price at the close of the previous day. Ariad Pharmaceuticals had been identified as a potential M&A target and the Company held a 3.6% position, resulting in a gain of £6.5m on our holding.

Eli Lilly announced the acquisition of a portfolio company CoLucid for $960m in an all cash transaction. CoLucid is a neurology company that had a late-stage acute migraine drug in development and Lilly paid a 30% premium to the previous closing share price.

In late January, Actelion, a Swiss biotechnology company and a long-term holding of the Company, was acquired by Johnson and Johnson for $30.0bn, a 23% premium to the previous closing share price.

Neuroderm, a clinical-stage company developing drug-device combinations for the central nervous system, was acquired by Mitsubishi Tanabe Pharma for a 17% premium to previous closing share prices and a total of $1.1bn in July.

On 28 August, Gilead announced it had agreed to buy Kite Pharmaceuticals for $11.9bn in a deal, a 29% premium to the previous share price, in a move that was welcomed by investors. Kite Pharmaceuticals is a leader in the emerging field of cell therapy, CAR-T.

Positive contributors

Exelixis is in the launch phase of its kidney cancer drug Cabometyx. The launch performance has been stronger than expected, beating analyst estimates. We took some profits during the year as the company had reached its price target.

Vertex's share price rose after announcing positive clinical data for its triple drug therapy in late-stage trials to treat Cystic Fibrosis.

Incyte, a biopharmaceutical company specialising in oncology product development, increased by £6.2m after upping the guidance on sales of its lead product, Jakafi, and on M&A speculation.

The Company had a significant position in Tesaro, another oncology company, whose drug niraparib was approved by the FDA on 27 March 2017. Niraparib is a PARP inhibitor which is a potential new treatment for ovarian cancer. Due to the exciting data that has been generated in late-stage trials, Tesaro was in discussions with acquirers. News of the bid speculation helped boost the share price and we chose to lock in profits at that point in time.

FX gains also added to the value of the quoted portfolio, with a gain of £5.6m, or 15.0 pence per share in the year.

Negative contributors

The Company's investment in Shire Pharmaceuticals was the negative contributor to performance. This has been due to investor concerns over competition of its haemophilia franchise from Roche's drug ACE910 and fears that the company would not deleverage its debt post the acquisition of Baxalta. The other top four negative contributors are discussed in the unquoted portfolio review.

Unquoted portfolio

The return for the unquoted portfolio over the year ended 31 August 2017 was a negative return of 25.7%. The combined effect of gains and losses on the unquoted investments was to decrease NAV by 20.1 pence per share. This is due to several factors, which are explained below. The previous unquoted investments experience higher volatility, as larger investments are made in fewer companies. Our change in the strategy of investing through a more diversified venture capital fund should reduce the volatility of the unquoted portfolio in future periods.

As at 31 August 2017, the Company held investments in ten unquoted portfolio companies, one investment in a venture fund, SV Fund VI, and interests in four further companies that have been sold, but where there are further receipts dependent on reaching drug development or financial milestones set at the point when those companies were sold. The Company also holds investments in three previously unquoted companies that are now listed, but which, as described previously, are still reported for performance purposes within the unquoted portfolio.

Following the approval of the change to the investment policy at the General Meeting on 29 September 2016, a new investment was made into SV Fund VI. The draw down to date on the commitment of $30m is £8.8m ($10.8m), with further amounts due to be drawn down over the investment period. SV Fund VI's investee companies continue to be diversified between biotechnology, healthcare services & IT and medical devices similar to our existing unquoted investments, but with smaller allocations to each individual company, allowing for greater diversification.

Valuation adjustments

ReShape Medical was written down by £1.1m in August based on a term sheet received from a potential acquirer. After the year end, on 2 October 2017, the company completed a merger with EnteroMedics, a publicly listed entity traded on the NASDAQ exchange. The shares in the combined company will be valued

Strategic Report – Investment Manager's Review

Summary of unquoted investments

	Number of investments as at 31 August 2017	Fair value at 31 August 2017 (£'m)	Percentage of NAV
Unquoted	10	9.1	3.6%
Exited with contingent milestones	3	3.9	1.5%
SV Fund VI	16*	7.7	3.0%
Total unquoted	**29**	**20.7**	**8.1%**
Previously unquoted, now listed	3	6.9	2.7%
Total unquoted for performance measurement	**32**	**27.6**	**10.8%**

**The number of investments listed within SV Fund VI represents the number of investments into underlying individual portfolio companies.*

as a quoted stock, however, the investment will remain in the unquoted portfolio for performance measurement purposes.

EBR Systems was written down by £1.3m based on the latest financing term sheet. A significant financing round is required to finance the clinical trial for the wireless heart pacemaker, which is resulting in earlier investments being down valued.

Kalvista Pharmaceuticals completed a reverse merger in the period into Carbalyn Therapeutics on 23 November 2016 and is now listed on the NASDAQ Stock Market. The valuation of Kalvista fell by £1.2m following the listing while the company establishes itself. Following the year end, on 10 October 2017, Kalvista and Merck announced a collaboration for the Company's investigational intravitrealy (IVT) injection candidate currently in development for potential treatment of diabetic macular edema. The share price has risen significantly following the announcement and as at 1 November 2017, the investment was valued at £2.9m. For performance measurement purposes, it remains in the unquoted portfolio, as do Entellus and Transenterix.

In January 2017, Merck notified us that it would be discontinuing development of the assets acquired with OncoEthix due to toxicity concerns. The contingent milestones relating to this investment were written off in full, with an impact on the NAV of £1.2m. Although no further proceeds will be received relating to this investment, the overall return was a multiple of 2.4x.

Sale of unquoted investments in the year

Atopix was sold to Chiesi Farmaceuticals in November 2016, and we received upfront proceeds of £0.6m. Contingent milestones relating to the commercialisation of the CRTH2 antagonist are currently valued at £0.4m.

A recapitalisation of NCP Holdings led to a sale of 47.5% of our holding for proceeds of £1.2m.

Entellus completed a secondary equity offering in January 2017 and we sold 15.3% of our holding for £0.8m. Following the secondary offering, earnings missed analyst expectations and the share price fell, decreasing our valuation by £0.3m at the year end. We believe the fundamentals of the company remain strong with commercial activities ramping up.

FX also made a small negative contribution to performance in the year, with an FX loss of £205,000, or 0.6p per share recorded. More of the unquoted investments are in the UK and Europe, leading to a smaller impact of the FX rates on the portfolio.

Outlook

As mentioned above, we saw a return to performance for biotechnology stocks during the second half of our financial year. Names like Gilead, Celgene, Biogen and Amgen moved up off a relatively low valuation base. We believe that the value of the sector is being recognised by the investment community and generalist investors are moving back after a quiet period during the uncertainties of the US election. Our expectation is for the growth in large cap companies to continue, and for the mid to smaller names to follow suit. Three main drivers are influencing the return to growth of the sector:

Strategic Report – Investment Manager's Review

Executive Order on drug pricing
Drug pricing concerns abated as a result of the administration's leaked draft Executive Order on the matter in July 2017. Based on President Trump's comments on the campaign trail, a more negative stance on drug pricing was expected. However, the draft Order focused on increasing competition between pharmaceutical companies by reducing FDA regulations on bringing drugs to market. The draft Executive Order also contained comments around value-based pricing, which links drug pricing explicitly to the benefit received by patients. This could be favourable to highly innovative therapies with significant impact on patients' lives and fits with the Company's strategy of investing in companies with these types of products.

Tax reform & M&A
Towards the end of the year under review, it became clear that the potential for real tax reform was back on the agenda, despite failure to unite the Senate to overhaul the Affordable Care Act. The US administration appears to be making inroads by negotiating with all parties to push a new bill through to modernise the taxation structure. One of the goals within tax reform is to allow the 'repatriation' of cash from corporate profits held overseas. Currently the US tax regime is such that companies would rather keep their cash abroad and not bring it back into the US. One idea to change this is to allow a lower one-off rate to encourage corporations to bring the money back into the US, giving a one-off injection of tax revenue to the US administration, which can then be used for investment. A side effect of such a ruling is that the US corporations themselves will have cash to invest again whereas this cash was previously tied up abroad. Such investments may include M&A. Many larger biotechnology and pharmaceutical companies hold tens of billions of dollars abroad. These companies are all actively looking for growth to replenish their pipelines and therefore we believe the prospects for the sector are even more interesting with this proposal on the horizon.

Changes at FDA
In May of this year, the Senate voted to confirm Dr. Scott Gottlieb as commissioner of the FDA. This was positively received by investors as Gottlieb was considered to be industry friendly and pragmatic. So far Gottlieb has been very vocal about his views on drug pricing and how to address rising costs. His goals are to increase competition in order to bring down costs, rather than through any changes in legislation. This is pleasing to the healthcare industry as the changes required to bring more competition should benefit drug companies. One such idea is to reduce the time taken to get drugs approved. Over the past decade, drug approval times have shortened dramatically. Typically, drugs undergo three stages of clinical trials, Phase 1 (safety), Phase 2 (dosing regimen establishment) and Phase 3 (proof of efficacy and safety). Today however, in areas of great unmet medical need, companies can jump from early Phase 1 trials straight into pivotal trials, after which the drug may be considered by the FDA. Gottlieb is in favour of continuing this trend. These steps should benefit companies with innovative therapeutics in development that we invest in at International Biotechnology Trust.

Innovation remains a key driver of value
The above three factors are addressing short to medium-term trends that are influencing the sector. However, over the longer-term, we firmly believe the main positive attribute of the biotechnology sector is its ability to innovate (see Fig 2, page 1). There are no signs of the rate of innovation slowing, in fact the opposite is true. Scientific advancements continue apace and new drugs are being discovered each year, which will generate further growth for the companies that own those assets.

SV Health Managers LLP
Investment Manager
2 November 2017

Strategic Report – Ten Largest Investments as at 31 August 2017

	Investment	Country	Sector classification	Market value of holding £'000	2017 % of total equity	2016 % of total equity
1	Gilead Sciences	USA	Biotechnology	19,612	7.8	2.4
	A company with an industry-leading franchise in hepatitis C and HIV drug development and commercialisation. In recent years the company has diversified its R&D and commercial portfolio into new disease areas, including oncology and rheumatoid arthritis. Total revenues were USD30.4bn in 2016.					
2	Celgene	USA	Biotechnology	19,464	7.7	7.0
	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 USD11.2bn in 2016.					
3	Regeneron	USA	Biotechnology	16,516	6.5	6.3
	A company with two significant marketed drugs. Eylea, for treatment of age-related macular degeneration and Praluent for patients with elevated cholesterol. Eylea is partnered with Bayer ex-US and Praluent is partnered with Sanofi. The company also has a development deal with Sanofi. Total revenues were USD4.9bn in 2016.					
4	Biogen	USA	Biotechnology	14,770	5.8	7.7
	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 Tecfidera, Avonex, and Tysabri for the treatment of multiple sclerosis; and Rituxan for the treatment of blood-based cancers and rheumatoid arthritis. Total revenues were USD11.4bn in 2016.					
5	Vertex	USA	Biotechnology	11,276	4.5	3.6
	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 $1.7bn for 2016.					
6	Alexion	USA	Biotechnology	10,178	4.0	4.7
	A company whose main drug product Soliris is approved for the treatment of Paroxysmal Nocturnal Haemoglobinuria (PNH) and atypical haemolytic uremic syndrome (aHUS); both are rare "orphan" disease indications. The company recently embarked on global launches for two additional rare disease medicines, Kanuma and Strensiq, which the company gained from its recent acquisition of Synageva. Total revenues were USD3.1bn in 2016.					
7	Incyte	USA	Biotechnology	8,263	3.3	5.2
	A company focused on oncology and inflammation. The company's lead product, Jakafi, is approved in the USA for the treatment of myeloflbrosis and polycythemia vera (PCV). Total revenues were USD1.1bn in 2016.					

