

International Biotechnology Trust plc

Investing in Biotechnology for a Healthier Future

ANNUAL REPORT | 31 AUGUST 2020

WELCOME TO

INTERNATIONAL BIOTECHNOLOGY TRUST PLC'S







ANNUAL REPORT FOR THE YEAR ENDED 31 AUGUST 2020

WHO WE ARE

International Biotechnology Trust plc 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 75 years of experience between them. 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 which 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. The six key attributes of our Company are detailed below:

 <p>Strong fundamentals</p> <p>Driven by the strong fundamentals of the Biotechnology sector</p>	 <p>Diversified portfolio</p> <p>Access to a broad spectrum of quoted and unquoted investments</p>	 <p>Growth and yield</p> <p>Provides investors exposure to both growth and an attractive yield</p>
 <p>Active management</p> <p>Bottom up stock selection with diversification overlay</p>	 <p>Expert team</p> <p>Medically and financially experienced Investment Managers with access to specialists at SV Health Investors</p>	 <p>Innovation</p> <p>Invested in some of the most innovative companies in the world</p>

31 August 2020

FUND FACTS

FINANCIAL HIGHLIGHTS

	31 August 2020	31 August 2019
Total equity/Net asset value (NAV) (£'000)	283,897	239,579
NAV per share	738.6p	623.9p
Share price[†]	730.0p	636.0p
Share price (discount)/premium	(1.2%)	1.9%
Gearing	6.3%	0.0%
Ongoing charges*	1.3%**	1.3%**
Ongoing charges including performance fee	1.4%**	1.7%**

For detailed calculations, please refer to Alternative Performance Measures (APMs) on page 100.

* 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. Research costs under MiFID II borne by the Company are included in the ongoing charges calculation.

** Includes Management fees paid to SV Health Investors LLP directly from investment in SV Fund VI of £417,000 (2019: £526,000).

[†] Due to 31 August 2020 being a UK public holiday, share price performance data is reported to 28 August 2020.

FIVE YEAR PERFORMANCE

Cumulative Total Return	12m (%)	3yr (%)	5yr (%)
Share price total return to 28 August*	18.7	32.3	55.8
NAV per share total return to 31 August	22.4	23.2	40.9
NASDAQ Biotechnology Index (NBI) to 31 August	20.6	19.6	40.1
FTSE All-Share Index to 28 August*	-12.6	-8.2	17.4

For detailed calculations, please refer to APMs on page 100.

Data for NBI and FTSE All-Share Index sourced from Bloomberg. All sterling adjusted and on a total return basis (with dividends reinvested).

* Due to 31 August 2020 being a UK public holiday, share price and FTSE All-Share Index performance data is reported to 28 August 2020.

PORTFOLIO OVERVIEW

	31 August 2020	31 August 2019
Number of total portfolio companies*	69	73
Number of quoted holdings	57	60
Number of unquoted holdings**	12	13
NAV (£'m)	283.9	239.6
Quoted investments (£'m)	266.9	202.2
Unquoted investments (£'m)	35.3	35.2
Net (debt)/cash (£'m)	(17.8)[†]	2.2

* Excluding unquoted companies fully written off (2020: 9; 2019: 8).

** Includes SV Fund VI as one unquoted holding. SV Fund VI has a further 25 companies in its portfolio.

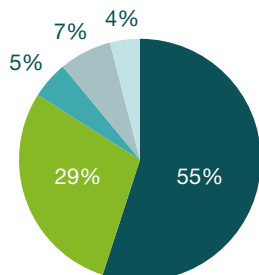
[†] Debt as at 31 August 2020 is a result of the Investment Manager's investment strategy. Please refer to Glossary on pages 98 and APMs on page 100 for more information.

PORTFOLIO COMPOSITION

AS AT 31 AUGUST 2020

NAV% by Size*

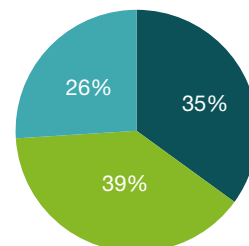
- Large Cap > \$10bn
- Mid cap = \$2-10bn
- Small cap < \$2bn
- SV Fund VI
- Directly-held unquoted



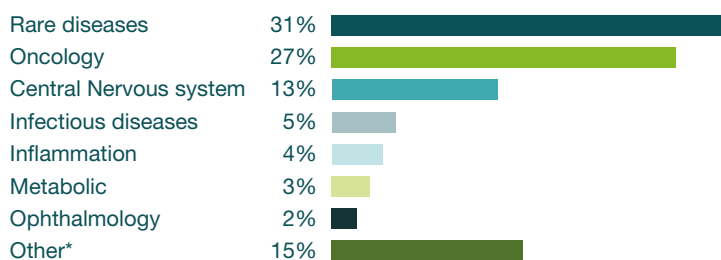
*Adjusted for cash/(debt) balance

NAV% by Development Stage

- Profitable
- Revenue Growth
- Early-stage

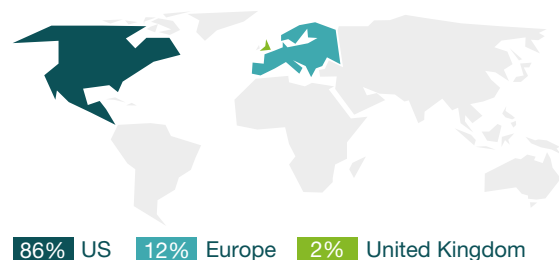


NAV% by Therapeutic Area



* Other includes SV Fund VI

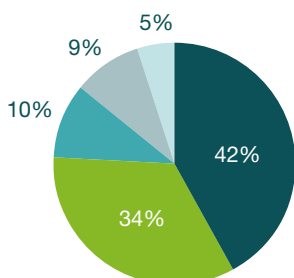
NAV% by Geography



AS AT 31 AUGUST 2019

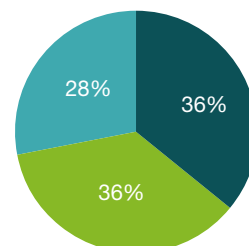
NAV% by Size

- Large Cap > \$10bn
- Mid cap = \$2-10bn
- Small cap < \$2bn
- SV Fund VI
- Directly-held unquoted

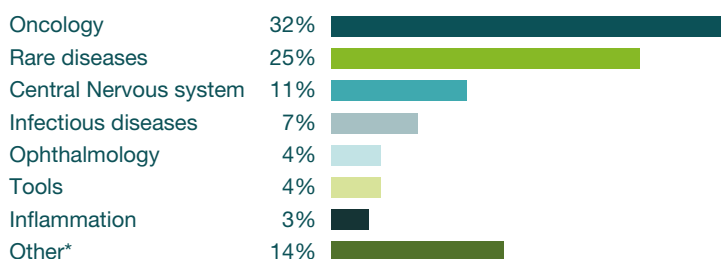


NAV% by Development Stage

- Profitable
- Revenue Growth
- Early-stage

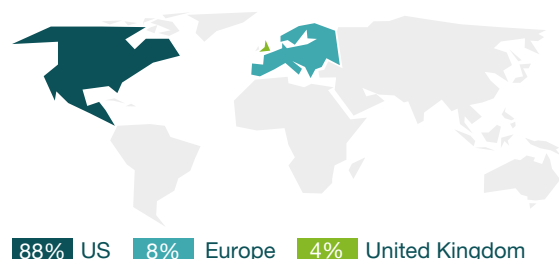


NAV% by Therapeutic Area



* Other includes SV Fund VI

NAV% by Geography



31 August 2020

LONG-TERM RECORD

TEN YEAR PERFORMANCE as at 31 August

As at 31 August	Total NAV £'000	Number of shares in issue*	NAV per share pence	NAV** total return %	Share price pence	Share price** total return %	(Discount)/premium %	FTSE All-Share Index total return %
2020	283,897	38,436,817	738.6	22.4	730.0†	18.7†	(1.2)	(12.6)†
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

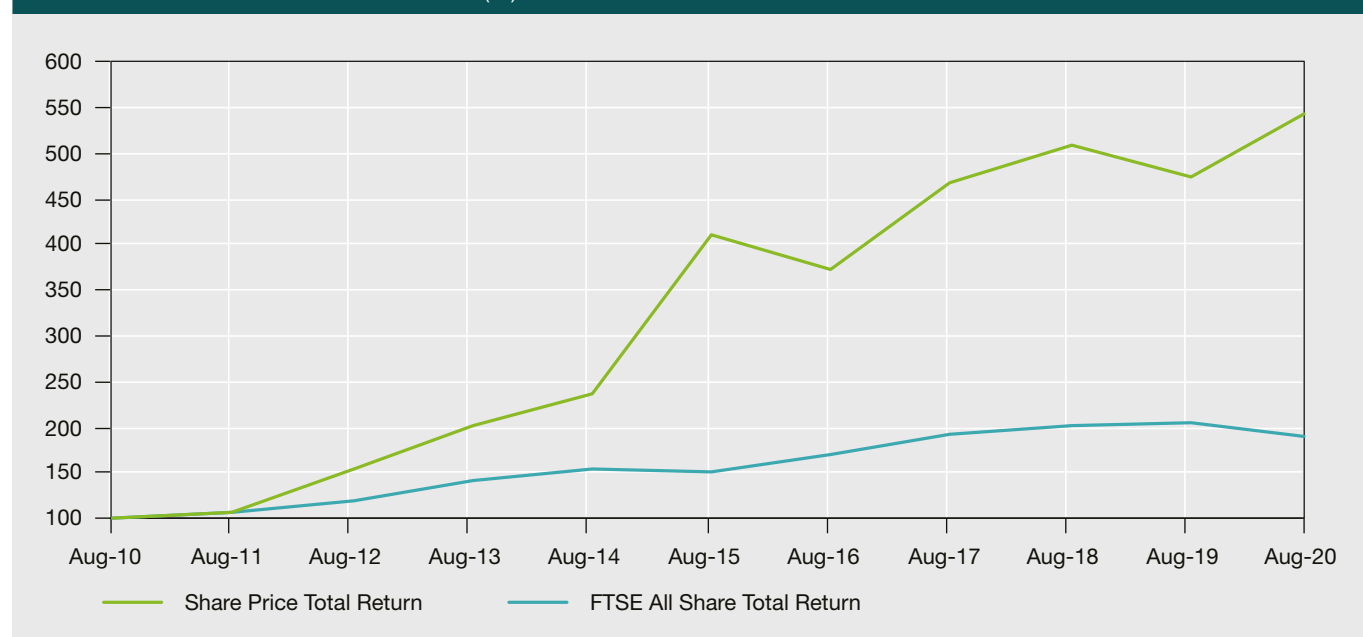
* Excludes treasury shares.

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

† Share price as at and total return to 28 August.

TEN YEAR PERFORMANCE

Share Price/FTSE All-Share Index Total Return (%)



Source: Share Price Total Return from Morningstar. FTSE All-Share Total Return from Thomson Datastream. (Data rebased to 100 at 31 August 2010.)

QUOTED INVESTMENTS

QUOTED INVESTMENTS BY % OF NAV						
Investment	Therapeutic split	Geographic location	As at 31 August 2020		As at 31 August 2019	
			£'000	% of NAV	£'000	% of NAV
Horizon Therapeutics	Rare diseases	United States	21,807	7.7%	2,903	1.2%
Immunomedics	Oncology	United States	15,804	5.6%	—	—
Gilead Sciences	Infectious diseases	United States	15,115	5.3%	16,497	6.9%
BioMarin Pharmaceutical	Rare diseases	United States	14,404	5.1%	3,467	1.4%
Acadia Pharmaceuticals	Central nervous system	United States	13,732	4.8%	1,203	0.5%
Vertex Pharmaceuticals	Rare diseases	United States	13,497	4.8%	14,488	6.0%
PTC Therapeutics	Rare diseases	United States	11,036	3.9%	8,639	3.6%
Genmab	Oncology	Europe	10,958	3.9%	7,062	2.9%
Neurocrine Biosciences	Central nervous system	United States	9,198	3.2%	13,086	5.5%
Chemocentryx	Rare diseases	United States	8,923	3.1%	—	—
Biogen Inc	Central nervous system	United States	8,851	3.1%	3,913	1.6%
Exelixis	Oncology	United States	8,738	3.1%	1,687	0.7%
Amgen Inc	Oncology	United States	8,317	2.9%	11,304	4.7%
Alexion Pharmaceuticals	Rare diseases	United States	7,525	2.7%	8,450	3.5%
Halozyme Therapeutics	Other	United States	6,661	2.3%	4,509	1.9%
Seagen (prev. Seattle Genetics)	Oncology	United States	6,554	2.3%	3,958	1.7%
Incyte Genomics	Oncology	United States	5,613	2.0%	6,482	2.7%
Roche Holdings	Oncology	United States	5,548	2.0%	—	—
Novo Nordisk	Other	Europe	5,504	1.9%	—	—
Myokardia Inc	Other	United States	5,373	1.9%	1,324	0.6%
Regeneron Pharmaceuticals	Ophthalmology	United States	5,315	1.9%	7,458	3.1%
Acceleron Pharma	Oncology	United States	5,166	1.8%	1,106	0.5%
Mirati Therapeutics	Oncology	United States	4,901	1.7%	733	0.3%
Zealand Pharma	Other	Europe	4,356	1.5%	—	—
Biohaven Pharmaceuticals	Central nervous system	United States	3,948	1.4%	—	—
Alnylam Pharmaceuticals	Rare diseases	United States	3,596	1.3%	2,239	0.9%
Argenx	Rare diseases	Europe	3,510	1.2%	780	0.3%
Sarepta Therapeutics	Rare diseases	United States	3,445	1.2%	1,932	0.8%
Protagonist Therapeutics	Oncology	United States	2,543	0.9%	—	—
Turning Point Therapeutics	Oncology	United States	2,040	0.7%	—	—

31 August 2020

QUOTED INVESTMENTS

| continued

QUOTED INVESTMENTS BY % OF NAV continued						
Investment	Therapeutic split	Geographic location	As at 31 August 2020		As at 31 August 2019	
			£'000	% of NAV	£'000	% of NAV
KalVista Pharmaceuticals	Rare diseases	United States	1,733	0.6%	2,276	0.9%
Evotec	Other	Europe	1,658	0.6%	1,886	0.8%
Ionis Pharmaceuticals	Rare diseases	United States	1,619	0.6%	2,398	1.0%
CRISPR Therapeutics	Other	United States	1,534	0.5%	—	—
Ascendis Pharma	Rare diseases	United States	1,528	0.5%	1,269	0.5%
Immunic Inc	Central nervous system	United States	1,474	0.5%	—	—
Sage Therapeutics	Central nervous system	United States	1,473	0.5%	2,251	0.9%
Aurinia Pharmaceuticals	Inflammation	United States	1,273	0.4%	—	—
Allakos	Inflammation	United States	1,050	0.4%	—	—
Sutro Biopharma	Oncology	United States	1,042	0.4%	918	0.4%
Amicus Therapeutics	Rare diseases	United States	1,032	0.4%	475	0.2%
Global Blood Therapeutics	Other	United States	1,022	0.4%	698	0.3%
Nektar Therapeutics	Oncology	United States	968	0.3%	865	0.4%
Arena Pharmaceuticals	Inflammation	United States	859	0.3%	717	0.3%
UniQure	Other	United States	837	0.3%	1,223	0.5%
GW Pharmaceuticals	Central nervous system	United States	790	0.3%	2,313	1.0%
Insmed Inc	Rare diseases	United States	707	0.2%	4,817	2.0%
Blueprint Medicines	Oncology	United States	694	0.2%	1,068	0.4%
Fibrogen Inc	Other	United States	660	0.2%	722	0.3%
Agios Pharmaceuticals	Oncology	United States	659	0.2%	1,137	0.5%
Exact Sciences	Oncology	United States	601	0.2%	1,047	0.4%
Deciphera Pharmaceuticals	Oncology	United States	571	0.2%	—	—
Bluebird Bio	Rare diseases	United States	487	0.2%	1,442	0.6%
Intra Cellular Therapies	Central nervous system	United States	313	0.1%	—	—
Esperion Therapeutics	Other	United States	256	0.1%	—	—
AnaptysBio	Inflammation	United States	129	0.0%	—	—
Reshape Lifesciences	Other	United States	0	0.0%	0	0.0%
Investments no longer held in the quoted portfolio as at 31 August 2020					51,472	21.5%
Total			266,947	94.0%	202,215	84.4%

UNQUOTED INVESTMENTS

INVESTMENTS HELD THROUGH A VENTURE FUND

Investment	Sector classification	Geographic location	As at 31 August 2020		As at 31 August 2019	
			Fair value £'000	% of NAV	Fair value £'000	% of NAV
SV Fund VI	Venture Fund	United States	21,626	7.6%	22,577	9.4%

An investment in a venture capital fund, SV Fund VI, which invests in portfolio companies across three sectors; biotechnology (42%), healthcare services (43%) and medical devices (15%). SV Fund VI's portfolio consists of 25 underlying investments, 4 of which are listed as at 31 August 2020. 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 £20.8m (\$26.7m).

EXITED INVESTMENTS WITH CONTINGENT MILESTONES

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

Investment	Sector classification	Geographic location	As at 31 August 2020		As at 31 August 2019	
			Fair value £'000	% of NAV	Fair value £'000	% of NAV
1 Ikano Therapeutics	Biotechnology	United States	7,097	2.5%	3,377	1.4%
A company focused on nasally delivered pharmaceutical products that was sold to Upsher Smith Laboratories in 2010. The terms of the deal provide for an upfront payment and a series of milestones.						
2 Convergence	Biotechnology	United States	1,815	0.6%	2,453	1.0%
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.						
3 Archemix	Biotechnology	United States	351	0.1%	146	0.1%
Formerly a small biotechnology company discovering, developing, and commercialising aptamer therapeutics, which was sold to Chiesi in 2011.						
4 Spinal Kinetics	Medical Devices	United States	335	0.1%	226	0.1%
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.						
5 Atopix	Biotechnology	Europe	275	0.1%	352	0.2%
An early-stage biotechnology company developing a pipeline of novel drugs to treat inflammatory diseases. The company's portfolio includes a lead drug programme with the potential to treat asthma and other respiratory and inflammatory conditions with a once daily pill.						
Total exited investments with contingent milestones			9,873	3.4%	6,554	2.8%

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, 2020: 9 companies (2019: 8 companies).

