# International Biotechnology Trust plc

## Investing in Biotechnology for a Healthier Future

ANNUAL REPORT | 31 AUGUST 2022

International Biotechnology Trust plc

WELCOME TO

# INTERNATIONAL BIOTECHNOLOGY TRUST PLC's

ANNUAL REPORT FOR THE YEAR ENDED 31 AUGUST 2022

cfi.co AWARDS 2022 — Responsible Investing — International Biotechnology Trust plc — Best Biotechnology Investment Strategy

FTI AJBell Awards 2022 — TECHNOLOGY/BIOTECH - ACTIVE — International Biotechnology Trust plc — WINNER

INVESTMENT WEEK INVESTMENT COMPANY OF THE YEAR AWARDS 2022 — BIOTECH AND HEALTHCARE — International Biotechnology Trust plc — NOMINEE

SHARES AWARDS 2022 — Best Company for Shareholder Communication — International Biotechnology Trust plc — NOMINEE

## 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 Investment Managers at SV Health Managers LLP are scientifically, medically and financially experienced 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 the Company are detailed below:

### Strong fundamentals

Driven by the strong fundamental demand and supply of the Biotechnology sector

### Diversified portfolio

Access to a broad spectrum of quoted and unquoted investments

### Growth and yield

Provides investors exposure to both growth and an attractive yield

### Active management

Bottom up stock selection with diversification overlay

### Expert team

Medically, scientifically and financially experienced Investment Managers with access to specialists at SV Health Investors

### Innovation

Invested in some of the most innovative companies in the world, developing therapies to improve and save lives

# FUND FACTS

| FINANCIAL HIGHLIGHTS | 31 August 2022 | 31 August 2021 |
|---|---|---|
| **Total equity/Net asset value (NAV) (£'000)** | **284,889** | 323,775 |
| **NAV per share** | **697.2p** | 782.4p |
| **Share price** | **651.5p** | 729.5p |
| **Share price discount** | **(6.6)%** | (6.8)% |
| **Gearing** | **14.0%** | 6.3% |
| **Ongoing charges*** | **1.3%**** | 1.2%** |
| **Ongoing charges including performance fee** | **1.5%**** | 1.3%** |

For detailed calculations on the discount/premium, gearing and ongoing charges, please refer to Alternative Performance Measures (APMs) on page 106.
* 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 directly to SV Health Managers LLC from the investment in SV Fund VI (Fund VI) of £392,000 (2021: £377,000) and directly to SV Health Managers LLP from the investment in SV Biotech Crossover Opportunities Fund LP (BCOF) of £231,000 (2021: nil).

| FIVE YEAR PERFORMANCE (Cumulative Total Return) | 1yr (%) | 3yr (%) | 5yr (%) |
|---|---|---|---|
| **Share price total return to 31 August** | **(6.4)** | **14.8** | **27.8** |
| **NAV per share total return to 31 August** | **(6.9)** | **24.1** | **25.6** |
| **NASDAQ Biotechnology Index (NBI) to 31 August** | **(13.8)** | **27.6** | **26.7** |
| **FTSE All-Share Index to 31 August** | **1.0** | **12.0** | **17.7** |

For detailed calculations on the Share price total return and the NAV per share total return, please refer to Alternative Performance Measures (APMs) on page 107. Data for NBI and FTSE All-Share Index sourced from Bloomberg. All sterling-adjusted and on a shareholder returns basis.

| TOP TEN HOLDINGS | | | As at 31 August 2022 | | As at 31 August 2021 |
|---|---|---|---|---|---|
| **Investment** | **Therapeutic area** | **Geographic location** | **£'000** | **% of NAV** | **% of NAV** |
| **Horizon Therapeutics** | Rare diseases | United States | **23,151** | **8.1** | 5.8 |
| **Seagen** | Oncology | United States | **22,036** | **7.7** | 6.8 |
| **SV Fund VI** | Venture Fund | United States | **18,866** | **6.6** | 6.7 |
| **Incyte Genomics** | Oncology | United States | **14,644** | **5.1** | 3.7 |
| **Regeneron Pharmaceuticals** | Ophthalmology | United States | **11,830** | **4.2** | 1.2 |
| **Gilead Sciences** | Infectious diseases | United States | **11,387** | **4.0** | 6.6 |
| **Neurocrine Biosciences** | Central nervous system | United States | **11,150** | **3.9** | 6.2 |
| **Harmony Biosciences** | Rare diseases | United States | **9,981** | **3.5** | 1.3 |
| **Mirati Therapeutics** | Oncology | United States | **9,461** | **3.3** | 2.8 |
| **Supernus Pharmaceuticals** | Central nervous system | United States | **8,752** | **3.1** | 1.8 |
| | | | **141,258** | **49.5** | |

At 31 August 2021 the top ten holdings represented 52.7% of NAV.

| PORTFOLIO OVERVIEW | 31 August 2022 | 31 August 2021 |
|---|---|---|
| **Number of total portfolio companies*** | **72** | 82 |
| **Number of quoted holdings** | **64** | 74 |
| **Number of unquoted holdings**** | **8** | 8 |
| **NAV** | **£284.9m** | £323.8m |
| **Quoted investments** | **£285.5m** | £314.4m |
| **Unquoted investments** | **£28.0m** | £31.0m |
| **Net (debt)***** | **(£40.0m)** | (£20.3m) |

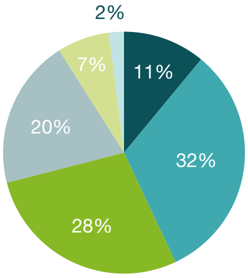
* Excluding unquoted companies fully written off (2022: 11; 2021: 10).
** Includes two SV unquoted funds. SV Fund VI and SV BCOF have a further 20 and 4 companies, respectively, in their portfolios.
*** Debt as at 31 August is a result of the Investment Managers' investment strategy. Please refer to Glossary on pages 104 and 105 and APMs on page 106 for more information.

# PORTFOLIO COMPOSITION

## AS AT 31 AUGUST 2022

### NAV% by Size*

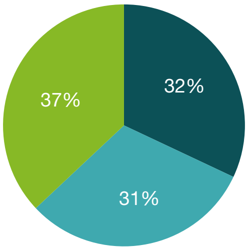
- Mega cap > $30bn
- Large cap = $10-30bn
- Mid cap = $2-10bn
- Small cap < $2bn
- Unquoted funds
- Directly-held unquoted



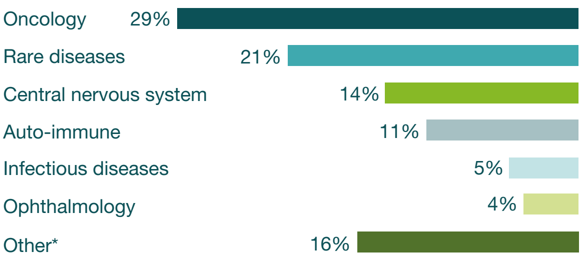

*Adjusted for cash/(debt) balance.

### NAV% by Development Stage

- Profitable
- Revenue growth
- Early-stage




### NAV% by Therapeutic Area




*Other includes unquoted funds.

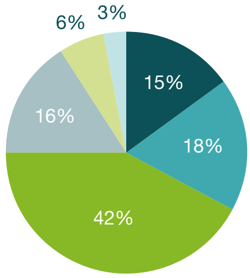
### NAV% by Geography

86% US/Canada   11% Europe/UK   3% Rest of World

## AS AT 31 AUGUST 2021

### NAV% by Size*

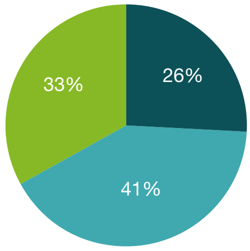
- Mega cap > $30bn
- Large cap = $10-30bn
- Mid cap = $2-10bn
- Small cap < $2bn
- Unquoted funds
- Directly-held unquoted



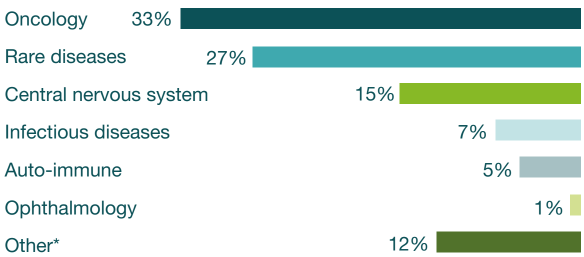

*Adjusted for cash/(debt) balance.

### NAV% by Development Stage

- Profitable
- Revenue growth
- Early-stage

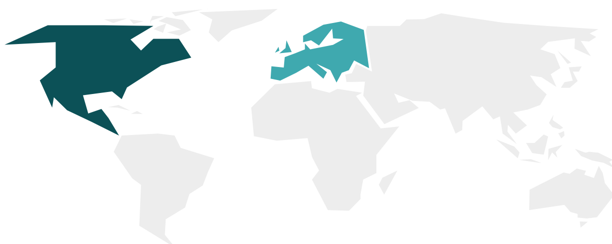



### NAV% by Therapeutic Area




*Other includes unquoted funds.

### NAV% by Geography



92% US   5% Europe/UK   3% Rest of World

# LONG-TERM RECORD

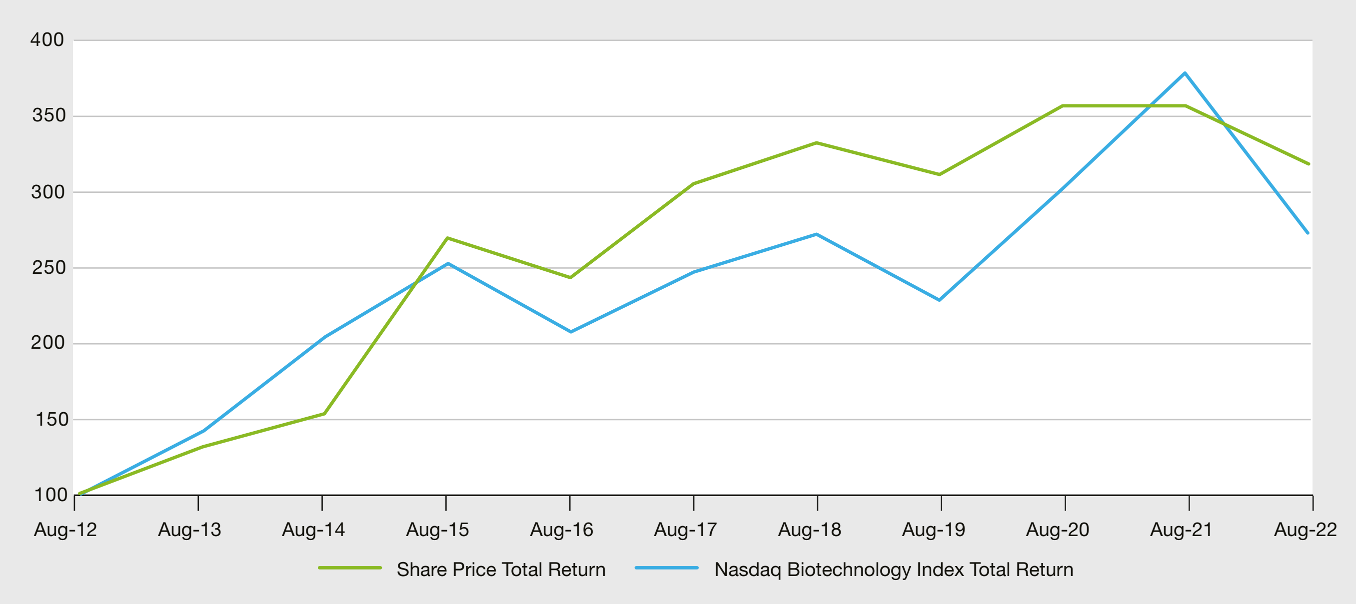
## TEN YEAR PERFORMANCE as at 31 August

| 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 % | NBI Index Total Return % |
|---|---|---|---|---|---|---|---|---|
| **2022** | **284,889** | **40,863,009** | **697.2** | **(6.9)** | **651.5** | **(6.4)** | **(6.6)** | **(13.8)** |
| 2021 | 323,775 | 41,383,817 | 782.4 | 9.8 | 729.5 | 3.8 | (6.8) | 24.8 |
| 2020† | 283,897 | 38,436,817 | 738.6 | 22.4 | 730.0 | 18.7 | (1.2) | 18.6 |
| 2019 | 239,579 | 38,397,663 | 623.9 | (6.8) | 636.0 | (2.1) | 1.9 | (9.8) |
| 2018 | 262,473 | 37,547,663 | 699.0 | 8.6 | 680.0 | 13.7 | (2.7) | 10.1 |
| 2017 | 252,651 | 37,547,663 | 672.9 | 20.9 | 624.0 | 30.5 | (7.3) | 21.7 |
| 2016 | 216,651 | 37,672,663 | 575.1 | (1.7) | 497.5 | (9.8) | (13.5) | (6.5) |
| 2015 | 236,001 | 40,247,663 | 586.4 | 48.2 | 551.5 | 75.4 | (6.0) | 38.0 |
| 2014 | 214,970 | 54,332,663 | 395.7 | 26.4 | 314.5 | 16.9 | (20.5) | 33.8 |
| 2013 | 172,672 | 55,157,663 | 313.1 | 34.7 | 269.0 | 31.5 | (14.1) | 46.8 |

* Excludes treasury shares.
** On a total return basis (with all dividends reinvested since 2017).
† Share price as at and total return to 28 August 2020 (31 August 2020 being a UK Bank Holiday).