Strategic Report – Ten Largest Investments as at 31 August 2017

	Investment	Country	Sector classification	Market value of holding £'000	2017 % of total equity	2016 % of total equity
8	Shire	Europe	Specialty Pharmaceuticals	8,080	3.2	1.0
	A company that focuses on rare diseases and merged with Baxalta in 2016. Vyvanse and Adderall XR are used to treat attention deficit hyperactivity disorder (ADHD),, Pentasa and Lialda are treatments for ulcerative colitis, and Cinryze and Firazyr.are used in ther treatment of Hereditary Angioedema (HAE) The company also has other rare disease drugs including Elaprase and Replagal. Total revenues were $11.4bn in 2016.					
9	SV Fund VI	USA	SV Fund VI Investment	7,726	3.1	0.0
	An investment in a venture capital fund, SV Fund VI, which invests in unquoted portfolio companies across three sectors; biotechnology (40%); healthcare services and IT (40%) and medical devices (20%). The Company made a commitment of $30m to the fund on 19 October 2016, equivalent to 7.5% of the total commitments, which will be drawn down over the investment period for the next few years. The amount invested to date is £8.8m ($10.8m). As at 31 December 2016, the fund had a turnover of $47,000 and the loss for the year was $9.5m.					
10	Biomarin	USA	Biotechnology	7,515	3.0	3.3
	A company developing and commercialising drugs for rare genetic diseases of growth and metabolism. The company's product portfolio comprises four approved products - Naglazyme, Aldurazyme, Kuvan and Firdapse, and multiple clinical and preclinical drug candidates. Total revenues were $890m in 2016.					
	Total			**123,400**	**48.9**	

At 31 August 2016, the ten largest investments represented 49.3% of the NAV.

All of the above investments are in quoted companies, with the exception of SV Fund VI Investment.

Strategic Report – Unquoted Investments as at 31 August 2017

	Investment	Region	Sector classification	Fair value of asset £'000	% of total equity
1	SV Fund VI	USA	SV Fund VI Investment	7,726	3.1

An investment in a venture capital fund, SV Fund VI, which invests in unquoted portfolio companies across three sectors; biotechnology (40%); healthcare services and IT (40%) and medical devices (20%). The Company made a commitment of $30m to the fund on 19 October 2016, equivalent to 7.5% of the total commitments, which will be drawn down over the investment period for the next few years.

2	Sutro Biopharma	USA	Biotechnology	2,971	1.2

A company focused on developing next generation cancer therapeutics – antibody conjugates and bispecific antibodies. Its platform technology enables the company to iteratively discover and test molecules in a rapid cycle of weeks to identify optimal safety and potency. In August 2017, Sutro signed a revised collaboration deal with Celgene for the development of four candidates.

3	ReShape Medical	USA	Medical Devices	1,530	0.6

An early-stage company marketing an FDA approved endoscopically placed stomach balloon to stimulate the sensation of being full and so modulate appetite. The device is designed to be easily implantable and removable to facilitate temporary, as well as long-term, use.

4	NCP Holdings	USA	Medical Research Services	1,293	0.5

Trading as Nordic Consultancy Partners. A company focused on providing Epic-only consulting within the US. Epic develops software for mid-size and large medical groups, hospitals and integrated healthcare organisations working with customers that include community hospitals, academic facilities, children's organisations, safety net providers and multi-hospital systems.

5	TopiVert	Europe	Biotechnology	1,000	0.4

A company developing small, novel molecules 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).

6	Autifony Therapeutics	Europe	Biotechnology	773	0.3

An early-stage company focused on delivering drugs for hearing disorders by targeting specific ion channel modulators in the field of hearing and sensory disorders, including schizophrenia.

7	Spinal Kinetics	USA	Medical Devices	585	0.2

A company pioneering a new generation of artificial discs for treating degenerative disc disease in the cervical and lumbar spine. The company's unique technology is designed to replicate a natural vertebral disc in its structure and physiologic range of motion in all planes, including axial compression and rotation. This "natural" artificial disc has been designed to enable patients to move freely while enjoying a sustained quality of life.

8	Karus Therapeutics	Europe	Biotechnology	582	0.2

A drug discovery and development company focused on the delivery of novel compounds for the treatment of cancer.

Strategic Report – Unquoted Investments as at 31 August 2017

	Investment	Region	Sector classification	Fair value of asset £'000	% of total equity
9	Calchan	Europe	Biotechnology	220	0.1
	A company developing novel ASK1 inhibitors for osteoarthritis pain and fibrosis.				
10	Cell Medica	Europe	Biotechnology	136	0.1
	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.				
11	EBR Systems	USA	Medical Devices	54	0.0
	An early-stage company developing the first wireless cardiac stimulation device. The existing market for CRT devices exceeds $3bn in annual sales and is expected to experience significant growth over the next five years.				
	Total			**16,870**	**6.7**

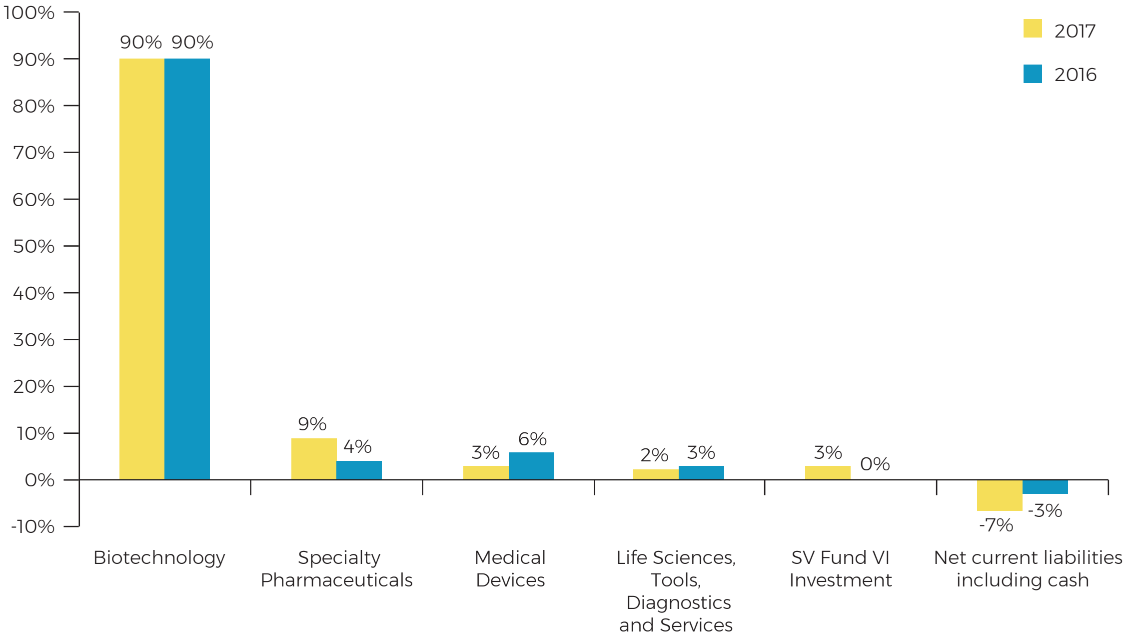
Investments in unquoted companies that have previously been written down to nil net book value, but where ownership in the company is retained are not disclosed in this table, 2017: 8 companies (2016: 6 companies).

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

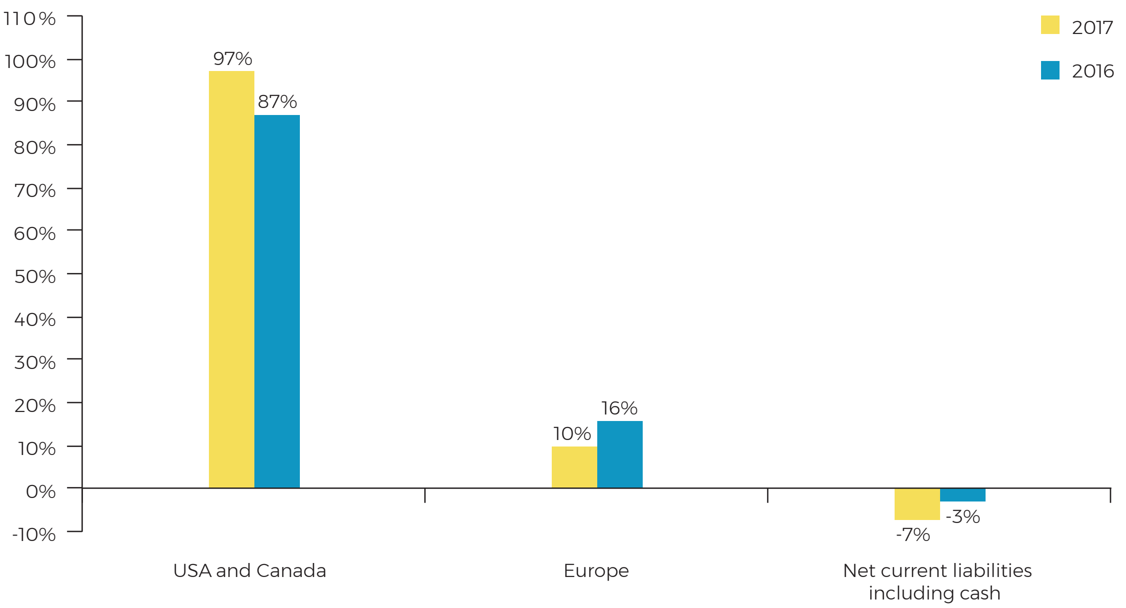
	Investment	Region	Sector classification	Fair value of asset £'000	% of total equity
1	Convergence Pharmaceuticals	Europe	Biotechnology	2,168	0.9
	A company, spun out from GSK, focused on developing novel analgesic/pain relieving drugs that was sold to Biogen in 2015. The terms of the deal provide for an upfront payment and a series of milestones. Proceeds received to date for this investment are £2.8m.				
2	Ikano Therapeutics	USA	Biotechnology	1,338	0.5
	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	Atopix Therapeutics	Europe	Biotechnology	392	0.2
	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. Proceeds received to date for this investment are £0.6m.				
	Total			**3,898**	**1.6**

Strategic Report – Classification of Investments

Classification of investments by sector as at 31 August



Classification of investments by region as at 31 August



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

Strategic Report – Strategic Review

The Directors present their Strategic Review for the Company for the year ended 31 August 2017.

Business model

The Company is an investment company as defined in Section 833 of the Companies Act 2006 (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 forthcoming AGM in December, and the Directors strongly recommend Shareholders vote in favour.

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 biotechnology 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 Health Managers LLP. Consistent with the Company's investment policy SV Health Managers LLP makes the majority of its

Strategic Report – Strategic Review

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 Health Managers LLP 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.