31 August 2020

UNQUOTED INVESTMENTS

| continued

DIRECTLY-HELD UNQUOTED INVESTMENTS

Directly-held unquoted investments held by the Company are shown below:

Investment	Sector classification	Geographic location	As at 31 August 2020		As at 31 August 2019	
			Fair value £'000	% of NAV	Fair value £'000	% of NAV
1 Karus Therapeutics	Biotechnology	United Kingdom	1,401	0.5%	1,369	0.6%
A drug discovery and development company focused on the delivery of novel compounds for the treatment of cancer.						
2 NCP Holdings	Healthcare Services	United States	1,358	0.5%	2,387	1.0%
Trading as Nordic Consulting 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 Autifony Therapeutics	Biotechnology	United Kingdom	773	0.2%	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.						
4 TopiVert	Biotechnology	United Kingdom	143	0.1%	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 a spin out of RespiVert, following its acquisition of Centocor Ortho Biotech (now Janssen Biotech).						
5 EBR Systems	Medical Devices	United States	69	0.0%	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.						
6 Cell Medica	Biotechnology	United Kingdom	33	0.0%	136	0.1%
A company which applies innovative technologies with the aim of improving the treatment of cancer and immune reconstitution following hematopoietic stem cell transplant. The company is developing a pipeline of naturally occurring and gene-modified immune cell products. Cell Medica acquired Delenex AG, an International Biotechnology Trust investment, in July 2016 in a share-for-share exchange.						
– Calchan	Biotechnology	Europe	0.0	0.0%	110	0.1%
A company developing novel ASK1 inhibitors for osteoarthritis pain and fibrosis.						
Total directly-held unquoted investments			3,777	1.3%	6,014	2.4%
Total exited investments with contingent milestones			9,873	3.4%	6,554	2.8%
Investments held through a venture fund			21,626	7.6%	22,577	9.4%
Total unquoted investments			35,276	12.3%	35,145	14.6%

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**International
Biotechnology
Trust**

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

31 August 2020

CHAIRMAN'S STATEMENT

SUMMARY

For the year ended 31 August 2020, the Company's NAV per share and share price returned* 22.4% (to 31 August 2020) and 18.7% (to 28 August 2020) respectively, whilst the NBI returned 20.6% (to 31 August 2020) and the FTSE All-Share Index returned -12.6% (to 28 August 2020). All figures are on a total return basis, including costs and assuming dividends reinvested, and are sterling-adjusted.

The Company has established an impressive long-term performance, in what has historically been a volatile sector. Its five year performance figures are 40.9% and 55.8%, for the NAV (to 31 August) and share price (to 28 August), respectively. This equates to annualised total returns of 7.1% and 9.3% on the NAV and share price, also respectively.

MARKET BACKGROUND

The year ended 31 August 2020 has been an unprecedented year for international economies. The COVID-19 pandemic has had a profound effect on people's personal and professional lives. Global equity markets experienced periods of extreme volatility during the first half of 2020. While the second half of the year saw equity markets recover, the threat of a global recession means that we expect that the effects of COVID-19 will be felt well into the new financial year and beyond.

Whilst COVID-19 has had a significant impact on many businesses around the world, operationally the Company and our Fund Manager have been able to continue relatively unaffected. The Fund Manager was quick to react to the UK's "remote-working" lockdown measures with no interruption to its business activities. In fact, the Fund Manager took the opportunity to increase the number of online and virtual marketing initiatives, which contributed to the overall growth of the Company's NAV.

COVID-19 has significantly increased the general interest in healthcare issues. We do not foresee this interest waning and are confident that this will translate into further interest in the Company.

QUOTED PORTFOLIO

For the year ended 31 August 2020, the quoted portfolio returned* 26.4% (gross of management and performance fees), outperforming both the NBI (the Company's benchmark index) and the FTSE All-Share Index, which returned 20.6% and -12.6%, respectively. All figures are on a sterling-adjusted total return* basis, with dividends reinvested.

* For more information on total returns, please refer to APMs on page 100.



CHAIRMAN'S STATEMENT

| continued

Noting the severe impact that COVID-19 has had on global equity markets, the Board is pleased with the performance generated by the Fund Manager, which has contributed to the growth of the Company's NAV to £283.9m as at 31 August 2020.

The main drivers of the Company's and biotechnology sector's outperformance are discussed in more detail in the Fund Manager's Review.

UNQUOTED PORTFOLIO

In 2016, the Board took the decision that the Company will no longer make any new investment directly in unquoted investments, but instead will allow investors access to the unquoted market through a diversified venture capital fund. This is a unique differentiator for the Company, granting investors exposure to returns unavailable from quoted markets.

The Company's investment in SV Fund VI had a fair value gain of £2.9m (on a sterling-adjusted basis), representing a total return* of 14.6% on the fund's portfolio. The remainder of the unquoted portfolio, comprising those investments directly held, or whose carrying value comprises contingent milestones expected to be received, experienced a fair value gain of £1.5m (on a sterling-adjusted basis), representing a total return* of 9.6%. SV Fund VI made six distributions to the Company during the year ended 31 August 2020, with a total value of £7.7m. The Company also received three distributions during the year from the directly held unquoted portfolio, amounting to £0.4m, as a result of milestones being achieved by Atopix, Spinal Kinetics and Ikano Therapeutics.

The Company has invested 72.3% of its \$30.0m committed capital to SV Fund VI. The Board expects the valuation of SV Fund VI to increase as follow-on investments are made to the fund's investee companies and these companies mature in their lifecycles. As the fund matures and more of its investee companies reach exit, we expect that the previously unrealised gains will be realised through distributions made by the fund.

PERFORMANCE FEE

Separate performance fees are calculated for the quoted and unquoted portfolios. Following a successful year for the quoted portfolio, a performance fee¹ of £243,039 (2019: £nil) is payable after it outperformed the NBI. No performance fee has been earned on the unquoted portfolio for the year ended 31 August 2020 (2019: £969,781).

¹ For information on how the performance fee is calculated, please refer to the Directors' Report on page 31.

* For more information on total returns, please refer to APMs on page 100.

** For detailed calculation of the discount, please refer to APMs on page 100.

DISCOUNT MANAGEMENT

As at 31 August 2020, the Company's shares were trading at a 1.2% discount** to its NAV. At the start of the financial year, the Company issued 160,000 Ordinary shares from treasury and at a premium to the NAV. Subsequent market volatility, caused by the onset of the COVID-19 pandemic in the first half of the year, caused the Company's discount to widen to 22.4% at its greatest (19 March 2020). The Board proactively implemented discount management measures and bought back 195,846 shares in February and March 2020, after a period of no buybacks since September 2016. This represented 0.5% of the shares in issue at the start of the year. Since March, volatility has decreased and we have seen several months of positive performance leading to a small premium to NAV which has enabled the Company to issue 75,000 shares for £0.6m in July 2020 and a further 1,191,000 shares for £9.7m since year end and up to 28 October 2020.

The Company was trading at a 0.0% premium on 28 October 2020.

The Board views tap issuances as a key mechanism to grow the Company and will continue to issue shares at a premium to the NAV, when there is demand. The Board is confident, that should the Company continue to outperform the NBI and the FTSE All-Share Index, demand for the Company's shares should increase.

DIVIDENDS

In September 2016, the Company announced its dividend policy to issue dividends equal to 4% of NAV as at the end of each preceding financial year, paid in two equal instalments in January and August each year. On 31 January 2020 and 28 August 2020, the Company paid dividends of 12.4 pence per share.

The Board views this policy as a key differentiating factor for the Company which provides investors access to both an attractive dividend yield as well as the strong capital growth associated with the biotechnology sector. By offering a dividend, the Company has widened the universe of potential Shareholders which the Board is confident will lead to increased demand for the Company's shares.

The Board will be seeking Shareholder approval to continue these dividend payments, in accordance with the above-mentioned policy, at the Annual General Meeting (AGM) in December 2020.

CHAIRMAN'S STATEMENT

BOARD OF DIRECTORS

During the year, the Company announced the appointment of Kate Cornish-Bowden and Patrick Magee as non-executive Directors of the Company with effect from Tuesday, 19 May 2020. Please refer to pages 28 and 29 for the biographies of our two newly appointed Directors.

As explained in the Company's Annual Report for the year ended 31 August 2019, I will retire from the Board at the conclusion of the AGM to be held in December 2020. Dr Véronique Bouchet, our Senior Independent Director, will also step down from the Board during 2021.

I am pleased to announce that Jim Horsburgh will succeed me as Chairman in December 2020. Jim has been on the Board since 2013 and is a highly valued colleague. He brings with him deep experience of fund management and of the investment company sector and I wish him every success in the role.

ANNUAL GENERAL MEETING (AGM)

The Company's AGM is scheduled to be held on Tuesday, 15 December 2020 at 2.30 pm. In light of evolving social distancing measures as a result of COVID-19 and in line with current legislation, the Board has decided to hold the AGM as a closed meeting this year, with the minimum quorum permitted by the Company's Articles. Shareholders, their proxies and corporate representatives are therefore not permitted to attend. The Board considers the health and safety of Shareholders, attendees and the wider public paramount and has therefore taken this decision in order to protect public health and safety.

The Board therefore encourages Shareholders to submit their votes by appointing the Chairman as their proxy. For more information on the special resolutions that will be proposed, please refer to the Directors' Report on page 33.

Given the AGM will be closed to Shareholders, the Fund Manager will publish an AGM Shareholder video on the Company's website in advance of the AGM in order to provide an overview of the performance of the Company for the year ended 31 August 2020. Shareholders are invited to submit any questions they have on this video or the formal business of the AGM to the Company Secretary at secretarialservice@uk.bnpparibas.com. Questions will be collated and answers will be published on the Company's website at www.ibtplc.com.

OUTLOOK

December 2020 will mark the end of my tenure as Chair and as a member of the Company's Board. I am privileged to have represented the Company as Chair since December 2017 and as a member of the Board since February 2011 over a period when the Company has created value for Shareholders. The Company offers investors access to the biotechnology sector through an expert specialist fund management team. The full spectrum of investment opportunities including unquoted stocks, the regular dividend and the closed-ended structure of the fund are all, in my view attractive differentiating factors. With the outlook for the biotechnology sector remaining strong, the Company can look forward to the future with confidence.

JOHN ASTON OBE | Chairman

30 October 2020

FUND MANAGER'S REVIEW



SUMMARY

As at 31 August 2020, the Company's NAV amounted to £283.9m, the highest year end NAV since the inception of the Company. Despite the impact that COVID-19 has had on global equity markets, the Company's NAV per share returned* 22.4% (to 31 August 2020) and the Company's share price returned* 18.7% (to 28 August 2020) for the year ended 31 August 2020. The Company's NAV has outperformed both the NBI and the FTSE All-Share Index which returned 20.6% (to 31 August 2020) and -12.6% (to 28 August 2020), respectively. All figures are on a sterling-adjusted total return basis, including costs and assuming dividends are reinvested.

As at 31 August 2020, for financial reporting purposes, the quoted portfolio represented 94.0% of NAV (excluding cash and other net assets) at £266.9m. The unquoted portfolio represented 12.3% of NAV at £35.3m and the Company had a gearing of 6.3%. For performance purposes, companies that were first invested in from the unquoted pool and have now become quoted but continue to be strategically managed by the unquoted Investment Managers, are included within the unquoted portfolio.

IMPACT IN A CHANGING WORLD

The COVID-19 pandemic has had a profound impact worldwide. Understandably, the pandemic had a tumultuous effect on global equity markets with the most severe effects felt in the first half of 2020. US Equity markets have since recovered and have returned to pre COVID-19 levels. Since 86% of the Company's portfolio is denominated in US dollars, the Company has been well positioned to benefit from this recovery and the NAV grew to £283.9m, the highest year end NAV to date.

We expect COVID-19 to continue to impact equity markets in the short to medium-term. We view the increased focus that the pandemic has brought on the biotechnology and healthcare sectors as favourable and will continue to seek out high value investment prospects that we expect will generate superior returns for our investors.

FUND MANAGER'S REVIEW

QUOTED PORTFOLIO

For the year ended 31 August 2020, the quoted portfolio returned* 26.4% (gross of management and performance fees), outperforming both the NBI and the FTSE All-Share Index by 5.8% and 39.0%, respectively. All figures are on a sterling-adjusted total return basis, with dividends reinvested.

The quoted portfolio gave rise to a performance fee of £243,039 (2019: £nil). We are pleased to have outperformed the benchmark index as well as the broader equity market, for the financial year and are especially proud of the contribution this performance has made to the growth of the Company's NAV.

Company performance

The largest positive contributors to and detractors from the Company's NAV are discussed in more detail on page 16. More broadly, we have made several strategic changes to the Company's portfolio composition throughout the financial year. We have decreased the Company's holdings in companies with market capitalisations of less than £2.0bn (defined as small caps), from 10% of NAV as at 31 August 2019 to 5% as at 31 August 2020 in favour of companies with a larger market capitalisation. As at 31 August 2020, 55% of the portfolio was invested in companies with a market capitalisation in excess of £10.0bn (defined as large caps). In response to COVID-19, the Company decreased its holdings in small cap companies, with financial constraints, as part of its strategy to raise cash and decrease its gearing in January 2020. The Company later deployed this cash by increasing its exposure to high conviction revenue growth investments, therefore resulting in a higher proportion of the quoted portfolio being invested in mid to large cap companies at year end. The Company's approach to gearing is discussed in more detail on page 16.

Our investment strategy includes a rigorous bottom up approach with a top down overlay to ensure diversification. Investments are purchased with the intention of achieving long-term capital growth. However, portfolio composition is adjusted on a regular basis in line with the Company's risk mitigation strategy. By therapeutic specialisation, the most notable changes to portfolio composition include investments in companies that specialise in oncology and rare diseases, as a result of the stock selection process. As at 31 August 2020, 31% of the Company's portfolio was invested in companies that specialise in treatments for rare diseases, a 6% increase from the previous year end. At year end, 27% of the Company's portfolio was invested in companies that specialise in oncology, a decrease of 5% from the previous year end. Further detail on portfolio composition can be found on page 4.

* For more information on total returns, please refer to APMs on page 100.

Sector performance

For the year ended 31 August 2020, the NBI returned 20.6% (to 31 August 2020) and the FTSE All-Share Index returned -12.6% (to 28 August 2020). All figures are on a sterling-adjusted total return basis, with dividends reinvested. During the COVID-19 pandemic, the biotechnology sector was viewed as a safe-haven for investors, with the sector's relatively stable and visible earnings contributing to its outperformance of the general equity market during the financial year.

Mergers & Acquisitions (M&A)

M&A activity continues to be a key driver of performance for the biotechnology sector despite the impact of COVID-19. During the year ended 31 August 2020, the Company has been well placed to take advantage of this M&A activity to generate returns for its investors. Our view is that many companies within the biotechnology sector are currently undervalued, a sentiment we believe is supported by the increased level of M&A activity within the sector.

In November 2019, Novartis acquired The Medicines Company, a US based biopharmaceutical company, for \$9.7bn, which represented a premium of 41%. The sale completed in January 2020. At the time of the announcement, 0.7% of the Company's NAV was invested in The Medicines Company. The Company's NAV benefited from the announcement and the Company sold out of its investment shortly thereafter, therefore crystallising this gain.

In December 2019, Merck acquired ArQule, a biopharmaceutical company focused on kinase inhibitor discovery and development for the treatment of patients with cancer and other diseases, for \$2.7bn, representing a 107% premium over the share price. The sale was completed in January 2020. The Company held positions in both Merck (2.2% of NAV) and ArQule (0.1% of NAV) at the time of the announcement and the Company's NAV benefited from this deal.

The second half of the financial year, specifically the month of August, was particularly successful for M&A activity within the biotechnology sector.

Sanofi announced its intention to acquire Principia Biopharma, a late-stage biopharmaceutical company focused on developing treatments for immune-mediated diseases, for approximately \$3.7bn, representing a premium of 70%. At the time of the announcement, Principia comprised 0.6% of the Company's NAV and the transaction is expected to complete in the fourth quarter of 2020.

FUND MANAGER'S REVIEW

| continued

BEST PERFORMING INVESTMENTS

	Contributors to NAV (£'m)
Horizon Therapeutics	14.3
Immunomedics	7.3
Genmab	5.7

Johnson & Johnson announced its intention to acquire Momenta Pharmaceuticals, a company that discovers and develops novel therapies for immune-mediated diseases, for a cash consideration of \$6.5bn, representing a premium of 70% over the share price. Momenta comprised 0.3% of the Company's NAV at the time of the announcement.

This pace of M&A is showing no indications of slowing down. Since the year end, Gilead Sciences has announced that it has entered a deal to acquire Immunomedics for approximately \$21bn, which represented a premium of 108% to the share price. The Company's NAV benefited from this announcement as the Company had 3.7% of its NAV invested in Immunomedics and 5.3% of its NAV invested in Gilead Sciences.

In October 2020, Bristol Myers Squibb announced its intention to acquire MyoKardia for a cash consideration of \$13.1bn, representing a 61% premium to the share price. At the time of the announcement, the Company had 2.3% of its NAV invested in MyoKardia.