## TEN YEAR PERFORMANCE

Share Price/NASDAQ Biotechnology Index Total Return (%)




Source: Share Price Total Return from Morningstar. NASDAQ Biotechnology Index Total Return from Bloomberg. Data rebased to 100 at 31 August 2012.

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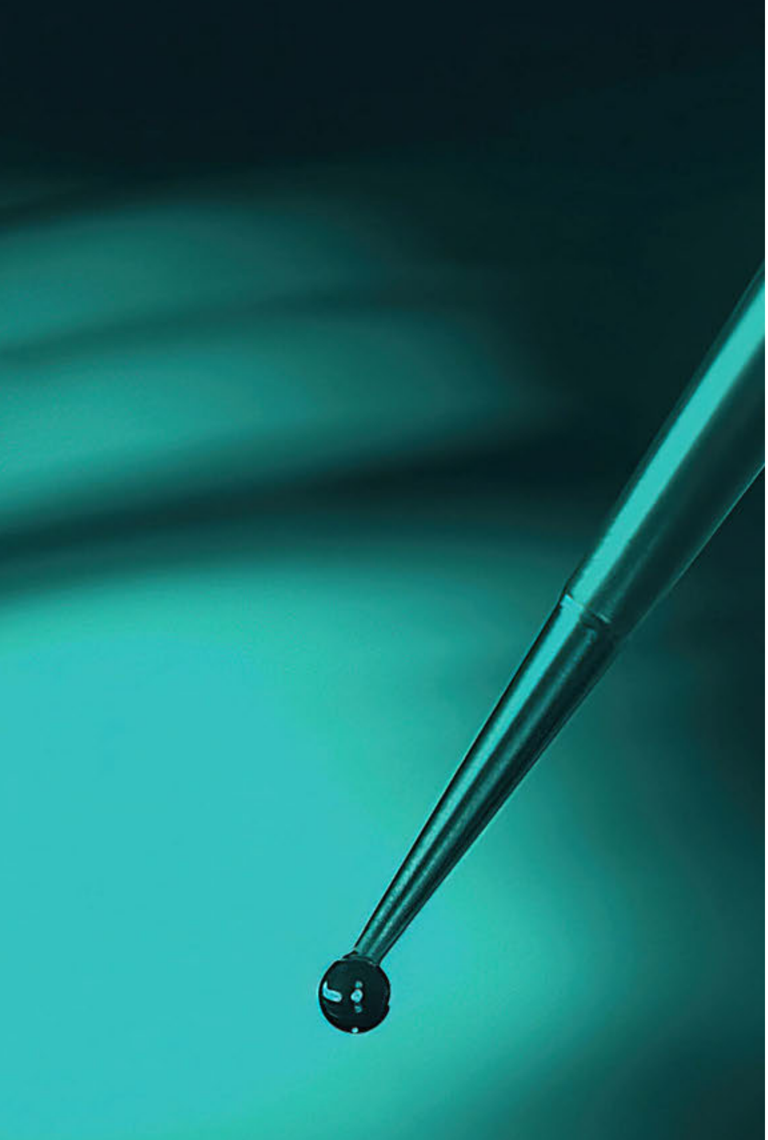


International Biotechnology Trust

Further information:
www.ibtplc.com

# CONTENTS

## STRATEGIC REPORT



## DIRECTORS' REPORT AND FINANCIAL STATEMENTS

# CHAIRMAN'S STATEMENT

## SUMMARY

I am honoured to present the Company's Annual Report for the year ended 31 August 2022.

In difficult markets, the Company has performed well over the year, significantly outperforming the NBI benchmark. The Company's NAV per share and share price returned -6.9% and -6.4% respectively, whilst the NBI returned -13.8% and the FTSE All-Share Index returned 1.0%. All figures are on a total return basis, including costs and assuming dividends reinvested, and are sterling-adjusted. Although negative returns are always disappointing, it is encouraging that IBT has outperformed its comparator index over this challenging period for biotechnology shares.

The past year has seen two strong trends, with significant sell-offs and a very weak biotechnology sector in the first part of the year, followed by a strong recovery since June. After a difficult first half, the Company's NAV has risen 7% in the second half of the year.

Despite the turbulence of the past few years and the unfortunate but necessary challenges caused by a restriction on investing in COVID-19 vaccine producers at the height of the pandemic, the Company has demonstrated its resilience with its NAV outperforming the NBI Index over the past year.


Jim Horsburgh | Chairman

## QUOTED PORTFOLIO

The quoted portfolio fell by 7.6% in a very volatile period, outperforming the benchmark which fell by 13.8%. In the first six months, fears of rising interest rates and high levels of inflation hit the biotechnology sector especially hard in the stock market fall which occurred at the end of 2021. This was followed by significant further weakness across the whole market when Russia invaded Ukraine. Since then, the sector has seen a substantial recovery, largely driven by a number of high value M&A transactions and a pick-up in positive clinical data readouts. The Company has benefited from this recovery. The main drivers of the Company's performance are discussed in more detail in the Fund Manager's Review.

The Fund Manager uses active management and tactical asset allocation to cushion the portfolio from some of the more extreme swings in the biotech sector. This has contributed to the outperformance against the benchmark index over the financial year, as well as lower volatility than the index (see Figure 4 in the Fund Manager's Review on page 12).

## UNQUOTED PORTFOLIO

The Company's unquoted portfolio, a key feature which allows shareholders to gain exposure to differentiated returns continues to perform well.

# CHAIRMAN'S STATEMENT | continued

The Company's strategy is to maintain between 5%-15% exposure to unquoted companies in the sector. In December 2021, the Board announced its decision to allocate funds to SV Health Investors' biotechnology focused private fund, SV Biotech Crossover Opportunities Fund LP. It predominantly invests in later stage, pre-IPO opportunities and invests in clinical and near clinical stage biotech companies that have the potential to deliver excellent investor returns and address significant unmet medical need in patients. The Board is confident that this new allocation to unquoted funds managed by SV will complement the existing investment in SV Health Investors' Fund VI. By the end of the financial year the Company had invested £3.3m ($4.2m) in BCOF, which has drawn $35m from its current total commitments of $212m and it invested the drawn capital in three unquoted companies and one quoted company.

Our most significant unquoted investment, SV Fund VI, has delivered a net currency adjusted internal rate of return (IRR) of 22.3% per annum since the date of the Company's first investment into the fund in 2016. During the year ended 31 August 2022, SV Fund VI made five distributions totalling $7.8m (£5.8m) and two capital calls of $1.2m (£0.9m). The strength of the dollar in the year contributed to the overall performance of £3.2m in GBP terms to deliver an annual return of 9.0%.

In June 2022 the sale of Nordic Consulting Partners (a directly held unquoted stock) to Accrete Health Partners was completed, from which IBT received gross proceeds of £3.5m. This investment generated a 6x multiple on its initial US dollar denominated investment, including the prior proceeds received in 2016.

The remainder of the unquoted portfolio comprises investments directly held and those with a carrying value representing contingent milestones expected to be received. There was a negligible fair value loss, net of foreign exchange gains, of £0.3m from these holdings.

## ESG

This report includes the Company's second ESG report detailing the outcome of the Company's ESG engagement process. The initial screening process delivered a meaningful insight for investors into the level of ESG compliance among the major investments in the Company's portfolio. We intend to use this information as a foundation on which to build our future ESG engagement with portfolio companies. This most recent screening process encountered a significantly lower level of compliance with the process from the portfolio companies. Instead of responding individually to their many shareholders, companies are now referring investors to their standard ESG policies on their websites. This appears to be in response to the increasing interest in ESG from investors, which is positive for the sector overall. A discussion of the responses received and the Fund Manager's view on the ESG compliance of the Company's portfolio is set out in more detail on page 27. In order to make a meaningful comparison between companies and to allow the Fund Manager to screen investments effectively in the future, the Company is reviewing the screening process described in its ESG policy and will update shareholders when that process is complete. The Board remains convinced that active engagement on these matters remains the most effective way to have an impact.

I am delighted that our work on ESG has been recognised by Capital Finance International with the Company being awarded Best Biotechnology Investment Strategy (UK) in its 2022 Responsible Investing Award. I have every confidence that the Fund Manager will continue to develop its ESG strategy in this rapidly evolving area to enable them to continue to incorporate ESG considerations into the investment process and to report on ESG matters to the Company's shareholders.

## PERFORMANCE FEE

The strong performance in 2021/2022 has not yet totally offset the relative underperformance that was detailed in the 2020/2021 report, which was, in part, due to restrictions to trading vaccine stocks. Therefore, a performance fee will not be paid on the quoted portfolio for the financial year ended 31 August 2022.

A performance fee of £471,000 (£2021: £353,000) is payable on the unquoted portfolio due to net realisation gains offsetting a fair value loss.

## SHARE PREMIUM AND DISCOUNT, SHARE ISSUANCES AND BUYBACKS

The Board believes that keeping the Company's share price and NAV close is a benefit to existing shareholders and regularly reviews the methods for managing both discount and premium, as appropriate. Conducting share buybacks when the share price is at a discount* to NAV is accretive to shareholders. Likewise, the Company will continue to issue shares at a premium to the NAV, when there is demand. The Board also believes growing the Company increases liquidity and spreads the costs amongst a greater number of shareholders.

During the period under review, the Company's discount widened at times, but closed the year at 6.6%, not dissimilar from the 6.8% discount at the start of the year. The Company executed 22 share buybacks of 520,808 shares in aggregate during the year to 31 August 2022. No shares have been issued during the year under review.

[1] For information on how the performance fee is calculated, please refer to the Directors' Report on pages 35 to 36.
* For detailed calculation of the discount, please refer to APMs on page 106.

# CHAIRMAN'S STATEMENT | continued

## DIVIDENDS

Paying a dividend out of capital returns gives the Company's shareholders a reliable source of income which is unusual from growth orientated investments. The Company's dividend policy is 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. In 2022, the Company paid two dividends of 15.7 pence per share in accordance with this policy, an increase of 10.6% from the dividend paid in the previous year. We are pleased to have been able to offer our shareholders another dividend during this period of extreme uncertainty. As the audited net asset value as at 31 August 2022 declined from the previous financial year, the absolute value of the dividend will fall next year although the prospective dividend yield as at 31 August 2022 remains unchanged at 4.3% versus the prospective dividend yield one year previously.

## BOARD OF DIRECTORS

During the year the Company announced the appointment of Professor Patrick Maxwell as a Non-executive Director with effect from 1 January 2022. Professor Maxwell is one of the pre-eminent UK scientists in the biotechnology sector. Please refer to page 33 for his biography.

I will be retiring from the Board at the conclusion of the AGM, having had the honour of serving nine years on the Board. I am pleased to announce that Kate Cornish-Bowden will succeed me as Chairman. She has been on the Board since 2020 and is a highly valued colleague. Kate has deep knowledge of the fund management and investment industries and a strong personal interest in biotechnology. Patrick Magee will become the Senior Independent Director and the Board has commenced a recruitment process to bring the Board size back to five members. I wish my Board colleagues every success in their new roles.

## OUTLOOK

The Fund Manager and Directors will continue to monitor actively the global economic and geopolitical situation and any potential impact on the biotechnology sector's prospects, financial condition, and outlook.