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 9.

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 Performance and Financial Highlights 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 pages 27 and 28.

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 Health Managers LLP 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 Health Managers LLP 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 Health Managers LLP's adherence to the agreed investment strategy.

SV Health Managers LLP 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 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 Health Managers LLP. Reports confirming the Company's compliance with the provisions of Section 1158 CTA are submitted by SV Health Managers LLP 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 Health Managers LLP 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 2016, 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 has 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 16 and 17 and the effectiveness of the Company's risk management and internal control systems are detailed on pages 27 and 28. 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 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 at the forthcoming AGM in December;
- 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 desirable by investors;
- regulation will not increase to a level that makes the running of the Company uneconomical in comparison to other competitive products;

Strategic Report – Strategic Review

- 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 pages 21 and 22.

SV Health Managers LLP 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 27.

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

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 Companies Act 2006 (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. Following Alan Clifton's retirement at the conclusion of the Company's forthcoming AGM, there will be two male Directors and two female Directors remaining on the Board.

Current and future developments

Details of the Company's developments during the year ended 31 August 2017, 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 9. These are not intended to be detailed forecasts.

By order of the Board

BNP Paribas Secretarial Services Limited
Company Secretary
2 November 2017

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 Schroders in London and previously worked for British Technology Group and Price Waterhouse. He is a Chartered Accountant and has a degree in Mathematics from Cambridge University. He is currently also a director of Polar Capital Global Healthcare Trust Plc.

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 chief medical officer of RowAnalytics Ltd, a healthcare data analytics and artificial intelligence business. 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 member of the Council and Finance and Investment Committee of Queen Mary, University of London and a member of the scientific committee of Breast Cancer Now. 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 and Civitas Social Housing 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 Schroders in 2001 and, following a career break, was chief executive of Witan Investment Trust plc from February 2004 to October 2008.

All Directors are independent.

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

Alan Clifton is Chairman of the Management Engagement and Nomination Committees as well as the main Board. With effect from the conclusion of the 2017 AGM, Alan Clifton will retire and John Aston will succeed him in these positions.

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 2017.

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 18: 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 effecting 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 15. The Board delegates investment management of the Company's portfolio to SV Health Managers LLP. 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 9.

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 42. Shareholders approved at the General Meeting held on 29 September 2016, the 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.

Accordingly, the Board declared and paid two interim dividends during the year, each totalling 11.5 pence per Ordinary share (2016: £nil). These were paid on 31 January 2017 and 31 August 2017. Further, the Directors propose an Interim Dividend for the period ended 31 August 2018 payable in two equal tranches of 13.5p per Ordinary Share in January and August 2018. The first of these has been declared and will be paid on Wednesday, 31 January 2018 to holders of Ordinary Shares on the Register at the close of business on Friday, 5 January 2018.

The Board has agreed to seek Shareholder approval of the proposed dividends at each AGM and a resolution to this effect has been included in the Notice of Meeting on page 74.

Share capital
At the AGM on 13 December 2016, Shareholders gave approval for the Company to purchase up to 5,628,394 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 125,000 Ordinary shares into treasury representing 0.3% of the issued share capital at the start of the year (excluding shares held in treasury). The Company also cancelled 295,000 Ordinary shares previously held in treasury. The issued share capital of the Company is detailed in note X 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 19, 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 its membership, 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

Directors' Report
(incorporating the Corporate Governance Statement)

their respective duties and responsibilities effectively. As disclosed on page 4, Alan Clifton will be retiring from the Board at the conclusion of the Company's AGM to be held on Tuesday, 12 December 2017 and John Aston will be succeeding him as Chairman. The Board believes that there is no immediate need to appoint a fifth Director.

The Board has agreed a formalised policy on tenure as outlined in the Corporate Governance Statement on page 25. In accordance with the Company's Articles of Association, John Aston offers himself for re-election at the forthcoming AGM. John Aston is deemed by the Board to be independent in both character and judgement, as indicated on page 25 and has performed his duties in an independent manner at all times.

The Board supports the re-election of John Aston and considers that he continues to demonstrate commitment to his role and provides a valuable contribution to the deliberations of the Board.

The Board therefore recommends that Shareholders vote in favour of the re-election of John Aston.

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 2018.

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 Health Managers LLP. 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 Health Managers LLP, 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 2017 with a recommendation being made to the Board.

The Board believes the continued appointment of SV Health Managers LLP 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 Health Managers LLP is entitled to a management fee payable monthly at the rate of 0.9% per annum of the Company's NAV. In addition, SV Health Managers LLP is entitled to an annual performance fee which 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 £1,374,000 is payable in respect of the year ended 31 August 2017 (31 August 2016: £575,000).

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 SV Fund 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.

Directors' Report
(incorporating the Corporate Governance Statement)

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 55, voting rights are summarised on page 77, and there are no restrictions on voting rights nor any agreement between holders of securities that result in restrictions on the transfer of securities or on voting rights;
- There exist no securities carrying special rights with regard to the control of the Company;
- The Company does not have an employees' share scheme;
- The rules concerning the appointment and replacement of Directors, amendment to the Articles of Association and powers to issue or buy back the Company's shares are contained in the Articles of Association of the Company and the Act;
- There exist no agreements to which the Company is party that may affect its control following a takeover bid; and
- 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:

	As at 31 August 2017		As at 1 November 2017	
Shareholder	**Number of Ordinary shares held**	**% of total voting rights**	**Number of Ordinary shares held**	**% of total voting rights**
Lazard Asset Management (US)	6,748,779	17.97	**5,979,519**	**15.9**
East Riding Pension Fund	3,725,000	9.92	**3,663,813**	**9.76**
Hargreaves Lansdown Asset Management	3,236,566	8.62	**3,394,630**	**8.92**
Charles Stanley	2,735,441	7.29	**2,947,846**	**7.85**
South Yorkshire Pensions Authority	1,700,000	4.53	**1,700,000**	**4.53**
M&G Investment Management	1,688,333	4.50	**1,680,827**	**4.48**
Alliance Trust Savings	1,500,717	4.00	**1,523,157**	**4.06**
West Yorkshire Pension Fund	1,245,599	3.32	**1,245,599**	**3.32**
Barclays Wealth	1,238,625	3.30	**1,139,940**	**3.04**

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 2017. In doing so, the Directors have considered the Company's borrowing requirements and covenants on existing borrowings; liquidity risk (see note 23 on page 62); the business environment and its impact on financial risk; the nature of the portfolio; and expenditure projections for the next 12 months. The Company's assets consist mainly of equity shares in companies listed on the NASDAQ stock exchange and in most circumstances are realisable within a short timescale. As discussed in the Chairman's Statement, the Company's Articles of Association require the Board to put a proposal for the continuation of the Company to Shareholders at two-yearly intervals. The Directors strongly recommend Shareholders vote in favour of the continuation.

As a result, the Directors 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

Further to a full external tender of audit services in 2016 and as recommended by the Audit Committee to the Board, PricewaterhouseCoopers LLP will continue as the Company's Auditors having been initially appointed in 2007. 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 19, confirm that:

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

(b) 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, 12 December 2017 at 2.30 pm at the offices of BNP Paribas Securities Services S.C.A., 10 Harewood Avenue, London NW1 6AA. Details of the business of the Meeting are set out in the Notice of Meeting on pages 74 to 78, amongst which the Board is seeking Shareholders' approval of three special resolutions.

Authority to allot shares

In order to provide maximum flexibility, the Directors wish to seek the power to allot new Ordinary shares for cash at a premium to the NAV at the forthcoming AGM. This resolution seeks authority for Directors to allot shares for cash up to a nominal amount of £938,691.50, equivalent to 3,754,766 Ordinary shares (which represents 10% of the current issued share capital of the Company (excluding treasury shares)). The Directors intend to use this authority to issue new shares only if they believe it is in the best interests of the Company and is advantageous both to new investors and to the Company's existing Shareholders to do so. New shares will only be issued at a price not less than the most recent published NAV per Ordinary share prior to such issue. This authority will expire at the conclusion of next year's AGM or 15 months from the date of passing of the resolution, whichever is earlier, unless revoked, varied or renewed prior to that date.

Authority to disapply pre-emption rights

If new Ordinary shares are to be allotted for cash or treasury shares are to be sold 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 or treasury shares to be sold 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, a resolution will be proposed at the AGM which, if passed, will give the Directors power to disapply the statutory pre-emption rights of existing Shareholders in relation to the issue of Ordinary shares for cash or the sale of Ordinary shares for cash out of treasury up to an aggregate nominal amount of £938,691.50, equivalent to 3,754,766 Ordinary shares (being 10% of the Company's existing issued Ordinary share capital (excluding treasury shares) as at the date of this Report) such Ordinary shares to be allotted or sold at a price not less than the most recent published NAV per Ordinary share prior to such allotment or sale. This authority will expire at the conclusion of next year's AGM or 15 months from the date of passing of the resolution, whichever is earlier, unless revoked, varied or renewed prior to that date.

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 Tuesday, 13 December 2016.

During the year ended 31 August 2017, the Company bought back 125,000 of its issued shares to be held in treasury and 295,000 shares held in treasury were

Directors' Report

(incorporating the Corporate Governance Statement)

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 buyback its shares in the market for cancellation or holding in treasury for potential subsequent re-issue. [No shares held in treasury will be re-issued at a discount wider than the discount prevailing at the time of acquisition.] The authority to hold shares in treasury is in addition to the power to buyback 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. The Company can confirm that purchases of Ordinary shares under the authority will only be made in the market for cash at prices below the prevailing NAV per share.

Notice of General Meetings

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

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 2016 (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;
- as there are no executive Directors and so, the provisions of the UK Corporate Governance Code in respect of executive directors' remuneration are not relevant; and
- the Company does not have an internal audit function as it relies on the systems of control operated by third party suppliers in particular those of SV Health Managers LLP. The Board monitors these systems of internal control to provide assurance that they operate as intended.

Directors' Report
(incorporating the Corporate Governance Statement)

Application of the AIC Code's principles
The Board considers that it has managed its affairs throughout the year ended 31 August 2017 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 35, 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 2017, 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 19. As disclosed in the Chairman's Statement, Alan Clifton will be retiring from the Board at the conclusion of the 2017 AGM, at which point the Board will reduce its size to four non-executive Directors.

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. However, it is not considered appropriate to have set targets in relation to diversity.

The Board has not set a limit on the length of time for which Directors are able to serve on the Board. 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. In accordance with the Company's Articles of Association and corporate governance best practice, Directors are required to be submitted for election at the first AGM following their appointment and thereafter submitted for re-election every three years. Directors who have served for more than six years are subject to a more rigorous performance review and on reaching nine years in office, Directors are subject to annual re-election.

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.

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.

Directors' Report

(incorporating the Corporate Governance Statement)

Induction and training

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

Board evaluation

The Board has adopted an annual evaluation of its own performance and that of its Committees and individual Directors using a questionnaire as the basis for this formal and rigorous annual 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 Health Managers LLP'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 Health Managers LLP and the Company Secretary is maintained throughout the year. Representatives of SV Health Managers LLP and the Company Secretary attend each meeting and other advisers also attend when requested to do so by the Board.