Contributors to the NAV

On an individual holding basis, Horizon Therapeutics was the largest positive contributor to the Company's NAV for the year ended 31 August 2020 and was the largest single holding at year end. Horizon's treatment for patients with thyroid eye disease (TED), Tepezza, was approved by the Food and Drug Administration (FDA) ahead of schedule. With the approval, Tepezza became the first FDA-approved medicine for the treatment of active TED, which represents a significant unmet need. The launch of the drug has been encouraging despite a challenging COVID-19 environment. Based on continued strength of Tepezza, the company's full-year net sales forecast was increased.

Immunomedics' share price benefited after the company, a leading biopharmaceutical company in the area of antibody-drug conjugates, halted its phase 3 confirmatory ASCENT due to compelling evidence of efficacy. This decision was based on the unanimous recommendation by the independent Data Safety Monitoring Committee (DSMC). Immunomedic's share price rose further after the FDA approved its drug, Trodelvy, for the treatment of metastatic triple-negative breast cancer.

WORST PERFORMING INVESTMENTS

	Detractors from NAV (£'m)
Merck & Co	(4.3)
Stemline	(4.2)
Amarin	(3.0)

Genmab's share price has seen a steady increase during the year ended 31 August 2020. Its lead asset, Darzalex, was approved ahead of schedule by the FDA in 2015. Darzalex treats an incurable cancer called multiple myeloma and global sales reached \$3bn in 2019. In August 2020, Novartis, announced the approval of a second antibody generated by Genmab's platform, Kesimpta, which had further positive impacts on Genmab's share price.

Detractors from the NAV

Merck & Co was the largest detractor from the NAV during the year ended 31 August 2020. Merck's share price declined after it was reported that Keytruda, a treatment for lung cancer, was outperformed by rivals, including Roche Holdings and AstraZeneca. The Company sold out of its holding in Merck in April 2020.

Following the FDA approval of Stemline Therapeutics' Elzonris, a drug used to treat Blastic Plasmacytoid Dendritic Cell Neoplasm (BPDCN), a type of blood cancer, in December 2018, investors looked favourably upon Stemline. However, Stemline's share price was negatively affected after the company released disappointing preliminary fourth-quarter results, ultimately driven by a lower than expected demand for Elzonris. The Company has responded by reducing its investment in Stemline to a nil position.

Amarin's share price weakened after the key patents protecting Vascepa, a drug used to reduce the risk of heart attacks in patients, were invalidated, placing the franchise at risk from competition from generic drugs.

Gearing

During the first half of 2020, we used gearing as a risk mitigation tool against the extreme market volatility caused by COVID-19. We were quick to anticipate the likely impact of COVID-19 on the market and adapted the Company's investment strategy by increasing cash at the end of January 2020 providing the necessary stability through the market volatility that followed. During the market retraction that occurred in the months that followed, we deployed a proportion of our loan facility to take advantage of investments with high value prospects. As at 31 August 2020, the Company had gearing* of 6.3% (2019: 0.0%).

* For more information on gearing, please refer to APMs on page 100.

31 August 2020

FUND MANAGER'S REVIEW

| continued

UNQUOTED PORTFOLIO

SUMMARY OF UNQUOTED INVESTMENTS			
As at 31 August 2020	Fair value (£'m)	% of NAV	Number of investments
SV Fund VI	21.6	7.6	25*
Exited with contingent milestones	9.9	3.4	5
Directly-held unquoted	3.8	1.3	6
Total unquoted**	35.3	12.3	36
Previously unquoted, now quoted	2.8	1.0	3
Total unquoted for performance measurement	38.1	13.3	39

* The number of investments within SV Fund VI represents the number of investments into underlying individual portfolio companies. Four of these companies were quoted as at 31 August 2020.

** The Board expects the unquoted portfolio to remain within the guideline range of 5-15%.

The total unquoted portfolio, including SV Fund VI, returned* 12.1% for the year ended 31 August 2020. The largest contributors to the performance of the unquoted portfolio are the Company's investments in SV Fund VI and Ikano Therapeutics, both of which are discussed in more detail below.

The Company's investment into SV Fund VI continues to be a success, with the year ended 31 August 2020 being the most successful year to date, from a performance measurement perspective. SV Fund VI's fair value gain amounted to £2.9m, representing a sterling-adjusted total return* of 14.6% and has a currency adjusted internal rate of return of 21.0%, since inception of the fund. SV Fund VI has made six distributions to the Company during the financial year, totalling £7.7m, crystallising some of the unrealised gains earned during the year.

During the year, SV Fund VI made investments into three new investee companies, taking the total number of investee companies to 25 as at 31 August 2020. Additionally, one of the fund's investee companies successfully listed on the NASDAQ, taking the fund's total quoted holdings to four companies. The venture fund continues to bring greater diversification to the Company's portfolio with investee companies specialising across biotechnology, healthcare services and medical devices, comprising of 42%, 43% and 15% of the fund's portfolio, respectively.

The remainder of the unquoted portfolio experienced a fair value gain of £1.5m, representing a total return* of 9.6%, with Ikano Therapeutics being the strongest contributor to this performance. Ikano's valuation was increased by £3.7m to £7.1m as at 31 August 2020 to reflect improved projected sales data on one of its prescription drugs, Midazolam nasal spray for the treatment of epilepsy. The Company received three distributions during the year, amounting to £0.4m, as a result of milestones being achieved by Atopix, Spinal Kinetics and Ikano Therapeutics.

The largest detractors from the unquoted performance for the financial year were NCP Holdings and TopiVert. NCP Holdings was valued downwards, from £2.4m as at 31 August 2019 to £1.4m, after lower than expected earnings during the current year. TopiVert, which is in the process of being wound up, is currently valued at £0.1m, the residual amount the Company is expecting to receive once operations have been fully wound down. This represents a decrease of £1.0m to the valuation as at 31 August 2019.

Calchan, with carrying value of £0.1m, was liquidated and fully written off during the year.

As several of the investments in the unquoted portfolio are denominated in US dollars, the performance of the investments are subject to foreign currency adjustments. Foreign exchange losses of £2.0m detracted from the fair value gain of the unquoted portfolio during the year.

* For more information on total returns, please refer to APMs on page 100.

FUND MANAGER'S REVIEW

| continued

OUTLOOK

Innovation remains one of the core drivers of the biotechnology sector's performance. This, in conjunction with the positive developments made in the FDA's development and review process, also contributed to the biotechnology sector's relative outperformance during the financial year. As at 31 August 2020, there were over 25,000 ongoing clinical studies, with the number of studies expected to exceed the previous calendar year's by the end of the 2020. It is expected that this pace of innovation and efficiency displayed by the FDA will continue its forward momentum and will be translated into sales and earnings for the biotechnology sector going forward.

The US Presidential Election and any associated potential drug pricing and healthcare reforms have historically caused volatility within the biotechnology and healthcare sectors. Former Vice President Joe Biden's formal election as the Democratic Candidate means that the more disruptive *Medicare for All* policy changes, favoured by his opponents Elizabeth Warren and Bernie Sanders, are now seen as highly unlikely. The risk to the biotechnology sector has, therefore, lessened, with Biden more generally viewed as a centrist candidate and President Donald Trump considered relatively supportive of the biotechnology sector.

With the fundamentals of the biotechnology sector intact, we are optimistic about the future of the Company and the biotechnology sector, more generally. As ever, we continue to adapt to the ever-changing economic and political landscape and will continue to seek out high growth investment prospects that we are confident will generate strong returns for our investors.

SV HEALTH MANAGERS LLP

30 October 2020



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 (the Fund Manager) 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 a Securities Institute Diploma in 2007.



**MAREK
POSZEP CZYNSKI**

Investment Manager

Marek joined SV Health in 2014 and is an Investment 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.

STRATEGIC REVIEW

The Board presents its Strategic Review for the Company for the year ended 31 August 2020.

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 main market of the London Stock Exchange. The Company is incorporated in England and Wales as a public limited company and is 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 11 December 2019 and was passed on a show of hands. Proxy votes cast in respect of the vote were 11,971,837 (100%) in favour, none against and 681 withheld. The next continuation vote will be put to Shareholders at the AGM to be held in December 2021.

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 suitably 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 may 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 (the Fund Manager). Consistent with the Company's investment policy the Fund Manager 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.

31 August 2020

STRATEGIC REVIEW

| continued

The Fund Manager uses a bottom-up approach to stock 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 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. As at 31 August 2020, £17.8m was drawn down against this facility.

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 to 13 and the Fund Manager's Review on pages 14 to 18.

KEY PERFORMANCE INDICATORS (KPIs)

The Board meets regularly to review the performance of the Company and its shares. The Board uses the following KPIs to help assess the Company's progress and its success at meeting its investment objective. For detailed calculations, please refer to the APMs on pages 100 and 101.

KPIs	Year ended 31 August 2020	Year ended 31 August 2019
NAV (£'000)	283,897	239,579
Share price at 28 August 2020	730.0	636.0
NAV per share at 31 August 2020	738.6	623.9
Share price total return*	18.7%	-2.4%
NAV total return*	22.4%	-6.7%
(Discount)/Premium	(1.2%)	1.9%
Gearing	6.3%	0.0%
Ongoing charges	1.3%	1.3%

* Total return assumes all dividend is reinvested

PRINCIPAL AND EMERGING RISKS

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 and emerging risks facing the Company, including those that would threaten its business model and its future performance. The Board conducts this robust assessment by reviewing a detailed Risk Map on a six-monthly basis. A full analysis of the Directors' review of internal control, including the review of the Risk Map, is set out in the Corporate Governance Statement on page 38.

The principal risks detailed below 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.

Strategic/Performance risk

The Company's returns are affected by changes in economic, financial and corporate conditions, which can cause market and exchange rate fluctuations. A significant fall in US equity markets is likely to adversely affect the value of the Company's portfolio. The Fund Manager provides the Board with the latest market information 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 the broader 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 Great British Pound because the Company is a UK company listed on the London Stock Exchange. However, the majority of the Company's assets are denominated in US dollars. Accordingly, the total return and capital value of the Company's investments can be significantly affected by movements in foreign exchange rates. It is not the Board's policy to hedge against foreign currency movements.

Failure to meet the Company's investment objectives and/or poor sentiment towards the general or biotechnology sector-specific equity market can affect the Company's share price, which could result in the Company's shares trading at a relatively large discount to its underlying NAV.

STRATEGIC REVIEW

| continued

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 12.

Investment related risks

Alignment of the Company's investment strategy with its 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, executive management or 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. 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.

For the year ended 31 August 2020, COVID-19 has been the most significant operational risk to the business activities of the Company and its third party service providers. However, the Fund Manager and other third party service providers were quick to react to the global pandemic with limited impact on their day-to-day business operations. The Board are confident that the Company's third party service providers' business continuity plans are sufficient to mitigate the risk posed by COVID-19.

Tax, legal and regulatory risks

To qualify as an investment trust, the Company must comply with Section 1158 Corporation Tax Act 2010 (CTA). HM Revenue & Customs (HMRC) has approved the Company as an investment trust and the Directors expect the affairs of the Company to continue to satisfy the conditions for Capital Gains Tax exemption.

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.

Political risk

Political developments are closely monitored and considered by the Board. Following the UK's departure from the European Union on 31 January 2020 (Brexit), the Board continues to assess the potential consequences for the Company's investment portfolio and future business activities. Whilst there continues to be considerable uncertainty, the Board believes that the Company's portfolio, with less than 5% exposure to the United Kingdom, continues to be suitably insulated from Brexit-related risk.

The Board also continues to monitor the developments of the upcoming US election. However, as detailed in the Outlook section of the Fund Manager's Review, the risk to the biotechnology sector has lessened and is not expected to be significant.

VIABILITY STATEMENT

In accordance with Provision 31 of the UK Corporate Governance Code, published by the Financial Reporting Council in September 2018, 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 this Strategic Review on pages 21 and 22 and the effectiveness of the Company's risk management and internal control systems are detailed on page 38. The Audit Committee has also considered the following assumptions in relation to the longer-term viability of the Company:

31 August 2020

STRATEGIC REVIEW

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- The Articles of Association require the Company to seek approval from Shareholders on the continuation of the Company at every second AGM. In December 2019, 100% of the votes cast were in favour of the continuation of the Company. The next continuation vote will be put to Shareholders at the AGM in 2021 and it is assumed that it will be approved.
- 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 reviewed the potential impact of emerging risks such as the changing political environment and the global pandemic and are comfortable that any potential risk is suitably mitigated.

The Audit Committee has considered the income and expenditure projections. Included within these projections are key assumptions such as expected NAV growth and expenses to be incurred by the Company. In order to test the reliability of the income and expenditure projections, the key assumptions were stressed to include scenarios of 0% growth in NAV and a 10% year on year increase in expenses. The Audit Committee is satisfied that the income and expenditure projections appear reasonable.

The Audit Committee has also considered the impact of the year end gearing position. As at 31 August 2020, the Company had a £17.8m drawn overdraft facility as a result of the Fund Manager's gearing strategy. The Audit Committee is satisfied that the Company's investments comprise readily realisable securities which can be sold to meet funding requirements if necessary. Additionally, the overdraft balance was reduced to £8.3m directly before the publication of this report.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

The Board recognises its responsibility to consider the impact the Company has on society and the environment through carrying out its business activities and in turn take steps to mitigate any negative impacts that might exist.

The Board encourages the Investment Manager, to the extent practicable, to have regard to underlying ESG considerations when selecting portfolio investee companies.

While the Company does not have a specific ESG mandate, the Board believes that the biotechnology sector, and the Company by association, is compatible with the principles of ESG.

Biotechnology companies aim to develop treatments which address unmet medical needs and they will invest resources in discovering treatments and cures for currently incurable diseases, even those with relatively few sufferers. While the ultimate goal is either to completely cure or to eradicate a particular disease, improvements in the way symptoms develop can make a material difference to patients' lives and relieve strain on global healthcare systems.

Not only does investing in biotechnology stocks help to bring about positive social change, it also supports companies with sound governance. Drug development is one of the most heavily regulated industries in the world, with influential regulators such as the European Medical Agency and the FDA providing strict guidelines for drug development. For a biotechnology company to be successful, it must comply with high governance standards.

The Financial Reporting Council (FRC) published an updated version of its UK Stewardship Code in 2019 effective from 1 January 2020. The UK Stewardship Code 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 Board has delegated the day to day stewardship responsibilities to the Fund Manager, who considers the application of the UK Stewardship Code when conducting voting on the shares owned by the Company. The Fund Manager votes such shares wherever

STRATEGIC REVIEW

| continued

possible and reports to the Board, on a biannual basis, on votes instructed on the Company's behalf. This accords with current best practice whilst maintaining a primary focus on financial returns.

There is an increased need to develop integration, monitoring and reporting of ESG issues in investment activities and a responsibility to consider Regulation (EU) 2019/2088 on sustainability-related disclosures (known as the Disclosure Regulation, ESG Regulation or SFDR), which is part of a broader legislative package under the European Commission's Sustainable Action Plan and which comes into effect on 10 March 2021. As a matter of priority, the Company is addressing the requirements which will be applicable under the SFDR and will be able to provide a full update on any impacts to investment strategy and governance practices in the first half of 2021.

DIVERSITY AND GENDER REPRESENTATION ON THE BOARD

The Company has no employees and as at the date of this Report, there were three male and three female Directors on the Board.

During the year the Board initiated a recruitment process as part of its ongoing succession efforts. As part of this process, the Board had regard to the benefits of diversity, including gender, but has chosen to make appointments based on merit and has therefore not set targets in relation to diversity. Kate Cornish-Bowden and Patrick Magee who were both appointed as Directors on 19 May 2020, were chosen as the most appropriate candidates for the Board based on their experience and complementary skillsets, ensuring that the Board continues to have an appropriate balance of skills.

MODERN SLAVERY ACT 2015

As an investment trust, the Company does not provide goods or services in the normal course of business and does not have any customers or employees. All the Company's activities are outsourced to third parties and the Board considers the Company's supply chain to be low risk, in terms of engaging in activities which could be deemed modern slavery, as its suppliers are typically professional advisers and regulated entities. The Company does not fall within the scope of the Modern Slavery Act 2015 and therefore is not required to make a slavery and human trafficking statement and has not been required to adopt a policy of Human Rights.

ANTI-BRIBERY, CORRUPTION AND TAX EVASION

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. This is consistent with the policies implemented by the Fund Manager and the Company expects its third party service providers to adopt the same standard of zero-tolerance.

The Company has implemented a conflicts of interest policy to which the Directors must adhere. The Company is committed to acting with integrity and in the interests of Shareholders.

GREENHOUSE GAS EMISSIONS

The Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 require companies listed on the Main Market of the London Stock Exchange to report on the greenhouse gas emissions for which they are responsible. All of the Company's activities are outsourced to the Fund Manager and other third party providers and as such the Company does not have any employees or a premise at which it conducts its business. Accordingly, there are no greenhouse gas emissions to report from the Company's operations, nor does it have responsibility for any other emissions. Further, for the same reason, the Company considers that it is a 'low energy user' under the Streamlined Energy & Carbon Reporting regulations and therefore a disclosure on energy and carbon emissions is not required.

SECTION 172 STATEMENT

The Board is required to disclose how the Directors have discharged their duties and responsibilities under section 172 (1) of the Companies Act 2006 (the "Section 172 Statement") during the year ended 31 August 2020. This statement therefore describes how the Directors have promoted the success of the Company for the benefit of its members as a whole, having regard to the likely long-term consequences of decisions, the need to foster relationships with all stakeholders and the impact of the Company's operations on the environment.

The following table sets out the Company's key stakeholders and how the Company engages with each of them.

