



International Biotechnology Trust plc

Investing in Biotechnology for a Healthier Future

ANNUAL REPORT | 31 AUGUST 2019

WELCOME TO THE INTERNATIONAL BIOTECHNOLOGY TRUST PLC ANNUAL REPORT 2019

WHO WE ARE

International Biotechnology Trust offers investors access to the fast growing biotechnology sector through an actively managed, diversified fund.

Our award winning Fund Managers at SV Health Managers LLP are scientifically, medically and financially trained with over 60 years of experience between them in this specialist sector. As well as investing in a wide ranging portfolio of global quoted biotechnology stocks, we include a small proportion of otherwise inaccessible carefully selected unquoted investments that have the potential to deliver additional returns over the long-term. Excellent management teams, unique innovative products and strong potential for outperformance are the key criteria for inclusion in our diversified portfolio of assets.

International Biotechnology Trust plc

Exposure to both growth and yield

Outperformance of benchmark since Lead
Investment Manager joined in September 2013

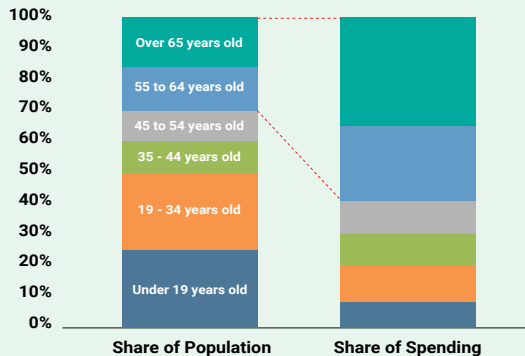
Biotechnology sector has strong fundamentals
and is currently undervalued

Unrivalled access to both quoted and
unquoted biotechnology sectors

Medical and scientific expertise of Investment
Managers

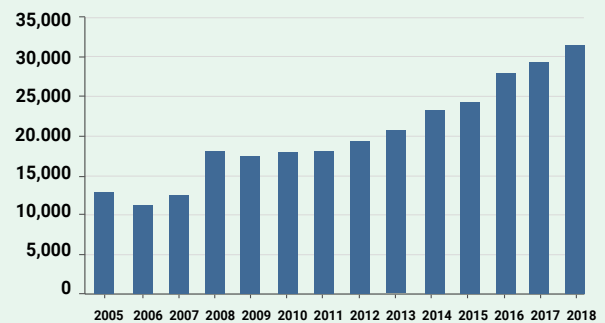
OUR MARKET

Fig 1. Over 55s make up 29% of US population but account for 55% of healthcare spend



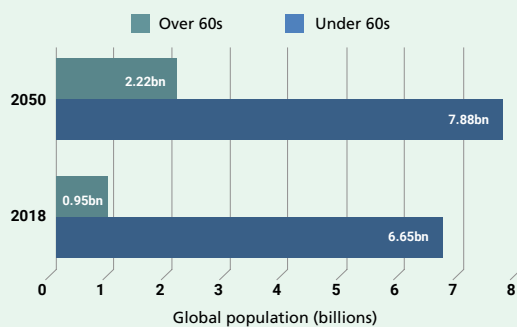
Source: Kaiser Family Foundation analysis of Medical Expenditure Panel Survey, Agency for Healthcare Research and Quality, U.S. Department of Health and Human Service, 2017

Fig 2. Number of drugs in development as measured by number of ongoing clinical studies



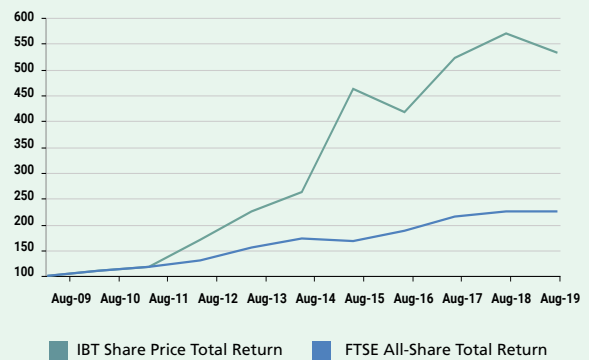
Total number of new clinical studies per year disclosed on ClinicalTrials.gov has increased from 12,799 in 2005 to 30,986 in 2018
Source: New clinical studies disclosed per year on clinicaltrials.gov 2005-2018

Fig 3. Increase in percentage of over 60s from 12.5% to 22% worldwide, combined with 33% population growth in 30 years, will mean elderly population will double in next 30 years



Source: Kaiser Family Foundation analysis of Medical Expenditure Panel Survey, Agency for Healthcare Research and Quality, U.S. Department of Health and Human Service, 2017

Fig 4. Share price/FTSE All-Share Index performance (%)



Source: Share Price Total Return from Morningstar. FTSE All-Share Total Return from Thomson Datastream. (data rebased to 100 at 31 August 2009)

OUR AWARDS



FUND FACTS

YEAR ENDED 31 AUGUST 2019

PERFORMANCE

Share price	-2.1%
NAV	-6.8%
NASDAQ Biotechnology Index (NBI)	-9.8%
FTSE All-Share Index	+0.4%

All sterling-adjusted and on a total return basis (with all dividends reinvested).

FINANCIAL HIGHLIGHTS

	31 August 2019	31 August 2018
Total equity (£'000)	239,579	262,473
NAV per share	623.9p	699.0p
Share price	636.0p	680.0p
Share price premium/(discount)	1.9%	(2.7%)
Ongoing charges *	1.3% **	1.4% **
Ongoing charges including performance fee	1.7% **	1.4% **

* 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. From 3 January 2018, the research costs under MiFID II borne by the Company is included in the ongoing charges calculation.

** Includes Management fees paid to SV Health Investors LLP directly from investment in SV Fund VI of £526,000 (2018: £503,000).

FUND FACTS

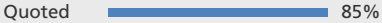
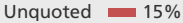
TOP 30 INVESTMENTS BY % of NAV

SV Fund VI	9.4%	Halozyme	1.9%
Gilead Sciences	6.9%	Seattle Genetics	1.7%
Vertex	6.0%	Biogen	1.6%
Celgene	5.7%	Biomarin	1.4%
Neurocrine	5.5%	Ikano	1.4%
Amgen	4.7%	Sangamo	1.3%
PTC Therapeutics	3.6%	Horizon	1.2%
Alexion	3.5%	Convergence	1.0%
Stemline	3.4%	Ionis	1.0%
Regeneron	3.1%	Nordic Consulting	1.0%
Genmab	2.9%	GW	1.0%
Morphosys	2.9%	Kalvista	1.0%
Incyte	2.7%	Sage	0.9%
Illumina	2.4%	Alnylam	0.9%
Insmed	2.0%	Sarepta	0.8%




NAV % BY GEOGRAPHY

United States  88%
Europe  12%

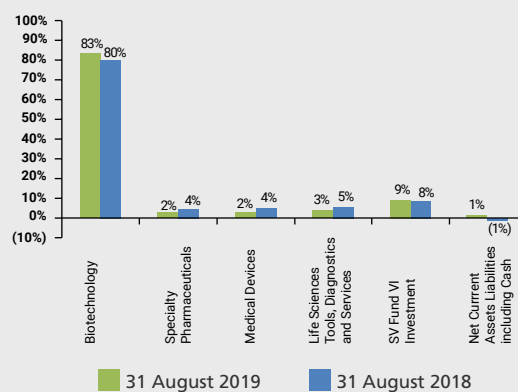
NAV % BY QUOTED / UNQUOTED

Quoted  85%
Unquoted  15%

NAV % BY MARKET CAP

Large Cap > USD 10BN  41%
Mid Cap = USD 1-10BN  38%
Small Cap < USD 1BN  21%

NAV % BY SECTOR



LONG-TERM RECORD

FIVE YEAR PERFORMANCE 31 AUGUST 2019

Cumulative Return to 31 August 2019	12m (%)	3yr (%)	5yr (%)
International Biotechnology Trust Share Price Total Return	-2.1%	45.3%	129.9%
International Biotechnology Trust NAV	-6.8%	22.2%	77.5%
NBI	-9.8%	20.7%	55.7%
FTSE All-Share Index	0.4%	20.1%	31.1%

All sterling-adjusted and on a total return basis (with all dividends reinvested).

As at 31 August	Total NAV £'000	Number * of shares in issue	NAV per share pence	NAV ** annual return %	Share price pence	Share price ** annual return %	Premium/ (discount) %	FTSE All-Share Index total return %
2019	239,579	38,397,663	623.9	-6.8	636.0	-2.1	1.9	0.4
2018	262,473	37,547,663	699.0	8.6	680.0	13.7	(2.7)	4.7
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

* Excludes treasury shares (2019: 2,945,000; 2018: 3,795,000)

** On a total return basis (with all dividends reinvested since 2017).

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

MEDICAL



OUTLOOK

Q&A WITH INVESTMENT MANAGERS CARL HARALD JANSON, AILSA CRAIG AND MAREK POSZEP CZYNSKI

International Biotechnology Trust's (the Company) Investment Managers, Carl Harald Janson, Ailsa Craig and Marek Poszepczynski, highlight the strength of the underlying drivers of the biotechnology sector and explain how they're positioning the Company to take advantage.

How has the sector changed over the past 12 months?

It has certainly been an interesting 12 months for the sector! There have been a number of large M&A transactions, some high-profile failures, but also a large number of successful drug approvals and drug launches. The long-term outlook remains positive but the debates between Democratic presidential nominees have dragged healthcare spending back into the spotlight. We expect it will remain a topical issue going into the US election next autumn and it is one of the key reasons why the sector is currently out of favour. But we believe the chances of any government implementing industry-damaging reforms are low – while Medicare-for-all sounds like a great idea, there is no viable plan for rolling it out.

Do you think Brexit will impact the sector at all?

The majority of our portfolio companies are US companies with products marketed all over the world, so in that respect we expect the impact to be minimal. That said, over 90% of the portfolio is US dollar-denominated. Since we don't hedge any currency exposure, the NAV will continue to be affected by any volatility in the exchange rate between sterling and the US dollar.

What about the longer-term outlook?

The underlying drivers are as strong as ever. Over 55s account for 55% of US healthcare spend. Globally, the number of over

“

Investing in biotechnology is an effective way to ensure your capital will benefit society

55s is set to double in the next thirty years, so spending on the treatments and drugs must increase too.

Will companies in the biotechnology sector be able to meet this increasing demand?

Yes, absolutely. Luckily for all of us, the unstoppable force of scientific innovation continues to churn out better treatments to help people overcome disease and live longer. Last year the FDA approved a record 59 new drugs whilst a record number of clinical trials were registered, almost double the number ten years ago. We expect this direction of travel to continue over the next decade and a half as supply keeps pace with demand.

Where is the most exciting part of the market, in terms of drug development?

Oncology and rare diseases are both exciting areas. In oncology, treatment options have multiplied beyond imagination over the last 20 years, yet each year we continue to see better, more-targeted therapies. The treatment of rare diseases is an area that has progressed so much in recent years. A significantly increased understanding of the biology of complex diseases coupled with the pricing power of these unique and innovative treatments means that diseases that once killed can now be cured. This rapid rate of development shows no sign of slowing.

31 August 2019

Do you position the portfolio to take advantage of this?

Oncology and rare diseases are our top therapeutic categories but that's because we have analysed these companies and believe in their long-term growth potential. Our stock selection process is bottom up, but the higher weightings of these sub-sectors in our portfolio is reflective of the value we think they represent.

You mentioned the M&A transactions this year, do you think this will continue?

M&A is a hallmark of biotechnology and pharmaceuticals. As large companies struggle to maintain earnings growth, small companies are busy discovering and developing the next new innovative treatment. The problem is that small companies don't have the platforms from which to launch that treatment. That's why two-thirds of drug development takes place in small companies, but two-thirds of distribution takes place in large companies. Eight of the stocks in the Company's portfolio were acquired in the last 18 months, with investors repeatedly benefitting from the premium paid by acquiring companies.

Environmental, Social and Governance factors are increasingly important considerations for many investors. How does biotechnology lend itself to responsible investing?

Over the last five years there has been a revolution in responsible investing, with a growing number of investors embedding this approach into their portfolios. While it's quite straightforward to select companies with a good environmental and governance record, selecting those with a strong social agenda is more difficult. Investing in biotechnology is an effective way to ensure your capital will benefit society. The healthcare sector has a unique contract with policy makers and consumers. Periods of patent exclusivity incentivises the industry to find new drugs which treat unmet needs. Once those patents expire, however, these new therapies are often available for cents in the dollar in perpetuity.