Our Annual Reports in 2020 and 2021 were dominated by the effects of the COVID-19 pandemic which disrupted investment markets and the wider economy. Russia's invasion of Ukraine has resulted in similarly seismic shocks, creating a sharp rise in political instability, economic disruption and an increase in the inflationary pressures that many predicted would follow the pandemic. Despite this, the fundamentals of the biotechnology industry remain intact. The companies that we are invested in remain strong, with innovation still continuing apace and demand for new therapies rising as the elderly population grows and developing markets gain better access to medicines. Indeed, the COVID-19 pandemic highlighted both the increasingly important role of the life sciences industry, including biotechnology, and the scale and speed of innovation this industry can provide.

The past year has seen volatility in the market which looks set to continue although, as predicted in the previous Interim Report, the past few months have seen signs of a rebound from which the Company has been well placed to benefit. This volatile landscape will likely assist some biopharmaceutical companies more than others. As an investment fund that actively manages a diverse portfolio across the industry, the Company provides investors with access to the biotechnology sector with a significantly reduced risk of volatility than would be present if one directly purchased a small portfolio of biotechnology company shares. The Company's closed-end structure allows it to gear, which prudently takes advantage of varying market conditions and, because of greater stability of capital, allows a longer-term approach to investment.

Further catalysts for the year ahead could include the growth of M&A transactions fuelled by a combination of cash rich big pharmaceutical companies looking to replenish their pipelines by acquiring smaller biotechnology companies which are now trading at attractively low valuations and whose management may now have more realistic ideas about the achievable exit price. Indeed, M&A has picked up substantially towards the end of the financial year ended 31 August 2022 with seven transactions benefiting the Company in the whole financial year. The Fund Manager's active investment strategy should ensure that the Company is well placed to identify the greatest beneficiaries of growth over the coming years.

As noted above, I retire from the Board post the AGM. The Company has many strengths. The fund management team are highly skilled both in quoted and unquoted stocks. The strong Board with many and varied talents is well-positioned to lead the Company's strategy for the benefit of shareholders and to provide effective governance. Finally, the Company has many differentiating features that make it attractive to new investors: the regular dividend; the ability to invest in the full spectrum of biotechnology companies from start-ups to multinationals; and the strong focus on ESG. With the fundamentals for the biotechnology sector looking attractive, I am optimistic that the Company can look to the future with confidence.

**JIM HORSBURGH | Chairman**

31 October 2022

# FUND MANAGER'S REVIEW

Ailsa Craig

Marek Poszepczynski

SV HEALTH INVESTORS

## SUMMARY

In the year to 31 August 2022, the NAV per share fell 6.9% and the share price fell 6.4%. The Company's benchmark, the NASDAQ Biotechnology Index (NBI), fell 13.8% whilst the FTSE All-Share Index rose 1%. All figures are on a sterling adjusted total return basis, with dividends reinvested. The Company's NAV has risen 7% since the end of the first half of the financial year on 28 February 2022.

As geopolitical and macro considerations took centre stage, the year proved to be a turbulent one, where the main biotechnology index (NBI) fell by about 30% between 31 August 2021 and June 2022 before recovering slightly by the end of the financial year, 31 August 2022. While a decline in NAV is disappointing, the Company achieved strong relative performance and was cushioned from the most dramatic falls.

As at 31 August 2022, the Company's NAV amounted to £284.9m. The quoted portfolio represented 91% of NAV (excluding cash and other net assets) at £285.5m. The unquoted portfolio represented 9% of NAV at £28.0m and the Company had gearing of 14%.

By subsector, as at 31 August 2022, 80% of the portfolio was invested in therapeutics, 10% in specialty pharmaceuticals, 3% in life sciences, tools and diagnostics, and 7% in other subsectors. The Company's three largest therapeutic areas were Oncology (29%), Rare Disease (21%) and CNS (14%).

## COMPANY PERFORMANCE

### Quoted portfolio

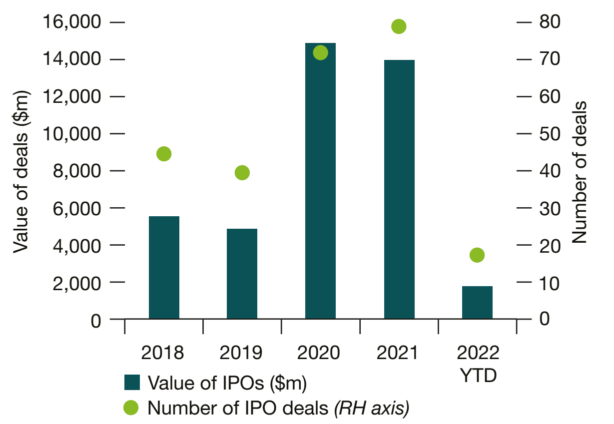
For the twelve-month period ended 31 August 2022, the NAV of the quoted portfolio fell 7.6% versus a 13.8% decline for the NASDAQ Biotechnology Index. All figures are on a sterling adjusted total return basis, with dividends reinvested.

During the COVID-19 pandemic, the sector's dynamic innovation drew attention from generalist investors impressed by the speed at which both vaccines and therapeutics came to the aid of the world. Investor focus turned towards backing riskier, early-stage biotechnology companies with potential game changing platform technologies (such as cell therapy, gene therapy and RNA platform technology) causing valuations across the whole market to overheat. Small-cap companies were especially impacted by this with companies in the early stages of clinical development reaching valuations that had previously been reserved for companies with proven products on the market. This enthusiasm

# FUND MANAGER'S REVIEW | continued

## VALUE AND NUMBER OF BIOTECH IPOS

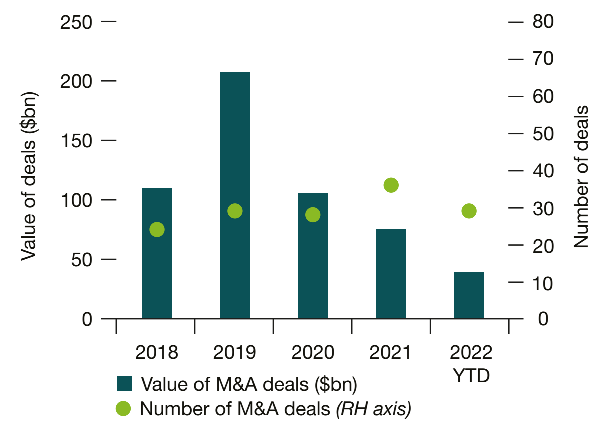
FIGURE 1: Biotech IPOs 2018 - 2022 YTD




Source: Biopharma Dive to end August 2022.

## VALUE AND NUMBER OF BIOTECH M&A DEALS

FIGURE 2: Biotech M&A Deals 2018 - 2022 YTD




Source: Biopharma Dive to end August 2022.

led to an unprecedented level of activity in the biotech IPO market, which saw a total of $28.5bn of new investment in 2020 and 2021 according to the Biopharma Dive database (see Figure 1).

Since the peak in Spring 2021, a series of wider macroeconomic factors have presented successive headwinds to the biotechnology industry. Towards the end of 2020, generalist investors reconfigured portfolios to hold overweight positions in sectors best positioned to benefit from a post-COVID-19 reopening of the economy. In the Autumn of 2021, the Federal Reserve (FED) hinted at raising interest rates to combat rapidly rising inflation. Russia's ongoing invasion of Ukraine has since further disrupted equity markets, and put additional upwards pressure on energy prices, inflation and, consequently, interest rates. Biotechnology companies, especially those focused on new drug development, are particularly sensitive to increases in interest rates as they are typically not expected to realise earnings for many years. Collectively, this has led to prolonged poor market sentiment and one of the longest and deepest corrections to the NBI and SPDR S&P Biotech ETF (XBI) indices since their inception. The XBI is equal weighted so acts as a proxy index for the small cap end of the biotech market. In the first half of 2022, the window for IPOs almost completely closed, with IPOs in this period raising less than 20% of the capital of the equivalent period in 2021. In addition, there was less M&A activity in the sector during the first half of 2022 possibly due to unrealistic valuation expectations at target companies due to the hype of the previous year (see Figure 2).

Since the start of Summer 2022, market sentiment and the indices have rebounded, enabling the Company's NAV to recover partially. Several factors appear to have precipitated this recovery. First, fears of a dramatic increase in rates have been tempered. Secondly, there has been some evidence of recovery in M&A with both the Company and the wider industry benefiting from several M&A transactions over the past few months (addressed below).

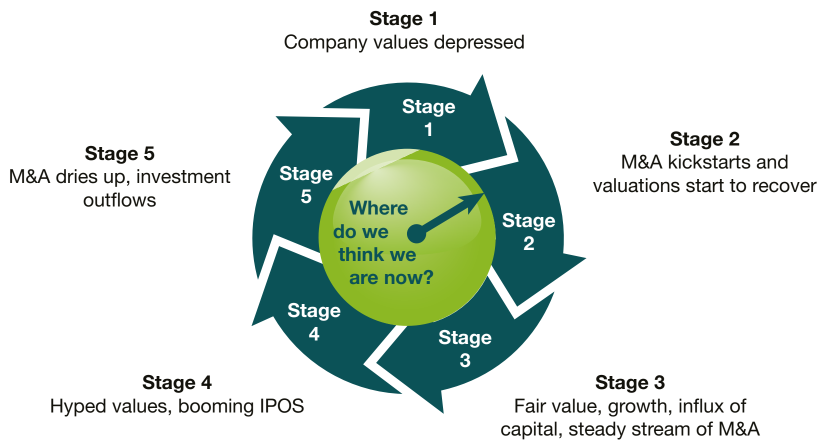
With financing being more challenging and many smaller biotechs currently being valued at significantly more attractive levels than the prior year, the likelihood of a further rebound in M&A over the coming period appears high. As seen with recent M&A transactions, de-risked, late-stage development assets that complement a company's strategic pipeline might be an M&A priority. We are optimistic that after a challenging period, we are now seeing the shoots of recovery and seem to be entering Stage 2 of the investment cycle as discussed in our February blog "Not a cyclical sector but a cyclical investment environment" (see Figure 3).

The Fund managers have used tactical asset allocation to anticipate and respond to the macroeconomic trends and headwinds and valuation shifts in the sector. Using the largest biotechnology companies as a safer haven and the smaller emerging biotech companies as the higher alpha generating area, the Fund managers have adjusted the portfolio's weighting in the various types and sizes of companies to cushion the portfolio from some of the more extreme

# FUND MANAGER'S REVIEW | continued

## CYCLICAL INVESTMENT ENVIRONMENT

FIGURE 3: The stages of the biotech investment cycle

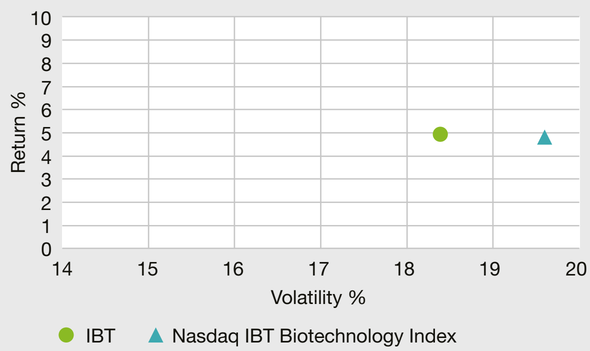



Source: SV Health Managers LLP

swings in the sector. The Fund managers have also continued with their policy of reducing exposure to companies with imminent binary events such as a readout of clinical data. These two strategies have played a major role in the relative outperformance and in reducing volatility in the portfolio to a level below that of the benchmark NBI index (see Figure 4).

## VOLATILITY LOWER THAN BENCHMARK

FIGURE 4: Return vs Volatility (5 Years Annualised)




Source: Morningstar/SV Health Investors LLP.

Whilst too early to tell what the exact consequences will be for the industry, it is important to note the recent passing of the Inflation Reduction Act by the US Government which has specific provisions targeted at reducing the price of prescription drugs for those who qualify for Medicare insurance. This will undoubtably cap total profits for various medicines, but the consensus view is that the changes contained within the bill will end up being tolerable to the industry and the passage of relatively light-touch measures might prove a blessing by taking more significant drug pricing controls "off the table" especially heading into the US mid-term elections.

### Unquoted portfolio

SV Fund VI has continued its good performance by delivering further net distributions of £5.8m in the financial year by exiting investments in AdaptHealth, Leiters Holdings, and Healthify Inc., some partially and some in their entirety. SV Fund VI's investment period has ceased, and is currently realising its investments and performing some minor pre-determined follow-on investments in the remaining portfolio.