The number of 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	**7**	**4**	**2**	**1**
John Aston	7	4	2	1
Véronique Bouchet	7	4	2	1
Alan Clifton	7	4	2	1
Caroline Gulliver	7	4	2	1
Jim Horsburgh	7	4	2	1

The Board met twice to discuss strategic matters separate from normal agenda matters. The matters covered included marketing initiatives and fund raising strategy and parts of the meetings were attended by external advisers.

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 Health Managers LLP, 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. Committee membership is detailed on page 19.

Nomination Committee

The Chairman of the Board acts as Chairman to the Nomination Committee which met twice during the year ended 31 August 2017 and intends to meet at least annually in the future. The function of the Committee is to consider and make recommendations to the

Directors' Report
(incorporating the Corporate Governance Statement)

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 Chairman of the Board acts as Chairman to the Management Engagement Committee which met once during the year ended 31 August 2017 and will meet annually thereafter to review matters relating to the performance of the Company's third party service providers, including SV Health Managers LLP, 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 Health Managers LLP, both of whom are regularly in touch with the larger Shareholders. The Chairman, the Senior Independent Director 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 Health Managers LLP. 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 2012 aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to Shareholders and the efficient exercise of governance responsibilities.

The Company has delegated to SV Health Managers LLP 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 35 and a statement of going concern is set out in the Directors' Report on pages 22 and 23. The Independent Auditors' Report can be found on pages 36 to 41.

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 tax, legal and regulatory 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 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 the scope and quality of the systems of internal control. This includes 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 Custodian's internal controls report for 1 January 2016 to 31 December 2016 had a qualified opinion which had been carried forward from the previous year. 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. During 2016, Caroline Gulliver, in her capacity as Chairman of the Audit Committee, along with SV Health Managers LLP visited HSS and they 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 or a Whistleblowing Policy 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 FRC'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 and Criminal Finances Act 2017

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. Further, the Company is committed to a zero tolerance approach to tax evasion and is committed to compliance with anti-tax evasion legislation, including but not limited to, the Criminal Finances Act 2017.

On behalf of the Board

Alan Clifton
Chairman
2 November 2017

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 36 to 41.

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 in order to promote the long-term success of the Company. 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 2017	**Year ended 31 August 2017**	Year ended 31 August 2016
Chairman's base fee	**£42,500**	**£42,500**	£41,000
Non-executive Director base fee	**£28,000**	**£28,000**	£27,000
Additional fee for the Chair of the Audit Committee	**£4,500**	**£4,500**	£4,500
Additional fee for the Senior Independent Director	**£2,000**	**–**	–

1. The Company's policy is for the Chairman of the Board, the Chair of the Audit Committee and the Senior Independent Director 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.

Report on Directors' Remuneration

Annual report on Directors' remuneration

This Report sets out how the Directors' Remuneration Policy was implemented during the year ended 31 August 2017.

Directors' fees are reviewed annually by the Board and, following the last review in July 2017, it was agreed that an additional fee for the Senior Independent Director would be paid with effect from 1 September 2017 as detailed in the table above entitled 'Component parts of the Directors' remuneration'. Earlier changes to Directors' remuneration were made in 2012 and 2016. 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 2017 and the previous financial year.

Single total figure of remuneration for each Director (audited)

The Directors who served during the year under review received the following emoluments:

	Total Fees[iii]	
	Year ended 31 August 2017	Year ended 31 August 2016
Directors		
John Aston	**28,000**	30,889[ii]
Véronique Bouchet	**28,000**	27,000
Alan Clifton (Chairman)	**42,500**	41,000
David Clough	**–**	7,416[i]
Caroline Gulliver	**32,500**	27,611[ii]
Jim Horsburgh	**28,000**	27,000
Total	**159,000**	160,916

(i) Retired 9 December 2015.

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

(iii) 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 and dividends for the year under review and the prior financial year.

	2017 £'000	2016 £'000	% change compared to previous year
Aggregate spend on Directors' fees*	**159**	161	(1.2)
Distributions to Shareholders – share buybacks and dividends	**9,252**	11,624	(20.4)

** As the Company has no employees the total spend on remuneration comprises solely Directors' fees.*

Directors' beneficial and family interests (audited)

	Ordinary shares of 25p each as at 31 August 2017	Ordinary shares of 25p each as at 1 September 2016
John Aston	**10,000**	10,000
Véronique Bouchet	**7,500**	7,500
Alan Clifton	**10,000**	10,000
Caroline Gulliver	**5,000**	5,000
Jim Horsburgh	**15,000**	15,000

Report on Directors' Remuneration

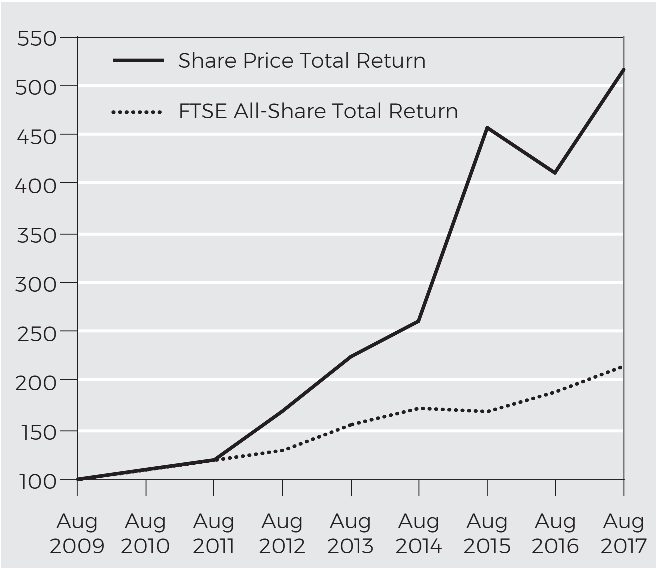
There have been no changes in the above holdings between the year end and the date of this Report. No Director has any material interest in any contract that is significant to the Company's business.

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

Performance graph

The performance graph below charts the cumulative share price total return to Shareholders since 31 August 2009 compared to that of a broad equity market index. The FTSE All-Share Index has been used for this purpose as the NBI has a lack of diversity within its constituents. A graph showing the Company's share price total return, compared with the FTSE All-Share Index Total Return, over the last eight 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 2017.

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 2017:

a) the major decisions on Directors' remuneration;

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

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

Shareholder approval

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

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 13 December 2016, votes cast (including the votes cast at the Chairman's discretion) in respect of the Annual Report on Directors' Remuneration were 20,569,857 (99.90%) in favour, 20,236 (0.10%) against and 7,047 votes withheld.

Report on Directors' Remuneration

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
2 November 2017

Audit Committee Report

Composition and meetings of the Audit Committee

The Audit Committee is chaired by Caroline Gulliver. The other members comprise all the Directors, namely John Aston, Véronique Bouchet, Alan Clifton and Jim Horsburgh. All members of the Committee have recent and relevant financial and investment experience and have competence relevant to the sector as a result of their current or recent employment in the financial services and other industries. As the Chairman of the Committee, Caroline Gulliver has relevant and recent financial experience in financial services as 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. John Aston is also a Chartered Accountant. Alan Clifton and Jim Horsburgh have spent their careers working for a number of leading financial institutions and Véronique Bouchet has extensive experience working in the healthcare sector across several therapeutic areas and functions. The biographies of each of the Committee members are shown on page 19.

The Audit Committee met four times during the year ended 31 August 2017 and reported its findings to the Board on the matters described below after each meeting. The Company's Auditors are invited to attend meetings as necessary as well as representatives of the Investment Manager.

The role of the Committee

As disclosed on page 26, the Audit Committee operates under written Terms of Reference which are reviewed annually and are available on the Company's website. The process in respect of the evaluation of the Audit Committee's performance is disclosed on page 26.

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 and Half Yearly Reports and appropriateness of its accounting policies;
- Reviewing the internal control systems and the risks to which the Company is exposed;
- Making recommendations to the Board regarding the appointment of the external Auditors, their independence and the objectivity and effectiveness of the audit process; and
- Monitoring any non-audit services being provided to the Company by its external Auditors.

Effectiveness of the external audit process

The Audit Committee annually reviews the performance of PricewaterhouseCoopers LLP, the Company's external Auditors and discusses their effectiveness with representatives of the Investment Manager, who work closely with the Auditors during the Annual Audit process. The Auditors attend the Audit Committee meetings at which the Annual Report is considered in order to present their report and have the opportunity to meet privately with the Audit Committee members without representatives of the Investment Manager present. 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 fifth year and accordingly, a new audit partner will be assigned from next 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 50. 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. Following their review, the Audit Committee remains satisfied with the effectiveness of the audit provided and that the Auditors remain independent.

Audit Committee Report

Significant issues considered with respect to the Annual Report

ISSUE CONSIDERED	HOW THE ISSUE WAS ADDRESSED
Valuation and existence of unquoted investments and gains and losses from those investments	Consideration and review of valuation processes and methodology at SV Health Managers LLP and HSBC Bank plc to establish the existence of and the accuracy and completeness over the valuations being recommended for approval to the Board.
Valuation and existence of quoted investments and gains and losses from those investments	Consideration and review of valuation processes and methodology at SV Health Managers LLP and HSBC Bank plc to establish the existence of and the accuracy and completeness over the valuations being recommended for approval to the Board.
Review of internal control system and risks	Review of risk map, compliance against the AIC Code, compliance with Section 1158 CTA and all policies and procedures in place.
Performance Fee	Review of the accuracy of the calculation and completeness of disclosure.

Conclusions with respect to the Annual Report

The production and the external audit of the Company's Annual Report is an intricate process, involving a number of parties. The Audit Committee has reviewed the internal controls in place at each of the third party service providers in order to gain comfort over the accuracy of the Company's financial records. Having received the Auditors report on the results of the Annual audit and having taken all available information into consideration and having discussed the content of the Annual Report with the AIFM, Investment Manager, Company Secretary and other third party service providers, the Audit Committee has concluded that the Annual Report for the year ended 31 August 2017, 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 35.

The Board was made fully aware of any significant financial reporting issues and judgements made in connection with the preparation of the Financial Statements.

Audit Tender and Re-appointment of the Auditors

The Audit Committee is aware of the requirements of the EU Audit Directive which requires the Company to tender audit services once every 10 years and change Auditors every 20 years. In light of the transitional arrangements, the Company conducted a tender of audit services in 2016 for the 2017 year end and, following recommendation by the Audit Committee, the Board decided to retain PricewaterhouseCoopers LLP as Auditors for the Company.

Caroline Gulliver
Chairman of the Audit Committee
2 November 2017

Management Report and Directors' Responsibilities 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 18 inclusive (together with the sections of the Annual Report incorporated by reference) and the Director's Report on pages 20 to 28. 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 Health Managers LLP. The maintenance and integrity of the website is, so far as it relates to the Company, the responsibility of SV Health Managers LLP. 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.

Pursuant to Rule 4.1.12 of the Rules, each of the Directors, whose names and functions are listed on page 19 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 pages 22 and 23 of this Report, the Directors have undertaken all necessary reviews to provide a going concern recommendation.

On behalf of the Board

Alan Clifton
Chairman
2 November 2017

Independent Auditors' Report

to the Members of International Biotechnology

REPORT ON THE FINANCIAL STATEMENTS

OPINION

In our opinion, International Biotechnology Trust plc's Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements, included within the Annual Report, which comprise: the Balance Sheet as at 31 August 2017; the Statement of Comprehensive Income, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended; and the notes to the Financial Statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

We have provided no non-audit services to the Company in the period from 1 September 2016 to 31 August 2017.