CARL HARALD JANSON | Lead Investment Manager

AILSA CRAIG | Investment Manager

MAREK POSZEPZYNSKI | Portfolio Manager

28 October 2019

INVESTMENT MANAGERS

The investment team has a breadth of experience across both public and private investments. The majority of investments made are in the public markets, though private or venture capital investments are also made through a relationship with SV Health Managers LLP (SV Health or the Fund Manager) (www.svhealthinvestors.com) which provides unique deal flow for private company investment opportunities.



CARL HARALD JANSON
Lead Investment Manager

Carl Harald joined SV Health in 2013 as the Lead Investment Manager for the Company. Carl Harald qualified as a Medical Doctor and completed a PhD at the Karolinska Institute and is a Certified Financial Analyst from the Stockholm School of Economics.



AILSA CRAIG
Investment Manager

Ailsa joined SV Health in 2006 and is an Investment Manager for the Company. Ailsa has a BSc (Hons) in Biology from the University of Manchester. She was awarded the IMC in 2002 and the Securities Institute Diploma in 2007.



MAREK POSZEPZYNSKI
Portfolio Manager

Marek joined SV Health in 2014 and is a Portfolio Manager for the Company. Marek has an MSc in Biochemistry and an MSc in Business Management from the Royal Institute of Technology, Stockholm.



KATE BINGHAM
Unquoted Investment Manager

Kate joined SV Health in 1991 and is an Investment Manager for the Company. Kate is one of the SV Health's Managing Partners, has a first class degree in Biochemistry from Oxford University, and graduated from Harvard Business School with an MBA.

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31 August 2019

CHAIRMAN'S STATEMENT

Summary

I am pleased to present the Company's Annual Report for the year ended 31 August 2019.

In difficult markets, the Company has performed well over the financial year. The Company's NAV per share and share price returned -6.8% and -2.1% respectively, whilst the NBI returned -9.8% and the FTSE All-Share Index returned 0.4%. All figures are on a total return basis, including costs and assuming dividends reinvested, and are sterling-adjusted.

Not only did the Company outperform the NBI on both a NAV per share and share price basis, but the Company successfully narrowed the discount during the year, ending the year trading at a premium to NAV.

The financial year also marked 25 years since the Company's inception, and I am very proud to be Chairman of a Company with such a long and distinguished history of creating Shareholder value.

Quoted portfolio

The quoted portfolio returned -8.6%, outperforming the benchmark in an extremely volatile period. Negative returns are always disappointing but this has largely been driven by macroeconomic and political factors such as Brexit, the China-US trade dispute and rising tensions in the Middle East. The Fund Manager has positioned the portfolio cautiously away from small cap companies with financing risk, and further diversified the portfolio holdings to ensure the Company is not exposed to unnecessary risk during volatile periods. The Fund Manager's Review on page 13 contains a more detailed review of market conditions.

Unquoted portfolio

The Company continues to enjoy success through its access to an unquoted element of biotechnology, a unique differentiating feature allowing investors access to the full spectrum of this exciting sector. Our unquoted portfolio continues to perform well and has easily outperformed the NBI over the long-term.

We are now 68.7% invested of our \$30m commitment to SV Life Sciences Fund VI (SV Fund VI). Following SV Fund VI's latest quarterly valuation report, our average investment has an IRR of 16.6%. During the year, SV Fund VI made three distributions to the Company after successfully exiting investments, as some of these impressive gains were realised.



Our directly-held unquoted portfolio continues to yield positive results, with the approval of Ikano's Nayzilam Nasal Spray and the performance of Kalvista being particular highlights. Overall, the unquoted portfolio generated a return of 16.3%.

While we continue to expect the valuation of SV Fund VI to increase, a number of investments within the directly-held unquoted portfolio are now reaching exit, meaning the gains achieved will be realised. As a result, the Board expects unquoted assets to remain within the guideline range of 5-15% of total investments.

Dividends, buybacks, share issuance and discount

I am pleased to report that the Company's fifth and sixth dividend payments were made during the financial year. We paid out a dividend equal to 4% of NAV as at 31 August 2018 in two equal tranches on 31 January 2019 and 31 August 2019, equating to a 4.1% increase when compared with dividend payments in the previous year.

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).

CHAIRMAN'S STATEMENT

Since the announcement of our policy changes and the introduction of the dividend in September 2016, no buybacks have been required for discount management purposes. Indeed, the discount moved from a 2.7% discount at the previous year-end to a premium of 1.9% at 31 August 2019. The long-term outperformance of the benchmark, combined with the outperformance of our competitors in more recent times, have resulted in an increased demand for the Company's shares, allowing the Company to re-issue shares from treasury equivalent to 2.6% of NAV in the financial year.

The Company was not required to buy back shares to protect its discount during the year, but the Board remains committed to protecting Shareholder value should the need arise.

Performance fee

The unquoted portfolio gave rise to a performance fee of £970,000 for the year ended 31 August 2019 (2018: £93,000). The performance fee is significantly higher than in the previous year, largely because of realised gains on the sale of Kalvista and TransEnterix.

Board of Directors

The Board has set a policy on tenure that in normal circumstances, Directors will retire at the AGM in their 10th year of service. Taking this policy into account, the Nomination Committee carried out a process to agree a succession plan for future years. As part of this, I intend to retire at the conclusion of the AGM to be held in December 2020 and it is expected that Dr Bouchet will retire shortly thereafter. Accordingly, a recruitment process has begun to identify potential candidates to succeed both Dr Bouchet and me.

AGM

This year's AGM will be held at 2.30 pm on Wednesday, 11 December 2019 at the offices of 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 Alternative Investment Fund Manager, SV Health Managers LLP, who will present to Shareholders.

Our regular biennial continuation vote required by the Company's Articles of Association will be put to Shareholders at the AGM. The Company has received positive feedback from major Shareholders throughout the year and my fellow Directors and I strongly recommend that Shareholders vote in favour.

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.

JOHN ASTON OBE | Chairman
28 October 2019

31 August 2019

FUND MANAGER'S REVIEW

BEST PERFORMING INVESTMENTS

	Contribution to NAV
Acadia	£4.6m
Incyte	£2.3m
Ikano	£2.3m

WORST PERFORMING INVESTMENTS

	(Reduction) to NAV
Ligand	£(5.1)m
Aerie	£(3.8)m
Spectrum	£(2.4)m

Summary

In the year ended 31 August 2019, the Company's NAV per share returned -6.8%. The Company's share price returned -2.1%. The NBI returned -9.8% and the FTSE All-Share Index returned 0.4%. All figures are on a total return basis, including costs and assuming dividends reinvested, and are sterling-adjusted.

By subsector, 83% of NAV was invested in therapeutics, 2% in specialty pharmaceuticals, 2% in medical devices, 3% in life science tools, diagnostics and services, and 9% 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 1% of NAV.

OVERVIEW AND PERFORMANCE

	2019	2018
Total portfolio companies*	74	66
Quoted	60	51
Unquoted**	14	15
NAV	£239.6m	£262.5m
Quoted NAV	£202.2m	£230.6m
Unquoted NAV	£35.2m	£32.6m
Other assets/(liabilities)	£2.2m	£(0.5)m

* Excluding unquoted companies fully written off (2019: 8; 2018: 7)

** Including SV Fund VI as one unquoted holding

FUND MANAGER'S REVIEW

At 31 August 2019, for financial reporting, the quoted portfolio represented 85.2% of NAV (excluding cash and other net assets) at £202.2m. The unquoted portfolio represented 14.8% of NAV at £35.2m. For performance purposes 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.

Quoted portfolio

The return on the quoted portfolio was -8.6%, which outperformed the benchmark index, the NBI, by 1.2% compared with the NBI total return of -9.8%.

We are pleased to have outperformed the benchmark period over the financial year, particularly given the difficult macroeconomic conditions with which we were presented.

The first half of the financial year generated much of the year's negative return. First, almost all world equity indices posted losses during the first four months of the year. The prospect of rising interest rates, the US mid-term elections, the US-China trade dispute and the anticipation of the end of the economic cycle could all be cited as reasons. Thankfully, markets posted a strong recovery as investor confidence returned in January 2019. This broad market recovery has largely continued throughout 2019 but the biotechnology sector has been unable to participate for a number of reasons. Although the Democratic Presidential Candidate selection process ensured healthcare, and in particular drug pricing, remained front page news, a handful of high-profile clinical trial failures have done little to boost Wall Street's confidence in the sector. We therefore believe companies in the sector are undervalued and it would appear that acquiring companies think the same. However, the Company benefitted from three sector M&A transactions, which led to the portfolio's outperformance of the NBI.

M&A Deals

Three portfolio holdings were the subjects of successful bids during the period under review: Tesaro, Celgene and Array Pharmaceuticals.

In December 2018, GSK acquired Tesaro for \$5.1bn, at a 70% premium to the previous share price. Tesaro's oncology platform represented an opportunity for GSK to re-enter the space after its retreat eight years earlier.

Shortly after, in January 2019, Bristol-Myers Squibb agreed to acquire Celgene for approximately \$74bn, the Company's third largest holding at the time, at a premium of 63%. We expect this mega acquisition to complete in early 2020.

Finally, Pfizer announced its acquisition of oncology company Array Pharmaceuticals for a 62% premium, meaning Array was the top contributor to the Company's performance for the month. Pfizer's M&A approach is typical of the sector, with this being the third time International Biotechnology Trust Shareholders have benefitted from Pfizer acquisitions in recent years.

Treatments developed by smaller companies may be very effective but small-scale, inexperienced marketing teams can be a limiting factor in the treatment's sales growth. Transferring the treatment to a large, geographically-diverse company with a well-oiled marketing machine will immediately increase the Net Present Value (NPV). This driver of value will make such acquisitions accretive to the acquirer.

These more mature pharmaceutical companies have ageing product portfolios facing patent expiry, so acquiring a company with a new treatment can help to fill holes left by the blockbuster drugs of yester-year.

31 August 2019

FUND MANAGER'S REVIEW

Positive Contributors

Contributions from M&A aside, Acadia was the largest positive contributor to NAV per share, continually reporting strong sales for its marketed drug, Nuplazid, which treats Parkinson's Disease psychosis. The Company's Shareholders further benefitted after the year end when, on 9 September 2019, Acadia announced the success of a trial for Nuplazid in dementia-related psychosis.

Incyte benefitted from continued M&A speculation during the year. The Company invested in the stock in mid-2018 after clinical trial failure led to a 25% reduction in market cap. In early 2019, Incyte recovered much of its market cap on the back of the Celgene acquisition, at which point it was one of the Company's largest holdings.

Exelixis reported stronger than expected sales for its drug Cabometyx, which is used to treat patients with Renal Cell Carcinoma. Merck later announced positive data for a potential competitor, which slightly curtailed gains in the period. Despite this, the profitable companies in our portfolio fared far better as the market retracted, and for that reason we steered the portfolio away from high-risk companies with near-term financing difficulties.

Foreign Exchange (FX) gains positively impacted the quoted portfolio by £6.1m.

Negative Contributors

Ligand shares weakened on the back of a short report by Citron Research, claiming that the company's long-term outlook was much worse than investors had hoped. We have reduced our holding but are adopting the same wait-and-see strategy as the wider market for the time being.

Aerie shares fell because of tempering investor expectations for its newly launched glaucoma drug.

Spectrum shares fell in September after reporting disappointing data for its drug in metastatic non-small cell lung cancer. The company then completed a \$150m offering later in the year, which prevented it from participating in the broader market rally.

Unquoted portfolio

The return for the unquoted portfolio over the year ended 31 August 2019 was a gain of 16.3%. The combined effect of gains and losses on the unquoted investments, including gains made in previous years now crystallised, resulted in a performance fee of £970,000 (2018: £93,000). The Company sold all of its holding in TransEnterix and part of its holding in Kalvista. These investments had made a considerable return on historical costs. The performance fee was bolstered further by the payment of a milestone from Ikano Therapeutics.

As at 31 August 2019, the Company held investments in eight unquoted portfolio companies, one investment in a venture fund, SV Fund VI, and interests in five 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 are still reported for performance purposes within the unquoted portfolio.

FUND MANAGER'S REVIEW

SUMMARY OF UNQUOTED INVESTMENTS

	Number of investments as at 31 August 2019	Fair value at 31 August 2019 (£'m)	% of NAV
Unquoted	8	6.0	2.5%
Exited with contingent milestones	5	6.6	2.8%
SV Fund VI	22 *	22.6	9.4%
Total unquoted	35	35.2	14.7%
Previously unquoted, now listed	3	3.2	1.3%
Total unquoted for performance measurement	38	38.4	16.0%

* The number of investments listed within SV Fund VI represents the number of investments into underlying individual portfolio companies. Three of these companies are now quoted.