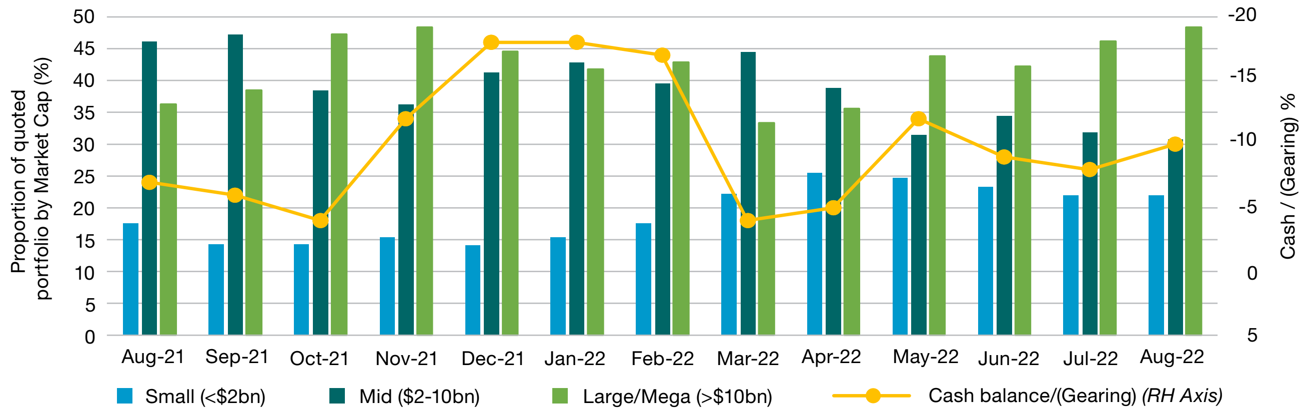
Overall, SV Fund VI has nearly drawn down on its full commitment of $30.0m from the Company and has successfully distributed £25.9m ($34.4m) back to the Company since initial investment; with a further £19.0m ($21.9m) in NAV at 31 August 2022 remaining. The current net IRR since inception in 2016 is 22.3% with a 1.9x multiple.

To support the unquoted strategy and ensure the Company remains between 5-15% invested in the unquoted sector, on the back of the successful investment in SV Fund VI the Company has

# FUND MANAGER'S REVIEW | continued

## IBT ASSET ALLOCATION

FIGURE 5: Evolution of quoted portfolio NAV by size of investment




Source: SV Health Managers LLP

## SUMMARY OF UNQUOTED INVESTMENTS

| As at 31 August 2022 | Fair value (£'m) | % of NAV | Number of investments |
|---|---|---|---|
| SV Fund VI | 19.0 | 6.6% | 20* |
| SV BCOF | 3.4 | 1.2% | 4 |
| Exited with contingent milestones | 5.3 | 1.8% | 5 |
| Directly-held unquoted | 0.3 | 0.1% | 1 |
| **Total unquoted**** | **28.0** | **9.7%** | **30** |

* The number of investments within SV Fund VI represents the number of investments into underlying individual portfolio companies. Three of these companies were quoted as at 31 August 2022.

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

invested in SV Health Investors' biotechnology focused private fund, SV Biotech Crossover Opportunities Fund LP. SV BCOF focuses on biotech companies which are either in the clinic and/or which have the potential to enter the clinic within 12 months (near clinical stage), typically Series B and beyond. While most of the BCOF's investments will be made in later venture-led growth rounds or pre-IPO crossovers, the fund is able to invest in listed equities subject to restrictions as set out in its investment guidelines. The total invested capital in the year to date by the Company was £3.3m ($4.2m).

Within our portfolio of directly held unquoted investments the sale of Nordic Consulting Partners to Accrete Health Partners was completed at 31 August 2022, realising gross proceeds for the Company of $4.3m (£3.5m), achieving a 6x multiple on its initial US dollar denominated investment, including the proceeds already received in 2016.

The remaining investments have been winding down since the Board's decision in 2015 to make all further unquoted investments through funds and are classified as "exited investments with contingent milestones" or "directly held investments", as shown in the analysis of Unquoted Investments on pages 22 and 23. There was limited movement in the fair values of these investments in the year; a distribution of $1.0m (£0.8m) was received from Ikano, and a write down in values of three of the companies totalling £1.1m was largely offset by the foreign currency gain across the portfolio of £1.0m through the strengthening of the US dollar.

The unquoted portfolio gave rise to a performance fee of £471,000 (2021: £353,000).

### Contributors to the NAV

Biohaven was the largest contributor to NAV per share after the announcement that Pfizer intended to acquire the company for $11.6bn in May 2022. Biohaven launched Nurtec for the treatment of migraine in February of 2020. Nurtec is an oral anti-CGRP inhibitor, a novel approach to treating the condition and indicated for both

# FUND MANAGER'S REVIEW | continued

## BEST PERFORMING INVESTMENTS

| | Contributors to NAV (£'m) |
|---|---|
| Biohaven Pharmaceuticals | 5.6 |
| Neurocrine Biosciences | 4.8 |
| Harmony Biosciences | 4.5 |

## WORST PERFORMING INVESTMENTS

| | Detractors from NAV (£'m) |
|---|---|
| Mirati Therapeutics | (7.4) |
| Horizon Therapeutics | (6.5) |
| Illumina Inc | (5.7) |

the treatment and prevention of migraines. In November 2021, Biohaven entered a partnership for ex-US rights of Nurtec with Pfizer supported by an impressive launch which exceeded expectations, triggering the outright acquisition of the company by Pfizer.

Neurocrine markets a product called Ingrezza indicated to treat a movement disorder called Tardive Dyskinesia. The condition is an unfortunate side effect of traditional anti-psychotic drugs, stigmatizing and potentially irreversible. Ingrezza was launched in 2017 and initial uptake and unmet need was better and higher than initially anticipated by the market. However, during the pandemic, sales were affected as a direct result of fewer face to face interactions with patients, which is a pre-requisite for diagnosis. With the return of post-pandemic normality, patients have started to return to the doctor's office and sales of Ingrezza have recovered.

Harmony sells a drug called Wakix for narcolepsy, a condition where patients suffer from excessive daytime sleepiness. The current treatments available on the market are "scheduled" drugs which means that the writing of prescriptions requires extra monitoring. The fact that Wakix is unscheduled poses benefits to patients and uptake of the drug has been strong since the launch in the US in 2019. Expectations might increase with potential label expansion in idiopathic hypersomnia, the drug is on a trajectory to exceed sales of $1bn within the coming years.

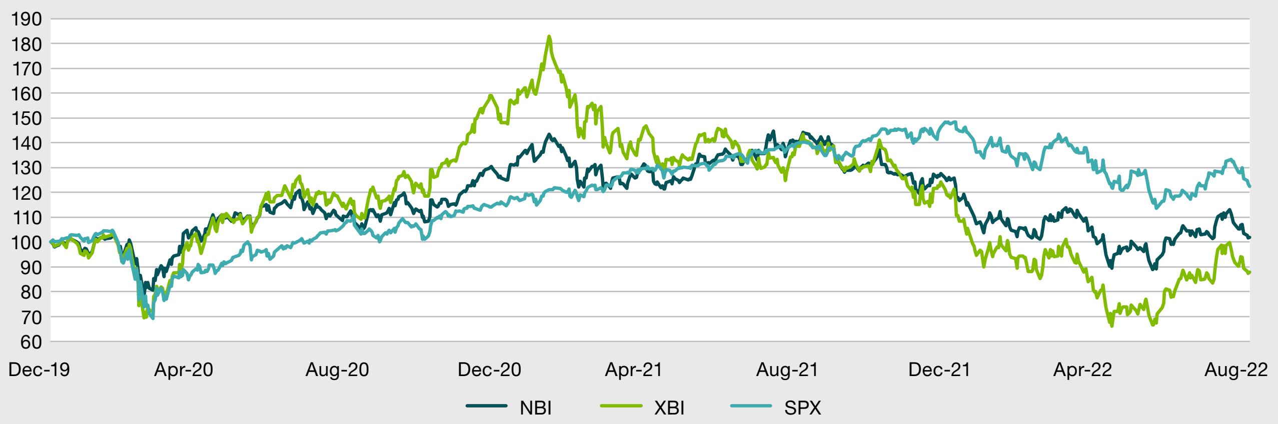
### Detractors from the NAV

Mirati is developing a targeted oncology drug called adagrasib for the treatment of a subset of cancer patients whose tumours express a specific mutation called KRAS G12C, primarily in lung cancer patients. Researchers have been aware of this mutation for many years but failed to successfully develop a drug. Mirati has filed adagrasib with the FDA with the decision on whether to approve the drug expected in December 2022. Amgen, the closest competitor in the KRAS G12C field, received its approval in May 2021, but with a disappointing initial launch. Therefore, this has had a negative knock-on effect to Mirati's potential sales expectations and thus the share price.

Horizon Therapeutics is an orphan drug company which had a very successful launch of its drug, Tepezza, to treat thyroid eye disease despite launching during the pandemic. However, the

## SECTOR PERFORMANCE UP TO 31 AUGUST 2022

FIGURE 6: NASDAQ Biotechnology Index (NBI), S&P Biotech ETF (XBI) and S&P 500 Index (SPX)




Source: Bloomberg (Normalised as of 1 March 2021. NBI is Market Cap weighted (dominated by large caps) and XBI is Equal weighted (dominated by small caps).

# FUND MANAGER'S REVIEW | continued

company has recently reported a slowing in the rate of growth of the drug which has had a negative impact on the share price.

A US district court of Delaware ruled that Illumina infringed on patents owned by a competitor company, Complete Genomics. The court invalidated three patents owned by Illumina. The company has since stated it will appeal the verdict. Illumina, as a high growth company, has been affected by the current geopolitical turmoil, increased interest rates and slowing growth in China.

## Mergers and acquisitions (M&A)

Over the past twenty years, emerging biotech companies have become responsible for an increasing proportion of innovative new drugs. Indeed, the majority of approved products now originate from these smaller companies. As a consequence, cash rich large pharmaceutical companies in need of new products to replenish their own pipelines which have looming patent cliffs for blockbuster drugs are looking to acquire these smaller biotechs.

Biotech M&A deals peaked at around $200bn before falling dramatically in the face of overheated valuations in 2021 (see Figure 2). As valuations fall and biotechnology financing becomes more difficult, a pharmaceutical buyer's market may emerge, with cash rich large pharmas reopening negotiations to acquire exciting targets that were too expensive to justify the acquisition price in early 2021. There are recent signs of an uptick in M&A as we progress through 2022 and this looks set to continue into the later part of 2022 and beyond. The Company benefited from six particular acquisitions of its portfolio companies during the period under review.

In September 2021, Merck announced its intention to acquire IBT's portfolio company Acceleron, a clinical stage company with a treatment for pulmonary arterial hypertension in late-stage development that should complement and boost Merck's cardiovascular pipeline. The deal was worth $11.5bn which represented a premium of 38% over Acceleron's average share price during the prior three months. At the time of the announcement the Company had a position of 3.1% of NAV.

In December 2021, CSL Behring announced that it would acquire portfolio holding Vifor Pharma for $11.7bn which represented an implied premium of approximately 61% to the closing price on 1 December 2021. Australian biopharma company CSL currently develops vaccines and blood plasma products and by acquiring Vifor the company aims to diversify into the kidney and iron deficiency markets. The Company had a position of 1.9% of NAV at the time of the announcement.

Also in December 2021, Pfizer announced its intention to acquire Arena Pharmaceuticals for $6.7bn which represented a premium of 100% to the prevailing share price. Arena is a clinical stage biopharma company developing gastroenterological, dermatological and cardiological conditions. The Company had a position of 0.3% of NAV at the time of the announcement.

In January 2022, UCB announced its intention to acquire Zogenix for $1.9bn, representing a premium of 66% to the prevailing share price. Zogenix is a biotechnology company which recently launched Fintepla, a treatment for a rare type of epilepsy called Lennox-Gastaut syndrome. The Company held a position of 1.7% of NAV at the time of the announcement.

In May 2022, Pfizer announced its intention to acquire Biohaven for $11.6bn, representing a 78.6% premium to the last closing price. Biohaven is a biotechnology company with a focus on neurological diseases that recently launched Rimegepant, which is approved for the treatment and prevention of migraines. The Company held a position of 8.1% of NAV at the time of the announcement.

In August 2022, Amgen announced its intention to acquire Chemocentryx for $3.7bn, representing a 116% premium to the share price. Chemocentryx is a biotechnology company with a focus on inflammatory and autoimmune disorders and an approved, potential blockbuster treatment for inflammatory disorders. The Company held a position of 0.65% of NAV at the time of the announcement.