OUR AUDIT APPROACH

OVERVIEW	
Materiality	• Overall materiality: £2.53 million (2016: £2.17 million), based on 1% of net assets.
Audit scope	• The Company is a standalone Investment Trust Company and engages SV Health Managers LLP (the Investment Manager) to manage its assets. • We conducted our audit of the Financial Statements using information from HSBC Bank plc (the Administrator) to whom the Investment Manager has, with the consent of the Directors, delegated the provision of certain administrative functions. • We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates. • We obtained an understanding of the control environment in place at both the Investment Manager and the Administrator, and adopted a primarily substantive testing approach using reports obtained from the Administrator.
Key audit matters	• Gains/losses on quoted and unquoted investments held at fair value. • Valuation and existence of unquoted investments. • Valuation and existence of quoted investments. • Performance fees.

Independent Auditors' Report
to the Members of International Biotechnology

The scope of our audit

As part of designing our audit, we determined materiality and assessed 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.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Gains/losses on quoted and unquoted investments held at fair value	
Refer to page 33 (Audit Committee Report), page 47 (Accounting Policies) and page 49 (notes). *ISAs (UK) 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.* *We focused on realised and unrealised gains/ losses on quoted and unquoted investments held at fair value.* *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.*	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 47 of the Financial Statements. We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that realised and unrealised gains/ losses has been accounted for in accordance with the stated accounting policy. We understood and assessed the design and implementation of key controls surrounding recognition of realised and unrealised gains/losses on quoted and unquoted investments held at fair value recognition. The gains/losses on investments held at fair value comprise realised and unrealised gains/losses: • For unrealised gains/losses, we obtained an understanding of, and then tested the valuation process as set out in the 'Valuation and existence of quoted investments' and 'Valuation and existence of unquoted investments' areas of focus, to ascertain whether these gains/losses were appropriately calculated. • For realised gains/losses, we tested disposal proceeds by agreeing the proceeds to bank statements and sale agreements and we re-performed the calculation of a sample of realised gains/losses. No misstatements were identified by our testing which required reporting to those charged with governance.

Independent Auditors' Report

to the Members of International Biotechnology

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation and existence of unquoted investments	
Refer to page 33 (Audit Committee Report), page 47 (Accounting Policies) and page 49 (notes). *The investment portfolio at 31 August 2017 included unquoted investments.* *We focused on the valuation and existence of the unquoted investments as these investments represented a material balance in the Financial Statements (£20.8m) and the valuation requires estimates and significant judgements to be applied by the Manager such that changes to key inputs to the estimates and/or the judgements made can result, either on an individual unquoted investment or in aggregate, in a material change to the valuation of unquoted investments.*	We understood and evaluated the valuation methodology applied, by reference to industry practice, and tested the techniques used, by the Manager in determining the fair value of unquoted investments. The testing included: · Comparing 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. 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, IFRS, the AIC SORP and the International Private Equity and Venture Capital Valuation guidelines, enabled us to discuss with and challenge the Manager and Directors as to the appropriateness of the methodology and key inputs used, and the valuations themselves. We found that the Manager's valuations of unquoted investments were consistent with the International Private Equity and Venture Capital Valuation guidelines and that the assumptions used to derive the valuations within the Financial Statements were appropriate based on the investee's circumstances, and actual and expected financial performance. We tested the existence of the unquoted investment portfolio by agreeing a sample of the holdings to an independent custodian confirmation from the Administrator. Differences identified were investigated and explanations received from the Manager/Custodian which we then corroborated to appropriate supporting evidence.
Valuation and existence of quoted investments	
Refer to page 33 (Audit Committee Report), page 47 (Accounting Policies) and page 49 (notes). *The investment portfolio at the year-end compromised quoted equity investments valued at £248.6m.* *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.*	We tested the valuation of the quoted equity investments by agreeing the prices used in the valuation to independent third party sources. No misstatements were identified by our testing which required reporting to those charged with governance. We tested the existence of the investment portfolio by agreeing a sample of the holdings of investments to an independent custodian confirmation from the Administrator. No differences were identified for further investigation.
Performance fees	
Refer to page 33 (Audit Committee Report), page 46 (Accounting Policies) and page 49 (notes). *A performance fee is payable for the year of £1.4m. We focused on this area because the performance fee is calculated using a methodology that was updated in the prior year, as set out in the Investment Management Agreement between the Company and the Investment Manager.*	We tested the performance fee of £1.4m to agree whether 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. We tested the allocation of the performance fee between the revenue and capital return columns of the Income Statement with reference to the accounting policy as set out on page 46. We found that the allocation of the performance fee was consistent with the accounting policy.

Independent Auditors' Report

to the Members of International Biotechnology

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 structure of the Company, the accounting processes and controls, and the industry in which it operates.

The Company's accounting is delegated to the Administrator who maintains the Company's accounting records and who has implemented controls over those accounting records.

We obtained our audit evidence primarily from substantive tests. However, as part of our risk assessment, we understood and assessed the internal controls 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 analysing the relevant control reports issued by the independent service auditor of the Manager and the Administrator in accordance with generally accepted assurance standards for such work. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the Financial Statements.

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 in aggregate 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 materiality	£2.53 million (2016: £2.17 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 £126,000 (2016: £108,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	***Outcome***
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements and the Directors' identification of any material uncertainties to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the Financial Statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.
We are required to report if the Directors' statement relating to going concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the Financial Statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge

Independent Auditors' Report

to the Members of International Biotechnology

obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 August 2017 is consistent with the Financial Statements and has been prepared in accordance with applicable legal requirements. *(CA06)* In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. *(CA06)*
The Directors' assessment of the prospects of the Company and of the principal risks that would threaten the solvency or liquidity of the Company
We have nothing material to add or draw attention to regarding: • The Directors' confirmation on page 16 of the Annual Report 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. • The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated. • The Directors' explanation on page 17 of the Annual Report 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 to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Company and statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Company and its environment obtained in the course of the audit. (*Listing Rules*)
Other Code Provisions
We have nothing to report in respect of our responsibility to report when: • The statement given by the Directors, on page 35, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Company obtained in the course of performing our audit. • The section of the Annual Report on page 33 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee. • The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.
Other Code Provisions
In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. *(CA06)*

Independent Auditors' Report

to the Members of International Biotechnology

Responsibilities for the Financial Statements and the audit

Responsibilities of the Directors for the Financial Statements

As explained more fully in the Management Report and Directors' Responsibilities Statement set out on page 35, the Directors are responsible for the preparation of the Financial Statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the Financial Statements

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

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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

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

Appointment

Following the recommendation of the Audit Committee, we were appointed by the Directors on 12 July 2007 to audit the Financial Statements for the year ended 31 August 2007 and subsequent financial periods. The period of total uninterrupted engagement is 11 years, covering the years ended 31 August 2007 to 31 August 2017.

Allan McGrath (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
2 November 2017

Statement of Comprehensive Income

	Notes	For the year ended 31 August 2017 Revenue £'000	Capital £'000	Total £'000	For the year ended 31 August 2016 Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments held at fair value	2	**–**	**48,532**	**48,532**	–	(1,725)	(1,725)
Exchange losses on currency balances	2	**–**	**(4)**	**(4)**	–	(2,333)	(2,333)
Income	3	**505**	**–**	**505**	676	–	676
Expenses							
Management fee	4	**(1,105)**	**–**	**(1,105)**	(1,894)	–	(1,894)
Performance fee	4	**–**	**(1,374)**	**(1,374)**	–	(575)	(575)
Administrative expenses	5	**(1,029)**	**–**	**(1,029)**	(1,047)	–	(1,047)
Profit/(loss) before finance costs and tax		**(1,629)**	**47,154**	**45,525**	(2,265)	(4,633)	(6,898)
Finance costs							
Interest payable	6	**(204)**	**–**	**(204)**	(212)	–	(212)
Profit/(loss) on ordinary activities before tax		**(1,833)**	**47,154**	**45,321**	(2,477)	(4,633)	(7,110)
Taxation	7	**(69)**	**–**	**(69)**	(105)	–	(105)
Profit/(loss) for the year attributable to Shareholders		**(1,902)**	**47,154**	**45,252**	(2,582)	(4,633)	(7,215)
Basic and diluted (loss)/earnings per Ordinary share	8	**(5.07)p**	**125.58p**	**120.51p**	(6.63)p	(11.89)p	(18.52)p

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 46 to 67 form part of these Financial Statements.

Statement of Changes in Equity

For the year ended 31 August 2017	Notes	**Called up share capital £'000**	**Share premium account £'000**	**Capital redemption reserve £'000**	**Capital reserves £'000**	**Revenue reserve £'000**	**Total equity £'000**
Balance at 1 September 2016		**10,409**	**18,805**	**31,408**	**188,183**	**(32,154)**	**216,651**
Total Comprehensive Income:							
Profit/(loss) for the year		**–**	**–**	**–**	**47,154**	**(1,902)**	**45,252**
Dividend paid in the year	9	**–**	**–**	**–**	**(8,636)**	**–**	**(8,636)**
Transactions with owners, recorded directly to equity:							
Shares bought back and held in treasury	18	**–**	**–**	**–**	**(616)**	**–**	**(616)**
Shares cancelled from treasury	17	**(74)**	**–**	**74**	**–**	**–**	**–**
Balance at 31 August 2017		**10,335**	**18,805**	**31,482**	**226,085**	**(34,056)**	**252,651**

For the year ended 31 August 2016	Notes	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total equity £'000
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	18	–	–	–	(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

The notes on pages 46 to 67 form part of these Financial Statements.

Balance Sheet

	Notes	At 31 August 2017 £'000	At 31 August 2016 £'000
Non-current assets			
Investments held at fair value through profit or loss	10	**269,373**	221,788
		269,373	221,788
Current assets			
Receivables	11	**2,836**	9,242
Cash and cash equivalents	12	**128**	90
		2,964	9,332
Total assets		**272,337**	231,120
Current liabilities			
Borrowings	12	**(6,392)**	(11,813)
Payables	13	**(13,294)**	(2,656)
		(19,686)	(14,469)
Net assets		**252,651**	216,651
Equity attributable to equity holders			
Called up share capital	15	**10,336**	10,409
Share premium account	16	**18,805**	18,805
Capital redemption reserve	17	**31,481**	31,408
Capital reserves	18	**226,085**	188,183
Revenue reserve	19	**(34,056)**	(32,154)
Total equity		**252,651**	216,651
NAV per Ordinary share	20	**672.88p**	575.09p

The Financial Statements on pages 42 to 67 were approved by the Board on 2 November 2017 and signed on its behalf by:

Alan Clifton
Chairman

Caroline Gulliver
Chair of the Audit Committee

The notes on pages 46 to 67 form part of these Financial Statements.