The Company's investment in SV Fund VI continues to be a success, with a yearly return of 16.6% according to the latest investor communications. Over the same period, the NBI has returned 7.0% per annum. The draw down on the commitment of \$30m to date is \$20.25m. While further amounts will be drawndown over the lifetime of the fund, the success of the fund's investments to date mean we only expect to commit a further \$5m to SV Fund VI. 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.

While the SV Fund VI investment was clearly a highlight in 2018/19, Ikano Therapeutics was the strongest contributor to the unquoted portfolio performance in the year. Ikano's Midazolam nasal spray, for the treatment of epilepsy, has been the subject of an out-licensing deal for several years.

In May 2019, the drug, now called Nayzilam and developed by UCB, was approved by the FDA, resulting in a \$1.8m milestone payment to the Company. The Company is also due further milestones and royalties on future sales of Nayzilam.

Kalvista, initially an unquoted portfolio company that has now listed, made strong gains throughout 2018/19 as its HAE and DME programmes progressed in the clinic. Kalvista received a number of buy recommendations in the financial year and the Company looks forward to data in late 2019 that is expected to have further positive effects on the share price.

FX gains contributed £1.0m in gains to the unquoted portfolio.

SV HEALTH MANAGERS LLP
28 October 2019

31 August 2019

UNQUOTED INVESTMENTS as at 31 August 2019

The below are the unquoted investments held by the Company. The top 30 investments, which includes those companies which are quoted, can be found on the Fund Facts page.

Investment	Region	Sector classification	Fair value of asset £'000	% of NAV
1. SV Fund VI Investments	USA	SV Fund VI Investment	22,577	9.4
An investment in a venture capital fund, SV Fund VI, which invests in unquoted portfolio companies across three sectors; biotechnology (40%), healthcare & 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 \$20.3m. As at 31 December 2018, the fund had a turnover of \$131k and the loss for the year was \$8.4m.				
2. NCP Holdings	USA	Medical Research Services	2,387	1.0
Trading as Nordic Consultancy Partners. A company focused on providing Epic-only consulting within the US - implementation support and optimisation. Epic makes software for mid-size and large medical groups, hospitals and integrated healthcare organisations - working with customers that include community hospitals, academic facilities, children's organisations, safety net providers and multi-hospital systems.				
3. Karus Therapeutics	Europe	Biotechnology	1,369	0.6
A drug discovery and development company focused on the delivery of novel compounds for the treatment of cancer.				
4. TopiVert	Europe	Biotechnology	1,163	0.4
A company developing small novel molecules as topical treatments for inflammatory diseases of the gut and eye. Founded in 2011 as spin out of RespiVert, following its acquisition of Centocor Ortho Biotech (now Janssen Biotech).				
5. 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.				
6. Cell Medica	Europe	Biotechnology	136	0.1
A company using 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.				
7. Calchan	Europe	Biotechnology	110	0.1
A company developing novel ASK1 inhibitors for osteoarthritis pain and fibrosis.				
8. EBR Systems	USA	Medical Devices	76	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			28,591	11.9

EARNOUTS as at 31 August 2019

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, 2019: 8 companies (2018: 7 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 NAV
1. Ikano 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 royalties and milestones. The product is now marketed by UCB.	USA	Biotechnology	3,377	1.4
2. Convergence 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.	Europe	Biotechnology	2,453	1.0
3. Atopix An early-stage biotechnology company developing a pipeline of novel drugs to treat inflammatory diseases. The company's portfolio includes a lead drug programme with the potential to treat asthma and other respiratory and inflammatory conditions with a once daily pill.	Europe	Biotechnology	352	0.2
4. Spinal Kinetics A company pioneering a new generation of artificial discs for treating degenerative disc disease in the cervical and lumbar spine. The company's unique technology is designed to replicate a natural vertebral disc in its structure and physiologic range of motion in all planes, including axial compression and rotation. This "natural" artificial disc has been designed to enable patients to move freely while enjoying a sustained quality of life.	USA	Medical Devices	226	0.1
5. Archemix - Units Formerly a small biotechnology company discovering, developing and commercialising aptamer therapeutics.	USA	Biotechnology	146	0.1
Total			6,554	2.8

31 August 2019

STRATEGIC REVIEW

The Directors present their Strategic Review for the Company for the year ended 31 August 2019.

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 the 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 12 December 2017 and was passed on a show of hands. Proxy votes cast in respect of the last continuation vote were 15,863,872 (99.99%) in favour, 1,772 (0.01%) against and 10,294 withheld. The next continuation vote will be put to Shareholders at the forthcoming AGM to be held on Wednesday, 11 December 2019, and the Directors strongly recommend Shareholders vote in favour as they intend to do so.

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 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 Fund 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 normally invest no 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 normally invest no 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 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

STRATEGIC REVIEW

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 £55.0m 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. Currently, £nil is drawn down against this facility. The facility was increased from £35.0m during the year under review in line with the growth of the Company over the last six years.

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 11 and 12 and the Fund Manager's Review on pages 13 to 16.

Measuring performance – key performance indicators (KPIs) and alternative performance measures (APM)

The Board meets regularly to review the performance of the Company and its shares. It uses the following KPIs to help assess progress and its success at meeting the Company's investment objective. Whilst these measures are the main indicators of performance, the Company uses a variety of other performance indicators to measure performance, as indicated on the Fund Facts page, along with further details of the KPIs.

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. Absolute investment return is calculated as the total NAV return, on a cum income basis net of all costs and assuming dividends are reinvested at the time of distribution.

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. Relative investment return is calculated by comparing the absolute investment return against the total return of the aforementioned indices, as reported by a reputable pricing source.

Discount to the NAV

The Board routinely monitors the level of share price to NAV and acts to limit its volatility and extent. The discount to NAV is calculated as the difference between the share price and the cum income NAV.

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. OC is calculated in accordance with guidance from the AIC.

Principal risks and uncertainties

The Board uses a framework of key risks which affect its business, and related internal controls designed to enable the Directors to take steps to mitigate these risks as appropriate. The Directors have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. A full analysis of the Directors' review of internal control is set out in the Corporate Governance Statement on page 33.

The Company's principal risks include:

Strategic/Performance risk

The Company's returns are affected by changes in economic, financial and corporate conditions, including fluctuations in exchange rates, which can cause market fluctuations. At the time of writing, the risk of Brexit is the Company's biggest exchange rate risk. The views of the Fund Manager are highlighted in the Q&A with the Investment Manager on page 8. A significant fall in US equity markets is also likely to affect adversely the value of the Company's portfolio. The Fund Manager 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.

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

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STRATEGIC REVIEW

rates. It is not the Board's policy to hedge against foreign currency movements.

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 11.

Investment related risks

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

The Fund Manager 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 Fund Manager, to allow the Board to monitor the implementation of investment strategy and process.

Operational risks

In common with most other investment trusts, the Company has a Board of non-executive Directors and has no executive directors, no executive management and no employees. Its main functions are delegated to third party service providers which are specialists in their fields. Operational risk arises from insufficient processes of internal control which would include compliance with statutes and regulations governing the functions of the Company, however, the Board reviews the performance of these third party service providers and their risk control procedures on a regular basis as well as the terms on which they provide services to 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" on page 25.

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 the Fund Manager. Reports confirming the Company's compliance with the provisions of Section 1158 CTA are submitted by the Fund Manager 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. The Fund Manager 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 third party 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 20 and 21 and the effectiveness of the Company's risk management and internal control systems are detailed on page 33. 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 AGM. In December 2017, 99.99% of the votes cast were in favour of the continuation of the Company. The next continuation vote will be put to Shareholders at the forthcoming AGM to be held on Wednesday, 11 December 2019 for approval

STRATEGIC REVIEW

- 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
- 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 Fund Manager
- 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 26 and 27.

The Fund Manager 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 33.

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 two male and two female Directors on the Board.

Current and future developments

Details of the Company's developments during the year ended 31 August 2019, along with its prospects for the future are set out in the Chairman's Statement on pages 11 and 12 and the Fund Manager's Review on pages 13 to 16. These are not intended to be forecasts.

By order of the Board

BNP PARIBAS SECRETARIAL SERVICES LIMITED

Company Secretary
28 October 2019



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

DIRECTORS' BIOGRAPHIES



JOHN ASTON OBE
Chairman

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 subsequently appointed as Chairman of the Company on 12 December 2017. John 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 has previously been a director of Polar Capital Global Healthcare Trust Plc and a number of private biotech companies.



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, an AI enabled precision medicine company. 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, Civitas Social Housing PLC and Aberdeen Standard European Logistics Income 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, subsequently 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.
John Aston is Chairman of the Management Engagement and Nomination Committees as well as the main Board.

31 August 2019

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 2019.

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 11 to 22: 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 19. The Board delegates investment management of the Company's portfolio to the Fund Manager. 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 11 and 12 and the Fund Manager's Review on pages 13 to 16.

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 48. Shareholders approved at the AGM held on 12 December 2018, the Company's dividend policy to pay 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 paid 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 14.0 pence per Ordinary share (2018: 13.5 pence per Ordinary share). These were paid on 31 January 2019 and 30 August 2019. Further, the Directors intend to pay Interim Dividends for the year ended 31 August 2019 in two tranches in January and August 2020.

In accordance with the Board's decision to seek Shareholder approval of the Company's dividend policy at each AGM, a resolution to this effect has been included in the Notice of Meeting on page 82.

Share capital

At the AGM on 12 December 2018, 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. Shareholders also provided approval for the Company to issue 3,754,766 Ordinary shares (including those from treasury) with pre-emption rights disapplied. During the year under review the Company re-issued 850,000 Ordinary shares from treasury representing 2.3% of the issued share capital at the start of the year (excluding shares held in treasury). Subsequent to the year end, the Company re-issued 160,000 Ordinary shares from treasury. The issued share capital of the Company is detailed in note 15 to the Financial Statements. The total number of Ordinary shares at the date of this Report is 41,342,663, of which 2,785,000 Ordinary shares are held in treasury.

Directors

The biographies of the Directors of the Company are set out on page 24, all of whom were in office during the year and up to the date of the signing of the Financial Statements.

As indicated on page 24, all Directors are deemed by the Board to be independent in both character and judgement, and have performed their duties in an independent manner at all times. The independence of Directors will continue to be assessed on a case by case basis.

In accordance with the Company's Articles of Association Directors are required to be submitted for election at the first AGM following their appointment and thereafter submitted for re-election every three years. The Board recognises corporate governance best practice is for all Directors to be submitted for annual re-election. Accordingly, all Directors will be standing for re-election at the forthcoming AGM.

DIRECTORS' REPORT

(Incorporating the Corporate Governance Statement)

The Board has considered the position of each of the Directors as part of the performance evaluation, the process for which is explained in more detail on page 31. The Board has a broad range of relevant experience to contribute towards the Company's strategic priorities, including specialist understanding of biotechnology and healthcare sectors, investment trust companies, fund management and accounting and auditing, as detailed in the Directors' biographies on page 24. Further, the Board has concluded that each Director continues to demonstrate commitment to their roles and provides a valuable contribution to the deliberations of the Board. The Board therefore recommends that Shareholders vote in favour of their re-elections at the forthcoming AGM.

Directors' and Officers' liability insurance and Directors' indemnities

Directors' and Officers' Liability Insurance cover was purchased by the Company and was in force during the year and up to the date of the signing of this Annual Report and will be due for renewal in April 2020.

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.

Fund Manager's performance and contractual arrangements

The Fund Manager is SV Health Managers LLP. The performance of the Fund 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 2019 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
 - 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 Agreement is terminable by either party on 12 months' written notice.

A performance fee of £970,000 is payable in respect of the year ended 31 August 2019 (31 August 2018: £93,000). Please see the Chairman's Statement on page 12 for further information.

The Board has made a commitment of \$30m into SV Fund VI, enabling the Company to achieve the benefits of diversification, access to a wider range of unquoted companies and increased liquidity as outlined above. There is no double charging of investment management fees in relation to this commitment.