## Biotech innovation remains robust

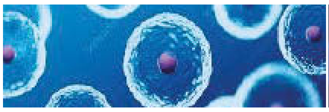
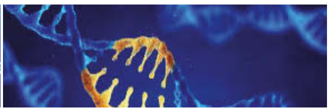
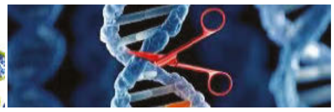
Despite the weakness in share prices and company valuations, fundamental innovation in the industry remains robust. The number of new chemical entities (new drugs) approved in 2022 is going to be the lowest numbers since 2016, most likely as a result of the COVID-19 related delays to clinical trials. We are optimistic that the trajectory for the number of new drugs will be generally upwards. The Company will look to continue to benefit from this by investing both in companies producing innovative new drugs from classical drug classes (small molecules and biologics) and in companies innovating with novel drug modalities, which are continuing to accumulate very exciting clinical data. These novel modalities – cell therapy, gene therapy, RNA therapy and gene editing – represent a very exciting source of innovation and a great opportunity for the biotechnology industry (see Figure 7).

Cell therapy involves the delivery of cells to patients for therapeutic benefit and represents an incredibly diverse array of potential technologies. The term has come to apply to a rather narrower group of treatments involving the introduction of immune cells that have been engineered in such a way that they can specifically target, and hopefully destroy, a patient's cancer cells. Six cell therapies have been approved by the Food and Drug

# FUND MANAGER'S REVIEW | continued

## INNOVATION - EXPANDING TREATMENT OPTIONS AND MODALITIES

FIGURE 7: The Company invests in some of the most innovative companies in the biotech sector

| Cell based therapies | Gene therapies | RNA therapies | Gene editing |
|---|---|---|---|
| The transfer of intact, live cells into a patient to treat haematological cancers | Offsetting the effect of a genetic mutation by inserting a healthy version of the gene to treat SMA and Haemophilia | Modification or provision of ribonucleic acid (RNA) to patients' cells using messenger RNA (mRNA) | A type of genetic engineering in a which a mutated gene is revised, removed or replaced |
|  |  |  |  |
| GILEAD, Allogene, Fate Therapeutics | uniQure, Neurocrine, rocket pharma, BioMarin, PTC Therapeutics, bluebirdbio | IONIS, PTC Therapeutics, Alnylam, Dyne | CRISPR Therapeutics, bluebirdbio, REGENERON |
| 9 drugs approved | 2 drugs approved | 15 drugs approved | 0 drugs approved |

Source: SV Health Managers LLP

Administration (FDA) since 2017 and all show remarkable results in a small range of blood cancers. A second wave of innovation, in which the Company has made some investments and seeks to add more, is aiming to improve manufacturing and reduce the toxic side effects of these drugs to increase benefits to patients as well as finding ways for these drugs to treat solid tumours, where there is both a big unmet need and a lucrative market.

Over 10,000 diseases, affecting around 300 million people worldwide, are caused by mutations in single genes that prevent their normal function. Gene therapies aim to treat these diseases by reintroducing a healthy version of the faulty gene into a patient's cells. After decades of struggling with the technology of delivering genes to patients in a safe manner, significant recent technological progress has now allowed remarkable new gene therapy drugs to reach patients for the first time and offer the hope of a one-shot durable cure for previously fatal or highly debilitating diseases. There is hope that gene therapies stand at a watershed moment and a range of gene therapies might soon be available for many of these 10,000 genetic diseases. The Company aims to benefit from this innovation through small biotech companies such as UniQure, which has a gene therapy drug filed for approval for Haemophilia B, and larger biotech companies such as Biomarin, which received approval for its Haemophilia A product at the end of August 2022.

RNAs are multifunctional molecules that can act either as important messengers, carrying instructions from DNA to make proteins, or themselves perform essential functions inside cells. Recent advances to RNA delivery technology, made famous by the Pfizer-BioNTech and Moderna messenger RNA COVID-19 vaccines and paralleled by alternative approaches such as antibody-coupling pioneered by portfolio company Dyne Therapeutics, now allow RNAs with a chosen sequence to be efficiently delivered to cells in a variety of locations within our bodies. The ability to efficiently deliver RNAs opens up a range of exciting potential drug opportunities including in devastating rare genetic diseases.

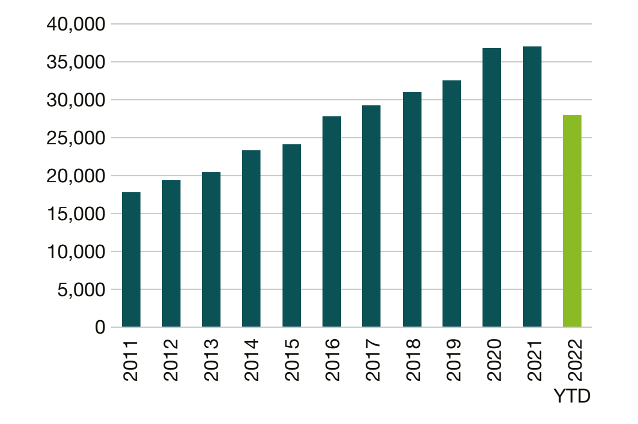
Gene editing involves the correction, removal, or addition of a gene, by modifying the patient's genome at a specific position to treat disease and offers an overlapping but distinct range of therapeutic opportunities to gene therapy. Whilst precise editing of the human genome within a patient perhaps offers the most lucrative upside, gene editing technology remains the least developed of these novel modalities and a series of safety and efficacy hurdles remain to be cleared. However, if successful, pioneers such as Intellia and CRISPR Therapeutics, which have early clinical stage drugs for ATTR Amyloidosis and a variety of genetic blood disorders respectively, could open the floodgates in this space and allow patients with untold numbers of diseases of severe unmet need to benefit from this technology in future.

# For more information on gearing, please refer to APMs on pages 106 to 107.

# FUND MANAGER'S REVIEW | continued

## NUMBER OF NEW CLINICAL TRIALS

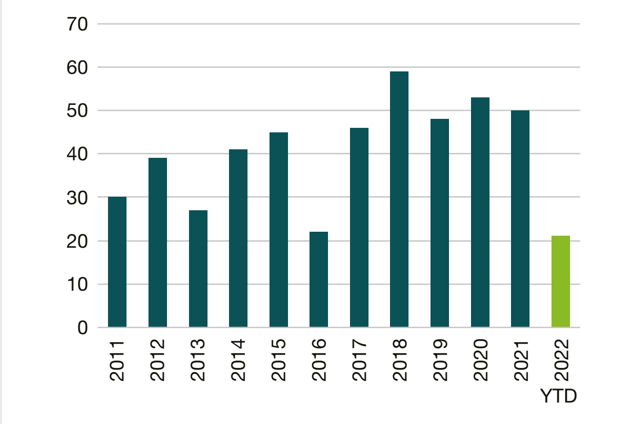
FIGURE 8: New trials registered each year




Source: New clinical studies disclosed per year on clinicaltrials.gov as of 12/09/2022.

## NOVEL DRUG APPROVALS BY US FDA

FIGURE 9: Annual approvals of new drugs




Source: U.S. Food and Drug Administration (FDA) as of 12/09/2022.

## INITIAL PUBLIC OFFERINGS (IPOs)

2021 was a landmark year for Biotech IPOs, with a record 82 companies going public in a buoyant market, supported by a multiyear trend of rising biotech valuations. However, as the year closed so too did the IPO market and the first and second quarters of 2022 saw the fewest IPOs for more than five years. Severely depressed company valuations (80% of the companies to go public in 2021 had lost value by year end) make an IPO unattractive to both investors and company management, who would rather remain private and wait until market sentiment improves to list. 2021 saw an interesting new trend of preclinical stage companies listing and the share prices in these companies were particularly hard hit by the recent downturn as investors weighed up the risk of programs which are so far from generating revenue, even by biotech standards, in the light of rising interest rates. More companies may choose to wait for further clinical data before becoming public in future. A return to high IPO levels will likely require an improvement in market sentiment and rising valuations (see Figure 1).

## FDA ENVIRONMENT

The first half of 2022 was a slow period for new drug approvals by the FDA, with just 21 getting the greenlight by 31 August compared to 50 new treatments in the whole of 2021 and 53 in all of 2020. However, this is likely due to short-term factors relating to the COVID-19 pandemic, which has delayed inspections of manufacturing sites and held up clinical trials, rather than a lack of innovation in drug development. The number of newly registered clinical trials and drugs in R&D pipelines continues to grow. As the economy fully reopens, it is expected that the FDA backlog should clear and the next 18 months could be a bumper time for new drug approvals (see Figures 8 and 9).

## DRUG PRICING LEGISLATION AND THE US MID-TERM ELECTIONS

As part of the August 2022 Inflation Reduction Act, the US government has introduced meaningful measures to regulate drug pricing for the first time in decades. The legislation applies to drugs sold through Medicare Supplement Plan J and will both stop above-inflation drug price rises and allow Medicare to negotiate a reduced price for a number of the highest selling drugs after a shortened period of exclusivity. The most significant measures (price negotiations, which are essentially forced price reductions) will kick in from 2027 and will only apply to a selection of the biggest selling (top 100) Medicare drugs. There are specific exemptions for blood-derived products (including cell therapies) and drugs produced by small biotech companies. As expected, these measures met with opposition from the biopharma industry and are expected to reduce revenues, with some estimates suggesting a total of 11% of global pharma sales will become up for negotiation.

# FUND MANAGER'S REVIEW | continued

The Company's strategy is to invest in companies producing innovative new products that are focused in the main across oncology, central nervous system and orphan disease areas where there is significant pricing power and high unmet medical need. Products likely to be most affected by the new measures are those that have been on the market for a long time, haven't been superseded by more innovative medicines, and consequently retain a high price. It is these drugs that place the most significant burden on the US government's Medicare budget and are the primary target of this legislation. Examples would include Humira, a drug used to treat inflammatory disorders such as rheumatoid arthritis. The Company is not investing in this area, but instead in truly innovative products, and consequently is likely to be shielded from the most significant effects of this recent legislation. Indeed, since only the biggest selling drugs will be subjected to price negotiation, smaller biotechs will likely regard the impact of future price negotiations as a 'nice problem to have' – these measures only become relevant to successful products that are raising significant revenues for their manufacturers.

The US is heading into mid-term elections in November where the Democrats are expected to lose control of at least one of the Senate or Congress, making US policy progress even more challenging. The last few mid-term elections have seen robust discussions on drug pricing and it may be that the passage of these new measures takes this discussion off the table. It is possible that Republicans will use these drug pricing measures, which they see as a prime example of 'big government control', as a key electioneering point. If elected, the Republican party (who were almost universally against these measures) may even scrap the policy entirely. Either way, the Inflation Reduction Act is likely to take further drug pricing measures off the table for the time being and crucially, avoids the controls on price setting mooted in previous US election rhetoric, that would be most detrimental to the biopharmaceutical industry. Whilst unlikely to significantly impact the Company's short-term investment strategy, the effects of the Inflation Reduction Act remain something to watch over the coming years.

## GEARING

As a closed-ended fund, the Company has authority to use gearing to a maximum of 30% of NAV. Gearing is facilitated by a revolving loan facility of £55m currently costing 1.5% above base rate. The Fund Managers use this gearing facility in an active, tactical manner, increasing the gearing when opportunities arise to allow investment in attractive companies at fair valuations without being forced to sell other holdings. On the other hand, gearing can be reduced to reduce exposure to unfavourable market conditions.

Over the year under review, gearing varied between 5% of NAV, during periods when the Investment Managers were concerned about valuations, and close to 20% of NAV when the Investment Managers were optimistic about a rebound. See Figure 5 for the evolution of gearing over the financial year.

## OUTLOOK

There is no doubt that after the highs of 2020 and 2021, the past year has been a difficult one for the biopharmaceutical industry. The realisation that many pre-approval biotech companies were overvalued in 2021 has combined with global, macroeconomic challenges including inflation and the Russian invasion of Ukraine to send biotechnology stocks tumbling in the later stages of 2021 and into 2022. In order to counter rising inflation, the Bank of England and the Federal Reserve have raised interest rates. This rise in interest rates, combined with inflation it is designed to counter, is contributing to an uncertain economic outlook that is expected to continue into 2023 and possibly beyond.