31 August 2020

STRATEGIC REVIEW

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WHO?	WHY?	HOW?
Stakeholder Group	Why it is important to engage?	How Management and/or Directors engaged?
Investors	To allow investors to make investment decisions.	<ul style="list-style-type: none"> • Annual/Interim Financial Reports. • Monthly factsheets and Fund Manager commentary. • Quarterly videos. • Advertorials and marketing campaigns. • Webinars. • AGM. • Investor meetings attended by the Board. • RNS announcements. • Website rebuild and redesign. • The Board receives Shareholder feedback from its corporate broker and the Fund Manager. • The Board and the Fund Manager are also happy to meet Shareholders when requested.
AIFM	To ensure the portfolio is run in adherence to the Company's strategy.	<ul style="list-style-type: none"> • The Chairman regularly meets with the Investment Manager. • Representatives of the AIFM attend Board Meetings.
Service Providers	To keep service providers updated with regards to the Company's strategy in order to ensure they can provide the required services.	<ul style="list-style-type: none"> • The Fund Manager has annual service review sessions with HSBC and regularly meets with Numis, Kepler and Lansons. • The Company Secretary liaises with the Registrar on a regular basis. • Each service provider submits copies of their annual audited internal control reports to the Audit Committee.
Portfolio Investee Companies	The Investment Manager holds shares in biotechnology companies with excellent management teams and innovative products which have the potential to cure disease. Closely monitoring the performance and research data from investee companies helps the Investment Manager identify investment opportunities which have strong potential for outperformance.	<ul style="list-style-type: none"> • The Investment Manager regularly meets with the investee companies in which the Company invests. • It also participates in voting at shareholder meetings in order to encourage the highest standards of governance.
Wider community and the environment	Production of new drugs for an ageing population with unmet medical needs.	<ul style="list-style-type: none"> • The Investment Manager considers social, community and environmental factors when making investment decisions. • The Fund Manager takes these factors into account when voting at investee company meetings. • Further explanation around the Company's approach to ESG is provided on page 23.

STRATEGIC REVIEW

| continued

The below sets out the key decisions taken by the Directors during the year under review.

Portfolio

The Chairman's Statement on pages 11 to 13 and the Fund Manager's Review on pages 14 to 18 includes details of the Company's performance and portfolio activity during the year under review. The Strategic Report on page 20 describes the investment strategy undertaken by the Fund Manager. Additional meetings were also held with the AIFM this year in order to assess the impact of COVID-19 on the Company's portfolio and operations.

These factors around the portfolio and performance contribute to the long-term success of the Company and help inform investors so that they may make personal investment decisions.

Dividend

In accordance with the Dividend Policy approved by Shareholders at the AGM held on Wednesday, 11 December 2019, two interim dividends of 12.4p per share were paid on 31 January and 28 August 2020.

Discount Management

During the year ended 31 August 2020, the Company bought back 195,846 Ordinary shares at a discount to NAV to be held in treasury and issued 235,000 Ordinary shares from treasury at a premium to the NAV. Buying back shares can help to narrow the share price to NAV discount. Issuing shares helps to provide liquidity in the Company's shares where there is sufficient demand. The Board keeps the discount management under review, and it continues to be the Board's view that this policy is in the interest of all Shareholders.

Succession Planning

In accordance with the Board's previous disclosure in respect of succession planning, Kate Cornish-Bowden and Patrick Magee were appointed as non-executive Directors on 19 May 2020. John Aston will retire at the conclusion of the AGM to be held on 15 December 2020 and Dr Veronique Bouchet will retire in 2021. Further details are provided in the Chairman's Statement on page 13.

Opportunities provided by 'remote-working'

As discussed in the Chairman's Statement on page 11, the 'remote-working' measures implemented to combat the spreading of COVID-19 has provided the Company with a unique opportunity to expand its Shareholder interactions. In addition to the usual one-on-one meetings with existing and potential Shareholders, which have now been conducted by video and audio calls, the Company has taken part in numerous webinars and podcast interviews and has released more online educational content. The Company has also recently rebranded and launched its new website to improve the investor experience.

CURRENT AND FUTURE DEVELOPMENTS

Details of the Company's developments during the year ended 31 August 2020, along with its prospects for the future are set out in the Chairman's Statement on pages 11 to 13 and the Fund Manager's Review on pages 14 to 18.

By order of the Board

BNP Paribas Secretarial Services Limited

Company Secretary

30 October 2020

31 August 2020

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**International
Biotechnology
Trust**

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 Schrodgers in London and previously worked for British Technology Group and Price Waterhouse. He is a Chartered Accountant and has a degree in Mathematics from Cambridge University. He 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 PrecisionLife Ltd (previously RowAnalytics Ltd), an AI enabled precision medicine company. Veronique has over 30 years' experience in the healthcare industry. She has held a variety of senior international roles across several therapeutic areas and functions, including drug development, corporate and venture strategy, business development, and mergers and acquisitions, at AstraZeneca in the UK and Gruenthal GmbH in Germany. She has also worked in venture capital, as an investment manager with the Rothschild Bioscience Unit in London. She is a non-executive director of Stevenage Bioscience Catalyst, and is on the advisory board of the School of Business Management of Queen Mary University of London. She has an MB BS from St Bartholomew's Hospital Medical School and holds a BSc in Psychology from University College London. She has an MBA from INSEAD, and has been awarded the Institute of Directors' Diploma in Company Direction (Distinction).



KATE CORNISH-BOWDEN

Kate Cornish-Bowden was appointed as a non-executive Director of the Company on 19 May 2020. She worked for Morgan Stanley Investment Management for twelve years where she was a managing director, head of MSIM's global core equity business and head of the pharmaceuticals research team. Prior to joining Morgan Stanley, she worked for M&G Investment Management as a research analyst. Kate is currently a non-executive director of Finsbury Growth & Income Trust plc, Schroder Oriental Income Fund Ltd, and a non-executive audit committee chair of CC Japan Income & Growth Trust plc. She has previously held directorships of Scancell Holdings plc, Calculus VCT plc and Arcis Biotechnology Limited. Kate is a member of the Chartered Financial Analyst Institute (formerly AIIIMR), holds an MBA and has completed the Financial Times Non-Executive Director Diploma.

John Aston is Chairman of the Management Engagement and Nomination Committees as well as the main Board.

All Directors are independent. | All Directors are Members of the Audit, Management Engagement and Nomination Committees.

DIRECTORS' BIOGRAPHIES

| continued



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, the UK managing director. He left Schrodgers in 2001 and, following a career break, was chief executive of Witan Investment Trust plc from February 2004 to October 2008.



PATRICK MAGEE

Patrick Magee was appointed as a non-executive Director of the Company on 19 May 2020. He is Chief Commercial Officer at the British Business Bank plc and is an executive director on the Bank's Board. Before joining the British Business Bank in 2014, Patrick worked at the Shareholder Executive from June 2012 to October 2014, where his responsibilities included working on the establishment of the British Business Bank. Prior to joining the Shareholder Executive, Patrick was a managing director of corporate finance at JP Morgan Cazenove, having worked at the predecessor firms for almost 18 years. In his career Patrick has advised on a broad range of M&A, Capital Markets and Corporate Broking assignments for clients in various industries. Patrick also spent two years on secondment to the Panel for Takeovers and Mergers. Patrick has an MBA from Georgetown University, Washington DC and an LLB from Queen's University Belfast. He is a member of the Investment Committee at Queen's University, Belfast.

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 2020.

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 26: the Company's status, investment objective and policy, investment strategy, investment restrictions, financial risk management, the Company's exposure to risks, a statement regarding the Company's greenhouse gas emissions and the current and future developments as well as important events affecting the Company since the year end.

PRINCIPAL ACTIVITIES AND PURPOSE

The principal activity and therefore the purpose of the Company is the making of investments in accordance with the investment objective and policy set out on page 20. 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 to 13; and the Fund Manager's Review on pages 14 to 18.

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 56. At the AGM held on 11 December 2019, Shareholders approved the Company's dividend policy to pay an annual dividend, equivalent to 4% of the Company's NAV. This was calculated using the published NAV on the last day of the Company's preceding financial year, being 31 August 2019. Dividends are paid through two equal distributions in January and August of each year, and are paid out of capital

reserves. Accordingly, the Board declared and paid two interim dividends during the year, each totaling 12.4 pence per Ordinary share (2019: 14.0 pence per Ordinary share). These were paid on 31 January 2020 and 28 August 2020. Further, the Directors intend to pay Interim Dividends for the year ended 31 August 2020 in two tranches in January and August 2021.

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 93.

SHARE CAPITAL

At the AGM on 11 December 2019, Shareholders gave approval for the Company to purchase up to 5,779,793 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. As explained in the Chairman's Statement on page 12, during the year under review the Company bought back 195,846 Ordinary shares. The Board considers that conducting share buybacks can help to manage the discount of its share price to NAV, therefore enhancing share price performance for existing Shareholders. The effect of share buybacks on the Company during the year has been explained in the Chairman's Statement on page 12. The Board regularly reviews the methods for managing the discount and these include the use of share buybacks, payment of dividends and marketing the Company to prospective investors.

Shareholders also provided approval for the Company to issue 7,711,532 Ordinary shares (including those from treasury) with pre-emption rights disapplied. During the year, the Company re-issued 235,000 Ordinary shares from treasury representing 0.61% of the issued share capital at the start of the year (excluding shares held in treasury). Subsequent to the year end and up to 28 October 2020, the Company re-issued 1,191,000 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 as at 28 October 2020 is 41,342,663, of which 1,714,846 Ordinary shares are held in treasury.

DIRECTORS

The biographies of the Directors of the Company are set out on pages 28 and 29, all of whom were in office for the full financial year and up to the date of the signing of this Annual Report with the exception of Kate Cornish-Bowden and Patrick Magee who were both appointed as Directors on 19 May 2020.

31 August 2020

DIRECTORS' REPORT

Incorporating the Corporate Governance Statement | continued

As indicated on page 28, 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.

As disclosed on page 13, John Aston will be retiring from the Board at the conclusion of the Company's forthcoming AGM and Jim Horsburgh will be succeeding him as Chairman. Véronique Bouchet will also retire in 2021, in accordance with the Board's succession plan. The Board is satisfied that it will remain of sufficient size, with an appropriate balance of skills and experience, upon their departure but will keep this under review as part of the ongoing succession planning.

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 election or re-election at the forthcoming AGM with the exception of John Aston.

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 36. The Board has a broad range of relevant experience to contribute towards the Company's strategic priorities, including specialist understanding of the biotechnology and healthcare sectors, investment trust companies, fund management and accounting and auditing, as detailed in the Directors' biographies on pages 28 and 29. 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 the re-elections of Véronique Bouchet, Caroline Gulliver and Jim Horsburgh and the elections of Kate Cornish-Bowden and Patrick Magee 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 2021.

The Company had a Deed Poll in place during the financial year 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 2020 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, the Board 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.

The Fund Manager is entitled to a management fee payable monthly at the rate of 0.9% per annum of the Company's NAV and 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, excluding SV Fund VI, is 20% of net realised gains, taking into account any unrealised losses but not unrealised gains
- There is no performance fee calculated on SV Fund VI as the Fund Manager has carried interest in the fund
- 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.

DIRECTORS' REPORT

Incorporating the Corporate Governance Statement | continued

A performance fee of £243,039 for the quoted portfolio is payable in respect of the year ended 31 August 2020 (31 August 2019: £969,781, in respect of the unquoted portfolio). 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' 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 72, voting rights are summarised on page 96 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 exists 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 exists no agreements to which the Company is party that may affect its control following a takeover bid.

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

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 2020. In doing so, the Directors have considered the Company's borrowing requirements and covenants on existing borrowings; liquidity risk (see note 23 on page 81); the business environment and its impact on financial risk; the nature of the portfolio; the impact of the COVID-19 pandemic (which is explained in further detail in the Chairman's Statement on pages 11 to 13 and the Fund Manager's Review on pages 14 to 18) and expenditure projections for the next 12 months. The Company's assets consist mainly of equity shares in companies listed on the NASDAQ stock exchange and in most circumstances are realisable within a short timescale. As discussed in the Chairman's Statement, the Company's Articles of Association require the Board to put a proposal for the continuation of the Company to Shareholders on a biennial basis. Shareholders approved the continuation of the Company in 2019 and a further vote will take place at the AGM in 2021.

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 44 and 46.

31 August 2020

DIRECTORS' REPORT

Incorporating the Corporate Governance Statement | continued

SUBSTANTIAL SHARE INTERESTS

As at the year ended 31 August 2020 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 2020		As at 28 October 2020	
	Number of Ordinary shares held	% of voting rights	Number of Ordinary shares held	% of voting rights
Hargreaves Lansdown Asset Management	4,590,828	11.94	4,760,110	12.01
Charles Stanley	3,505,138	9.12	3,544,085	8.94
Interactive Investor	3,231,857	8.41	3,461,575	8.74
Border to Coast Pensions Partnership Limited	3,190,000	8.30	3,251,359	8.20
M&G Investment Management	1,712,648	4.46	1,712,648	4.32
South Yorkshire Pensions Authority	1,700,000	4.42	1,700,000	4.29
A J Bell Securities	1,431,497	3.72	1,512,611	3.82
Brewin Dolphin	1,433,162	3.73	1,452,783	3.67
West Yorkshire Pension Fund	1,245,599	3.24	1,245,599	3.14

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 pages 28 and 29, confirm that:

- (a) so far as each Director is aware, there is no relevant audit information of which the Company's Auditors are unaware; and
- (b) each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

AGM

The AGM will be held on Tuesday, 15 December 2020 at 2.30pm. As explained in the Chairman's Statement on page 13, the AGM will be held as a closed meeting this year and Shareholders, their proxies and corporate representatives are not permitted to attend. This is in light of ongoing social distancing measures as a result of COVID-19 and in line with current legislation. Shareholders are therefore encouraged to submit their votes by appointing the Chairman as their proxy. Details of the business of the Meeting are set out in the Notice of Meeting on pages 93 to 94, amongst which the Board is seeking Shareholders' approval of the following five items.

Details of proxy votes received in respect of each resolution are published on the Company's website following the Meeting.

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 12 seeks authority for Directors to allot shares for cash up to a nominal amount of £990,695.25, equivalent to 3,962,781 Ordinary shares (being 10% of the issued Ordinary share capital of the Company (excluding treasury shares) in issue on 28 October 2020 (being the latest practicable date prior to the publication of the Notice of Meeting)).

In addition, resolution 13 seeks authority for Directors to allot further shares for cash up to a nominal amount of £990,695.25, equivalent to 3,962,781 Ordinary shares (being 10% of the issued Ordinary share capital of the Company (excluding treasury shares) in issue on 28 October 2020 (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

DIRECTORS' REPORT

Incorporating the Corporate Governance Statement | continued

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 14 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 £990,695.25 equivalent to 3,962,781 Ordinary shares (being 10% of the Company's existing issued Ordinary share capital (excluding treasury shares) on 28 October 2020 (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.

Resolution 15 is being proposed at the AGM in addition to resolution 14 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 £990,695.25 equivalent to 3,962,781 Ordinary shares (being 10% of the Company's existing issued Ordinary share capital (excluding treasury shares) on 28 October 2020

(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 14 and 15 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 2020, the Company re-issued 235,000 shares from treasury at a premium to the prevailing NAV per share. Subsequent to the year end the Company has issued a further 1,191,000 shares from treasury. The effect of these authorities is that shares will be issued at a premium to NAV which should be value accretive for existing Shareholders and lower ongoing charges per share.

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, 11 December 2019.

DIRECTORS' REPORT

Incorporating the Corporate Governance Statement | continued

During the year ended 31 August 2020, the Company bought back 195,846 of its issued shares to be held in treasury. 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 to NAV. The authority to hold shares in treasury is in addition to the power to buyback shares for immediate cancellation.

Accordingly, a special resolution, resolution 16, 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.

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.

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 2019 (AIC Code) which can be found on the AIC website www.theaic.co.uk. The AIC Code addresses 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.

DIRECTORS' REPORT

Incorporating the Corporate Governance Statement | continued

APPLICATION OF THE AIC CODE'S PRINCIPLES

The Board considers that it has managed its affairs throughout the year ended 31 August 2020 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.

This Corporate Governance Statement, together with the Management Report and Directors' Responsibilities Statement set out on page 47, indicate how the Company has applied 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, ensuring itself that these and its culture is aligned; being collectively responsible for the long-term success of the Company. A schedule of matters specifically reserved for consideration and decision by the Board has been adopted. The Board is responsible for presenting a fair, balanced and understandable assessment of the Company's position and, where appropriate, future prospects in Annual and Half Yearly Financial Reports and other forms of public reporting. It monitors and reviews the Shareholder base of the Company, marketing and Shareholder communication strategies, and evaluates the performance of all service providers, with input from its Committees where appropriate. A procedure has been adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company, where appropriate. The Directors have access to the advice and services of the corporate Company Secretary through its appointed representative, who is responsible to the Board for, inter alia, ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The appointment and removal of the Company Secretary is a matter for the whole Board.

CONFLICTS OF INTEREST

The Directors have declared any conflicts of interest to the Company Secretary, who maintains the Register of Directors' Conflicts of Interests. It is reviewed annually by the Board, and the Directors advise the Company Secretary as soon as they become aware of any 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 six non-executive Directors. The biographical details of each Director, including his/her length of service, are set out on pages 28 and 29.

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. This is kept under continuous review by the Board as part of ongoing succession planning.

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, and in accordance with the Company's succession plan, John Aston's will retire at the conclusion of the forthcoming AGM and Jim Horsburgh will succeed him as Chairman. It is expected that, Veronique Bouchet will retire during 2021. Additionally, in line with the succession plan, Kate Cornish-Bowden and Patrick Magee were appointed on 19 May 2020.

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

31 August 2020

DIRECTORS' REPORT

Incorporating the Corporate Governance Statement | continued

questionnaire before the Chairman holds individual meetings with each Director to discuss both individual performance and the performance of the Board as a whole and of Board Committees. The evaluation of the Chairman's performance is led by the Senior Independent Director.

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 performance.

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 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 held during the financial year is set out below.