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'

31 August 2019

DIRECTORS' REPORT

(Incorporating the Corporate Governance Statement)

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 63, voting rights are summarised on page 85 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
- There exist no agreements between the Company and its Directors providing for compensation for loss of office that may occur because of a takeover bid

Substantial share interests

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

Shareholder	As at 31 August 2019		As at 23 October 2019	
	Number of Ordinary shares held	% of voting rights	Number of Ordinary shares held	% of voting rights
Hargreaves Lansdown Asset Management	4,297,860	11.19	4,421,178	11.47
Border to Coast Pensions Partnership Limited	3,266,468	8.51	3,266,468	8.47
Charles Stanley	3,242,285	8.44	3,245,395	8.42
M&G Investment Management	1,829,926	4.77	1,826,165	4.74
Interactive Investor	1,693,440	4.41	1,796,980	4.66
South Yorkshire Pensions Authority	1,700,000	4.43	1,700,000	4.41
Alliance Trust Savings	1,645,600	4.29	1,665,917	4.32
Brown Shipley	1,564,545	4.07	1,564,545	4.06
Lazard Asset Management (US)	1,915,090	4.99	1,320,362	3.42
A J Bell Securities	1,229,234	3.20	1,274,938	3.31
West Yorkshire Pension Fund	1,245,599	3.24	1,245,599	3.23
Brewin Dolphin	864,981	2.25	1,231,248	3.19

Going concern

The Company has reviewed the guidance issued by the FRC in order to determine whether the going concern basis should be used in preparing the Financial Statements for the year ended 31 August 2019. In doing so, the Directors have considered the Company's borrowing requirements and covenants on existing borrowings; liquidity risk (see note 23 on page 70); the business environment and its impact on financial risk; the nature of the portfolio; and expenditure projections for the next twelve

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 on a biennial basis. Shareholders approved the continuation of the Company in 2017 and a further vote will take place at the AGM scheduled for

DIRECTORS' REPORT

(Incorporating the Corporate Governance Statement)

Wednesday, 11 December 2019. The Directors strongly encourage Shareholders to vote in favour of the continuation. In reaching this recommendation, the Board has reviewed the prospects for the biotechnology sector and appropriateness of offering investors access to this sector through an investment trust vehicle, the strength of the Fund Manager and the performance of and prospects for the portfolio. The Company has also consulted with major Shareholders and has received positive feedback.

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

Following a recommendation by the Audit Committee to the Board, resolutions to re-appoint PricewaterhouseCoopers LLP as Auditors and to authorise the Directors to determine their remuneration will be proposed at the forthcoming AGM. The Board considers that the Auditors remain independent and PricewaterhouseCoopers LLP, have expressed their willingness to continue in office. For information relating to the effectiveness of the external audit process including information regarding the full external tender of audit services which took place in 2016, please see the Audit Committee Report on pages 38 and 39.

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 24, 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 Wednesday, 11 December 2019 at 2.30pm 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 82 to 86, amongst which the Board is seeking Shareholders' approval of the following five 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.

Resolution 11 seeks authority for Directors to allot shares for cash up to a nominal amount of £963,941.50, equivalent to 3,855,766 Ordinary shares (being 10% of the issued Ordinary share capital of the Company (excluding treasury shares) in issue on 28 October 2019 (being the latest practicable date prior to the publication of the Notice of Meeting)).

In addition, resolution 12 seeks authority for Directors to allot further shares for cash up to a nominal amount of £963,941.50, equivalent to 3,855,766 Ordinary shares (being 10% of the issued Ordinary share capital of the Company (excluding treasury shares) in issue on 28 October 2019 (being the latest practicable date prior to the publication of the Notice of Meeting)).

The Directors intend to use these authorities 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. Both authorities will expire at the conclusion of next year's AGM or 15 months from the date of passing of the resolutions, 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, resolution 13 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 £963,941.50 equivalent to 3,855,766 Ordinary shares (being 10% of the Company's existing issued Ordinary share capital (excluding treasury shares) on 28 October 2019 (being the latest practicable date prior to the publication of the Notice of Meeting)) 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.

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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 provided that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement as if this authority had not expired.

Resolution 14 is being proposed at the AGM in addition to resolution 13 which, if passed, will give 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 £963,941.50 equivalent to 3,855,766 Ordinary shares (being 10% of the Company's existing issued Ordinary share capital (excluding treasury shares) on 28 October 2019 (being the latest practicable date prior to the publication of the Notice of Meeting)) 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 provided that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement as if this authority had not expired.

The Board is aware that when combined the authorities sought under resolutions 13 and 14 to dis-apply statutory pre-emption rights amount to 20% of the Company's issued Ordinary Share capital is higher than the level recommended by best practice in accordance with The Investment Association Share Capital Management Guidelines and the Pre-emption Group's Statement of Principles on Dis-applying Pre-emption Rights. However, the Board notes that the Prospectus Regulation allows for issuance for up to 20% of the Company's issued Ordinary Share capital without the need for a prospectus and therefore, believes that the increased authority is justified and it would be in the best interest of Shareholders to provide the extra flexibility to issue further shares. The increased authority would avoid the additional delay and expense of a further Shareholder resolution, which would be required, in the event that the initial 10% authority is granted and exhausted through the programme of tap issuance. Tap issuance is led by market demand and the Company's issuance strategy is key to managing the premium, ensuring that Shareholders are not forced to pay an excessive premium in order to get invested.

During the year ended 31 August 2019, the Company re-issued 850,000 shares from treasury at a premium to the prevailing NAV per share. The effect of these authorities is that shares will be issued at a premium to NAV which should enhance NAV for existing Shareholders.

Share buybacks and treasury share authority

Shareholders approved authorities for the Company to repurchase up to 14.99% of its issued share capital (of which up to 10% of the issued share capital may be retained in treasury for potential re-issue at any time) at the AGM held on Wednesday, 12 December 2018.

During the year ended 31 August 2019, the Company did not conduct any share buybacks. 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 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.

DIRECTORS' REPORT

(Incorporating the Corporate Governance Statement)

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 the provisions of the UK Corporate Governance Code in respect of executive directors' remuneration are not relevant

- The Company does not have an internal audit function as it relies on the systems of control operated by third party suppliers, in particular those of SV Health Managers LLP. The Board monitors these systems of internal control to provide assurance that they operate as intended

Application of the AIC Code's principles

The Board considers that it has managed its affairs throughout the year ended 31 August 2019 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 AIC Code was updated in February 2019 and is applicable to the Company with effect from 1 September 2019. Accordingly, the Board intends to observe the principles and provisions set out in the new AIC Code in the future and will report its compliance against it in the Annual Report for the year ending 31 August 2020.

This Corporate Governance Statement, together with the Management Report and Directors' Responsibilities Statement set out on page 40, 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

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(Incorporating the Corporate Governance Statement)

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 new actual or potential conflicts of interests that would need to be considered and approved by the disinterested Directors.

Board composition

The Board currently consists of four non-executive Directors. The biographical details of each Director, including his/her length of service, are set out on page 24.

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.

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 set a policy on tenure that, in normal circumstances, Directors will retire at the AGM in their 10th year of service. 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. Taking this policy into account, the Nomination Committee carried out a process to agree a succession plan for future years. In accordance with this plan, it is John Aston's intention to retire at the conclusion of the Annual General Meeting to be held in December 2020. It is expected that, Veronique Bouchet will retire shortly thereafter. A recruitment process has been initiated with the aim of identifying potential candidates to succeed John Aston and Veronique Bouchet. The Company has engaged Trust Associate's to assist with this process. Trust Associates has no other connection with the Company.

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. Each Director is requested to complete the questionnaire before the Chairman holds individual meetings with each Director. 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 the Fund Manager's recommendations.

Directors who have served for more than six years are subject to a more rigorous performance review. 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, including the Chairman, 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 the Directors, the Fund Manager and the Company Secretary is

DIRECTORS' REPORT

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maintained throughout the year. Representatives of the Fund Manager and the Company Secretary attend each Meeting and other advisers also attend when requested to do so by the Board.

A schedule of Directors' attendance at Board and Committee Meetings is set out below.

	Board	Audit Committee	Nomination Committee	Management Engagement Committee
Total	6	3	3	1
John Aston	6	3	3	1
Véronique Bouchet	6	3	3	1
Jim Horsburgh	6	3	3	1
Caroline Gulliver	6	3	3	1

In addition, the Board met twice to discuss strategic matters separate from normal agenda matters. The matters covered included marketing initiatives, fund raising strategy, dividend policy and succession planning 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 the Fund Manager, 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 24.

Nomination Committee

The Chairman of the Board acts as Chairman to the Nomination Committee which met three times during the year ended 31 August 2019 and intends to meet at least annually in the future. The function of the Committee is to consider and make recommendations to the Board on its composition and balance,

including identifying and nominating to the Board new Directors and proposing that existing Directors be re-elected.

Before considering new appointments the Nomination Committee evaluates the balance of skills, experience, independence, and knowledge of the Board, and, in light of this evaluation, prepares a description of the roles and capabilities required for particular appointments. Directors' independence and diversity of the Board (including gender) is also considered. Newly appointed Directors are then assessed using the aforementioned criteria.

On those occasions when the Committee is reviewing the Chairman, or considering his successor, the Nomination Committee is chaired by the Senior Independent Director or, in her 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 2019 and intends to meet annually in the future to review matters relating to the performance of the Company's third party service providers, including the Fund Manager, 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 the Fund Manager, 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

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DIRECTORS' REPORT

(Incorporating the Corporate Governance Statement)

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 the Investment Manager. 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 40 and a statement of going concern is set out in the Directors' Report on page 27. The Independent Auditors' Report can be found on pages 41 to 47 and the Audit Committee report on pages 38 and 39.

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.

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 complying with anti-bribery legislation including, but not limited to, the Bribery Act 2014. Further, the Company has adopted 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

INTERNATIONAL BIOTECHNOLOGY TRUST PLC
JOHN ASTON OBE | Chairman
 28 October 2019

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 41 to 47.

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 for at least 15 minutes prior to and 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 they are required to retire by rotation at least every three years in accordance with the Company's Articles of Association.

The Chairman meets with each Director before he or she is proposed for re-election and, subject to the performance evaluation carried out each year, the Board agrees whether it is appropriate for such Director to seek an re-election. When recommending whether an individual Director should seek re-election, the Board will take into account the ongoing recommendations of the AIC Code, including the need to refresh the Board and its Committees.

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

Component parts of the Directors' remuneration

	Year ended 31 August 2019	Year ended 31 August 2018
Chairman's base fee	£42,500	£42,500
Non-executive Director base fee	£28,000	£28,000
Additional fee for the Chair of the Audit Committee	£4,500	£4,500
Additional fee for the Senior Independent Director	£2,000	£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 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.

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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 2019.

Directors' fees are reviewed annually by the Board and, following the last review in July 2019, it was agreed that Directors' fees would remain unchanged.

Previous changes to Directors' remuneration were made in 2012 and 2016 and the additional fee for the Senior Independent Director was introduced with effect from 1 September 2017. These 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 in respect of the year ended 31 August 2019 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:

Remuneration for Qualifying Services	Total Fees *** Year ended 31 August 2019 £	Total Fees *** Year ended 31 August 2018 £
John Aston (Chairman) *	42,500	38,506
Véronique Bouchet	30,000	30,000
Alan Clifton **	-	12,022
Jim Horsburgh	28,000	28,000
Caroline Gulliver	32,500	32,500
Total	133,000	141,028

There were no taxable benefits claimed during the years ended 31 August 2019 or 31 August 2018.

* John Aston replaced Alan Clifton as Chairman of the Board on 12 December 2017. ** Retired from Board on 12 December 2017.

*** No aspect of the Directors' remuneration, past or present, is performance-related in light of the Director's 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.