Despite this, there are positive signs for the biotechnology industry. As has happened before when company valuations dip, M&A becomes more attractive and there are clear signs that M&A transactions will remain a significant catalyst for the industry over the short and medium term. Whilst the recent passing of drug pricing legislation in the US through the Inflation Reduction Act may lead to slight haircuts to the revenues produced by future blockbuster drugs, the legislation has so far had very little impact upon valuations of the innovative small and mid-cap biotechnology companies in which the Company is primarily invested. Innovation in biotechnology remains robust with record numbers of drugs in R&D pipelines and clinical trials. Indeed, there is real excitement that the new modalities reaching the market in the 2010s and 2020s, such as gene and RNA therapies, could transform healthcare across a variety of diseases where there remains significant unmet need. The current financial turmoil provides an opportunity for knowledgeable investors to make meaningful returns on investments in companies that are inappropriately undervalued. Whilst identifying these companies is a challenge, this is an opportunity rarely offered during times of continual growth and systematically high valuations.

**SV HEALTH MANAGERS LLP**

**Ailsa Craig**

**Marek Poszepczynski**

31 October 2022

# 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.

## 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 POSZEPCZYNSKI

**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

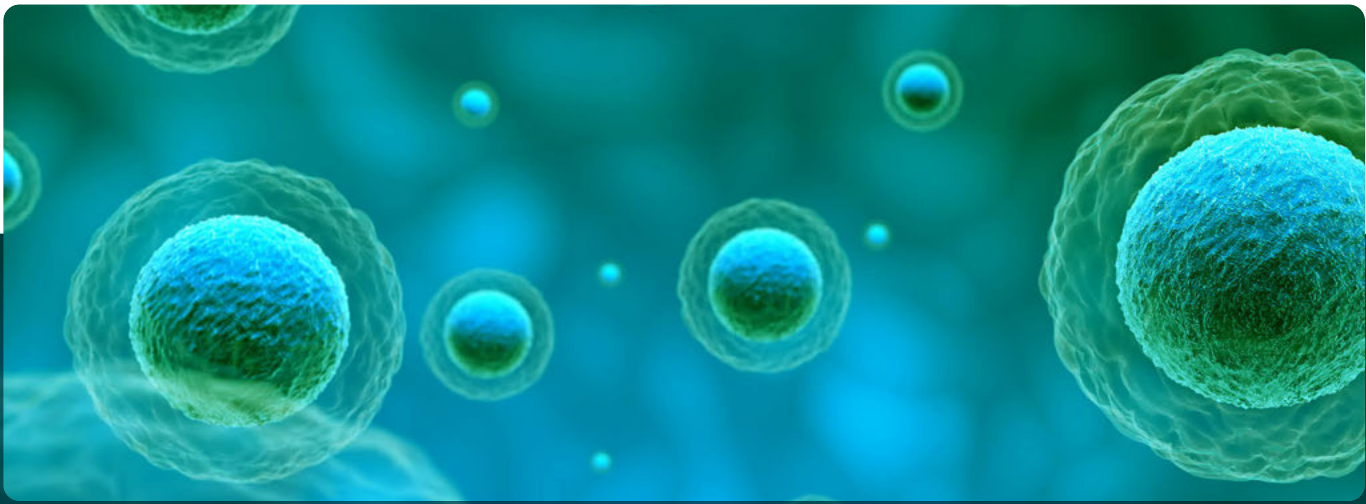
**Managing Partner SV**

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.

## HOUMAN ASHRAFIAN

**Managing Partner SV**

Houman joined SV in 2016 and represents the team of investment professionals managing the unquoted portfolio. Houman is currently Head of Experimental Therapeutics at the University of Oxford and an Honorary Consultant Cardiologist, John Radcliffe Hospital, Oxford.



# QUOTED INVESTMENTS

## QUOTED INVESTMENTS RANKED BY % OF NAV

As at 31 August 2022

| Investment | Therapeutic area | Geographic location | £'000 | % of NAV |
|---|---|---|---|---|
| Horizon Therapeutics | Rare diseases | United States | 23,151 | 8.1 |
| Seagen | Oncology | United States | 22,036 | 7.7 |
| Incyte Genomics | Oncology | United States | 14,644 | 5.1 |
| Regeneron Pharmaceuticals | Ophthalmology | United States | 11,830 | 4.2 |
| Gilead Sciences | Infectious diseases | United States | 11,387 | 4.0 |
| Neurocrine Biosciences | Central nervous system | United States | 11,150 | 3.9 |
| Harmony Biosciences | Rare diseases | United States | 9,981 | 3.5 |
| Mirati Therapeutics | Oncology | United States | 9,461 | 3.3 |
| Supernus Pharmaceuticals | Central nervous system | United States | 8,752 | 3.1 |
| Exelixis | Oncology | United States | 8,278 | 2.9 |
| **Total of Top Ten Investments** | | | **130,670** | **45.8** |
| Intra Cellular Therapies | Central nervous system | United States | 7,639 | 2.7 |
| Biogen Inc | Central nervous system | United States | 7,637 | 2.7 |
| UniQure | Other | Europe | 7,611 | 2.7 |
| Ultragenyx Pharmaceutical | Rare diseases | United States | 7,132 | 2.5 |
| Travere Therapeutics | Rare diseases | United States | 7,038 | 2.5 |
| Alnylam Pharmaceuticals | Rare diseases | United States | 6,745 | 2.4 |
| Alkermes | Central nervous system | Europe | 6,669 | 2.3 |
| Chinook Therapeutics | Nephrology | United States | 6,073 | 2.1 |
| Galapagos (ADR) | Inflammation | Europe | 5,305 | 1.9 |
| Vera Therapeutics | Nephrology | United States | 5,144 | 1.7 |
| **Total of Top Twenty Investments** | | | **197,663** | **69.3** |
| Sanofi | Other | Europe | 5,060 | 1.8 |
| BioMarin Pharmaceutical | Rare diseases | United States | 4,496 | 1.6 |
| KalVista Pharmaceuticals | Rare diseases | United States | 4,469 | 1.6 |
| Illumina Inc | Tools & Diagnostics | United States | 4,332 | 1.5 |
| Novavax Inc | Infectious diseases | United States | 3,762 | 1.3 |
| Aurinia Pharmaceuticals | Inflammation | United States | 3,623 | 1.3 |
| Amgen | Oncology | United States | 3,352 | 1.2 |
| Guardant Health | Tools & diagnostics | United States | 3,193 | 1.1 |
| Zai Lab Ltd | Oncology | United States | 3,121 | 1.1 |
| Viatris | Pharmaceuticals | United States | 2,984 | 0.9 |
| **Total of Top Thirty Investments** | | | **236,055** | **82.7** |

# QUOTED INVESTMENTS | continued

## QUOTED INVESTMENTS RANKED BY % OF NAV

As at 31 August 2022

| Investment | Therapeutic area | Geographic location | £'000 | % of NAV |
|---|---|---|---|---|
| Dyne Therapeutics | Rare diseases | United States | **2,939** | **1.0** |
| United Therapeutics | Rare diseases | United States | **2,922** | **1.0** |
| Fate Therapeutics | Oncology | United States | **2,713** | **1.0** |
| Krystal Biotech | Rare diseases | United States | **2,711** | **1.0** |
| I Mab (ADR) | Oncology | United States | **2,663** | **0.9** |
| Argen X | Rare diseases | Europe | **2,517** | **0.9** |
| BeiGene | Oncology | United States | **2,316** | **0.8** |
| Jazz Pharmaceuticals | Other | Europe | **2,295** | **0.8** |
| Ascendis Pharma | Rare diseases | United States | **2,262** | **0.8** |
| Novocure | Oncology | Europe | **2,254** | **0.8** |
| Caribou Biosciences Inc | Oncology | United States | **2,188** | **0.8** |
| CRISPR Therapeutics | Rare diseases | United States | **1,910** | **0.7** |
| Adicet Bio Inc | Oncology | United States | **1,881** | **0.7** |
| Legend Biotech | Other | United States | **1,516** | **0.5** |
| Concert Pharmaceuticals | Auto-immune | United States | **1,502** | **0.5** |
| Swedesh Orphan Biovitrum | Haematology | Europe | **1,443** | **0.5** |
| Intellia Therapeutics | Healthcare services | United States | **1,238** | **0.4** |
| Fulcrum Therapeutics | Rare diseases | United States | **1,230** | **0.4** |
| Beam Therapeutics | Oncology | United States | **1,102** | **0.4** |
| Ideaya Biosciences | Oncology | United States | **918** | **0.3** |
| Denali Therapeutics | Central nervous system | United States | **902** | **0.3** |
| PTC Therapeutics | Rare diseases | United States | **901** | **0.3** |
| Xenon Pharmaceuticals | Central nervous system | United States | **851** | **0.3** |
| Insmed Inc | Rare diseases | United States | **848** | **0.3** |
| Rocket Pharmaceuticals | Other | United States | **833** | **0.3** |
| Axsome Therapeutics | Central nervous system | United States | **767** | **0.3** |
| Hutchmed China (ADR) | Other | United States | **751** | **0.3** |
| Biocryst Pharmaceuticals | Rare diseases | United States | **680** | **0.2** |
| Allogene Therapeutics | Oncology | United States | **589** | **0.2** |
| Ironwood Pharmaceuticals | Other | United States | **555** | **0.2** |
| Iovance Biotherapeutics | Oncology | United States | **515** | **0.2** |
| Madrigal Pharmaceuticals | Inflammation | United States | **332** | **0.1** |
| Relmada Therapeutics | Central nervous system | United States | **251** | **0.1** |
| Black Diamond Therapeutics | Oncology | United States | **121** | **0.0** |
| Reshape Lifesciences | Other | United States | **–** | **0.0** |
| **Total Investments** | | | **285,471** | **100.0** |

# UNQUOTED INVESTMENTS

## INVESTMENTS HELD THROUGH A VENTURE FUND

| | | | | As at 31 August 2022 | | As at 31 August 2021 | |
|---|---|---|---|---|---|---|---|
| | Investment | Sector classification | Geographic location | Fair value £'000 | % of NAV | Fair value £'000 | % of NAV |
| 1 | **SV Fund VI** | **Venture Fund** | **United States** | **18,866** | **6.6** | 21,803 | 6.7 |
| | An investment in a venture capital fund, SV Fund VI, which invests in portfolio companies across three sectors; biotechnology (37%), healthcare services (44%) and medical devices (19%). SV Fund VI's portfolio consists of 20 underlying investments, 3 of which are listed as at 31 August 2022. The Company made a commitment of $30m to the fund on 19 October 2016, equivalent to 7.5% of the total commitments, which has nearly been drawn down over the term of the fund. As at 31 August 2022 the Company has invested £23.2m ($30.0m, excluding recallable distributions) with total distributions received of £25.9m ($34.4m) resulting in a net IRR of 22.3% and a TVPI of 1.9x. | | | | | | |
| 2 | **SV BCOF** | **Venture Fund** | **United Kingdom** | **3,411** | **1.2** | – | – |
| | An investment in a venture capital fund, SV BCOF, which focuses on biotech companies which are either in the clinic and/or which have the potential to enter the clinic within 12 months (near clinical stage), typically Series B and beyond. The fund will also invest in listed equities subject to the restrictions set out in its investment guidelines. The Company made a commitment of $25m to the fund in 2021 and has invested £3.3m ($4.2m) in this financial year. The fund's portfolio consists of 3 unlisted investments and 1 listed investment. | | | | | | |
| | **Total investments held through a venture fund** | | | **22,277** | **7.8** | 21,803 | 6.7 |