	Board		Audit Committee		Nomination Committee		Management Engagement Committee	
	Number entitled to attend	Number attended	Number entitled to attend	Number attended	Number entitled to attend	Number attended	Number entitled to attend	Number attended
John Aston	5	5	3	3	2	2	1	1
Veronique Bouchet	5	5	3	3	2	2	1	1
Kate Cornish-Bowden*	1	1	1	1	1	1	0	0
Jim Horsburgh	5	5	3	3	2	2	1	1
Caroline Gulliver	5	5	3	3	2	2	1	1
Patrick Magee*	1	1	1	1	1	1	0	0

* Appointed on 19 May 2020.

In addition, a number of unscheduled Board meetings took place during the year under review to discuss matters separate from normal agenda matters. The matters covered the impact of COVID-19 on the Company as well as portfolio company valuations, fund raising strategy and the appointment of two non-executive directors. Parts of these Meetings were attended by external advisers. The Board also met twice to discuss strategic matters separate from the normal agenda matters including: the Board's objectives, fundraising and marketing opportunities, discount control, dividend policy, the unquoted portfolio strategy, ESG and hedging.

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.

DIRECTORS' REPORT

Incorporating the Corporate Governance Statement | continued

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 28.

Nomination Committee

The Chairman of the Board acts as Chairman to the Nomination Committee which met three times during the year ended 31 August 2020 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.

During the year, the Board engaged an external search consultancy, Trust Associates, to identify two new independent non-executive Directors. Trust Associates produced a short-list of potential suitable candidates and individual interviews were held with the Board which resulted in the appointment of Kate Cornish-Bowden and Patrick Magee. In accordance with the AIC Code, the Company confirms that Trust Associates has no other connection with the Company.

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 2020 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.

ACCOUNTABILITY AND AUDIT

The Management Report and Directors' Responsibilities Statement in respect of the Financial Statements are on page 47 and a statement of going concern is set out in the Directors' Report on page 32. The Independent Auditors' Report can be found on pages 48 to 55 and the Audit Committee Report on pages 44 to 46.

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

31 August 2020

DIRECTORS' REPORT

Incorporating the Corporate Governance Statement | continued

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.

DIRECTOR DUTIES

The Board believes that it has acted in the way that they consider in good faith would be most likely to promote the success of the Company for the benefit of its Members (having regard to the matters set out in Section 172(1)(a)-(f) of the Act) in the principal decisions taken by the Board during the year. The Strategic Report on page 24 sets out further details on how the Directors had regard to its stakeholders in its principal decisions during the year.

On behalf of the Board

INTERNATIONAL BIOTECHNOLOGY TRUST PLC
JOHN ASTON OBE | Chairman

30 October 2020

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 48 to 55.

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 Board recognises corporate governance best practice is for all Directors to be submitted for annual re-election. Accordingly, all Directors stand for re-election annually.

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 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 2020	Year ended 31 August 2019
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

- 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.
- 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.
- 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.
- Directors' are entitled to claim expenses in respect of duties undertaken in connection with the management of the Company.
- Fees are paid quarterly in arrears.
- Fees are reviewed on an annual basis.
- The Company retains the flexibility to pay additional one off fees to Directors should they be required to undertake additional work in order to deliver time consuming projects in the Shareholders' interests.

ANNUAL REPORT ON DIRECTORS' REMUNERATION

This Report sets out how the Directors' Remuneration Policy was implemented during the year ended 31 August 2020. Directors' fees are reviewed annually by the Board and, following the last review in July 2020, it was agreed that Directors' fees would remain unchanged.

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REPORT ON DIRECTORS' REMUNERATION

| continued

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 2020 and the previous financial year.

Single total figure of remuneration for each Director (audited)

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

Total Fees* Remuneration for Qualifying Services	Year ended 31 August 2020 £	Year ended 31 August 2019 £
John Aston (Chairman)	42,500	42,500
Véronique Bouchet	30,000	30,000
Kate Cornish-Bowden**	7,913	—
Jim Horsburgh	28,000	28,000
Caroline Gulliver	32,500	32,500
Patrick Magee**	7,913	—
Total	148,826	133,000

There were no taxable benefits claimed during the years ended 31 August 2020 or 31 August 2019.

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

**Appointed on 19 May 2020.

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' fees have increased during the year due to two new Directors having been appointed during the year, in line with the Company's succession planning. Dividends paid to Shareholders during the year fell due to a fall in the NAV as at 31 August 2019 compared to 2018.

	Year ended 31 August 2020 £'000	Year ended 31 August 2019 £'000	% change compared to previous year
Aggregate spend on Directors' fees *	149	133	12.0
Distributions to Shareholders – dividends	9,547	10,616	(10.1)
– share buybacks	1,131	—	100.0
	10,678	10,616	0.6

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

REPORT ON DIRECTORS' REMUNERATION

| continued

Directors' beneficial and family interests (audited)

Directors	Ordinary shares of 25p each as at 31 August 2020	Ordinary shares of 25p each as at 31 August 2019
John Aston	10,000	10,000
Véronique Bouchet	8,385	8,066
Kate Cornish-Bowden*	8,000	—
Caroline Gulliver	7,500	5,000
Jim Horsburgh	15,000	15,000
Patrick Magee*	—	—

* Appointed on 19 May 2020

Subsequent to the year end, Véronique Bouchet's holding increased to 8,478 following a dividend re-investment and Patrick Magee purchased 3,500 shares.

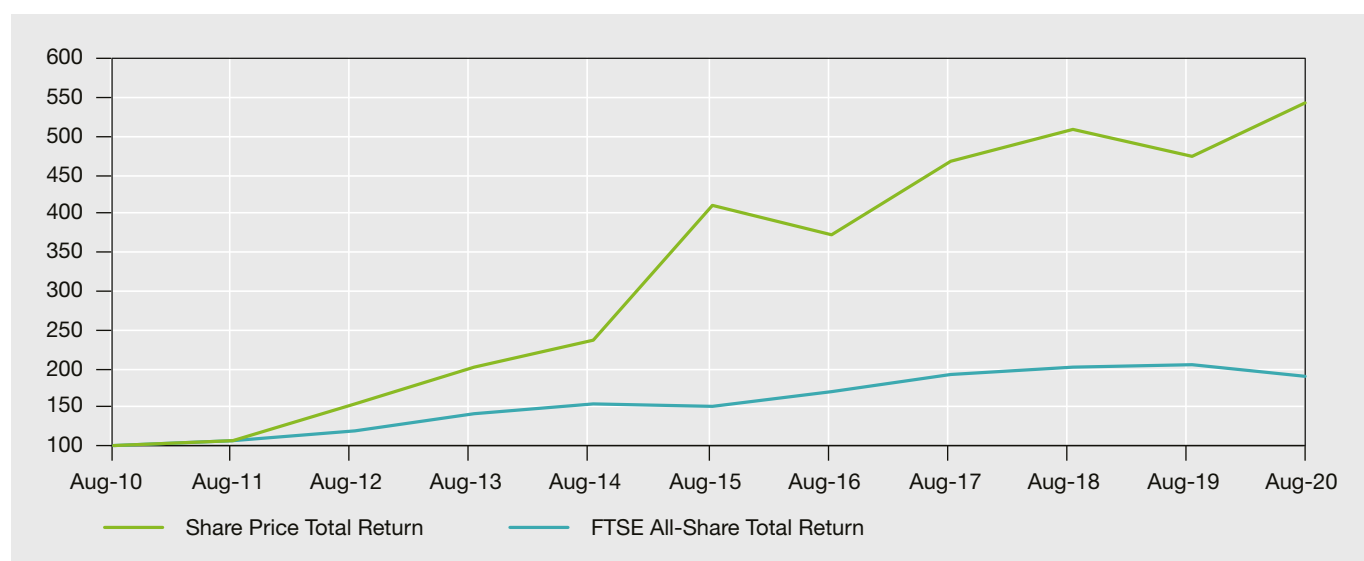
No Director has any material interest in any contract that is significant to the Company's business.

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 2010 compared to that of a broad equity market index. The FTSE All-Share Index Total Return 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 2010 (the start of the period covered by the graph).

Share Price/FTSE All-Share Index Total Return (%)



Source: Share Price Total Return from Morningstar. FTSE All-Share Total Return from Thomson Datastream. (Data rebased to 100 at 31 August 2010.)

31 August 2020

REPORT ON DIRECTORS' REMUNERATION

| continued

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 2020.

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 2020:

- (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 forthcoming AGM in December 2020.

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 11 December 2019, votes cast (including the votes cast at the Chairman's discretion) in respect of the Annual Report on Directors' Remuneration were 11,930,177 (99.83%) in favour, 20,425 (0.17%) against and 21,916 votes withheld.

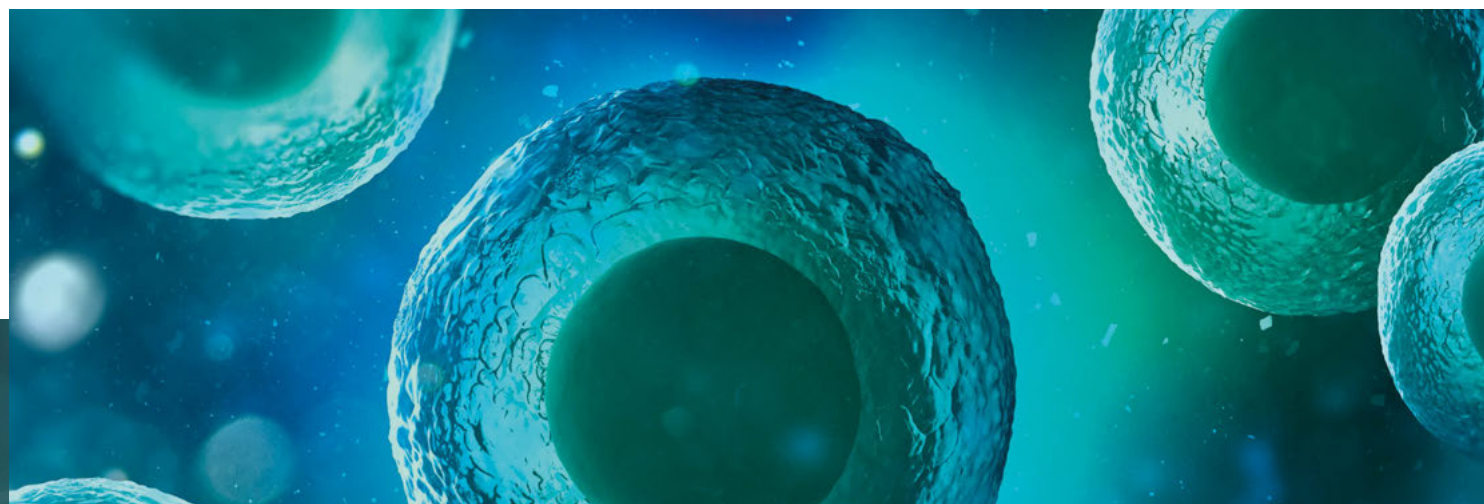
RECOMMENDATION

The Board considers the resolutions 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

30 October 2020



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, Kate Cornish-Bowden, Jim Horsburgh and Patrick Magee. 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. Both Kate Cornish-Bowden and Patrick Magee have extensive experience working in financial services. 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 pages 28 and 29.

The Audit Committee met three times during the year ended 31 August 2020 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 36.

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

31 August 2020

AUDIT COMMITTEE REPORT

| continued

- 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 auditors 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. Rotation took place in 2018 and Christopher Meyrick is the assigned engagement leader overseeing the audit for the third 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 66. The Audit Committee annually monitors the non-audit services provided to the Company and has developed a formal policy to ensure that such services do not impair the independence or objectivity of the Auditors. No non-audit services were provided during the year under review. Following its 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
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.
Performance Fee	Review of the accuracy of the calculation and completeness of disclosure.
COVID-19	Review of risk map, impact to Going Concern and the viability of the Company including the impact to operations and stress testing certain key assumptions regarding income and expenditure and the Company's gearing strategy.

AUDIT COMMITTEE REPORT

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 2020, 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 47. 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

30 October 2020



31 August 2020

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 26 inclusive (together with the sections of the Annual Report incorporated by reference) and the Directors' Report on pages 30 to 39. 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 the 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 pages 28 and 29 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 32 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

30 October 2020

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 2020 and of its profit 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 2020; 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 2019 to 31 August 2020.

OUR AUDIT APPROACH

Overview

Materiality

- Overall materiality: £2,800,000 (2019: £2,300,000), based on 1% of net assets.

Audit scope

- The Company is a standalone Investment Trust Company and engages SV Health Managers LLP (the Fund Manager) to manage its assets.
- We conducted our audit of the financial statements using information from HSBC Bank plc (the Administrator) to whom the Fund Manager has, with the consent of the Directors, delegated the provision of certain administrative functions.

31 August 2020

INDEPENDENT AUDITORS' REPORT

to the Members of International Biotechnology Trust plc | continued

- 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 Fund Manager and the Administrator, and adopted a fully substantive testing approach using reports obtained from the Fund Manager and Administrator.
- 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;
- challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the valuation of unquoted investments (see related key audit matter below);

Key Audit Matters

- Valuation and existence of unquoted investments.
- Valuation and existence of quoted investments.
- Income from investments.
- Consideration of impacts of COVID-19.

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.

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 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. 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 reduce expenditure, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- discussions with the Administrator, Fund Manager and the Audit Committee, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- reviewing relevant committee meeting minutes, including those of the Board and Audit Committee;

- identifying and testing journal entries posted throughout the year and in particular manual year end journal entries posted during the preparation of the financial statements. This included, but was not limited, to testing journals with unusual account combinations, inappropriate users or reviewers and journals posted at unusual times; and
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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.

INDEPENDENT AUDITORS' REPORT

to the Members of International Biotechnology Trust plc | continued

Key audit matter	How our audit addressed the key audit matter
<p>Valuation and existence of unquoted investments</p> <p>Refer to page 45 (Audit Committee Report), page 61 (Accounting Policies) and page 69 (notes).</p> <p>The investment portfolio at 31 August 2020 included unquoted investments .</p> <p>We focused on the valuation and existence of the unquoted investments as these investments represented a material balance in the financial statements (£35.3m) and the valuation requires significant estimates and 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>Supported by our internal valuation experts we understood and evaluated the valuation methodology applied, by reference to the International Private Equity and Venture Capital Valuation guidelines (IPEV), and tested the techniques used by the Directors in determining the fair value of unquoted investments. Our testing, performed on a sample basis, included 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.</p> <p>We also read the Board papers and meeting minutes where the valuations of the unquoted investments were discussed by the Directors. This, together with the work outlined above and our knowledge of the investee entities, IFRS, the AIC SORP and the IPEV guidelines, enabled us to discuss with and challenge the Fund Manager as to the appropriateness of the methodology, key inputs used and the valuations themselves.</p> <p>We found that the Fund Manager's valuations of unquoted investments were consistent with the IPEV 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 confirmation from the custodian, HSBC Bank plc, as at 31 August 2020.</p> <p>No material misstatements were identified from this testing.</p>
<p>Valuation and existence of quoted investments</p> <p>Refer to page 45 (Audit Committee Report), page 61 (Accounting Policies) and page 69 (notes).</p> <p>The investment portfolio at the year-end comprised quoted equity investments valued at £266.9m.</p> <p>We focused on the valuation and existence of quoted investments because investments represent the principal element of the net asset value as disclosed on the Balance Sheet.</p>	<p>We tested the valuation of the quoted equity investments by agreeing the prices used in the valuation to independent third party sources.</p> <p>We tested the existence of the investment portfolio by agreeing 100% of the holdings of quoted investments to an independently obtained confirmation from the custodian, HSBC Bank plc as at 31 August 2020.</p> <p>No material misstatements were identified from this testing.</p>

INDEPENDENT AUDITORS' REPORT

to the Members of International Biotechnology Trust plc | continued

Key audit matter	How our audit addressed the key audit matter
<p>Income from investments</p> <p>Refer to page 45 (Audit Committee Report), page 60 (Accounting Policies) and page 65 (notes).</p> <p>ISAs (UK) presume there is a risk of fraud in income recognition because of the pressure management may feel to achieve a certain objective. In this instance, we consider that 'income' refers to all the Company's income streams, both revenue and capital (including gains and losses on investments).</p> <p>We focussed this risk on the existence/occurrence of gains/losses on investments and completeness of dividend income recognition and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies' Statement of Recommended Practice (the "AIC SORP").</p>	<p>We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP and performed testing to confirm that income had been accounted for in accordance with this stated accounting policy.</p> <p>We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy.</p> <p>We understood and assessed the design and implementation of key controls surrounding income recognition.</p> <p>The gains/losses on investments held at fair value comprise realised and unrealised gains/losses. For unrealised gains and losses, we sample tested the valuation of the portfolio at the year-end (see above), together with testing the reconciliation of opening and closing investments. For realised gains/losses, we tested a sample of disposal proceeds by agreeing the proceeds to bank statements and we re-performed the calculation of a sample of realised gains/losses.</p> <p>In addition, we tested a sample of dividend receipts by agreeing the dividend rates from all investments to independent third party sources.</p> <p>To test for completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared for all listed investments during the year. Our testing did not identify any unrecorded dividends.</p> <p>We tested occurrence by testing that all dividends recorded in the year had been declared in the market by investment holdings, and we traced a sample of dividends received to bank statements. No material misstatements were identified from this testing.</p> <p>We also tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP by determining reasons behind dividend distributions. No material misstatements were identified from this testing.</p>

INDEPENDENT AUDITORS' REPORT

to the Members of International Biotechnology Trust plc | continued

Key audit matter

Consideration of impacts of COVID-19

Chairman's Statement (page 11), Principal and Emerging Risks (page 21), the Viability Statement (page 22) and the Going Concern Statement (page 32), which disclose the impact of the COVID-19 pandemic.