Directors	2019 £'000	2018 £'000	% change compared to previous year
Aggregate spend on Directors' fees *	133	141	-5.67
Distributions to Shareholders – share buybacks and dividends	10,616	10,138	+4.72

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

REPORT ON DIRECTORS' REMUNERATION

Directors' beneficial and family interests (audited)

Directors	Ordinary shares of 25p each as at 31 August 2019	Ordinary shares of 25p each as at 31 August 2018
John Aston	10,000	10,000
Véronique Bouchet	8,066	7,761
Caroline Gulliver	5,000	5,000
Jim Horsburgh	15,000	15,000

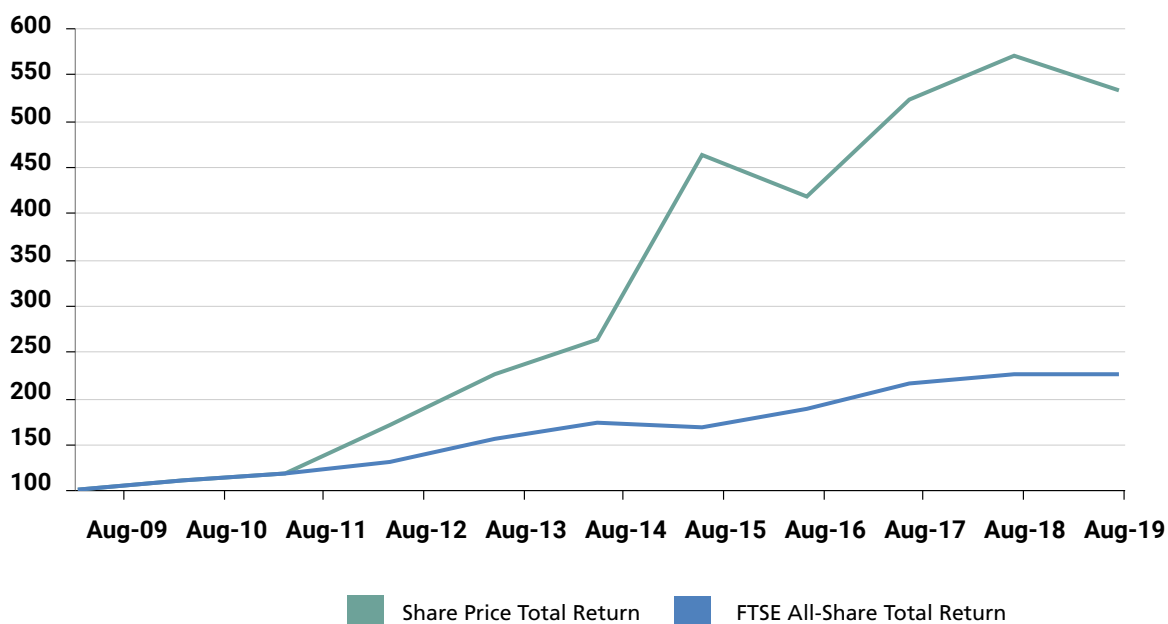
There have been no changes in the above holdings between the year end and the date of this Report. No Director has any material interest in any contract that is significant to the Company's business.

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

Performance graph

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

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REPORT ON DIRECTORS' REMUNERATION

Statement of implementation of Directors' remuneration policy

The Board does not envisage that there will be any significant changes to the implementation of the Directors' Remuneration Policy during the current financial year compared to how it was implemented during the year ended 31 August 2019.

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 2019:

- (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 12 December 2017 and accordingly, an ordinary resolution will be put to Shareholders at the AGM to be held in 2020, unless the Directors choose to amend the policy, at which time it would be resubmitted to Shareholders for approval.

At the AGM held on 12 December 2017, votes cast (including the votes cast at the Chairman's discretion) in respect of the Directors' Remuneration Policy were 15,833,662 (99.86%) in favour, 21,645 (0.14%) against and 20,631 votes withheld.

At the AGM held on 12 December 2018, votes cast (including the votes cast at the Chairman's discretion) in respect of the Annual Report on Directors' Remuneration were 11,962,641 (99.90%) in favour, 12,567 (0.10%) against and 13,494 votes withheld.

Recommendation

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

On behalf of the Board

JOHN ASTON OBE | Chairman
28 October 2019

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 and Jim Horsburgh. All Members of the Committee are independent 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. Jim Horsburgh has spent his career 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 24.

The Audit Committee met three times during the year ended 31 August 2019 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 Fund Manager.

The role of the Committee

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 31.

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 whether the Company's Annual Report, taken as a whole, is fair, balanced and understandable and provides Shareholders with the information they need to assess the Company's business model, strategy, position and performance
- Making recommendations to the Board regarding the appointment of the external Auditors, their independence and the objectivity and effectiveness of the audit process
- 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 Fund Manager, who work closely with the Auditors during the Annual Audit process. As part of this review, the Audit Committee takes into consideration the qualifications, expertise and resources, and independence of the external Auditors and the effectiveness of the external audit process, which includes a report from the external auditor on their own internal quality procedures. The Auditors attend the Audit Committee Meeting 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 Fund Manager present. The Auditors are required to rotate the audit partner every five years and rotation took place last year and Mr Christopher Meyrick is the assigned audit partner overseeing the audit for the second year.

Details of the amounts 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 57. The Audit Committee annually monitors the non-audit services provided to the Company and has developed a formal policy

AUDIT COMMITTEE REPORT

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 Tender and re-appointment of the Auditors

The EU Audit Directive requires companies to tender audit services once every 10 years and change Auditors every 20

years. PricewaterhouseCoopers LLP was initially appointed in 2007 and accordingly, the Company conducted a tender of audit services in 2016 in respect of the audit for the year ended 31 August 2017. Following recommendation by the Audit Committee, the Board decided to retain PricewaterhouseCoopers LLP as Auditors for the Company, as permitted by the EU Audit Directive. Following a review of the Auditors performance, as described above, the Audit Committee recommends the re-appointment of the Auditors at the forthcoming AGM.

Significant issues considered with respect to the Annual Report

ISSUE CONSIDERED	HOW THE ISSUE WAS ADDRESSED
Accuracy and integrity of the Financial Statements	Review of the Audit Plan. Consideration of draft Annual Report and Half Yearly Report, including a review of the appropriateness of the accounting policies and regulatory developments during the year.
Valuation and existence of 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, Fund Manager, Company Secretary and other third party service providers, the Audit Committee has concluded that the Annual Report for the year ended 31 August 2019, 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 40.

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

CAROLINE GULLIVER | Chairman of the Audit Committee
28 October 2019

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 included in the management report for the purposes of the Rules is included in the Strategic Report on pages 11 to 22 inclusive (together with the sections of the Annual Report incorporated by reference) and the Directors' Report on pages 25 to 33. 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
- 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 24 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
- As outlined on page 27 of this Report, the Directors have undertaken all necessary reviews to provide a going concern recommendation.

On behalf of the Board

JOHN ASTON OBE | Chairman
28 October 2019

31 August 2019

INDEPENDENT AUDITORS' REPORT

To the Members of International Biotechnology Trust plc

Report on the audit of 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 2019 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at 31 August 2019; 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 2018 to 31 August 2019.

Our audit approach

OVERVIEW

Materiality	<ul style="list-style-type: none"> • Overall materiality: £2.3m (2018: £2.6m), based on 1% of net assets.
Audit scope	<ul style="list-style-type: none"> • The Company is a standalone Investment Trust Company and engages SV Health Managers LLP (the Manager) to manage its assets. • We conducted our audit of the Financial Statements using information from HSBC Bank plc (the Administrator) to whom the Manager has, with the consent of the Directors, delegated the provision of certain administrative functions. • We tailored the scope of our audit taking into account the types of investments within the 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 Manager and the Administrator, and adopted a fully substantive testing approach using reports obtained from the Administrator.
Key audit matters	<ul style="list-style-type: none"> • Valuation and existence of unquoted investments. • Valuation and existence of quoted investments. • Performance fees. • Ability to continue as a going concern

INDEPENDENT AUDITORS' REPORT

To the Members of International Biotechnology Trust plc

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.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of section 1158 of the Corporation Tax Act 2010 and the UK and European regulatory principles, such as those governed by the Financial Conduct Authority (see page 21 of the Annual Report), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and Chapter 15 of the UK Listing Rules applicable to Closed-Ended Investment Funds. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or to overstate the value of investments and increase the net asset value of the Company. Audit procedures performed by the engagement team included:

- Discussions with the Directors and the Manager, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud, and review of the reports made by management;
- Discuss with and challenge the Manager as to the

appropriateness of the methodology and key inputs used in the valuation of the unquoted investments;

- Reviewing relevant meeting minutes, including those of the Audit Committee;
- Assessment of the Company's compliance with the requirements of section 1158 of the Corporation Tax Act 2010, including recalculation of numerical aspects of the eligibility conditions; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing of expenses.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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
Valuation and existence of unquoted investments	<p>We understood and evaluated the valuation methodology applied, by reference to industry practice, and tested the techniques used by the Manager in determining the fair value of unquoted investments. Our testing included:</p> <ul style="list-style-type: none"> • assessing, for a selection of investments, the appropriateness of the valuation models used and also testing the inputs either through validation to appropriate third party sources, or where relevant, assessing the reasonableness of assumptions and estimates used; • comparing valuations based on recent transactions; and • comparing recent investments made in investee companies where there was a significant new investor.
Refer to page 39 (Audit Committee Report), page 53 (Accounting Policies) and page 60 (notes).	
The investment portfolio at 31 August 2019 included unquoted investments.	

31 August 2019

INDEPENDENT AUDITORS' REPORT

To the Members of International Biotechnology Trust plc

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation and existence of unquoted investments	
<p>We focused on the valuation and existence of the unquoted investments as these investments represented a material balance in the financial statements (£35.1m) 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 in a material change to the valuation of unquoted investments.</p>	<p>We also read the meeting minutes where the valuations of the unquoted investments were discussed and agreed. This, together with the work outlined above and our knowledge of the investee entities, IFRS, the AIC SORP and the International Private Equity and Venture Capital Valuation guidelines, enabled us to discuss with and challenge the Manager as to the appropriateness of the methodology, key inputs used and the valuations themselves.</p> <p>We found that the Manager's valuations of unquoted investments were materially 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 reasonable based on the investee's circumstances or consistent with appropriate third party sources.</p> <p>We tested the existence of the unquoted investment portfolio by agreeing a sample of the holdings to an independently obtained custodian confirmation.</p> <p>No material misstatements were identified from this testing.</p>
Valuation and existence of quoted investments	
<p>Refer to page 39 (Audit Committee Report), page 53 (Accounting Policies) and page 60 (notes).</p> <p>The investment portfolio at the year-end comprised quoted equity investments valued at £202.2m.</p> <p>We focused on the valuation and existence of quoted investments because investments represent the principal element of the net asset value as disclosed on the Balance Sheet.</p>	<p>We tested the valuation of all quoted equity investments by agreeing the prices used in the valuation to independent third party sources.</p> <p>We tested the existence of the investment portfolio by agreeing the holdings of all quoted investments to an independently obtained custodian confirmation.</p> <p>No material misstatements were identified from this testing</p>
Performance fees	
<p>Refer to page 39 (Audit Committee Report), page 52 (Accounting Policies) and page 57 (notes).</p> <p>A performance fee is payable to the Manager for the year of £970k. We focused on this area because the performance fee is calculated using a complex methodology as set out in the Investment Management Agreement between the Company and the Manager.</p>	<p>We tested the performance fee 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.</p> <p>We tested the allocation of the performance fee wholly to capital in the Income Statement with reference to the accounting policy as set out on page 52. We found that the allocation of the performance fee was consistent with the accounting policy.</p> <p>No material misstatements were identified from this testing.</p>

INDEPENDENT AUDITORS' REPORT

To the Members of International Biotechnology Trust plc

Ability to continue as a going concern

Refer to the Going Concern section on pages 27 and 28, the Viability Statement on page 21 and the Basis of Preparation in the Notes to the Financial Statements on page 52.

A continuation vote is due to take place at the next Annual General Meeting on 11th December 2019 which, if passed, will allow the Company to continue as an investment trust for a further two years. As such the Directors have considered and assessed the potential impact on the ability of the Company to continue as a going concern.

We reviewed the Directors' assessment of going concern in relation to the passing of the continuation vote.

We also assessed the appropriateness of preparing the financial statements on a going concern basis taking into consideration the continuation vote.

We challenged the Directors on their assessment which includes but is not limited to the following in support of the vote:

- the shareholder register is stable, comprising a wide range of private wealth managers and retail investors;
- whilst current year performance is negative with a share price annual return of -2.1% the company has a positive long term performance track record; and
- the previous continuation vote in 2017 passed with no significant votes against.

Our findings in respect of going concern are set out in the "Going Concern" section below.

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.

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	£2.3m (2018: £2.6m).
How we determined it	1% of net assets.
Rationale for benchmark applied	We applied this benchmark, which is a generally accepted auditing practice for investment trust audits.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £115,000 (2018: £131,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

31 August 2019

INDEPENDENT AUDITORS' REPORT

To the Members of International Biotechnology Trust plc

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's business and the wider economy.
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 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 2019 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)

INDEPENDENT AUDITORS' REPORT

To the Members of International Biotechnology Trust plc

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 20 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 21 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 39, 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 38 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.

Directors' Remuneration

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 Trust plc

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 40, 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 13 years, covering the years ended 31 August 2007 to 31 August 2019.