## EXITED INVESTMENTS WITH CONTINGENT MILESTONES

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

| | | | | As at 31 August 2022 | | As at 31 August 2021 | |
|---|---|---|---|---|---|---|---|
| | Investment | Sector classification | Geographic location | Fair value £'000 | % of NAV | Fair value £'000 | % of NAV |
| 1 | **Ikano Therapeutics** | **Biotechnology** | **United States** | **4,330** | **1.5** | 4,964 | 1.5 |
| | A company focused on nasally delivered pharmaceutical products that sold its assets to Upsher Smith Laboratories in 2010. The terms of the deal provide for an upfront payment and a series of milestones and royalties. Through a series of transactions, the Ikano contingent payouts have now been assumed by UCB. | | | | | | |
| 2 | **Convergence** | **Biotechnology** | **United States** | **349** | **0.1** | 730 | 0.2 |
| | A company, spun out from GSK, focused on developing novel analgesic/pain relieving drugs that was sold to Biogen in 2015. The terms of the deal provide for an upfront payment and a series of milestones. | | | | | | |
| 3 | **Spinal Kinetics** | **Medical Devices** | **United States** | **289** | **0.1** | 244 | 0.1 |
| | A company pioneering a new generation of artificial discs for treating degenerative disc disease in the cervical and lumbar spine that was acquired by Orthofix International N.V. (NASDAQ: OFIX). The terms of the deal provide upfront proceeds additional amounts based on certain contingent milestones and amounts held in escrow. | | | | | | |
| 4 | **Archemix** | **Biotechnology** | **United States** | **284** | **0.1** | 239 | 0.1 |
| | Formerly a small biotechnology company discovering, developing, and commercialising aptamer therapeutics, which was liquidated in 2011. The former shareholders of Archemix may be entitled to future proceeds upon achievement of contingent milestones under a licensing agreement entered into between Archemix and IVERIC bio, Inc. (NASDAQ: ISEE). | | | | | | |
| 5 | **NCP Holdings** | **Healthcare services** | **United States** | **88** | **–** | 2,519 | 0.8 |
| | Trading as Nordic Consultancy Partners. A company focused on providing Epic-only consulting within the US - implementation support and optimisation. Epic makes software for mid-size and large medical groups, hospitals and integrated healthcare organisations – working with customers that include community hospitals, academic facilities, children's organisations, safety net providers and multi-hospital systems. The investment was sold in June 2022 realising proceeds of £3.4m ($4.3m) for the Company. A small receivable is held in escrow at the year-end. | | | | | | |
| | **Total exited investments with contingent milestones** | | | **5,340** | **1.8** | 8,696 | 2.7 |

# 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 2022 Fair value £'000 | As at 31 August 2022 % of NAV | As at 31 August 2021 Fair value £'000 | As at 31 August 2021 % of NAV |
|---|---|---|---|---|---|---|---|
| 1 | **Autifony Therapeutics** | **Biotechnology** | **United Kingdom** | **341** | **0.1** | 341 | 0.1 |
| | 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. | | | | | | |
| 2 | **TopiVert** | **Biotechnology** | **United Kingdom** | **–** | **–** | 131 | – |
| | A company developing small, novel molecules as topical treatments for inflammatory diseases of the gut and eye. Founded in 2011 as spin out of RespiVert, following its acquisition of Centocor Ortho Biotech (now Janssen Bioech). The investment was written down to nil in this financial year. | | | | | | |
| | **Total directly-held unquoted investments** | | | **341** | **0.1** | 472 | 0.1 |
| | **Total exited investments with contingent milestones** | | | **5,340** | **1.8** | 8,696 | 2.7 |
| | **Investments held through a venture fund** | | | **22,277** | **7.8** | 21,803 | 6.7 |
| | **Total unquoted investments** | | | **27,958** | **9.7** | 30,971 | 9.5 |

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, 2022: 15 companies (2021: 10 companies).

# STRATEGIC REVIEW

The Board presents its Strategic Review for the Company for the year ended 31 August 2022.

## 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 previous AGM on 8 December 2021 and was passed on a show of hands. Proxy votes cast in respect of the vote were 11,761,047 (99.96%) in favour, 4,321 (0.04%) against and 1,408 withheld. The next continuation vote will be put to shareholders at the AGM to be held in December 2023.

## 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.

# 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 £55m loan facility in place with the Northern Trust Company 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 2022, £40.0m 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 7 to 9 and the Fund Manager's Review on pages 10 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 106 and 107.

| KPIs | **Year ended 31 August 2022** | Year ended 31 August 2021 |
|---|---|---|
| NAV (£'000) | **284,889** | 323,775 |
| Share price (pence) | **651.5** | 729.5 |
| NAV per share (pence) | **697.2** | 782.4 |
| Share price total return* | **(6.4%)** | 3.8% |
| NAV total return* | **(6.9%)** | 9.8% |
| (Discount)/Premium | **(6.6%)** | (6.8%) |
| Gearing | **14.0%** | 6.3% |
| Ongoing charges | **1.3%** | 1.2% |

For detailed calculations on the share price total return, NAV per share total return, discount/premium, gearing and ongoing charges, please refer to Alternative Performance Measures (APMs) on pages 106 and 107.
*Total return assumes all dividends are 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 reviews a detailed Risk Map on a six-monthly basis. A summary of the Directors' review of internal controls, including the review of the Risk Map, is set out in the Corporate Governance Statement on page 42.

The principal risks detailed below are assessed by the Audit Committee, which receives regular reports from its main third party service providers on their own internal control processes.

### 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 GBP 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 8.

## Political risk

Political developments are closely monitored and considered by the Board. The Board continues to assess the potential consequences for the Company's investment portfolio and future business activities. The Board understands that global factors, including the war in Ukraine, and legislation concerning drug pricing in the United States are likely to persist as issues that could potentially have a negative impact on the healthcare sector.

## 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 and service provider 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.

## Tax, legal and regulatory risks

To qualify as an investment trust, the Company must comply with Section 1158 of the 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 of the 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 of the 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.

## VIABILITY STATEMENT

In accordance with Provision 31 of the UK Corporate Governance Code 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 25 and 26 and the effectiveness of the Company's risk management and internal control systems are detailed on page 42. The Audit Committee has also considered the following assumptions in relation to the longer-term viability of the Company:

- The Articles of Association require the Company to seek approval from shareholders on the continuation of the Company at every second AGM. In December 2021, 99.96% 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 2023.
- Healthcare will continue to be an investable sector of the international stock markets and that investors will still wish to have an exposure to such investments.
- Closed-ended investment trusts will continue to be desirable by investors.
- Regulation will not increase to a level that makes the running of the Company uneconomical in comparison to other competitive products.

# STRATEGIC REVIEW | continued

- 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 heightened geopolitical risk, including the war in Ukraine, and is 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 no 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 2022, the Company had a £55m drawn loan 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.

In light of these considerations and based upon the Company's processes for evaluating 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, which the Directors consider to be an appropriate time horizon, due to the Company's investment objective of achieving long term capital growth and taking into account the continuation vote which is held on a biennial basis.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

The Company has been delivering financial value to shareholders since 1994 whilst simultaneously creating a positive social impact by investing in companies that develop innovative treatments for patients suffering with unmet medical needs. The products developed by the companies we invest in can radically change the way diseases are treated, bringing positive impact to patients and healthcare systems globally.

The Board recognises that a responsible and proactive approach to Environmental, Social and Governance (ESG) related factors can positively impact the performance and success of its portfolio companies and the Company.

In October 2021, the Board adopted a new ESG Policy for IBT. The policy aimed to integrate consideration for ESG factors into the investment process, governance and choice of suppliers for IBT and to exert influence on portfolio companies and suppliers to consider ESG factors in their respective activities. The Fund Manager implemented a policy which integrates consideration for ESG factors into the investment process. SV Health Managers has developed a proprietary screening system for ranking the ESG compliance of portfolio companies. However, in the most recent screening process, a disappointing number of quoted portfolio companies engaged with the Company's screening questionnaire. The high demand on quoted companies to answer ESG questions from many individual shareholders has led to a reluctance in some to engage on a one to one basis with shareholders regarding ESG. Companies instead are choosing to state their ESG policies on their websites. To this end, the Company's ESG policy will be reviewed as to how best to provide a meaningful insight into ESG compliance of existing and potential portfolio companies. IBT's Board also considers ESG factors in its choice of suppliers.

The policy focuses on three key areas.

| IBT as an investor | IBT as a company | IBT's suppliers |
|---|---|---|

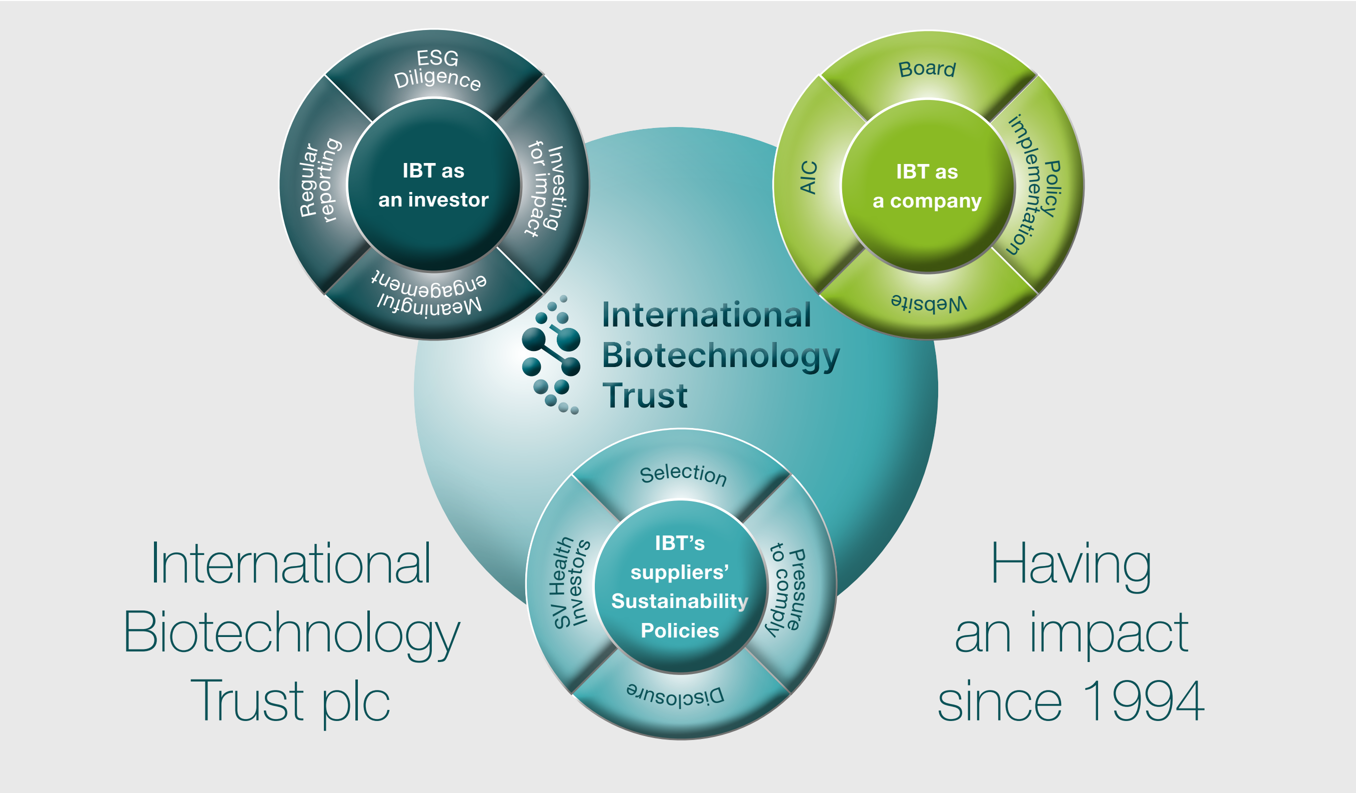
### IBT as an investor

The Board considers that focusing on the ESG adherence of its investments and engaging with the management of key portfolio companies has the potential to bring about positive change in its investment universe. The Fund Manager believes its potential for the greatest impact will generally be on its top ten quoted holdings and its private holdings where its larger investment size gives it greater influence. The Board believes that through IBT's focus on ESG as an investor, it can help maximise its portfolio companies' positive impact whilst generating attractive investor returns. IBT's ESG policy has three key areas in as far as it relates to investments.

1. Thorough ESG diligence and investing for impact;
2. Meaningful engagement with portfolio companies; and
3. Reporting to shareholders.

As a shareholder, IBT exerts its influence over the most significant companies in its portfolio through screening and engagement on ESG matters. The most recent screening process of quoted companies received meaningful responses from only a small proportion of the portfolio which was disappointing but, in some

# STRATEGIC REVIEW | continued




respects, reflected the increasing pressure on companies from investors to give ESG information which in turn should lead to greater ESG awareness at portfolio companies. As a result of this pressure, companies are moving away from individual responses and are instead directing investors to their public ESG policies.

The Fund Manager is, nonetheless, satisfied from the responses it did receive, from companies' public ESG policies and, most importantly, from its direct engagement with management teams that its significant quoted portfolio companies meet the criteria of good corporate governance, strong management teams, innovative products addressing unmet medical need, and, having reviewed their ESG policies, is not aware of any cause for serious concern on ESG matters. All investments are screened for various activities which the Company would want to avoid such as price gouging, involvement in the US opioid scandal, "me-too" drugs lacking innovation and anything that leads to negative effects on public health or wellbeing. On the unquoted side of the business, companies representing over 50% of the value of the unrealised investments in SVF6 responded to the proprietary screening questionnaire. The results were encouraging, particularly in the area of corporate governance and social policies. It was clear from the results that there is still work to be done at some of these early stage companies in creating and adhering to environmental policies and SV will work with these portfolio companies to support them in their ESG initiatives as the companies develop.