From a small number of cases of an unknown virus in 2019, the COVID-19 viral infection has become a global pandemic. It has caused disruption to supply chains and travel, slowed global growth and caused volatility in global markets and in exchange rates during the first quarter of 2020 and to date.

The coronavirus impacted global capital markets significantly from March 2020 onwards.

The Directors have prepared the financial statements of the Company on a going concern basis, and believe this assumption remains appropriate. This conclusion is based on the assessment that, notwithstanding the significant market uncertainties, they are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and that the Company and its key third party service providers have in place appropriate business continuity plans and will be able to maintain service levels throughout the coronavirus pandemic.

How our audit addressed the key audit matter

We evaluated the Directors' assessment of the impact of the COVID-19 pandemic on the Company by:

- evaluating the Company's updated risk assessment and considering whether it addresses the relevant threats presented by COVID-19;
- evaluating management's assessment of operational impacts, considering their consistency with other available information and our understanding of the business and assessing the potential impact on the financial statements; and
- testing the impact of COVID-19 on the valuation of sampled unlisted investments.

We obtained and evaluated the Directors' going concern assessment which reflects conditions up to the point of approval of the Annual Report.

- We obtained evidence to support the key assumptions and forecasts driving the Directors' assessment. This included reviewing the Directors' assessment of the Company's financial position and forecasts, their assessment of liquidity and loan covenant compliance as well as their review of the operational resilience of the Company and oversight of key third party service providers.

We assessed the disclosures presented in the Annual Report in relation to COVID-19 by reading the other information, including the Principal Risks and Viability Statement set out in the Strategic Report, and assessing its consistency with the financial statements and the evidence we obtained in our audit.

Our conclusions relating to other information are set out in the 'Reporting on other information' section of our report.

Our conclusions relating to going concern are set out in the 'Conclusions relating to 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.

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.

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

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

31 August 2020

INDEPENDENT AUDITORS' REPORT

to the Members of International Biotechnology Trust plc | continued

Overall materiality	£2,800,000 (2019: £2,300,000).
How we determined it	1% of net assets.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate and consistent year-on-year basis for our audit.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £140,000 (2019: £120,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

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

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

REPORTING ON OTHER INFORMATION

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

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

INDEPENDENT AUDITORS' REPORT

to the Members of International Biotechnology Trust plc | continued

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 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

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

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 21 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 22 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 47, 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 44 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 | continued

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 47, 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 14 years, covering the years ended 31 August 2007 to 31 August 2020.

Christopher Meyrick (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh

30 October 2020

STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the year ended 31 August 2020			For the year ended 31 August 2019		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments held at fair value	2	—	54,127	54,127	—	(13,940)	(13,940)
Exchange gains/(losses) on currency balances		—	1,765	1,765	—	(517)	(517)
Income	3	1,134	—	1,134	669	—	669
Expenses							
Management fee	4	(1,878)	—	(1,878)	(1,610)	—	(1,610)
Performance fee	4	—	(243)	(243)	—	(970)	(970)
Administrative expenses	5	(1,051)	—	(1,051)	(862)	—	(862)
Profit/(loss) before finance costs and tax		(1,795)	55,649	53,854	(1,803)	(15,427)	(17,230)
Finance costs							
Interest payable	6	(260)	—	(260)	(214)	—	(214)
Profit/(loss) on ordinary activities before tax		(2,055)	55,649	53,594	(2,017)	(15,427)	(17,444)
Taxation	7	(170)	—	(170)	(96)	—	(96)
Profit/(loss) for the year attributable to Shareholders		(2,225)	55,649	53,424	(2,113)	(15,427)	(17,540)
Basic and diluted earnings/(loss) per Ordinary share	8	(5.79)p	144.70p	138.91p	(5.58)p	(40.75)p	(46.33)p

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 profit/(loss) for the year, as disclosed above, is the same as the Company's total comprehensive income.

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

The notes on pages 60 to 87 form part of these Financial Statements.

31 August 2020

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 August 2020	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 2019		10,335	19,993	31,482	216,525	(38,756)	239,579
Total Comprehensive Income:							
Profit/(loss) for the year		—	—	—	55,649	(2,225)	53,424
Transactions with owners, recorded directly to equity:							
Dividends paid in the year	9	—	—	—	(9,547)	—	(9,547)
Ordinary shares bought back into treasury		—	—	—	(1,131)	—	(1,131)
Ordinary shares issued from treasury		—	441	—	1,131	—	1,572
Balance at 31 August 2020		10,335	20,434	31,482	262,627	(40,981)	283,897

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 Expense:							
Loss for the year		—	—	—	(15,427)	(2,113)	(17,540)
Transactions with owners, recorded directly to equity:							
Dividends 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

The notes on pages 60 to 87 form part of these Financial Statements.

BALANCE SHEET

	Notes	At 31 August 2020 £'000	At 31 August 2019 £'000
Non-current assets			
Investments held at fair value through profit or loss	10	302,223	237,360
		302,223	237,360
Current assets			
Receivables	11	161	2,616
Cash and cash equivalents	12	324	886
		485	3,502
Total assets		302,708	240,862
Current liabilities			
Borrowings	12	(18,096)	—
Payables	13	(715)	(1,283)
		(18,811)	(1,283)
Net assets		283,897	239,579
Equity attributable to equity holders			
Called up share capital	15	10,335	10,335
Share premium account	16	20,434	19,993
Capital redemption reserve	17	31,482	31,482
Capital reserves	18	262,627	216,525
Revenue reserve	19	(40,981)	(38,756)
Total equity		283,897	239,579
NAV per Ordinary share	20	738.61p	623.94p

The Financial Statements on pages 56 to 87 were approved by the Board on 30 October 2020 and signed on its behalf by:

JOHN ASTON OBE | Chairman

CAROLINE GULLIVER | Chair of the Audit Committee

The notes on pages 60 to 87 form part of these Financial Statements.

International Biotechnology Trust plc Company Number 2892872

31 August 2020

CASH FLOW STATEMENT

	Notes	For the year ended 31 August 2020 £'000	For the year ended 31 August 2019 £'000
Cash flows from operating activities			
Profit/(loss) before tax		53,594	(17,444)
Adjustments for:			
(Increase)/decrease in investments		(64,863)	25,665
Decrease/(increase) in receivables		2,455	(2,566)
(Decrease)/increase in payables		(568)	913
Taxation		(170)	(96)
Net cash flows (used in)/generated from operating activities	21	(9,552)	6,472
Cash flows used in financing activities			
Issue of Ordinary shares from treasury		1,572	5,262
Buyback of Ordinary shares into treasury		(1,131)	—
Dividends paid		(9,547)	(10,616)
Net cash used in financing activities		(9,106)	(5,354)
Net (decrease)/increase in cash and cash equivalents		(18,658)	1,118
Cash and cash equivalents at 1 September		886	(232)
Cash and cash equivalents at 31 August	12	(17,772)	886

The notes on pages 60 to 87 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 Companies Act 2006 (the Act) applicable to companies reporting under IFRS. These comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and International Accounting Standards Committee (IASC), as adopted by the EU.

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

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

(a) Basis of preparation

The Company's Financial Statements have been prepared on a going concern basis (as set out on page 32) and under the historical cost convention, as modified by the inclusion of investments at fair value through profit or loss.

Where presentational guidance set out in the Statement of Recommended Practice (the SORP) for investment trusts issued by The Association of Investment Companies (the AIC) in October 2019 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.

Following the guidance of the revised SORP, issued in October 2019, the presentation of gains and losses arising from disposals of investments and gains and losses on revaluation of investments have now been combined, as shown in note 10 with no impact to the NAV or profit/(loss) reported for both the current or prior year. No other accounting policies or disclosures have changed as a result of the revised SORP.

The financial position of the Company as at 31 August 2020 is shown in the Balance Sheet on page 58. As at 31 August 2020 the Company's total assets exceeded its total liabilities by a multiple of over 16. The assets of the Company consist mainly of securities that are held in accordance with the Company's Investment Policy,

as set out on page 20. The Directors have considered a detailed assessment of the Company's ability to meet its liabilities as they fall due. The assessment took account of the Company's current financial position, its cash flows and its liquidity position. In addition to the assessment, the Company carried out stress testing, including for the impact of COVID-19, which used a variety of falling parameters to demonstrate the effects in the Company's share prices and NAV. In light of the results of these tests, the Company's cash balances, and the liquidity position, the Directors consider that the Company has adequate financial resources to enable it to continue in operational existence. Further, and in accordance with the AIC SORP, it is reasonable to believe that if satisfactory performance is achieved over the period until the next continuation vote in 2021, Shareholders will vote in favour of continuation. Accordingly, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Company's accounts.

(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.

31 August 2020

NOTES TO THE FINANCIAL STATEMENTS

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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.

(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: Direct investments in quoted companies, direct investments in unquoted companies and investments in funds.

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 (IPEV) Valuation Guidelines (December 2018) and Special Valuations Guidance (March 2020). These may include reference to the transaction price at recent rounds of re-financing undertaken by investee companies involving knowledgeable parties, an earnings or multiple, a discounted cashflow model or the present value of future milestone payments, all with reference to recent arm's length market transactions between knowledgeable parties, where available.

The valuations of the unquoted investments are assessed up or down with reference to a range of factors, including: the ability

NOTES TO THE FINANCIAL STATEMENTS

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of portfolio company management to keep cash and operating budgets; investor milestone targets; clinical trial data; progress of competitor products; performance of the investment and quality of the management team; 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 calendar 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.

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

(h) Critical accounting estimates and judgements

The preparation of the Financial Statements requires the use of estimates and judgements. These estimates and judgements affect the reported amounts of assets and liabilities at the reporting date. While estimates are based on best judgement using information and financial data available, the actual outcome may differ from these estimates. The key sources of estimation and uncertainty relate to the fair valuation of the unquoted investments.

Judgements

The Directors consider that the preparation of the Financial Statements involves the following key judgements:

- (i) the fair value of the unquoted investments.

The key judgements in the fair valuation process are:

- (i) the Investment Managers' determination of the appropriate application of the IPEV Valuation Guidelines and Special Valuations Guidance (March 2020) to each unquoted investment; and
- (ii) the Directors' consideration of whether each fair value is appropriate following detailed review and challenge. The judgement applied in the selection of the methodology used for determining the fair value of each unquoted investment can have a significant impact upon the valuation.

Estimates

The key estimate in the Financial Statements is the determination of the fair value of the unquoted investments by the Investments Managers for consideration by the Directors. This estimate is key as it significantly impacts the valuation of the unquoted investments at the Balance Sheet date. The fair valuation process involves estimation using subjective inputs that are unobservable (for which market data is unavailable).

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NOTES TO THE FINANCIAL STATEMENTS

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The main estimates involved in the selection of the valuation process inputs are:

- (i) the selection of appropriate comparable companies in order to derive revenue multiples and meaningful relationships between enterprise value, revenue and earnings growth. Comparable companies are chosen on the basis of their business characteristics, such as the industry sector in which they operate and the geographic location of the company's operations, and revenue earnings and growth rates;
- (ii) the application of an appropriate discount factor to reflect macro-economic factors and the reduced liquidity of unquoted companies;
- (iii) the selection of an appropriate estimate of the probability of royalty income reflecting potential commercial uptake risk, competitor risk and uncertainty around drug pricing; and
- (iv) The calculation of valuation adjustments derived from milestone achievement analysis incorporating the likelihood of clinical trial success.

Fair value estimates are cross-checked to alternative estimation methods where possible to improve the robustness of the estimate. As the valuation outcomes may differ from the fair value estimates a price sensitivity analysis is provided in Level 3 investments at fair value through profit and loss – price risk sensitivity in note 23(7)(iii) on page 84 to illustrate the effect on the Financial Statements of an over or under estimation of the significant observable inputs.

(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.

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 potentially 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; and
- Dividends paid to Shareholders.

Note: Unrealised unquoted holding gains are not distributable.

(iv) Revenue reserve:

Comprises accumulated undistributed revenue profits and losses.

NOTES TO THE FINANCIAL STATEMENTS

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(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.

The following standards became effective on 1 January 2019 and the adoption of the standards and interpretations have not had a material impact on the Financial Statements of the Company.

IFRS 16 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 Financial Statements.

IFRS 9 (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 amendment is not expected to have any impact on the Financial Statements.

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 Financial Statements.

IAS 19 (amended) Employee Benefits

As the Company has no employees, the amendment to this standard is not expected to have any impact on the Financial Statements.

IAS 28 (amended) Investments in Associates and Joint Ventures

As the Company has no investment in associates or joint ventures, the amendment to this standard is not expected to have any impact on the Financial Statements.

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 IAS 23 Borrowing Costs. These limited amendments are not expected to have any impact on the Financial Statements.

At the date of authorisation of the Company's Financial Statements, the following new IFRSs that potentially impact the Company are in issue but are not yet effective and have not been applied in the Financial Statements:

Effective for periods commencing on or after 1 January 2020:

IFRS 3 Business Combinations (amended)

The IASB has made narrow-scope amendments to improve the definition of a business in order to help companies determine whether an acquisition made is of a business or a group of assets. These amendments are not expected to have any impact on the Financial Statements.

IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (amended)

The IASB has issued amendments to IFRS 9, IAS 39 and IFRS 7 that provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. These amendments are not expected to have any impact on the Financial Statements.

IAS 1 and IAS 8 Definition of Material (amended)

The definition of material has been amended to state that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." This new definition is not expected to change how materiality judgements are currently made by the Company nor have any impact to the material information inclusive in the Annual Report.

References to the Conceptual Framework in IFRS Standards (amended)

The Amendments to References to the Conceptual Framework in IFRS Standards was issued to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. This amendment is not expected to have any impact to the Financial Statements.

Effective for periods commencing on or after 1 January 2021:

IFRS 17 Insurance Contracts

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.

31 August 2020

NOTES TO THE FINANCIAL STATEMENTS

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

	For the year ended 31 August 2020 £'000	For the year ended 31 August 2019 £'000
Net gains on disposal of investments at historic cost	16,281	5,931
Less fair value adjustments in earlier years	(1,031)	(20,169)
Total realised gains/(losses)	15,250	(14,238)
Investment holding gains during the year	38,877	298
Total unrealised gains	38,877	298
	54,127	(13,940)
Attributable to:		
Quoted investments	49,841	(20,345)
Unquoted investments	4,286	6,405
	54,127	(13,940)

3. INCOME

	For the year ended 31 August 2020 £'000	For the year ended 31 August 2019 £'000
Income from investments held at fair value through profit or loss:		
Unfranked dividends	1,128	642
Other income:		
Bank interest	6	27
	1,134	669

NOTES TO THE FINANCIAL STATEMENTS

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4. MANAGEMENT AND PERFORMANCE FEES

	For the year ended 31 August 2020 £'000	For the year ended 31 August 2019 £'000
Fees payable to the Fund Manager are as follows:		
Management fees paid by Company (allocated to revenue)	1,878	1,610
	1,878	1,610
Performance fee (allocated to capital)	243	970
	243	970

Details of the management and performance fee arrangements are included in the Directors' Report on page 31.

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 £417,000 (2019: £526,000). Total Management fees on a comparative basis were £2,295,000 (2019: £2,136,000). Refer to note 22 Related Party Transactions on page 75, for further details.

5. ADMINISTRATIVE EXPENSES

	For the year ended 31 August 2020 £'000	For the year ended 31 August 2019 £'000
General expenses*	619	468
Directors' fees**	149	133
Company Secretarial and administration fees	233	223
Auditors' remuneration:		
Fees payable to the Company's Auditors for the audit of the Annual Financial Statements	50	38
	1,051	862

* Includes research costs under MiFID II related solely to specialist biotechnology research of £132,000 (annual cap of £160,000).

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 40 to 43.

31 August 2020

NOTES TO THE FINANCIAL STATEMENTS

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6. INTEREST PAYABLE

	For the year ended 31 August 2020 £'000	For the year ended 31 August 2019 £'000
Bank overdraft interest payable	260	214

7. TAXATION

(a) Analysis of charge in year

	For the year ended 31 August 2020 £'000	For the year ended 31 August 2019 £'000
Overseas tax	170	96
Total tax charge for the year	170	96

(b) Factors affecting tax charge for the year

Approved investment trust companies are exempt from tax on capital gains within the Company. The tax assessed for the year is lower (2019: higher) than that resulting from applying the standard rate of Corporation Tax in the UK for a medium or large company of 19% (2019: 19%). The differences are explained below:

	For the year ended 31 August 2020			For the year ended 31 August 2019		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Factors affecting tax charge for the year:						
Profit/(loss) on ordinary activities before taxation	(2,055)	55,649	53,594	(2,017)	(15,427)	(17,444)
Tax at the UK corporation tax rate of 19% (2019: 19%)	(390)	10,573	10,183	(383)	(2,931)	(3,314)
	(390)	10,573	10,183	(383)	(2,931)	(3,314)
Tax effect of:						
Non-taxable dividend income	(215)	—	(215)	(122)	—	(122)
Capital returns on investments	—	(10,284)	(10,284)	—	2,649	2,649
Exchange (losses)/gains	—	(335)	(335)	—	98	98
Expenses not utilised in the year	605	46	651	505	184	689
Overseas tax	170	—	170	96	—	96
	170	—	170	96	—	96

(c) Provision for deferred taxation

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

NOTES TO THE FINANCIAL STATEMENTS

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(d) Factors that may affect future tax charges

The Company has an unrecognised deferred tax asset of £12,649,000 (2019: £10,732,000) based on a main rate of corporation tax of 19% (2019: 19%). At Budget 2020, the Government announced that the main rate of corporation tax (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%.

The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the accounts.