CHRISTOPHER MEYRICK | Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors Edinburgh
28 October 2019

STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the year ended 31 August 2019			For the year ended 31 August 2018		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments held at fair value	2	-	(13,940)	(13,940)	-	21,591	21,591
Exchange (losses)/gains on currency balances		-	(517)	(517)	-	1,049	1,049
Income	3	669	-	669	380	-	380
Expenses							
Management fee	4	(1,610)	-	(1,610)	(1,605)	-	(1,605)
Performance fee	4	-	(970)	(970)	-	(93)	(93)
Administrative expenses	5	(862)	-	(862)	(1,096)	-	(1,096)
(Loss)/profit before finance costs and tax		(1,803)	(15,427)	(17,230)	(2,321)	22,547	20,226
Finance costs							
Interest payable	6	(214)	-	(214)	(218)	-	(218)
(Loss)/profit on ordinary activities before tax		(2,017)	(15,427)	(17,444)	(2,539)	22,547	20,008
Taxation	7	(96)	-	(96)	(48)	-	(48)
(Loss)/profit for the year attributable to Shareholders		(2,113)	(15,427)	(17,540)	(2,587)	22,547	19,960
Basic and diluted (loss)/earnings per Ordinary share	8	(5.58)p	(40.75)p	(46.33)p	(6.89)p	60.05p	53.16p

All revenue and capital items in the above statement derive from continuing operations. The total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with IFRSs as adopted by the EU.

The Company does not have any other comprehensive income and hence the net (loss)/profit 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 52 to 75 form part of these Financial Statements.

31 August 2019

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 August 2019	Notes	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
Balance at 1 September 2018		10,335	18,805	31,482	238,494	(36,643)	262,473
Total Comprehensive Income:							
Loss for the year		-	-	-	(15,427)	(2,113)	(17,540)
Transactions with owners, recorded directly to equity:							
Dividend paid in the year	9	-	-	-	(10,616)	-	(10,616)
Ordinary shares issued from treasury		-	1,188	-	4,074	-	5,262
Balance at 31 August 2019		10,335	19,993	31,482	216,525	(38,756)	239,579

For the year ended 31 August 2018	Notes	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
Balance at 1 September 2017		10,335	18,805	31,482	226,085	(34,056)	252,651
Total Comprehensive Income:							
Profit/(loss) for the year		-	-	-	22,547	(2,587)	19,960
Transactions with owners, recorded directly to equity:							
Dividend paid in the year	9	-	-	-	(10,138)	-	(10,138)
Balance at 31 August 2018		10,335	18,805	31,482	238,494	(36,643)	262,473

The notes on pages 52 to 75 form part of these Financial Statements.

BALANCE SHEET

	Notes	At 31 August 2019 £'000	At 31 August 2018 £'000
Non-current assets			
Investments held at fair value through profit or loss	10	237,360	263,025
		237,360	263,025
Current assets			
Receivables	11	2,616	50
Cash and cash equivalents	12	886	142
		3,502	192
Total assets		240,862	263,217
Current liabilities			
Borrowings	12	-	(374)
Payables	13	(1,283)	(370)
		(1,283)	(744)
Net assets		239,579	262,473
Equity attributable to equity holders			
Called up share capital	15	10,335	10,335
Share premium account	16	19,993	18,805
Capital redemption reserve	17	31,482	31,482
Capital reserves	18	216,525	238,494
Revenue reserve	19	(38,756)	(36,643)
Total equity		239,579	262,473
NAV per Ordinary share	20	623.94p	699.04p

The Financial Statements on pages 48 to 75 were approved by the Board on 28 October 2019 and signed on its behalf by:

■ JOHN ASTON OBE | Chairman

■ CAROLINE GULLIVER | Chair of the Audit Committee

The notes on pages 52 to 75 form part of these Financial Statements.

International Biotechnology Trust plc Company Number 2892872

31 August 2019

CASH FLOW STATEMENT

	Notes	For the year ended 31 August 2019 £'000	For the year ended 31 August 2018 £'000
Cash flows from operating activities			
(Loss)/profit before tax		(17,444)	20,008
Adjustments for:			
Decrease in investments		25,665	6,348
(Increase)/decrease in receivables		(2,566)	2,786
Increase/(decrease) in payables		913	(12,924)
Taxation		(96)	(48)
Net cash flows generated from operating activities	21	6,472	16,170
Cash flows used in financing activities			
Issue of Ordinary shares from treasury		5,262	-
Dividend paid		(10,616)	(10,138)
Net cash used in financing activities		(5,354)	(10,138)
Net increase in cash and cash equivalents		1,118	6,032
Cash and cash equivalents at 1 September		(232)	(6,264)
Cash and cash equivalents at 31 August	12	886	(232)

The notes on pages 52 to 75 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 Directors' Report.

The Company's Financial Statements have been prepared in accordance with IFRS and those parts of the Act applicable to companies reporting under IFRS. These comprise standards and interpretations approved by the IASB and IASB, as adopted by the EU.

For the purposes of the Financial Statements, the results and financial position of the Company are expressed in 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 (as set out on page 27) 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 AIC in November 2014 and updated in February 2018 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 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
- Transaction costs incurred on the acquisition or disposal of investments are expensed and included in the costs of acquisition or deducted from the proceeds of sale as appropriate

NOTES TO THE FINANCIAL STATEMENTS

(e) Taxation

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

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

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

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

The Company holds three types of investments: investments in funds, direct investment in unquoted companies, and direct investment 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 (ie as prices) or indirectly (ie 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 2018). These may include 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, an earnings multiple or discounted cashflow model, all with reference to recent arm's length market transactions between knowledgeable, willing parties, where available.

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.

Investment 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 the SV Fund VI's investment in that fund is reflected in the NAV on the next NAV date.

NOTES TO THE FINANCIAL STATEMENTS

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 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. With respect to any investments within SV Fund VI for which there is a listed price, the Company revalues its investment in SV Fund VI to take account of market movements in the underlying security. The listed price of these underlying securities is monitored on a daily basis. Any price move in SV Fund VI's underlying investments that materially impacts the Company's holding in SV Fund VI is immediately reflected in the NAV on the next NAV date. If there are no material movements, these underlying securities are revalued on a monthly basis and immediately reflected in the NAV on the next NAV date.

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 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, assumptions and judgements relate, in particular, to the valuation of unquoted investments. The critical judgements are summarised in (f) above and the impact of estimates and assumptions are summarised in note 23 on page 74.

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 fair 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) and subsequent re-issues

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.

The sales proceeds of treasury shares reissued are treated as a realised profit up to the amount of the purchase price of those shares and is transferred to capital reserves. The excess of the sales proceeds over the purchase price is transferred to the share premium account.

31 August 2019

NOTES TO THE FINANCIAL STATEMENTS

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, represents the amount by which the fair value of the consideration received exceeds the nominal value of shares issued.

(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
- Re-issue of Ordinary shares from treasury
- Repurchase of Ordinary shares in issue
- Dividends paid to Shareholders

Note: Unrealised unquoted holding gains are not distributable.

(iv) Revenue reserve

Comprises accumulated undistributed revenue profits and losses.

(n) New and revised accounting Standards

There were no new IFRSs or amendments to IFRSs applicable to the current year which had any significant impact on the Company's accounts.

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

Effective for periods commencing on or after 1 January 2019:

- IFRS16 Leases - As the Company neither holds, trades or has any lease obligations of any type, the provisions of this standard are not expected to have a material impact on the accounts
- IFRIC 23 Uncertainty over Income Tax Treatments - The interpretation provides guidance on considering uncertain tax treatments in relation to taxable profit or loss and does not add any new disclosures. The Company complies with all relevant tax laws where applicable and the provisions of this interpretation are not expected to have a material impact on the accounts
- IAS19 (amended) Employee Benefits - As the Company has no employees, the amendment to this standard are not expected to have any impact on the accounts
- IAS28 (amended) Investments in Associates and Joint Ventures - As the Company has no investment in associates or joint ventures, the amendment to this standard are not expected to have any impact on the accounts
- IFRS9 (amended) Prepayment Features with Negative Compensation - Negative compensation arises where the contractual terms permit a borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest
The Company has no such terms in any of its loan agreements in place and the amendments are not expected to have any impact on the accounts.
- Annual Improvement Cycles 2015-2017 (amendments) - This makes narrow-scope amendments to four IFRS Standards: IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Incomes Taxes and IAS23 Borrowing costs. These limited amendments are not expected to have any impact on the accounts

Effective for periods commencing on or after 1 January 2020:

- IFRS 3 Business combinations (amended)
- IAS 1 and IAS 8 Definition of Material (amended)
- References to the conceptual Framework in IFRS Standards (amended)

IFRS 9, 15 and 16 all became effective in the year and had no impact on the accounts of the Company.

The Directors expect that the adoption of the standards listed above will have either no impact or that any impact will not be material on the Financial Statements of the Company in future periods.

NOTES TO THE FINANCIAL STATEMENTS

2. (LOSSES)/GAINS ON INVESTMENTS HELD AT FAIR VALUE

	For the year ended 31 August 2019 £'000	For the year ended 31 August 2018 £'000
Net gains on disposal of investments at historic cost	5,931	9,145
Less fair value adjustments in earlier years	(20,169)	(13,092)
Losses based on carrying value at previous Balance Sheet date	(14,238)	(3,947)
Investment holding gains during the year	298	25,538
	(13,940)	21,591
Attributable to:		
Quoted investments	(20,345)	15,047
Unquoted investments	6,405	6,544
	(13,940)	21,591
Exchange (losses)/gains on currency balances	(517)	1,049

Exchange (losses)/gains on currency balances arise on the retranslation of foreign currency balances held by the Company.

3. INCOME

	For the year ended 31 August 2019 £'000	For the year ended 31 August 2018 £'000
Income from investments held at fair value through profit or loss:		
Unfranked dividends	642	379
Other income:		
Bank interest	27	1
	669	380

31 August 2019

NOTES TO THE FINANCIAL STATEMENTS

4. MANAGEMENT AND PERFORMANCE FEES

	For the year ended 31 August 2019 £'000	For the year ended 31 August 2018 £'000
Fees payable to the Fund Manager are as follows:		
Management fees paid by Company (allocated to revenue)	1,610	1,605
Performance fee (allocated to capital)	970	93

Details of the management and performance fee arrangements are included in the Directors' Report on page 26.

Following the investment into the SV Fund VI venture capital fund on 3 October 2016, management fees are partially paid through the venture capital investment. Venture Capital fees paid through the SV Fund VI investment in the year were £526,000 (2018: £503,000). Total Management fees on a comparative basis were £2,136,000 (2018: £2,108,000).

Refer to note 22 Related Party Transactions on page 65, for further details.

5. ADMINISTRATIVE EXPENSES

	For the year ended 31 August 2019 £'000	For the year ended 31 August 2018 £'000
General expenses*	468	700
Directors' fees**	133	141
Company Secretarial and administration fees	223	218
Auditors' remuneration:		
Fees payable to the Company's Auditors for the audit of the Annual Financial Statements	38	37
	862	1,096

* Includes research costs under MiFID II related solely to specialist biotechnology research of £96,000 (annual cap of £160,000).

These costs applied from 3 January 2018. These costs were previously partly wrapped up in trade commission. Under MiFID II which applied from 3 January 2018, changes were made to how investment managers pay for their research. This new regime requires investment managers to budget separately for research and trading costs.

**See the Directors' Remuneration Report on pages 34 to 37.

NOTES TO THE FINANCIAL STATEMENTS

6. INTEREST PAYABLE

	For the year ended 31 August 2019 £'000	For the year ended 31 August 2018 £'000
Bank overdraft interest payable	214	218
	214	218

7. TAXATION

(a) Analysis of charge in year

	For the year ended 31 August 2019 £'000	For the year ended 31 August 2018 £'000
Overseas tax	96	48
Total current tax charge for the year	96	48

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 higher than that resulting from applying the standard rate of Corporation Tax in the UK for a medium or large company of 19% (2018: 19%). The differences are explained below:

	For the year ended 31 August 2019			For the year ended 31 August 2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Factors affecting tax charge for the year:						
(Loss)/profit on ordinary activities before taxation	(2,017)	(15,427)	(17,444)	(2,539)	22,547	20,008
Tax at the UK Corporation Tax rate of						
- 19% (2018: 19%)	(383)	(2,931)	(3,314)	(482)	4,284	3,802
Tax effect of:						
Non-taxable dividend income	(122)	-	(122)	(72)	-	(72)
Capital returns on investments	-	2,649	2,649	-	(4,103)	(4,103)
Exchange gains/(losses)	-	98	98	-	(199)	(199)
Expenses not utilised in the year	505	184	689	554	18	572
Overseas tax	96	-	96	48	-	48
	96	-	96	48	-	48

31 August 2019

NOTES TO THE FINANCIAL STATEMENTS

(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 2019, the Company had a potential deferred tax asset of £10,732,000 (2018: £10,135,000) 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.