International Biotechnology Trust plc
Company Number: 2892872

Cash Flow Statement

	Notes	For the year ended 31 August 2017 £'000	For the year ended 31 August 2016 £'000
Cash flows from operating activities			
Profit/(loss) before tax		**45,321**	(7,110)
Adjustments for:			
(Increase)/decrease in investments		**(47,585)**	25,141
Decrease in receivables		**6,406**	5,214
Increase/(decrease) in payables		**10,638**	(1,671)
Taxation		**(69)**	(105)
Net cash flows generated from operating activities	21	**14,711**	21,469
Cash flows used in financing activities			
Share repurchase costs		**(616)**	(11,624)
Dividends paid		**(8,636)**	—
Net cash used in financing activities		**(9,252)**	(11,624)
Net increase in cash and cash equivalents		**5,459**	9,845
Cash and cash equivalents at 1 September		**(11,723)**	(21,568)
Cash and cash equivalents at 31 August	12	**(6,264)**	(11,723)

The notes on pages 46 to 67 form part of these Financial Statements.

Notes to the Financial Statements

1. Accounting policies

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

The Company's Financial Statements have been prepared in accordance with 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 is 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 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 and updated in January 2017 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.

(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.

1. Accounting policies *(continued)*

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
The Company holds three types of investments: investments in funds, direct investments in unquoted companies, and direct investments in quoted companies.

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.

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

Quoted investments
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.

Unquoted investments
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.

Investments in Funds
The Company receives formal quarterly reports from each of the private equity funds in which SV Fund VI holds an investment. The value of SV Fund VI's investment in these funds is reported in these quarterly reports. The reports typically arrive within 60 days of the end of the quarter (90 days at year end). As soon as a quarterly report is received by the Company, the reported value of SV Fund VI's investment in that fund is reflected in the NAV on the next NAV date.

During the period between quarterly reports, the Company may be advised of a sale of a portfolio company (or its securities) held within one of the funds at a different price from the last reported value in that fund's quarterly report. As soon as the Company is informed of the completion of any such transaction establishing a new value for the investment, the new NAV of that investment to SV Fund VI is reflected in the NAV on the next NAV date.

Notes to the Financial Statements

1. Accounting policies *(continued)*

The Company does not change the valuation of fund investments based on anticipated transactions that are not yet completed, changes in company performance or any other factors unless and until such changes are reflected in a quarterly report received from the manager of the fund.

The value of a fund investment used by the Company in determining the NAV is always based on the most current information known to the Company on the NAV date.

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

(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) above.

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 Cash Flow Statement, 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).

(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 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.

Notes to the Financial Statements

1. Accounting policies *(continued)*

(iii) Capital reserves
The following are accounted for in this reserve and are distributable:

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

Note: Unrealised unquoted holding gains are not distributable.

(iv) 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 Company's Financial Statements.

At the date of authorisation of these Financial Statements, the following new IFRS that potentially impacts the Company is in issue but is not yet effective and has not been applied in these Financial Statements:

- IFRS 9 (2014) Financial Instruments, effective for periods beginning on or after 1 January 2018.

The requirements of IFRS 9 and its application to the investments held by the Company were considered ahead of its adoption on 1 January 2018. All assets held by the Company are currently recorded as fair value through profit and loss. The classification of all assets remains unchanged under IFRS 9, and all figures will be directly comparable to the existing basis of valuation. All other IFRS which are in issue but which are not yet effective, have been considered and will not have a significant effect on the Company's Financial Statements.

2. Gains/(losses) on investments held at fair value

	For the year ended 31 August 2017 £'000	For the year ended 31 August 2016 £'000
Net gains on disposal of investments at historic cost	**48,824**	10,811
Less fair value adjustments in earlier years	**(17,454)**	(23,170)
Gains/(losses) based on carrying value at previous Balance Sheet date	**31,370**	(12,359)
Investment holding gains during the year	**17,162**	10,634
	48,532	(1,725)
Attributable to:		
Quoted investments	**51,823**	(4,939)
Unquoted investments	**(3,291)**	3,214
	48,532	(1,725)
Exchange losses on currency balances	**(4)**	(2,333)

Exchange losses on currency balances arise on the retranslation of foreign currency balances held by the Company.

Notes to the Financial Statements

3. Income

	For the year ended 31 August 2017 £'000	For the year ended 31 August 2016 £'000
Income from investments held at fair value through profit or loss:		
Unfranked dividends	**505**	676
	505	676

4. Management and performance fees

	For the year ended 31 August 2017 £'000	For the year ended 31 August 2016 £'000
Fees payable to the Investment Manager are as follows:		
Management fees (allocated to revenue)	**1,105**	1,894
	1,105	1,894
Performance fee (allocated to capital)	**1,374**	575
	1,374	575

Details of the management and performance fee arrangements are included in the Directors' Report on page 21.

Following the investment into SV Fund VI on 3 October 2016, management fees are partially paid indirectly through the venture capital investment. Venture Capital fees paid through the SV Fund VI investment in the year were £985,000. Total Management fees on a comparative basis were £2,090,000. Refer to note 22, Related Parties, for further details.

5. Administrative expenses

	For the year ended 31 August 2017 £'000	For the year ended 31 August 2016 £'000
General expenses	**604**	620
Directors' fees*	**159**	161
Company secretarial and administration fees	**230**	222
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of the annual Financial Statements	**36**	44
	1,029	1,047

**See the Directors' Remuneration Report on pages 29 to 32.*

6. Interest payable

	For the year ended 31 August 2017 £'000	For the year ended 31 August 2016 £'000
Bank overdraft interest payable	**204**	212

7. Taxation

(a) Analysis of charge in year

	For the year ended 31 August 2017 £'000	For the year ended 31 August 2016 £'000
Overseas tax	**69**	105
Total tax charge for the year	**69**	105

Under the Finance Act 2014 the standard rate of Corporation Tax in the UK changed from 20% to 19% with effect from 1 April 2017.

(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 19% (2016: 20%). The differences are explained below:

	For the year ended 31 August 2017			For the year ended 31 August 2016		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Factors affecting tax charge for the year:						
Profit/(loss) on ordinary activities before taxation	**(1,833)**	**47,154**	**45,321**	(2,477)	(4,633)	(7,110)
Tax at the UK Corporation Tax rate of						
20% (2015: 20%)	**(213)**	**5,478**	**5,265**	—	—	—
19% (2016: 20%)	**(146)**	**3,755**	**3,609**	(495)	(927)	(1,422)
	(359)	**9,233**	**8,874**	(495)	(927)	(1,422)
Tax effect of:						
Non-taxable dividend income	**(98)**	**–**	**(98)**	(140)	—	(140)
Capital returns on investments	**–**	**(9,503)**	**(9,503)**	—	345	345
Exchange gains	**–**	**1**	**1**	—	467	467
Expenses not utilised in the year	**457**	**269**	**726**	635	115	750
Overseas tax	**69**	**–**	**69**	105	—	105
	69	**–**	**69**	105	—	105

(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 2017, the Company had a potential deferred tax asset of £9,606,000 (2016: £9,514,000) on taxable losses, which is available to be carried forward and offset against future taxable profits. A deferred tax asset has not been recognised for these losses as it is considered unlikely that the Company will make taxable revenue profits in the future and it is not liable to tax on capital gains.

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

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

Notes to the Financial Statements

8. Net earning/(loss) per Ordinary share

	For the year ended 31 August 2017 £'000	For the year ended 31 August 2016 £'000
Net revenue loss	**(1,902)**	(2,582)
Net capital profit/(loss)	**47,154**	(4,633)
	45,252	(7,215)
Weighted average number of Ordinary shares in issue during the year*	**37,548,348**	38,959,794
	Pence	Pence
Revenue loss per Ordinary share	**(5.07)**	(6.63)
Capital profit/(loss) per Ordinary share	**125.58**	(11.89)
Total earning/(loss) per Ordinary share	**120.51**	(18.52)

**Excluding those held in treasury.*

9. Dividends

	At 31 August 2017 Company £'000	At 31 August 2016 Company £'000
Dividends paid and proposed		
2017 First interim dividend paid of 11.50p (2016: nil)	**4,318**	–
2017 Second interim dividend paid of 11.50p (2016: nil)	**4,318**	–
Total dividends paid in the year	**8,636**	–
2018 First interim dividend proposed of 13.50p (2017: 11.50p)	**5,069**	–

Dividends are included in the Financial Statements in the year in which they are paid.

The Company is not required to pay a dividend under the requirements of Section 1158 of the Corporation Tax Act 2010 due to the negative accumulated balance on its revenue reserve. The above dividends are paid out capital reserve.

10. Investments held at fair value through profit or loss

(a) Analysis of investments

	At 31 August 2017 £'000	At 31 August 2016 £'000
Quoted overseas	**248,587**	199,592
Quoted in the United Kingdom	**18**	–
	248,605	199,592
Unquoted in the United Kingdom	**2,712**	8,829
Unquoted overseas	**18,056**	13,367
	20,768	22,196
Valuation of investments at 31 August	**269,373**	221,788

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

(b) Movements on investments

	For the year ended 31 August 2017 £'000	For the year ended 31 August 2016 £'000
Opening book cost	**202,052**	214,657
Opening fair value adjustment	**19,736**	32,272
Opening valuation	**221,788**	246,929
Purchases at cost	**440,456**	288,219
Proceeds of disposals	**(441,403)**	(311,635)
Net gains/(losses) realised on disposals	**31,370**	(12,359)
Increase in fair value adjustment	**17,162**	10,634
Valuation of investments at 31 August	**269,373**	221,788
Closing book cost	**249,929**	202,052
Closing fair value adjustment	**19,444**	19,736
Closing valuation	**269,373**	221,788

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

	For the year ended 31 August 2017 £'000	For the year ended 31 August 2016 £'000
On acquisitions	**300**	170
On disposals	**290**	181
	590	351

(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
EBR Systems	Series C	7.84%	USA
EBR Systems	Series D	4.16%	USA
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

The Company commitment to SV Fund VI of $30m is equivalent to 7.5% of the total fund size.

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 2016 £'000	Proceeds £'000	Carrying value at 31 August 2017 £'000
Atopix	1,028	(586)	**392**
Convergence	2,654	(774)	**2,168**
NCP	2,167	(1,210)	**1,293**

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	**(1,479)**
EBR Systems	**(1,322)**
Kalvista	**(1,173)**
Oncoethix	**(1,152)**

11. Receivables

	At 31 August 2017 £'000	At 31 August 2016 £'000
Amounts due within one year:		
Sales awaiting settlement	**2,731**	9,153
Accrued income	**39**	42
Prepaid expenses	**23**	23
Tax recoverable	**9**	8
VAT recoverable	**34**	16
	2,836	9,242

12. Cash and cash equivalents

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

	At 31 August 2017 £'000	At 31 August 2016 £'000
Cash at bank	**128**	90
Bank overdraft	**(6,392)**	(11,813)
Cash and cash equivalents	**(6,264)**	(11,723)

12. Cash and cash equivalents *(continued)*

The Company has a £35.0m uncommitted multi-currency overdraft facility. On 31 August 2017, £6,392,000 (2016: £11,813,000) 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.

13. Payables

	At 31 August 2017 £'000	At 31 August 2016 £'000
Amounts falling due within one year:		
Purchases awaiting settlement	**11,597**	1,792
Accrued expenses	**1,668**	864
Other	**29**	—
	13,294	2,656

14. Capital commitments – contingent assets and liabilities

The Company has a further draw down commitment to SV Fund VI of $19.2m as at 31 August 2017 (2016: nil).