Given the Company's status as an investment trust company, no provision has been made for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

8. NET EARNING/(LOSS) PER ORDINARY SHARE

	For the year ended 31 August 2020 £'000	For the year ended 31 August 2019 £'000
Net revenue loss	(2,225)	(2,113)
Net capital profit/(loss)	55,649	(15,427)
	53,424	(17,540)
Weighted average number of Ordinary shares in issue during the year*	38,458,263	37,853,827
	Pence	Pence
Revenue loss per Ordinary share	(5.79)	(5.58)
Capital profit/(loss) per Ordinary share	144.70	(40.75)
Total earning/(loss) per Ordinary share	138.91	(46.33)

*Excluding those Ordinary shares held in treasury.

9. DIVIDENDS

	For the year ended 31 August 2020 £'000	For the year ended 31 August 2019 £'000
Dividends paid		
2020 First interim dividend paid of 12.40p (2019: 14.00p)	4,781	5,267
2020 Second interim dividend paid of 12.40p (2019: 14.00p)	4,766	5,349
Total dividends paid in the year	9,547	10,616

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.

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NOTES TO THE FINANCIAL STATEMENTS

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10. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Analysis of investments

	At 31 August 2020 £'000	At 31 August 2019 £'000
Quoted overseas	266,947	202,215
	266,947	202,215
Unquoted in the United Kingdom	2,350	3,549
Unquoted overseas	32,926	31,596
	35,276	35,145
Valuation of investments	302,223	237,360

(b) Movements on investments

	For the year ended 31 August 2020 £'000	For the year ended 31 August 2019 £'000
Opening book cost	225,341	231,135
Opening investment holdings gains	12,019	31,890
Opening fair value	237,360	263,025
Analysis of transactions made during the year*		
Purchases at cost	246,864	256,198
Proceeds of disposals	(236,128)	(267,923)
Gains/(losses) on investments held at fair value	54,127	(13,940)
Closing fair value	302,223	237,360
Closing book cost	252,358	225,341
Closing investment holding losses	49,865	12,019
Closing fair value	302,223	237,360

The Company received £236,128,000 (2019: £267,923,000) from disposal of investments in the year. The book cost of these investments when they were purchased were £219,847,000 (2019: £261,992,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

* Note 10, including the prior year, has been updated in accordance with the presentational guidance set out in the SORP for Investment Trusts issued by the AIC in October 2019.

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

	For the year ended 31 August 2020 £'000	For the year ended 31 August 2019 £'000
On acquisitions	144	151
On disposals	138	161
	282	312

(c) Significant undertakings

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

	Class of share held	% of class of share held	Country of incorporation
Archemix	Series B	3.80%	US
EBR Systems	Series C	7.84%	US
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

* Although the Company continues to hold its investment in, this fair value of this holding has been fully written off in prior years.

(d) Disposals of unquoted investments

There were no significant unquoted investment disposals during the year (2019: Proceeds of £1.4m received for the partial disposal of the Company's holding in Ikano Therapeutics).

(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	3,720
SV Fund VI*	2,853
NCP Holdings	(1,029)
Topivert	(1,020)
Convergence	(638)

* The fair value gain returned by SV Fund VI was offset by the capital calls and six distributions received, totalling £7.7m. This resulted in the value of the Company's investment in SV Fund VI decreasing from £22.6m as at 31 August 2019 to £21.6m as at 31 August 2020.

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11. RECEIVABLES

	At 31 August 2020 £'000	At 31 August 2019 £'000
Amounts due within one year:		
Sales awaiting settlement	—	2,491
Accrued income	45	67
Prepaid expenses	47	29
Tax recoverable	43	8
VAT recoverable	26	21
	161	2,616

12. CASH AND CASH EQUIVALENTS

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

	At 31 August 2020 £'000	At 31 August 2019 £'000
Cash at bank	324	886
Bank overdraft	(18,096)	—
Cash and cash equivalents	(17,772)	886

The Company has a £55.0m uncommitted multi-currency overdraft facility. On 31 August 2020, £17.8m (2019: £nil) 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 by more than 15% in a month, 25% in two months or 30% in any six month period. The Company has complied with the terms of the facility throughout the financial year.

13. PAYABLES

	At 31 August 2020 £'000	At 31 August 2019 £'000
Amounts falling due within one year:		
Purchases awaiting settlement	124	42
Accrued expenses	572	1,221
Other	19	20
	715	1,283

NOTES TO THE FINANCIAL STATEMENTS

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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 commitments of £6.1m outstanding as at 31 August 2020 (2019: £7.8m). The outstanding capital commitments are callable by SV Fund VI at any time. While the fund will no longer make new investments, additional follow on investments are likely to be made by the fund into its investee companies.

15. CALLED UP SHARE CAPITAL

Allotted, Called up and Fully paid:

	At 31 August 2020 Number	At 31 August 2019 Number	At 31 August 2020 £'000	At 31 August 2019 £'000
Allotted, Called up and Fully paid shares of 25p each:				
Ordinary shares in issue	38,436,817	38,397,663	9,609	9,599
Ordinary shares held in treasury	2,905,846	2,945,000	726	736
	41,342,663	41,342,663	10,335	10,335

During the year, there were 235,000 Ordinary shares issued from treasury for total proceeds of £1,572,000 (2019: 850,000 Ordinary shares issued for a total cost of £5,262,000).

In addition, 195,846 Ordinary shares were repurchased and held in treasury during the year for a total cost of £1,131,000 (2019: nil). No Ordinary shares were cancelled (2019: nil).

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

16. SHARE PREMIUM ACCOUNT

	At 31 August 2020 £'000	At 31 August 2019 £'000
Balance brought forward	19,993	18,805
Ordinary shares issued from treasury	441	1,188
Balance carried forward	20,434	19,993

This reserve is not distributable.

17. CAPITAL REDEMPTION RESERVE

	At 31 August 2020 £'000	At 31 August 2019 £'000
Balance brought forward	31,482	31,482
Balance carried forward	31,482	31,482
Movement during the year	—	—

This reserve is not distributable.

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18. CAPITAL RESERVES

	At 31 August 2020 £'000	At 31 August 2019 £'000
Balance brought forward	216,525	238,494
Gains/(losses) on investments	54,127	(13,940)
Proceeds from Ordinary shares re-issued from treasury	1,131	4,074
Cost of Ordinary shares bought back into treasury	(1,131)	—
Performance fee	(243)	(970)
Dividend paid out of capital	(9,547)	(10,616)
Realised exchange gains/(losses) on currency balances	1,765	(517)
Balance carried forward	262,627	216,525
The capital reserves may be further analysed as follows:		
Reserve on investments sold ⁽ⁱ⁾	212,762	204,506
Reserve on investments held ⁽ⁱⁱ⁾	49,865	12,019
	262,627	216,525

(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 2020 £'000	At 31 August 2019 £'000
Balance brought forward	(38,756)	(36,643)
Net loss for the year	(2,225)	(2,113)
Balance carried forward	(40,981)	(38,756)

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

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20. NET ASSET VALUE PER ORDINARY SHARE

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

	At 31 August 2020	At 31 August 2019
NAV (£'000)	283,897	239,579
Number of Ordinary shares in issue	38,436,817	38,397,663
Basic NAV per Ordinary share (pence)	738.61	623.94

The increase in the NAV per share from 623.94p (31 August 2019) to 738.61p (31 August 2020) includes the total gain per share as disclosed above and the effect on the Company, of any issue of Ordinary shares during the year, at a discount to the prevailing NAV per share, any share buybacks 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 2020 £'000	For the year ended 31 August 2019 £'000
Proceeds on disposal of fair value through profit and loss investments	238,619	265,432
Purchases of fair value through profit and loss investments	(246,782)	(256,156)
Net cash (outflow)/inflow from investing activities	(8,163)	9,276
Cash flows from other operating activities	(1,389)	(2,804)
Net cash flows (used in)/generated from operating activities	(9,552)	6,472

NOTES TO THE FINANCIAL STATEMENTS

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22. TRANSACTIONS WITH THE 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 31. The total fee payable under this Agreement to SV Health Managers LLP for the year ended 31 August 2020 was £2,295,000 (2019: £2,136,000) of which £nil (2019: £nil) was outstanding at the year end. In addition to this, SV Health Managers LLP is also entitled to a performance fee of £243,039 on the quoted portfolio (2019: £969,781 on the unquoted portfolio). Through the Company's investment into SV Fund VI, management fees of £417,000 (2019: £526,000) are paid to SV Health Investors LLP.

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 2020 £nil (2019: £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 2020 was £148,826 (2019: £133,000) of which £115,500 (2019: £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.

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. In assessing any changes to these risks, the Board considered the impact of COVID-19 and noted that it did not have a significant impact on the risk management policies for the year ended 31 August 2020.

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 on page 4. Market price risk arises mainly from uncertainty about future prices of the financial instruments held.

NOTES TO THE FINANCIAL STATEMENTS

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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 2020 £'000	At 31 August 2019 £'000
Non-current asset investments at fair value through profit or loss	302,223	237,360
Total	302,223	237,360

The level of assets exposed to market price risk increased by approximately 27.3% during the year, through a combination of acquisitions and disposal of investments and increases in fair values.

Concentration of exposure to price risk

The Company currently holds investments in 69 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. This includes the Company's investment into SV Fund VI as one unquoted holding. However, SV Fund VI has a further 25 companies in its portfolio. 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.

	At 31 August 2020		At 31 August 2019	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
Effect on revenue return	(272)	272	(214)	214
Effect on capital return	30,222	(30,222)	23,736	(23,736)
Effect on total return and net assets	29,950	(29,950)	23,522	(23,522)

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NOTES TO THE FINANCIAL STATEMENTS

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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 2020 are shown below. Where the Company's equity investments (which are not monetary items) are priced in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

	At 31 August 2020 £'000	At 31 August 2019 £'000
Monetary (liabilities)/assets		
Cash and cash equivalents:		
US dollars	(18,096)	714
Short-term receivables:		
US dollars	67	2,558
Danish krone	21	8
Short-term payables:		
US dollars	(131)	(67)
Foreign currency exposure on net monetary items	(18,139)	3,213
Non-current asset investments held at fair value		
US dollars	273,773	216,427
Danish krone	20,656	7,062
Euros	5,444	10,322
Total net foreign currency exposure	281,734	237,024

At the year end, approximately 99% (2019: 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.

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Foreign currency sensitivity

During the financial year sterling strengthened by 9.9% against the US dollar, 0.1% against the Swiss franc and by 1.2% against the Euro (2019: weakened 6.3%, 4.1% and 1.0% 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 sterling had weakened by 10% against the exposure currencies, with all other variables held constant, this would have affected Company net assets and net profit for the year attributable to equity Shareholders as follows:

	At 31 August 2020 £'000	At 31 August 2019 £'000
US dollars	25,561	21,963
Euros	544	1,032
Danish krone	2,068	707
Swiss francs	—	1
	28,173	23,703

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

	At 31 August 2020 £'000	At 31 August 2019 £'000
US dollars	(25,561)	(21,963)
Euros	(544)	(1,032)
Danish krone	(2,068)	(707)
Swiss francs	—	(1)
	(28,173)	(23,703)

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 on the valuation of investments, although this forms part of price risk, which is considered separately above.

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Management of the risk

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

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

At the year end £17.8m (2019: £nil) 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 2020, 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 2020			At 31 August 2019		
	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	(17,772)	—	(17,772)	886	—	886
Exposure to fixed interest rates:						
Non-current asset investments held at fair value through profit or loss	—	—	—	202	—	202
Total exposure to interest rates	(17,772)	—	(17,772)	1,088	—	1,088

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 period. During the year under review the level of financial assets and liabilities exposed to interest rates fluctuated between £9.4m and £17.8m.

Interest rate sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year and equity to an increase or decrease of 50 (2019: 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.

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	At 31 August 2020		At 31 August 2019	
	Increase in rate £'000	Decrease in rate £'000	Increase in rate £'000	Decrease in rate £'000
Effect on revenue return	(89)	89	4	(4)
Effect on capital return	—	—	—	—
Effect on total return and net assets	(89)	89	4	(4)

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

Credit risk is the exposure to loss from failure of a counterparty to deliver securities or cash for acquisitions or disposals of investments. 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. 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 2020 £'000	At 31 August 2019 £'000
Sales awaiting settlement	—	2,491
Accrued income	45	67
Cash at bank	324	886
	369	3,444

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.

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3. Liquidity risk

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

Management of the risk

Liquidity and cash flow risk are minimised as the 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 £55.0m (2019: £55.0m).

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 60% (2019: 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. Sector specific risk

As well as the general risk factors outlined above, investing in the biotechnology sector carries some particular risks:

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 £55.0m (2019: £55.0m).

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

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

6. Summary of financial assets and financial liabilities by category

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

Financial assets

	At 31 August 2020 £'000	At 31 August 2019 £'000
Financial assets at fair value through profit or loss:		
Non-current asset investments – designated as such on initial recognition	302,223	237,360
Cash and receivables:		
Current assets:		
Receivables	114	2,587
Cash at bank	324	886
	438	3,473

Financial liabilities

	At 31 August 2020 £'000	At 31 August 2019 £'000
Measured at amortised cost		
Creditors: amounts falling due within one month:		
Purchases awaiting settlement	124	42
Bank overdraft	18,096	–
Accruals	572	1,221
Payables	19	20
	18,811	1,283

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

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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 2020	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Equity investments	302,223	266,947	—	35,276
	302,223	266,947	—	35,276

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

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 61.

There have been no transfers during the year between Levels 1, 2 and 3. 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 2020 £'000	At 31 August 2019 £'000
Opening valuation	35,145	32,436
Acquisitions	2,551	1,338
Disposal proceeds	(6,707)	(5,033)
Total gains included in the Statement of Comprehensive Income		
– on assets sold	325	703
– on assets held at the year end	3,962	5,701
Closing valuation	35,276	35,145

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(iii) Level 3 investments at fair value through profit and loss – price risk sensitivity

Investments are reported at their fair values. A full list of the Company's investments is given on pages 6 to 9. As at 31 August 2020, 94.0% of the Company's net assets are invested in quoted investments and 12.3% of Company's net assets are invested in unquoted investments.

The fair value of unquoted investments is influenced by the estimates, assumptions and judgements made in the valuation process. A sensitivity analysis is provided below which recognises that the valuation methodologies used involve different levels of subjectivity in their inputs. The sensitivity stresses of 10% either way in the prior year have been specifically enhanced this year to better reflect the current market.

Year ended 31 August 2020		Effect of reasonably possible alternative assumptions		
Valuation techniques	Fair value £'000	Significant unobservable inputs*	Favourable impacts £'000	Unfavourable impacts £'000
Discounted future cash flows	7,097	Probability estimate of royalty income	710	(1,355)
		Discount rate	599	(304)
Present value of future milestone payments	2,809	Probability estimate of milestone achievement	238	(451)
		Discount rate	32	(17)
Price multiples	1,358	Estimated sustainable earnings	272	(272)
		Selection of appropriate price multiple	353	(353)
Calibration price of recent investment	2,243	Calibration price of recent investment	224	(224)
	13,507		2,428	(2,976)
Net asset value	143	No significant judgements applied	—	—
	13,650		2,428	(2,976)

Year ended 31 August 2019		Effect of reasonably possible alternative assumptions		
Valuation techniques	Fair value £'000	Significant unobservable inputs*	Favourable impacts £'000	Unfavourable impacts £'000
Discounted future cash flows	3,377	Probability estimate of royalty income	453	(453)
		Discount rate	405	(216)
Present value of future milestone payments	3,313	Probability estimate of milestone achievement	279	(279)
		Discount rate	21	(22)
Price multiples	2,387	Estimated sustainable earnings, selection of appropriate price multiple	239	(239)
Calibration price of recent investment	2,218	Calibration price of recent investment	—	—
	11,295		1,397	(1,209)
Net asset value	1,272	No significant judgements applied	—	—
	12,567		1,397	(1,209)

Please refer to the accounting policy note 1(f) on page 62 for details on the valuation methodology for SV Fund VI. As at 31 August 2020, SV Fund VI has been valued in accordance with this valuation methodology. No key estimates or assumptions have been applied to the valuation of SV Fund VI between the date of the last quarterly report received and 31 August 2020.

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| continued

* Significant unobservable inputs

The significant unobservable inputs applicable to each type of valuation technique will vary dependent on the particular circumstances of each unquoted company valuation. An explanation of each of the significant unobservable inputs is provided below and includes an indication of the range in value for each input, where relevant. The assumptions made in the production of the inputs are described in note 1(f) on page 61.

Probability estimate of royalty income

The probability estimate of royalty income is a key variable input in the discounted future cash flow valuation technique and represents the potential commercial uptake risk, competitor risk and uncertainty around drug pricing. To factor in the uncertainty surrounding the probability estimate of royalty income, the input has been stressed by a factor of +/- 10%.

Probability estimate of milestone achievement

The probability estimate of milestone achievement is a key variable input in the present value of future milestone payments valuation technique and represents the potential risk that commercial milestones are not achieved/ not achieved in accordance with the estimated timeline. To factor in the uncertainty surrounding the probability estimate of milestone achievement, the input has been stressed by a factor of +/- 10%.

Discount rate

The application of a risk adjusted discount rate has been applied to discounted future cash flow and present value of future milestone payments valuation techniques. The discount rate takes into account the macro market risk and the liquidity premium. To factor in the uncertainty surrounding the discount rate, the input has been stressed by +/- 2%.

Estimated sustainable earnings

The selection of sustainable revenue or earnings will depend on whether the company is sustainably profitable or not and the value of the investment's assets and liabilities on the valuation date. The valuation approach will typically assess companies based on the last twelve months of revenue or earnings, as they are the most recent available and therefore viewed as the most reliable. To factor in the uncertainty surrounding the estimated sustainable earnings, the fair value of the investment at the reporting date has been stressed by +/- 20%.