8. NET (LOSS)/EARNING PER ORDINARY SHARE

	For the year ended 31 August 2019 £'000	For the year ended 31 August 2018 £'000
Net revenue loss	(2,113)	(2,587)
Net capital (loss)/profit	(15,427)	22,547
	(17,540)	19,960
Weighted average number of Ordinary shares in issue during the year*	37,853,827	37,547,663
	Pence	Pence
Revenue loss per Ordinary share	(5.58)	(6.89)
Capital (loss)/profit per Ordinary share	(40.75)	60.05
Total (loss)/earning per Ordinary share	(46.33)	53.16

*Excluding those held in treasury.

9. DIVIDENDS

Dividends paid	For the year ended 31 August 2019 £'000	For the year ended 31 August 2018 £'000
2019 First interim dividend paid of 14.00p (2018: 13.50p)	5,267	5,069
2019 Second interim dividend paid of 14.00p (2018: 13.50p)	5,349	5,069
Total dividends paid in the year	10,616	10,138

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 CTA due to the negative accumulated balance on its revenue reserve. The above dividends are paid out of the capital reserve.

NOTES TO THE FINANCIAL STATEMENTS

10. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Analysis of investments	For the year ended 31 August 2019 £'000	For the year ended 31 August 2018 £'000
Quoted overseas	202,215	230,589
Unquoted in the United Kingdom	3,549	3,808
Unquoted overseas	31,596	28,628
Valuation of investments at 31 August	237,360	263,025

(b) Movements on investments	For the year ended 31 August 2019 £'000	For the year ended 31 August 2018 £'000
Opening book cost	231,135	249,929
Opening fair value adjustment	31,890	19,444
Opening valuation	263,025	269,373
Purchases at cost	256,198	226,208
Proceeds of disposals	(267,923)	(254,147)
Net losses realised on disposals	(14,238)	(3,947)
Increase in fair value adjustment	298	25,538
Valuation of investments at 31 August	237,360	263,025

Closing book cost	225,341	231,135
Closing fair value adjustment	12,019	31,890
Closing valuation	237,360	263,025

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

	For the year ended 31 August 2019 £'000	For the year ended 31 August 2018 £'000
On acquisitions	151	130
On disposals	161	152
	312	282

31 August 2019

NOTES TO THE FINANCIAL STATEMENTS

(c) Significant undertaking	Class of shares held	% of class held	Country of incorporation
The Company has interests of 3% or more of any class of capital in the following investee companies.			
Archemix	Series B	3.80%	USA
EBR Systems	Series C	7.84%	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
Topivert	Series B	3.02%	UK

(d) Disposals of unquoted investments

The significant unquoted investment disposals during the year were:

Investment	Carrying value at 31 August 2018 £'000	Proceeds £'000	Increase in fair value £'000	Carrying value at 31 August 2019 £'000
Ikano Therapeutics	2,128	(1,440)	2,689	3,377

The carrying value of this investment 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
Ikano Therapeutics	2,689
NCP Holdings	635
Convergence	497
Topivert	(316)

NOTES TO THE FINANCIAL STATEMENTS

11. RECEIVABLES

Amounts due within one year:	At 31 August 2019 £'000	At 31 August 2018 £'000
Sales awaiting settlement	2,491	-
Accrued income	67	1
Prepaid expenses	29	22
Tax recoverable	8	8
VAT recoverable	21	19
	2,616	50

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following for the purposes of the Statement of Cash Flows:	At 31 August 2019 £'000	At 31 August 2018 £'000
Cash at bank	886	142
Bank overdraft	-	(374)
Cash and cash equivalents	886	(232)

The Company has a £55.0m (2018: £35.0m) uncommitted multi-currency overdraft facility. On 31 August 2019, £nil (2018: £374,000) 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

Amounts falling due within one year:	At 31 August 2019 £'000	At 31 August 2018 £'000
Purchases awaiting settlement	42	-
Accrued expenses	1,221	345
Other	20	25
	1,283	370

14. CAPITAL COMMITMENTS - CONTINGENT ASSETS AND LIABILITIES

The Company made a \$30.0m commitment to SV Fund VI in 2016. Of this \$30.0m commitment, the Company has further commitments of £7.8m as at 31 August 2019 (2018: £8.9m).

31 August 2019

NOTES TO THE FINANCIAL STATEMENTS

15. CALLED UP SHARE CAPITAL

Allotted, Called up and Fully paid:	Ordinary shares of 25p each		Nominal value	
	at 31 August 2019	at 31 August 2018	at 31 August 2019	at 31 August 2018
Ordinary shares in issue	38,397,663	37,547,663	9,599	9,387
Ordinary shares held in treasury	2,945,000	3,795,000	736	948
	41,342,663	41,342,663	10,335	10,335

During the year, there were 850,000 Ordinary shares issued from treasury for a total cost of £5,262,000 (2018 : nil).

No Ordinary shares held in treasury were either cancelled or repurchased during the year (2018 : nil).

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

16. SHARE PREMIUM ACCOUNT

	At 31 August 2019 £'000	At 31 August 2018 £'000
Balance brought forward	18,805	18,805
Ordinary shares issued from treasury	1,188	-
Balance carried forward	19,993	18,805

This reserve is not distributable.

17. CAPITAL REDEMPTION RESERVE

	At 31 August 2019 £'000	At 31 August 2018 £'000
Balance brought forward	31,482	31,482
Balance carried forward	31,482	31,482

This reserve is not distributable.

NOTES TO THE FINANCIAL STATEMENTS

18. CAPITAL RESERVES

	At 31 August 2019 £'000	At 31 August 2018 £'000
Balance brought forward	238,494	226,085
(Losses)/gains on investments	(13,940)	21,591
Proceeds from Ordinary shares re-issued from treasury	4,074	-
Performance fee	(970)	(93)
Dividend paid out of capital	(10,616)	(10,138)
Realised exchange (losses)/gains on currency balances	(517)	1,049
Balance carried forward	216,525	238,494
The capital reserves may be further analysed as follows:		
(i) Reserve on investments sold	204,506	206,604
(ii) Reserve on investments held	12,019	31,890
	216,525	238,494

(i) These are realised distributable capital reserves which may be 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 2019 £'000	At 31 August 2018 £'000
Balance brought forward	(36,643)	(34,056)
Net loss for the year	(2,113)	(2,587)
Balance carried forward	(38,756)	(36,643)

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

20. NET ASSET VALUE PER ORDINARY SHARE

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

	At 31 August 2019	At 31 August 2018
NAV (£'000)	239,579	262,473
Number of Ordinary shares in issue	38,397,663	37,547,663
Basic NAV per Ordinary share (pence)	623.94	699.04

31 August 2019

NOTES TO THE FINANCIAL STATEMENTS

The decrease in the NAV per share from 699.04p (31 August 2018) to 623.94p (31 August 2019) includes the total loss per share as disclosed above and the effect on the Company, of any issue of Ordinary shares during the year, at a premium to the prevailing NAV per share and by dividend payments.

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

	For the year ended 31 August 2019 £'000	For the year ended 31 August 2018 £'000
Proceeds on disposal of fair value through profit and loss investments	265,432	257,986
Purchases of fair value through profit and loss investments	(256,156)	(238,913)
Net cash inflow from investing activities	9,276	19,073
Cash flows from other operating activities	(2,804)	(2,903)
Net cash flows generated from operating activities	6,472	16,170

22. TRANSACTIONS WITH THE FUND MANAGER AND RELATED PARTY TRANSACTIONS

(a) Transactions with the Fund Manager

Details of the management fee arrangement are given in the Directors' Report on page 26. The total fee payable under this Agreement to SV Health Managers LLP for the year ended 31 August 2019 was £2,136,000 (2018: £2,108,000) of which £nil (2018: £nil) was outstanding at the year end. In addition to this, SV Health Managers LLP is also entitled to a performance fee of £970,000 (2018: £93,000), 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 Fund Manager has agreed with the Board a set of guidelines on how any economic interest will be divided between the Company and the Fund 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 2019 £nil (2018: £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 2019 was £133,000 (2018: £141,028) of which £33,250 (2018: £33,250) was outstanding at the year end.

23. FINANCIAL INSTRUMENTS

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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 Fund 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 within the Fund Facts and in the Fund Manager's Review on pages 13 to 16. 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 2019 £'000	At 31 August 2018 £'000
Non-current asset investments at fair value	237,360	263,025
Total	237,360	263,025

The level of assets exposed to market price risk decreased by approximately 9.8% during the year, through a combination of acquisitions and disposal of investments and decreases in fair values.

Concentration of exposure to price risk

The Company currently holds investments in 74 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 is provided within the Fund Facts.

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.

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NOTES TO THE FINANCIAL STATEMENTS

Company	31 August 2019		31 August 2018	
	Increase in Fair value £'000	Decrease in Fair value £'000	Increase in Fair value £'000	Decrease in Fair value £'000
Effect on revenue return	(214)	214	(237)	237
Effect on capital return	23,736	(23,736)	26,303	(26,303)
Effect on total return and net assets	23,522	(23,522)	26,066	(26,066)

b. Currency Risk

The Financial Statements and performance of the Company are denominated in sterling. However, the majority of the Company's 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.

Management of the risk

The Fund 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 2019 are shown below. Where the Company's equity investments (which are not 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 2019 £'000	At 31 August 2018 £'000
Monetary assets/(liabilities)		
Cash and cash equivalents:		
US dollars	714	-
Short-term receivables:		
US dollars	2,558	1
Danish krone	8	8
Short-term payables:		
US dollars	(67)	(299)
Danish krone	-	-
Foreign currency exposure on net monetary items	3,213	(290)
Non-current asset investments held at fair value		
US dollars	216,427	237,764
Euros	10,322	11,541
Danish krone	7,062	9,912
Total net foreign currency exposure	237,024	258,927

NOTES TO THE FINANCIAL STATEMENTS

At the year end, approximately 99% (2018: 99%) of the Company's net assets were denominated in currencies other than sterling. This level of exposure is broadly representative of the levels throughout the year.

Foreign currency sensitivity

During the financial year sterling weakened by 6.3% against the US dollar, 4.1% against the Swiss franc and by 1.0% against the Euro (2018: strengthened 0.9%, 1.5% and 3.1% respectively). Given the movements over the last two years, a change of 10% or even more is 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 pound sterling had weakened against the exposure currencies, with all other variables held constant, this would have affected Company net assets and net (loss)/profit for the year attributable to equity Shareholders as follows:

	At 31 August 2019 £'000	At 31 August 2018 £'000
US dollars	21,963	23,746
Euros	1,032	1,154
Danish krone	707	992
Swiss francs	1	1
	23,703	25,893

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

	At 31 August 2019 £'000	At 31 August 2018 £'000
US dollars	(21,963)	(23,746)
Euros	(1,032)	(1,154)
Danish krone	(707)	(992)
Swiss francs	(1)	(1)
	(23,703)	(25,893)

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.

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NOTES TO THE FINANCIAL STATEMENTS

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 £nil (2018: £374,000) 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 2019, 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 2019			At 31 August 2018		
	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	886	-	886	(232)	-	(232)
Exposure to fixed interest rates:						
Non-current asset investments held at fair value through profit or loss	202	-	202	-	-	-
Total exposure to interest rates	1,088	-	1,088	(232)	-	(232)

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 Fund Manager's decisions on the best use of cash or borrowings over the year. During the year under review the level of financial assets and liabilities exposed to interest rates fluctuated between £0m and £15.3m.

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 (2018: 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.

NOTES TO THE FINANCIAL STATEMENTS

	At 31 August 2019		At 31 August 2018	
	Increase in rate £'000	Decrease in rate £'000	Increase in rate £'000	Decrease in rate £'000
Effect on revenue return	4	(4)	(1)	1
Effect on capital return	-	-	-	-
Effect on total return on net assets	4	(4)	(1)	1

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.

2. Credit Risk

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

Management of the risk

During the year the Company bought and sold investments only through brokers which had been approved by the Fund Manager as acceptable counterparties. The Company invests in markets that operate a 'Delivery Versus Payment' settlement process which mitigates the risk of losing the principal of a trade during settlement. 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

	At 31 August 2019 £'000	At 31 August 2018 £'000
Sales awaiting settlement	2,491	-
Accrued income	67	1
Cash at bank	886	142
	3,444	143

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.

NOTES TO THE FINANCIAL STATEMENTS

Management of the risk

Liquidity and cash flow risk are minimised as the Fund 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 £55 million (2018: £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 Fund Manager's active involvement in that company.

Liquidity risk exposure

As an Investment Trust, the Company has limited liquidity risk. In any event, the Company estimates it could liquidate 59.1% of the portfolio within five days if required. A summary of the Company's financial liabilities is provided below in sub-note 6.