15. Called up share capital

	Ordinary shares of 25p each at 31 August 2017	Ordinary shares of 25p each at 31 August 2016	**Nominal value at 31 August 2017 £'000**	Nominal value at 31 August 2016 £'000
Allotted, called up and fully paid:				
Ordinary shares in issue	**37,547,663**	37,672,663	**9,387**	9,418
Ordinary shares held in treasury	**3,795,000**	3,965,000	**949**	991
	41,342,663	41,637,663	**10,336**	10,409

During the year 125,000 Ordinary shares were repurchased to be held in treasury at a cost of £616,000 (2016: 2,575,000 shares at a cost of £11,624,000).

295,000 (2016: 2,825,000) 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 2017 £'000	At 31 August 2016 £'000
Balance brought forward	**18,805**	18,805
Balance carried forward	**18,805**	18,805

This reserve is not distributable.

17. Capital redemption reserve

	At 31 August 2017 £'000	At 31 August 2016 £'000
Balance brought forward	**31,408**	30,701
Nominal value of 295,000 (2016: 2,825,000) Ordinary shares cancelled from treasury	**73**	707
Balance carried forward	**31,481**	31,408

This reserve is not distributable.

18. Capital reserves

	At 31 August 2017 £'000	At 31 August 2016 £'000
Balance brought forward	**188,183**	204,440
Gains/(losses) on investments	**48,532**	(1,725)
Cost of shares bought back and held in treasury	**(616)**	(11,624)
Performance fee	**(1,374)**	(575)
Dividend paid out of capital	**(8,636)**	—
Realised exchange losses on currency balances	**(4)**	(2,333)
Balance carried forward	**226,085**	188,183
The capital reserves may be further analysed as follows:		
Reserve on investments sold (i)	**206,641**	168,447
Reserve on investments held (ii)	**19,444**	19,736
	226,085	188,183

(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 may be deemed to be realised) and other amounts which are unrealised. An analysis has not been made between amounts that are realised (and may be distributed or used to repurchase the Company's shares) and those that are unrealised.

19. Revenue reserve

	At 31 August 2017 £'000	At 31 August 2016 £'000
Balance brought forward	**(32,154)**	(29,572)
Net loss for the year	**(1,902)**	(2,582)
Balance carried forward	**(34,056)**	(32,154)

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

20. NAV per Ordinary share

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

	At 31 August 2017	At 31 August 2016
NAV (£'000)	**252,651**	216,651
Number of Ordinary shares in issue	**37,547,663**	37,672,663
Basic NAV per Ordinary share (pence)	**672.88**	575.09

The increase in the NAV per share from 575.09p (31 August 2016) to 672.88p (31 August 2017) includes the total earnings per share as disclosed above and the effect of the Company repurchasing shares during the year, at a discount to the prevailing NAV per share.

21. Notes to the Cash Flow Statement

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

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

	For the year ended 31 August 2017 £'000	For the year ended 31 August 2016 £'000
Proceeds on disposal of fair value through profit and loss investments	**447,825**	316,793
Purchases of fair value through profit and loss investments	**(430,651)**	(288,630)
Net cash inflow from investing activities	**17,174**	28,163
Cash flows from other operating activities	**(2,463)**	(6,694)
Net cash flows generated from operating activities	**14,711**	21,469

22. 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 21. The total fee payable under this Agreement to SV Health for the year ended 31 August 2017 was £2,090,000 (2016: £1,894,000) of which £nil (2016: £nil) was outstanding at the year end. For further details, please see note 4. In addition to this, SV Health Managers LLP is also entitled to a performance fee of £1,374,000 (2016: £575,000), which was outstanding at the year end.

SV Health Managers LLP 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. The Investment Manager has agreed with the Board a set of guidelines on how any economic interest will be divided between the Company and the Investment Manager. 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. During the year ended 31 August 2017 £nil (2016: £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 2017 was £159,000 (2016: £160,916) of which £79,500 (2016: £38,375) was outstanding at the year end.

23. 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, credit risk and liquidity 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 10 to 14 and in the Investment Manager's Review on pages 6 to 9. 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 risk exposure

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

	At 31 August 2017 £'000	At 31 August 2016 £'000
Non-current asset investments at fair value through profit or loss	**269,373**	221,788
Total	**269,373**	221,788

The level of assets exposed to market price risk increased by approximately 21% 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 83 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 14.

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.

23. Financial instruments and risk management *(continued)*

Company	**31 August 2017 Increase in fair value £'000**	**31 August 2017 Decrease in fair value £'000**	31 August 2016 Increase in fair value £'000	31 August 2016 Decrease in fair value £'000
Effect on revenue return	**(242)**	**242**	(200)	200
Effect on capital return	**26,937**	**(26,937)**	22,218	(22,218)
Effect on total return and net assets	**26,695**	**(26,695)**	22,018	(22,018)

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 14.

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 2017 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 2017 £'000	At 31 August 2016 £'000
Monetary assets/(liabilities)		
Cash and cash equivalents:		
US dollars	**–**	–
Short-term receivables:		
US dollars	**2,776**	9,202
Short-term payables:		
US dollars	**(17,040)**	(13,628)
Danish krone	**(960)**	–
Foreign currency exposure on net monetary items	**(15,224)**	(4,426)
Non-current asset investments held at fair value		
US dollars	**242,945**	186,364
Euros	**13,909**	9,762
Danish krone	**7,483**	11,831
Canadian dollars	**2,306**	–
Swiss francs	**–**	9,865
Total net foreign currency exposure	**251,419**	213,396

At the year end, approximately 99% (2016: 98%) 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.

23. Financial instruments and risk management *(continued)*

Foreign currency sensitivity

During the financial year sterling weakened by 1.6% against the US dollar, 3.8% against the Swiss franc and by 7.9% against the Euro (2016: weakened 14.8%, 13.5% and 14.3% respectively). Given the movements over the last two years, 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 10% change in exchange rates.

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

	At 31 August 2017 £'000	At 31 August 2016 £'000
US dollars	**22,868**	18,194
Euros	**1,391**	976
Danish krone	**844**	1,183
Canadian dollars	**231**	–
Swiss francs	**–**	987
	25,334	21,340

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

	At 31 August 2017 £'000	At 31 August 2016 £'000
US dollars	**(22,868)**	(18,194)
Euros	**(1,391)**	(976)
Danish krone	**(844)**	(1,183)
Canadian dollars	**(231)**	–
Swiss francs	**–**	(987)
	(25,334)	(21,340)

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.

23. Financial instruments and risk management *(continued)*

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.

At the year end £6,392,000 (2016: £11,813,000) 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 2017, 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.

	At 31 August 2017			At 31 August 2016		
Company	**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	**(6,264)**	**–**	**(6,264)**	(11,723)	–	(11,723)
Exposure to fixed interest rates:						
Non-current asset investments held at fair value through profit or loss	**–**	**–**	**–**	–	–	–
Total exposure to interest rates	**(6,264)**	**–**	**(6,264)**	(11,723)	–	(11,723)

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 £8.4m and £16.3m.

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 (2016: 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 2017 Increase in rate £'000	**31 August 2017 Decrease in rate £'000**	31 August 2016 Increase in rate £'000	31 August 2016 Decrease in rate £'000
Effect on revenue return	**(31)**	**31**	(59)	59
Effect on capital return	**–**	**–**	–	–
Effect on total return and on net assets	**(31)**	**31**	(59)	59

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.

23. Financial instruments and risk management *(continued)*

2. Credit risk

In undertaking purchases and sales of investments, there is a risk that the counterparty will not deliver the investment before or after the 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 be become insolvent, the Company's right of ownership is clear and they are therefore protected. However cash balances deposited with the Custodian may be at risk in this instance, as the Company would rank alongside other creditors.

Management of the risk

During the year the 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 2017 £'000	At 31 August 2016 £'000
Sales awaiting settlement	**2,731**	9,153
Accrued income	**39**	42
Cash at bank	**128**	90
	2,898	9,285

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.

23. 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 2017 £'000	At 31 August 2016 £'000
Financial assets at fair value through profit or loss:		
Non-current asset investments - designated as such on initial recognition	**269,373**	221,788
Loans and receivables:		
Current assets:		
Receivables	**2,813**	9,219
Cash and cash equivalents	**128**	90
	2,941	9,309

23. Financial instruments and risk management *(continued)*

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

Financial Liabilities

	At 31 August 2017 Company £'000	At 31 August 2016 Company £'000
Measured at amortised cost		
Creditors: amounts falling due within one month:		
Purchases awaiting settlement	**11,597**	1,792
Bank overdraft	**6,392**	11,813
Accruals	**1,668**	864
Payables	**29**	-
	19,686	14,469

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 2017	**Total £'000**	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**
Equity investments	**268,220**	**248,605**	**–**	**19,615**
Fixed interest investments	**1,153**	**–**	**–**	**1,153**
	269,373	**248,605**	**–**	**20,768**

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

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 page 47.

There has been a transfer during the year between Levels 1 and 3.

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

23. Financial instruments and risk management *(continued)*

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

	At 31 August 2017 £'000	At 31 August 2016 £'000
Opening valuation	**22,196**	20,463
Transfers out of Level 3	**(2,827)**	–
Acquisitions	**9,175**	1,476
Disposal proceeds	**(4,486)**	(2,956)
Total gains/(losses) included in the Statement of Comprehensive Income		
- on assets sold	**1,861**	1,733
- on assets held at the year end	**(5,151)**	1,480
Closing valuation	**20,768**	22,196

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

(iii) Sensitivity of Level 3 valuations

		For the year ended 31 August 2017 Effect of reasonably possible alternative assumptions			For the year ended 31 August 2016 Effect of reasonably possible alternative assumptions		
Valuation techniques	**Significant unobservable inputs**	**Carrying value £'000**	**Favourable changes £'000**	**Unfavourable changes £'000**	Carrying value £'000	Favourable changes £'000	Unfavourable changes £'000
Discounted cash flow	Discount rate	**3,858**	**–**	**–**	5,250	–	–
	Probability of milestone achievement	**–**	**1,897**	**(1,312)**	–	2,075	(1,261)
	Revenue estimates	**–**	**–**	**–**	–	488	(209)
Probability weighted expected return	Probability of expected outcomes	**–**	**–**	**–**	–	–	–
Market comparable/ multiple of EBITDA	EBITDA multiple	**–**	**–**	**–**	2,167	590	(279)
		3,858	**1,897**	**(1,312)**	7,417	3,153	(1,749)

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).

23. Financial instruments and risk management *(continued)*

8. Capital management policies and procedures

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

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

	At 31 August 2017 £'000	At 31 August 2016 £'000
Debt		
Bank overdraft	**6,392**	11,813
Equity		
Called up share capital	**10,335**	10,409
Reserves	**242,316**	206,242
	252,651	216,651
Total debt and equity	**259,043**	228,464

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 buyback 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 2017 £'000	At 31 August 2016 £'000
Borrowings used for investment purposes, less cash	**6,264**	11,723
Net assets	**252,651**	216,651
Gearing	**2.5%**	5.4%

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

24. Segmental reporting

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

The Board is of the opinion that the 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.

25. 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 2017	At 31 August 2016
Australian dollars	**1.62460**	1.74267
Canadian dollars	**1.61552**	1.71839
Danish krone	**8.06110**	8.75220
Euros	**1.08382**	1.17594
Norwegian krone	**10.02473**	10.92434
Swiss francs	**1.23830**	1.28685
US dollars	**1.28855**	1.30970

Company Summary, Shareholder Information, Directors and Advisers

Company Status

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

Life of the Company

The Company's Articles of Association provide for Directors to put forward a proposal for the continuation of the Company at the Company's AGM at two-yearly intervals. Accordingly, a proposal will be put forward at the AGM to be held on Tuesday, 12 December 2017.