Selection of appropriate price multiple

The selection and relevance of the appropriate multiple is assessed individually for each investment at the date of valuation. The key criteria used in selecting appropriate comparable companies on which the multiple is selected are the industry sector in which they operate, the geographic location of the company's operations, the respective revenue and earnings growth rates and the operating margins. Approximately 10 comparable companies will be selected for each investment, depending on how many relevant comparable companies are identified. To factor in the uncertainty surrounding the selection of comparable companies, the applicable multiple has been stressed by +/- 2%.

Calibration price of recent investment

The fair values of the underlying investments are based on the calibration price but remain unadjusted from the recent price of the investment. To factor in the uncertainty surrounding the selection of calibration price, the fair value of the investment at the reporting date has been stressed by +/- 10%.

NOTES TO THE FINANCIAL STATEMENTS

| continued

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 2020 £'000	At 31 August 2019 £'000
Debt		
Bank overdraft	18,096	—
Equity		
Called up share capital	10,335	10,335
Reserves	273,562	229,244
Total equity	283,897	239,579
Total debt and equity	301,993	239,579

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 planned level of gearing;
- (ii) the need to buyback or issue equity shares; and
- (iii) the determination of dividend payments.

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 represents borrowings used for investment purposes, less cash, expressed as a percentage of net assets.

	At 31 August 2020 £'000	At 31 August 2019 £'000
Borrowings used for investment purposes less cash	17,772	—
Net assets	283,897	239,579
Gearing	6.3%	0.0%

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.

31 August 2020

NOTES TO THE FINANCIAL STATEMENTS

| continued

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

25. POST BALANCE SHEET EVENTS

After the year end and up to 28 October 2020, a further 1,191,000 Ordinary shares were issued from treasury. Following these share issuances, the total number of shares in issue was 41,342,663 of which 1,714,846 shares were held in treasury. No other significant events occurred after the end of the reporting period to the date of this Report requiring disclosure.

There are no other significant events that have occurred after the end of the reporting period to the date of this Report which require disclosure.

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 31.

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 20 of the Annual Report 2020.

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 Depository 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 Depository 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 32 under the heading "Administration, Depository and Company Secretarial Services". The AIFM does not consider that any conflicts of interest arise from the delegation of these functions.

Valuation policy

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

31 August 2020

ALTERNATIVE INVESTMENT FUND MANAGER'S DISCLOSURE | continued

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. 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.
- (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). 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 88. 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' Liability insurance premiums
- Research costs

ALTERNATIVE INVESTMENT FUND MANAGER'S DISCLOSURE | continued

- 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

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 under the Long-term record on page 5. 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 2020, the overdraft facility available to the Company was £55.0m (2019: £55.0m).

31 August 2020

ALTERNATIVE INVESTMENT FUND MANAGER'S DISCLOSURE | continued

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 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 and emerging 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 11 to 26 of the Annual Report 2020 and in note 23 to the Financial Statements 2020 on pages 75 to 86.

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.

Gearing

The Company uses gearing to increase its exposure primarily for short-term investment opportunities. The AIFM in dialogue with the Board has set maximum levels of gearing 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 gearing limits are 30.0% for both the gross method and the commitment method of calculating gearing. There have been no changes to the maximum level of gearing that the Company may employ during the year.

At 31 August 2020, £17.8m was drawn down against the uncommitted overdraft facility. The Company has complied with the terms of the facility throughout the financial year. Further details can be found in note 12 on page 71 and note 23 on page 75.

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' Liability 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

SV HEALTH MANAGERS LLP

30 October 2020

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 2020

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

30 October 2020

31 August 2020

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting (AGM) of International Biotechnology Trust plc will be held at 2.30 pm on Tuesday, 15 December 2020 as a closed Meeting, to consider and, if thought fit, to pass the following resolutions, of which resolutions 1 to 13 will be proposed as ordinary resolutions and resolutions 14 to 17 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 2020.
2. To approve the Directors' Remuneration Policy.
3. To approve the Annual Report on Directors' Remuneration for the year ended 31 August 2020.
4. 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.
5. To re-elect Dr Véronique Bouchet as a Director of the Company.
6. To elect Miss Kate Cornish-Bowden as a Director of the Company.
7. To re-elect Mrs Caroline Gulliver as a Director of the Company.
8. To re-elect Mr Jim Horsburgh as a Director of the Company.
9. To elect Mr Patrick Magee as a Director of the Company.
10. 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.
11. To authorise the Directors to determine the Auditors' remuneration.
12. 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 £990,695.25, equivalent to 3,962,781 Ordinary shares (being 10% of the issued Ordinary share capital of the Company on 28 October 2020 (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 AGM of the Company to be held in 2021 (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.
13. THAT, subject to the passing of resolution 12, 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 £990,695.25, equivalent to 3,962,781 Ordinary shares (being 10% of the issued Ordinary share capital of the Company on 28 October 2020 (excluding treasury shares) (being the latest practicable date prior to the publication of this Notice)), such authority to be in addition to the authority granted pursuant to resolution 13 above and to apply until the end of the AGM to be held in 2021 (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.

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

12. 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
14. THAT, subject to the passing of resolution 12, 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 12 above and/or to sell Ordinary shares from treasury shares for cash as if Section 561 of the Act did not

SPECIAL RESOLUTIONS

NOTICE OF MEETING

apply to any such allotment or sale up to an aggregate nominal amount of £990,695.25 equivalent to 3,962,781 Ordinary shares (being 10% of the Company's existing issued Ordinary share capital (excluding treasury shares) on 28 October 2020 (being the latest practicable date prior to the publication of this Notice)), such authority to apply until the end of the AGM to be held in 2021 (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, subject to the passing of resolution 13, the Directors of the Company be authorised (and in addition to any authority granted under resolution 14) to allot equity securities (as defined in Section 560 in the Act) for cash under the authority conferred on the Directors by resolution 15 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 £990,695.25 equivalent to 3,962,781 Ordinary shares (being 10% of the Company's existing issued Ordinary share capital (excluding treasury shares) on 28 October 2020 (being the latest practicable date prior to the publication of this Notice)), such authority to apply until the end of the AGM to be held in 2021 (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.

16. 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 5,940,209 (being 14.99% of the issued Ordinary share capital, excluding treasury shares, as at 28 October 2020 (being the latest practicable date prior to the publication 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 2021 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.

17. 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

30 October 2020

NOTICE OF MEETING | NOTES

NOTICE OF MEETING NOTES

1. In light of ongoing social distancing measures as a result of COVID-19 and in line with current legislation, the Board has decided to hold the AGM as a closed meeting this year, with the minimum quorum permitted by the Company's Articles. Shareholders, their proxies and corporate representatives are therefore not permitted to attend. Shareholders are therefore encouraged to submit their votes by appointing the Chairman as their proxy.
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 Friday, 11 December 2020, or 6.30 pm two working days prior to the date of an adjourned Meeting, shall be entitled to submit proxy votes at the Meeting in respect of the number of shares registered in their name at that time.

Changes to the Register of Members after 6.30 pm on Friday, 11 December 2020 shall be disregarded in determining the right of any person to vote at the Meeting. The voting record date has been determined as Friday, 11 December 2020.

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 by proxy, shall be accepted to the exclusion of the votes of the other joint holders.
5. 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.

6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM to be held on Tuesday, 15 December 2020 and any adjournment(s) thereof by using the procedures described in the CREST Manual on the Euroclear website (www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by 2.30pm on Friday, 11 December 2020. 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

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or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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

7. You should not use any electronic address provided either in the Notice of Meeting or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.
8. Copies of the Appointment Letters of the non-executive Directors, the Company's Articles of Association and a statement of all transactions of each Director and of 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.
9. The biographies of the Directors offering themselves for re-election are set out on pages 28 and 29 of the Company's Annual Report for the year ended 31 August 2020 and set out each Director's experience. These, along with the disclosure in the Directors' Report on pages 30 and 31 explains why the Directors' contributions are important to the Company's long-term sustainable success.
10. As at 28 October 2020, 41,342,663 Ordinary shares of 25 pence were in issue of which, 1,714,846 Ordinary shares were held in treasury (equivalent to 4.15% of the issued share capital, including treasury shares). Accordingly, the total number of voting rights of the Company as at 28 October 2020 is 39,627,817.
11. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests of the Company's securities already held by the Chairman, result in the Chairman

holding such number of voting rights that he has a notifiable obligation under the Disclosure 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.

12. The Annual Report and this Notice of Meeting will be available on the Company's website, www.ibtplc.com, from the date of the announcement of the Company's annual results to the market. The Annual Report contains details of the total number of shares in the Company in which Shareholders are entitled to exercise voting rights, along with the total number of votes that Shareholders are entitled to exercise at the Meeting in respect of each share class.
13. A personalised proxy form will be sent to each registered Shareholder with the Annual Report and this Notice of Meeting, and instructions on how to vote will be contained thereon.
14. Shareholders are advised that they have the right to have questions answered at the AGM. The Company must cause to be answered any such question relating to the business being dealt with at the AGM but no such answer need be given if:
 - (a) to do so would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information
 - (b) the answer has already been given on the Company's website (www.ibtplc.com) in the form of an answer to a question
 - (c) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.

However, as the Meeting will be held as a closed Meeting, 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 email at secretarialservice@uk.bnpparibas.com.

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

16. 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.



GLOSSARY

Administrator – the administrator is HSBC Bank plc to which the Company has delegated certain trade processing, valuation and middle office tasks and systems.

AIC – Association of Investment Companies, the trade body for investment companies.

AIFMD – Alternative Investment Fund Managers Directive. Issued by the European Parliament in 2012 and 2013, the Directive requires that all investment vehicles (AIFs) in the European Union, including investment trusts, appoint a Depositary and an Alternative Investment Fund Manager (AIFM). The Board remains responsible, however, for all aspects of the Company's strategy, operations and compliance with regulations. The Company's AIFM is SV Health Managers LLP.

APM(s) – Alternative Performance Measures (please refer to page 100).

Benchmark – the benchmark is the NASDAQ Biotechnology Index (NBI) (total return in sterling with dividends reinvested).

Company – International Biotechnology Trust plc.

Custodian – the Custodian is HSBC Bank plc. The Custodian is a financial institution responsible for safeguarding the securities and cash assets of the Company, as well as the income arising therefrom, through provision of custodial, settlement and associated services.

Depositary – the Depositary is HSBC Bank plc. Under AIFMD rules, the Company must have a Depositary whose duties in respect of investments and cash include safekeeping; verification of ownership and valuation; and cash monitoring. Under the AIFMD rules, the Depositary has strict liability for the loss of the Company's financial assets in respect of which it has safekeeping duties.

Discount/Premium – the share price of an investment trust is derived from buyers and sellers trading their shares on the London Stock Exchange and is not always the same as the NAV per share. If the share price is lower than the NAV per share, the shares are said to be trading 'at a discount'. If the share price is above the NAV per share, the shares are said to be trading 'at a premium'.

Distributable reserves – reserves distributable by way of dividend or for the purpose of buying back Ordinary share capital.

Fund Manager and Alternative Investment Fund Manager (AIFM) – SV Health Managers LLP. The responsibilities and remuneration of the Fund Manager are set out in the Directors' Report and note 4 to the Financial Statements.

Gearing – the Company can borrow money to invest in additional investments for its portfolio. The effect of the borrowing on the Shareholders' assets is called 'gearing'. If the Company's assets grow, the Shareholders' assets grow proportionately more because the debt remains the same. But if the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets. The maximum permitted level of gearing, which is set by the Board, is 30% of the Company's NAV, as described in the Strategic Report and the Directors' Report. For detailed calculations, please refer to the APMs on page 100.

Independent Auditor – PriceWaterhouseCoopers LLP.

Investment Manager – Carl Harald Janson, an employee of the Fund Manager with overall management responsibility for the total portfolio.

Management fee – the Fund Manager is entitled to a management fee payable monthly at the rate of 0.9% per annum of the Company's NAV.

Market capitalisation – the stock market quoted price of the Company's shares, multiplied by the number of shares in issue. If the Company's shares trade at a discount to NAV, the market capitalisation will be lower than the NAV.

Net Asset Value (NAV) – the assets less the liabilities of the Company, as set out in the Statement of Financial Position, all valued in accordance with the Company's accounting policies as described in note 1.

Non-executive Director – a Director who has a letter of appointment, rather than a contract of employment, with the Company. The Company does not have any executive Directors. Non-executive Directors' remuneration is set out in the Remuneration Report.

Ongoing charges – ongoing charges are all operating costs expected to be regularly incurred and that are payable by the Company. Ongoing charges are calculated in accordance with the Association of Investment Companies (the AIC) guidance, based on total expenses excluding finance costs and performance fee

GLOSSARY

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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. Research costs under MiFID II borne by the Company is included in the ongoing charges calculation.

Performance fee – the Fund Manager is entitled to a performance fee which is calculated as follows:

- The fee on the quoted portfolio is 10% of relative outperformance above the sterling-adjusted NBI plus a 0.5% hurdle
- The fee on the unquoted pool, excluding the investment in SV Fund VI, 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; and

- 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.

Total return – the total return is the return to Shareholders after reinvesting the net dividend on the date that the share price goes ex-dividend.

UK Code of Corporate Governance (UK Code) – the standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with Shareholders that all companies with a Premium Listing on the London Stock Exchange are required to report on in their annual report and accounts.

Alternative Performance Measures (APMs)

The Board uses the following APMs to review the performance of the Company (listed in alphabetical order):

Discount/Premium

The Company's share price is not always the same as the NAV per share. If the share price is lower than the NAV per share, the shares are said to be trading 'at a discount'. If the share price is above the NAV per share, the shares are said to be trading 'at a premium'.

		At 31 August 2020	At 31 August 2019
NAV per share (pence) as at 31 August 2020	a	738.6	623.9
Share price (pence) as at 28 August 2020	b	730.0	636.0
(Discount)/Premium	(b ÷ a) - 1	(1.2%)	1.9%

Gearing

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

		Note	At 31 August 2020	At 31 August 2019
Borrowings used for investment purposes including cash (£'000)	a	12	17,772	—
Net assets (£'000)	b		283,897	239,579
Gearing	a ÷ b		6.3%	0.0%

Ongoing charges

Ongoing charges are calculated in accordance with the AIC's recommended methodology using the charges for the current year and the average NAV during the year.

	Note	Year ending 31 August 2020	Year ending 31 August 2019
Management fee paid by the Company (£'000)	4	1,878	1,610
Management fee paid directly by SV Fund VI (£'000)	4	417	526
Administrative expenses (£'000)	5	1,051	862
Total ongoing expenses (£'000)	a	3,346	2,998
Average daily NAV (£'000)	b	258,792	230,615
Ongoing Charges (expressed as a percentage)	a ÷ b	1.3%	1.3%

31 August 2020

APMs

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Total return

The total return is the return to Shareholders after reinvesting the net dividend on the date that the share price goes ex-dividend.

a) NAV total return

		Year ending 31 August 2020	Year ending 31 August 2019
Opening NAV per share (pence)	a	623.9	699.0
Closing NAV per share (pence)	b	738.6	623.9
Dividend adjustment factor*	c	1.0336	1.0449
Adjusted closing NAV per share	d = b x c	763.4	651.9
Total return	(d ÷ a) - 1	22.4%	-6.7%

* The dividend adjustment factor is calculated on the assumption that the dividends paid by the Company during the year were reinvested into shares of the Company at the cum income NAV per share/share price, as appropriate, at the ex-dividend date.

Due to 31 August 2020 being a UK public holiday, performance data reported in the Annual Report will differ slightly from the performance data reported in the Factsheet for August 2020.

NAV total return is analysed further into its components and sub-components, namely quoted portfolio total return, SV Fund VI total return and directly-held unquoted portfolio total return, as discussed in the Chairman's Statement and Fund Managers' Review. The calculations for these components of total return are based on geometric algorithms taking into account individual investment's pricing movements, acquisitions and disposals, the dividend adjustment factor, fees and administration expenses incurred by the Company.

b) Share price total return

		Year ending 31 August 2020	Year ending 31 August 2019
Opening price per share (pence)	a	636.0	680.0
Closing price per share (pence)	b	730.0	636.0
Dividend adjustment factor*	c	1.0340	1.0440
Adjusted closing price per share (pence)	d = b x c	754.8	664.0
Total return	(d ÷ a) - 1	18.7%	-2.4%

* The dividend adjustment factor is calculated on the assumption that the dividends paid by the Company during the year were reinvested into shares of the Company at the cum income NAV per share/share price, as appropriate, at the ex-dividend date.

COMPANY SUMMARY, SHAREHOLDER INFORMATION, DIRECTORS AND ADVISERS

Company Status

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

Life of the Company

The Company's Articles of Association provide for Directors to put forward a proposal for the continuation of the Company at the Company's AGM at two-yearly intervals. Accordingly, a proposal will be put forward at the AGM to be held in December 2021.

Share Price and NAV Information

The Company's shares are listed on the London Stock Exchange. 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
28 February	Half Year End
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 28 October 2020, the Company had 41,342,663 Ordinary shares of 25p each in issue which included 1,714,846 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)
Kate Cornish-Bowden
Caroline Gulliver (Chair of the Audit Committee)
Jim Horsburgh
Patrick Magee

ADVISERS

Fund Manager and AIFM

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

Company Secretary and Registered Office

BNP Paribas Secretarial Services Limited
10 Harewood Avenue, London NW1 6AA
Telephone: 020 7410 5971
Email: secretarialservice@uk.bnpparibas.com

Administrator, Custodian and Depository

HSBC Bank plc
8 Canada Square, London E14 5HQ

Independent Auditors

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

Stockbroker

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square, London EC4M 7LT

Registrar

Equiniti Limited
Aspect House, Spencer Road
Lancing, West Sussex BN99 6DA
Shareholder Helpline: 0371 384 2624*
Overseas Helpline: +44 121 415 7047
Website: www.shareview.co.uk

Lines are open from 8.30 am to 5.30 pm Monday to Friday (excluding public holidays in England and Wales).



**ANNUAL
REPORT**
31 August 2020

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