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 significant 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
- (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 Guidelines. The methods commonly used to value unquoted securities are stated in accounting policy 1(f).

NOTES TO THE FINANCIAL STATEMENTS

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 2019 £'000	At 31 August 2018 £'000
Financial assets at fair value through profit or loss:		
Non-current asset investments - designated as such on initial recognition	237,360	263,025
Cash and receivables:		
Current assets:		
Receivables	2,587	28
Cash and cash equivalents	886	142
Total current assets	3,473	170

Financial liabilities	At 31 August 2019 £'000	At 31 August 2018 £'000
Measured at amortised cost		
Creditors: amounts falling due within one month:		
Purchases awaiting settlement	42	-
Bank overdraft	-	374
Accruals	1,221	345
Payables	20	25
	1,283	744

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 2019	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Equity investments	237,158	202,215	-	34,943
Fixed interest investments	202	-	-	202
	237,360	202,215	-	35,145

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NOTES TO THE FINANCIAL STATEMENTS

At 31 August 2018	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Equity investments	262,655	230,589	-	32,066
Fixed interest investments	370	-	-	370
	263,025	230,589	-	32,436

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 53.

There have been no transfers during the year between Levels 1 and 2. A reconciliation of fair value measurements in Level 3 is set out below.

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

	At 31 August 2019 £'000	At 31 August 2018 £'000
Opening valuation	32,436	20,768
Acquisitions	1,338	6,967
Disposal proceeds	(5,033)	(1,843)
Total gains / (losses) included in the Statement of Comprehensive Income		
- on assets sold	703	(3,328)
- on assets held at the year end	5,701	9,872
Closing valuation	35,145	32,436

NOTES TO THE FINANCIAL STATEMENTS

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

Valuation techniques	Assumption	At 31 August 2019 Effect of reasonably possible alternative assumptions			At 31 August 2018 Effect of reasonably possible alternative assumptions		
		Carrying value £'000	Favourable changes (10% increase) £'000	Unfavourable changes (10% decrease) £'000	Carrying value £'000	Favourable changes (10% increase) £'000	Unfavourable changes (10% decrease) £'000
Discounted cashflow	Discount rate	6,056	426	(238)	5,071	222	(131)
	Probability of royalty income	-	453	(453)	-	-	-
	Probability of milestone achievement	-	279	(279)	-	2,013	(1,119)
Market comparable/ multiple of EBITDA	EBITDA multiple	2,387	239	(239)	1,770	143	(226)
		8,443	1,397	(1,209)	6,841	2,378	(1,476)

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).

8. Capital management policies and procedures

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

	At 31 August 2019 £'000	At 31 August 2018 £'000
Debt		
Bank overdraft	-	374
Equity		
Called up share capital	10,335	10,335
Reserve	229,244	252,138
Total equity	239,579	262,473
Total debt and equity	239,579	262,847

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 Fund 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
- (iii) The determination of dividend payments, if any

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NOTES TO THE FINANCIAL STATEMENTS

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 CTA 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 2019 £'000	At 31 August 2018 £'000
Borrowings used for investment purposes, less cash	-	232
Net assets	239,579	262,473
Gearing	0.0%	0.1%

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 stage biotechnology and other life sciences companies in accordance with the Company's investment objective, and consequently no segmental analysis is provided.

COMPANY SUMMARY, SHAREHOLDER INFORMATION, DIRECTORS AND ADVISERS

Company Status

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

Life of the Company

The Company's Articles of Association provide for Directors to put forward a proposal for the continuation of the Company at the Company's AGM at two-yearly intervals. Accordingly, a proposal will be put forward at the AGM to be held on Wednesday, 11 December 2019.

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 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.

Financial Calendar

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

Shares in Issue

As at 31 August 2019, the Company had 41,342,663 Ordinary shares of 25p each in issue which included 2,945,000 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

John Aston OBE (Chairman)
Véronique Bouchet (Senior Independent Director)
Caroline Gulliver (Chair of the Audit Committee)
Jim Horsburgh

Advisers Fund Manager and AIFM

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Stockbroker

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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).

31 August 2019

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 26.

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

Investment management

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

Details of the Company's investment objective and policy, and investment strategy, including limits, are on page 19 of the Annual Report 2019.

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 into new Agreements with the relevant suppliers of services to the Company to comply with AIFMD. The Agreements with the Company's Fund 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 26 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.

ALTERNATIVE INVESTMENT FUND MANAGER'S DISCLOSURE

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).

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
 - 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
 - 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 'Company Management' on page 77. In addition to the 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
- Research costs
- Promotional expenses (including membership of any industry bodies, including the AIC, and marketing initiatives approved by the Board)
- Costs of printing the Company's financial reports and posting them to Shareholders

31 August 2019

ALTERNATIVE INVESTMENT FUND MANAGER'S DISCLOSURE

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

Remuneration of the AIFM staff

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

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

Fair treatment of investors

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

- Acting in the best interests of the Company and of the Shareholders
- Ensuring that the investment decisions taken for the account of the Company are executed in accordance with the Company's investment policy and objective and risk profile
- Ensuring that the interests of any group of Shareholders are not placed above the interests of any other group of Shareholders
- Ensuring that fair, correct and transparent pricing models and valuation systems are used for the Company
- Preventing undue costs being charged to the Company and Shareholders
- Taking all reasonable steps to avoid conflicts of interests and, when they cannot be avoided, identifying, managing, monitoring and, where applicable, disclosing those conflicts of interest to prevent them from adversely affecting the interests of Shareholders
- 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 the Long-term Record page. Copies of the Company's audited Financial Statements for the financial year ended 31 August 2019 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 2019, the overdraft facility available to the Company was £55.0m (2018: £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.

The Company has risk management controls which are agreed with the Board. The Fund Manager maintains adequate risk management systems in order to identify, measure and monitor principal risks at least annually under AIFMD. The Fund Manager

ALTERNATIVE INVESTMENT FUND MANAGER'S DISCLOSURE

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 19 to 22 of the Annual Report 2019 and in note 23 to the Financial Statements 2019 on pages 65 to 75.

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 2019, actual leverage was zero for both the gross method and the commitment method.

At 31 August 2019, £0m was drawn down against the uncommitted overdraft facility. The Company has complied with the terms of the facility throughout the financial year. Further details can be found in note 12 on page 62 and note 23 on page 71.

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

- 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
- Research costs
- Promotional expenses (including membership of any industry bodies, including the AIC, and marketing initiatives approved by the Board)
- Costs of printing the Company's financial reports and posting them to Shareholders

STATEMENT OF THE DEPOSITARY'S RESPONSIBILITIES

Statement of the Depositary's Responsibilities in Respect of the Scheme and Report of the Depositary to the Shareholders of International Biotechnology Trust plc (the Company) for the Year Ended 31 August 2019

The Depositary must ensure that the Company is managed in accordance with the FCA's Investment Funds Sourcebook, (the Sourcebook), the Alternative Investment Fund Managers Directive (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
- The instructions of the Alternative Investment Fund Manager (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.

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
28 October 2019

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 Wednesday, 11 December 2019 at the offices of 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 12 will be proposed as ordinary resolutions and resolutions 13 to 16 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 2019.
2. To approve the Annual Report on Directors' Remuneration for the year ended 31 August 2019.
3. To approve the Company's dividend policy of making dividend payments, equivalent to 4% of the Company's NAV as at the last day of the Company's preceding financial year, through two equal semi-annual distributions.
4. To re-elect Mr John Aston as a Director of the Company.
5. To re-elect Dr Véronique Bouchet as a Director of the Company.
6. To re-elect Mrs Caroline Gulliver as a Director of the Company.
7. To re-elect Mr Jim Horsburgh as a Director of the Company.
8. 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.
9. To authorise the Directors to determine the Auditors' remuneration.
10. 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.
11. THAT, the Directors of the Company be and are hereby generally and unconditionally authorised pursuant to Section 551 of the Act, to exercise all the powers of the Company to allot Ordinary shares in the Company and to grant rights to subscribe for or convert any security into Ordinary shares in the Company up to an aggregate nominal amount of £963,941.50, equivalent to 3,855,766 Ordinary shares (being 10% of the issued Ordinary share

capital of the Company on 28 October 2019 (excluding treasury shares) (being the latest practicable date prior to the publication of this Notice of Meeting)), such authority to apply until the end of the annual general meeting of the Company ("AGM") to be held in 2020 (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 Ordinary shares to be allotted or rights to subscribe for or convert securities into Ordinary shares to be granted after the authority ends and the Directors may allot Ordinary shares or grant rights to subscribe for or convert securities into Ordinary shares under any such offer or agreement as if the authority had not ended.

12. THAT, subject to the passing of resolution 11, the Directors of the Company be and are hereby generally and unconditionally authorised pursuant to Section 551 of the Act, to exercise all the powers of the Company to allot Ordinary shares in the Company and to grant rights to subscribe for or convert any security into Ordinary shares in the Company up to an aggregate nominal amount of £963,941.50, equivalent to 3,855,766 Ordinary shares (being 10% of the issued Ordinary share capital of the Company on 28 October 2019 (excluding treasury shares) (being the latest practicable date prior to the publication of this Notice of Meeting)), such authority to be in addition to the authority granted pursuant to resolution 11 above and to apply until the end of the AGM to be held in 2020 (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 Ordinary shares to be allotted or rights to subscribe for or convert securities into Ordinary shares to be granted after the authority ends and the Directors may allot Ordinary shares or grant rights to subscribe for or convert securities into Ordinary shares under any such offer or agreement as if the authority had not ended.

Special resolutions

13. THAT, subject to the passing of resolution 11, 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 in the Act) for cash under the authority conferred on the Directors by resolution 11 above and/

31 August 2019

NOTICE OF MEETING

or to sell Ordinary shares from treasury shares for cash as if Section 561 of the Act did not apply to any such allotment or sale up to an aggregate nominal amount of £963,941.50 equivalent to 3,855,766 Ordinary shares (being 10% of the Company's existing issued Ordinary share capital (excluding treasury shares) on 28 October 2019 (being the latest practicable date prior to the publication of this Notice of Meeting)), such authority to apply until the end of the AGM to be held in 2020 (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.

14. THAT, subject to the passing of resolution 12, the Directors of the Company be authorised (and in addition to any authority granted under resolution 13) to allot equity securities (as defined in Section 560 in the Act) for cash under the authority conferred on the Directors by resolution 12 above and/or to sell Ordinary shares from treasury shares for cash as if Section 561 of the Act did not apply to any such allotment or sale up to an aggregate nominal amount of £963,941.50 equivalent to 3,855,766 Ordinary shares (being 10% of the Company's existing issued Ordinary share capital (excluding treasury shares) on 28 October 2019 (being the latest practicable date prior to the publication of this Notice of Meeting)), such authority to apply until the end of the AGM to be held in 2020 (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.
15. 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 5,779,793 (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 2020 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.
16. 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
Registered Office:
10 Harewood Avenue
London NW1 6AA
28 October 2019

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 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 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 Monday, 9 December 2019, 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 Monday, 9 December 2019 shall be disregarded in determining the right of any person to attend and vote at the Meeting. The voting record date has been determined as Monday, 9 December 2019.

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. Proxies may be submitted electronically at www.sharevote.co.uk by entering the Voting ID, Task ID and Shareholder Reference ID set out in the attached proxy form.

Alternatively, Ordinary Shareholders who have already registered with Equiniti's Shareview service can appoint their proxy/proxies by logging onto their account at www.shareview.co.uk using their usual user ID and password. Once logged in simply click "View" on the "My Investments" page, click on the link to vote then follow the on screen instructions.

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM to be held on Wednesday, 11 December 2019 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

NOTICE OF MEETING

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 2.30pm on Monday, 9 December 2019. 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.

8. 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.
9. 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 their 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.
10. The biographies of the Directors offering themselves for re-election are set out on page 24 of the Company's Annual Report for the year ended 31 August 2019 and set out each Director's experience. These, along with the disclosure in the Corporate Governance Statement on pages 25 and 26 explains why the Directors' contributions are important to the Company's long-term sustainable success.
11. As at 24 October 2019, 38,557,663 Ordinary shares of 25 pence were in issue and 2,785,000 Ordinary shares were held in treasury (equivalent to 7.22% of the issued share capital, including treasury shares). Accordingly, the total number of voting rights of the Company as at 24 October 2019 is 38,557,663.

NOTICE OF MEETING

12. 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 Guidance 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 Guidance and Transparency Rules, need not make a separate notification to the Company and the FCA.
13. 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.
14. 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.
15. 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
 - (c) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.
16. 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.
17. 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. 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:
 - (a) 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
 - (b) 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.
18. 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.



**ANNUAL
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