Share Price and NAV 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 first interim dividend
April	Half Yearly Results announced
August	Payment of second interim dividend
31 August	Year End
November	Annual Results announced
December	Annual General Meeting (AGM)

Shares in Issue

As at 31 August 2017, the Company had 41,342,663 Ordinary shares of 25p each in issue which included 3,795,000 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 Health Managers LLP, 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 Health Managers LLP
(formally 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 Auditors

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

Stockbroker

Cenkos 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 public holidays in England and Wales).*

Alternative Investment Fund Manager's Disclosure

SV Health Managers LLP is the Company's Alternative Investment Fund Manager (AIFM). Details of the Management Agreements dated 11 February 2017 are included in the Directors' Report on page 21.

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 pages 15 and 16 of the Annual Report 2017.

Contractual relationship with the Company

The Articles of Association 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 judgements obtained in EU Member States (excluding Denmark at this time) in proceedings commenced on or after 10 January 2017, can be enforced in England and Wales under the Recast Brussels Regulation by obtaining a certificate from the court of origin certifying that the judgement is enforceable, serving the certificate and judgement on the judgement debtor and, when seeking enforcement, providing the Courts of England and Wales with an authenticated copy of the judgement and certificate and certifying compliance with the requirements as to service on the debtor. The judgement debtor can apply for the enforcement of the judgement to be refused on limited grounds. Further, certain judgements obtained in EU Member States (including Denmark) in proceedings commenced before 10 January 2017, 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 judgement for enforcement. The judgement debtor may appeal/challenge registration on limited grounds. It may also be possible to enforce a judgement obtained in a country to which none of the above regimes apply in England and Wales if such judgement 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 2016 that with effect from 21 July 2016 the Company had entered in to new Agreements with the relevant suppliers of services to the Company to comply with AIFMD. The Agreements with the Company's Investment Manager and AIFM – SV Health 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 2016, 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 Bank plc a 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 22 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 23 to the Financial Statements.

Liquidity risk management

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

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

Fees

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

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

Alternative Investment Fund Manager's Disclosure

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 buyback 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 Financial Statements for the financial year ended 31 August 2017 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.

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 2017, the overdraft facility available to the Company was £35.0m.

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

Alternative Investment Fund Manager's Disclosure

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, remains 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 16 and 17 of the Annual Report 2017 and in note 23 to the Financial Statements 2017 on pages 58 to 66.

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 2017, actual leverage was 5.4% for both the gross method and the commitment method.

At 31 August 2017, £6.4m 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 pages 54 and 55 and note 23 on page 61.

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 2017

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

2 November 2017

Notice of Meeting

Notice is hereby given that the Annual General Meeting (AGM) of International Biotechnology Trust plc will be held at 2.30 pm on Tuesday, 12 December 2017 at BNP Paribas Securities Services S.C.A, 10 Harewood Avenue, London NW1 6AA, to consider and, if thought fit, to pass the following resolutions, of which resolutions 1 to 9 will be proposed as ordinary resolutions and resolutions 10 to 12 will be proposed as special resolutions:

Ordinary resolutions

1. To receive the Directors' Report and the audited Financial Statements for the year ended 31 August 2017.

2. To approve the Directors' Remuneration Policy.

3. To approve the Annual Report on Directors' Remuneration for the year ended 31 August 2017.

4. To approve the Company's dividend policy of making dividend payments through two equal semi-annual distributions of 13.5p per share (this being equivalent to 4% of the Company's NAV).

5. To re-elect Mr John Aston as a Director of the Company.

6. To re-appoint PricewaterhouseCoopers LLP as the Independent Auditors of the Company from the conclusion of this Meeting until the conclusion of the next AGM at which the Financial Statements are laid before Members.

7. To authorise the Directors to determine the Auditors' remuneration.

8. To consider and, if thought fit, pass the following resolutions:

   THAT, in accordance with the Articles of Association, the Company should continue as an investment trust for a further two year period.

9. THAT, the directors of the Company (the Directors) be and are hereby generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 (the Act), to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company up to a nominal amount of £938,691.50, equivalent to 3,754,766 Ordinary shares (being 10% of the issued Ordinary share capital (excluding treasury shares) at the date of this Notice) such authority to apply until the end of the AGM to be held in 2018 (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) save that the Company may make offers and enter into agreements before the expiry of this authority 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 Directors may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authorities had not ended.

Special resolutions

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

10. THAT, if resolution 9 is passed, the Directors be and are hereby authorised pursuant to Sections 570 and 573 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority conferred on the Directors by resolution 9 above and/or to sell Ordinary shares from treasury for cash, as if section 561 of the Act did not apply to any such allotment or sale up to a nominal amount of £938,691.50, equivalent to 3,754,766 Ordinary shares (being 10% of the issued Ordinary share capital (excluding treasury shares) at the date of this Notice), such authority to apply until the end of the AGM to be held in 2018 (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, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

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

    (a) the maximum number of Ordinary shares hereby authorised to be purchased is 5,628,394 (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 2018 or, if earlier, on the expiry of 15 months from the date of passing this resolution, (unless previously revoked, varied or extended by the Company in General Meeting), except that the Company may before such expiry enter into a new contract or contracts to purchase such Ordinary shares under the authority conferred hereby that will or may be executed wholly or partly after the expiry of such authority and the Company may make a purchase of Ordinary shares in pursuance of any such contract or contracts as if the authority had not expired.

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

By Order of the Board

BNP Paribas Secretarial Services Limited
Company Secretary
2 November 2017

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, 8 December 2017, 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, 8 December 2017 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, 8 December 2017.

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, 12 December 2017 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 2.30 pm on Friday, 8 December 2017. 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.

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 biography of the Director offering himself for re-election is set out on page 19 of the Company's Annual Report for the year ended 31 August 2017.

10. As at 2 November 2017, 37,547,663 Ordinary shares of 25 pence were in issue and 3,795,000 Ordinary shares were held in treasury (equivalent to 10.1% of the issued share capital, excluding treasury shares). Accordingly, the total number of voting rights of the Company as at 2 November 2017 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 79 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.

Notice of Meeting

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.

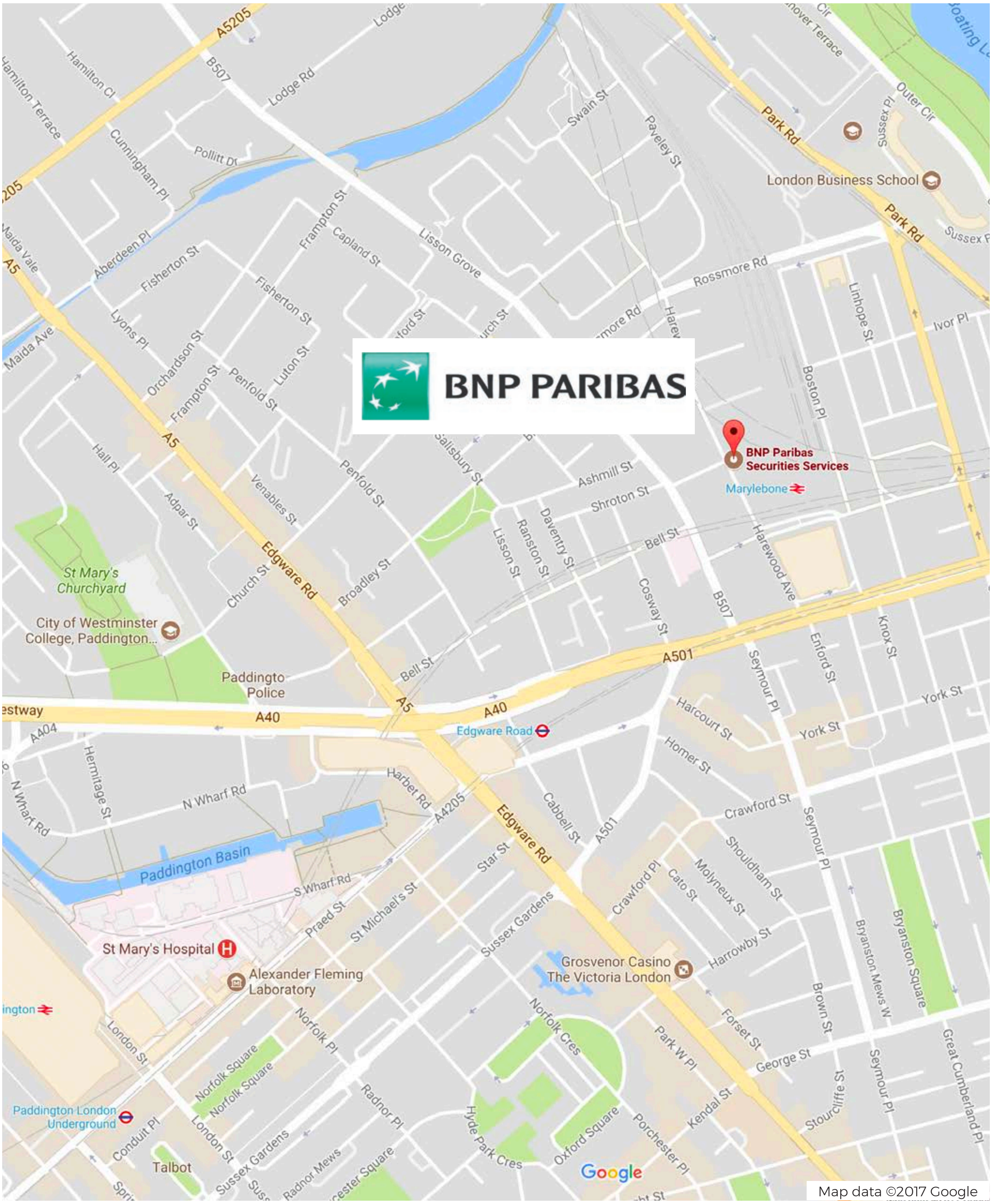
    The Company may not require the Shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under Section 527 of the Act, it must forward the statement to the Company's Auditors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

    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 SECURITIES SERVICES S.C.A., 10 HAREWOOD AVENUE, LONDON NW1 6AA



Be ScamSmart

Investment scams are designed to look like genuine investments

Spot the warning signs

Have you been:

- contacted out of the blue
- promised tempting returns and told the investment is safe
- called repeatedly, or
- told the offer is only available for a limited time?

If so, you might have been contacted by fraudsters.

Avoid investment fraud

1 Reject cold calls
If you've received unsolicited contact about an investment opportunity, chances are it's a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

2 Check the FCA Warning List
The FCA Warning List is a list of firms and individuals we know are operating without our authorisation.

3 Get impartial advice
Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

Report a Scam

If you suspect that you have been approached by fraudsters please tell the FCA using the reporting form at **www.fca.org.uk/consumers/report-scam-unauthorised-firm.** You can also call the FCA Consumer Helpline on **0800 111 6768**

If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at www.actionfraud.police.uk

Find out more at www.fca.org.uk/scamsmart

Remember: if it sounds too good to be true, it probably is!

FCA FINANCIAL CONDUCT AUTHORITY

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