The Fund Manager's proprietary ESG questionnaire is available for perusal on IBT's website.

## IBT as a company

IBT is listed on the London Stock Exchange. It has no office of its own, and its only employees are its Directors. IBT is committed to the principles of ESG compliance and endeavours to implement positive changes in all areas. The Board adheres to the highest standards in terms of its reporting and governance and follows the guidelines of the Association of Investment Companies.

## IBT's suppliers' sustainability policies

Other than the oversight role played by the Board, all the key functions of the Company are undertaken by external suppliers. The Board recognises the opportunity which that creates to influence and improve the ESG policies of a range of different financial services providers and other related companies.

The Board requests that the key suppliers to the Company supply details of their own ESG policies and efforts made to enhance their ESG profile annually. Where permitted, links have been added

# STRATEGIC REVIEW | continued

to IBT's website. In the event of a supplier consistently failing to supply such credentials, and/or failing to implement suitable ESG measures in their business, the Board will engage with them on this matter and ultimately, in the case of continued non-compliance, will consider changing suppliers.

Of the 24 suppliers to IBT who were approached to provide their ESG policy, 17 supplied their policy in full, 4 are in the process of formalising their ESG policies, and 3 declined to respond.

IBT will encourage those suppliers which are drafting their policies to continue with that process. IBT will continue to work with those suppliers which have failed to respond to encourage them to initiate the process of formalising their ESG commitments. 8 of IBT's suppliers have agreed for IBT to share their ESG policies on IBT's website, up from only 4 at the half year screening point. IBT will continue to request the information from those companies that have declined to give permission. IBT believes that in publicising the ESG commitments of its suppliers, it can maximise its influence on other companies in financial services to prioritise ESG.

## DIVERSITY AND GENDER REPRESENTATION ON THE BOARD

The Company has no employees and as at the date of this Report, 40% of the Board were female.

The Board is mindful of the newly introduced Listing Rule 9.8.6R (9)(a) for companies to include whether specific board diversity targets have been met on a 'comply or explain' basis, which applies to financial years commencing on or after 1 January 2022. The Board will report against these new requirements in the Annual Report and Financial Statements for the year ending 31 August 2023.

Towards the end of the year the Board initiated a recruitment process as part of its ongoing succession efforts. The process remains underway, and the Board has considered throughout the benefits of diversity, including gender and ethnicity. The specific board diversity targets will be taken into consideration in respect of the recruitment of all new Directors of the Company, however the Board's position is to appoint candidates based on merit and therefore the new Non-executive Director will be selected as the most appropriate candidate 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 on Human Rights. The investment portfolio companies that the Company invest in are high profile listed companies who have their own governing bodies to comply with the Modern Slavery Act 2015.

## ANTI-BRIBERY, CORRUPTION & 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

As an investment trust without employees, the Company is also not required to report against the Task Force on Climate-related Financial Disclosures (TCFD) framework. However, understanding and managing climate-based risks and opportunities based on the TCFD's recommendations is a fundamental part of IBT's investment approach.

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 premises at which it conducts its business. 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.

# STRATEGIC REVIEW | continued

## SECTION 172 STATEMENT

The Companies (Miscellaneous Reporting) Regulations 2018 require Directors to explain more fully how they have discharged their duties under Section 172(1) of the Companies Act 2006 in promoting the success of their companies for the benefit of members as a whole. This enhanced disclosure covers how the Board has engaged with and understands the views of stakeholders and how stakeholders' needs have been taken into account, the outcome of this engagement and the impact that it has had on the Board's decisions.

As IBT does not have any employees or customers beyond its Directors, the Board considers the groups mentioned in the following table as the key stakeholders of the Company. The reasons for this determination, and the Board's overarching approach to engagement, are set out below.

The table below and continued on page 31 also sets out the key decisions taken by the Directors during the year under review.

| Stakeholder Group | Why it is important to engage? | How Management and/or Directors engaged? |
|---|---|---|
| **Investors** | The Board is delighted that IBT has been nominated for the Share Awards 2022 as Best Company for Shareholder Communication.<br><br>Continued investor support and engagement are critical to the continued existence of the Company and the successful delivery of its long-term strategy. | • Annual/Interim Financial Reports.<br>• Monthly factsheets and Fund Manager commentary.<br>• Quarterly videos.<br>• Advertorials and marketing campaigns.<br>• Webinars.<br>• AGM.<br>• RNS announcements.<br>• Website.<br>• Shareholder feedback from its corporate broker and the Fund Manager.<br>• Meetings with shareholders by the Board and Fund Manager when requested. |
| **AIFM and Investment Managers** | Maintaining a close and constructive working relationship with the AIFM and Fund Manager is crucial to the Board. The Board aims to continue to achieve consistent, long-term returns and to ensure that the portfolio is run in adherence to the Company's strategy.<br><br>The Board maintains an open discussion with the AIFM and Investment Managers, whilst ensuring that the interests of investors are aligned. | • The Chairman and Board regularly meet with the Investment Managers and other representatives of the Fund Manager throughout the year, both formally at quarterly Board Meetings and informally, as required. At an ad hoc meeting in December 2021, pursuant to the Investment Manager's proposal, the Board approved an investment in BCOF.<br>• Representatives of the AIFM attend Board Meetings discussing the Company's overall performance as well as developments in individual portfolio companies and wider macroeconomic developments.<br>• The Board also met with members of the Fund Manager's compliance team to better understand SV's internal controls. |
| **Service Providers** | To keep service providers updated with regards to the Company's strategy in order to ensure they can provide the required services. | • The Fund Manager has annual service review sessions with Northern Trust and regularly meets with Numis, Kepler and Lansons.<br>• The Company Secretary liaises with the Registrar on a regular basis and relays any relevant information to the Board.<br>• Where appropriate, the depositary, administrator, Company Secretary and Registrar submit copies of their annual audited internal control reports to the Audit Committee.<br>• The Board met regularly with the AIFM and Company Secretary, representatives of which attend every quarterly Board Meeting, to discuss updates on risk management, accounting, administration, corporate governance and marketing matters. Key decisions included:<br>– the investment into BCOF;<br>– an Authority to buy back the Company's shares;<br>– the appointment of Professor Patrick Maxwell; and<br>– the appointments of The Northern Trust Company, and Northern Trust Investor Services Limited as Administrator and Depositary, respectively.<br>• The Board, meeting as the Management Engagement Committee, reviewed the performance of all service providers. |

# STRATEGIC REVIEW | continued

| Stakeholder Group | Why it is important to engage? | How Management and/or Directors engaged? |
|---|---|---|
| **Service Providers (continued)** | | • The Audit Committee reviewed the quality and effectiveness of the audit and recommended to the Board that it be proposed to shareholders that PricewaterhouseCoopers LLP be re-appointed as Auditor.<br>• The Audit Committee met with the Auditor to review the audit plan and set their remuneration for the year. |
| **Portfolio Investee Companies** | The Investment Managers hold shares in biotechnology companies with excellent management teams and innovative products which have the potential to treat disease. Closely monitoring the performance and research data from investee companies helps the Investment Managers identify investment opportunities which have strong potential for outperformance. | • The Investment Managers regularly meet with the investee companies in which the Company invests.<br>• The Investment Managers also participate in voting at shareholder meetings in order to encourage the highest standards of governance.<br>• There are extensive discussions on portfolio companies at quarterly Board Meetings, attended by the Investment Managers.<br>• The Board sets expectations for its portfolio companies as part of the Investment Policy and the Board receives ESG information on each of its portfolio companies, upon request. |
| **Wider community and the environment** | Production of new drugs for an ageing population with unmet medical needs. | • The Investment Managers consider social, community and environmental factors when making investment decisions.<br>• The Fund Manager takes these factors into account when voting at investee company meetings.<br>• Further explanation around the Company's approach to ESG is provided on page 27. |

## Portfolio

The Chairman's Statement on pages 7 to 9 and the Fund Manager's Review on pages 10 to 18 includes details of the Company's performance and portfolio activity during the year under review. The Strategic Report on page 24 describes the investment strategy undertaken by the Fund Manager.

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, 8 December 2021, two interim dividends of 15.7p per share were paid on 28 January and 26 August 2022.

## Discount and Premium Management

During the year the Company issued no Ordinary shares. 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. The Company bought back 520,808 of its own Ordinary shares during the year ended 31 August 2022, which has assisted in narrowing the discount.

## Succession Planning

In accordance with the Board's previous disclosure in respect of succession planning, Jim Horsburgh will retire at the conclusion of this year's AGM to be held on Tuesday, 6 December 2022. At a Board Meeting held on 31 October 2022, the Directors determined that Kate Cornish-Bowden will succeed Jim Horsburgh as Chairman following his retirement. The Directors have commenced a search for an additional Director to join the Board using Trust Associates who have no other connection with the Company or the Directors.

## CURRENT AND FUTURE DEVELOPMENTS

Details of the Company's developments during the year ended 31 August 2022, along with its prospects for the future are set out in the Chairman's Statement on pages 7 to 9 and the Fund Manager's Review on pages 10 to 18.

By order of the Board

**Link Company Matters Limited**
Company Secretary

31 October 2022

# DIRECTORS' BIOGRAPHIES

## JIM HORSBURGH
### Chairman

Jim Horsburgh was appointed as a Non-executive Director of the Company on 1 February 2013 and was subsequently appointed as Chairman of the Company on 15 December 2020. 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 Schroders in 2001 and, following a career break, was chief executive of Witan Investment Trust plc from February 2004 to October 2008.

## KATE CORNISH-BOWDEN
### Senior Independent Director

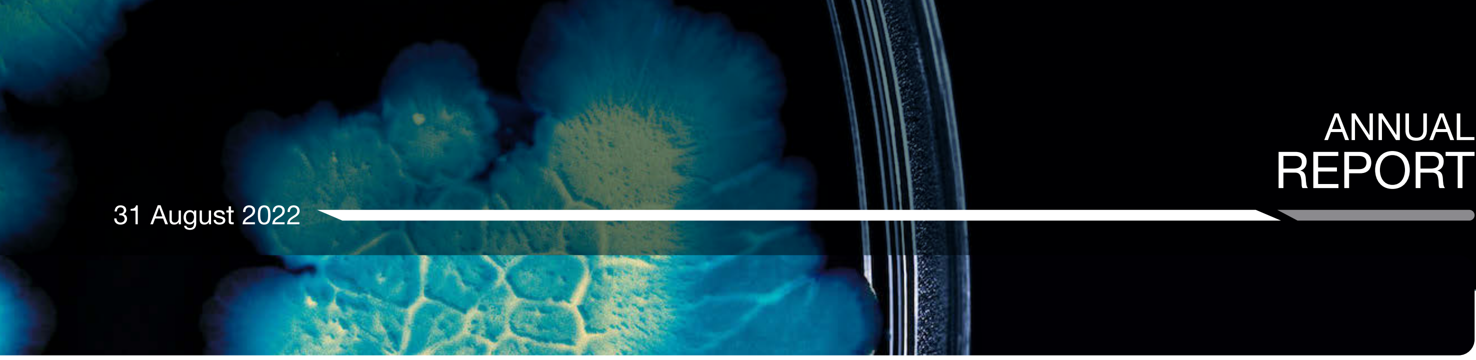
Kate Cornish-Bowden was appointed as a Non-executive Director of the Company on 19 May 2020 and has been the Senior Independent Director since 8 December 2021. Kate worked for Morgan Stanley Investment Management for twelve years where she was a managing director, head of MSIM's global core equity business 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, non-executive director and senior independent director at 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 AIIMR), holds an MBA and has completed the Financial Times Non-Executive Director Diploma.

## 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 abrdn European Logistics Income plc.

Jim Horsburgh 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



## PATRICK MAGEE

Patrick Magee was appointed as a Non-executive Director of the Company on 19 May 2020. Until 30 June 2022, he was Chief Commercial Officer at the British Business Bank plc and was 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. 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 Investment Banking career Patrick advised on a broad range of M&A, Capital Markets and Corporate Broking assignments. 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 currently a member of the Investment Committee at Queen's University, Belfast and is an adviser to/investor in a number of high growth companies.

## PATRICK MAXWELL

Professor Patrick Maxwell was appointed as a Non-executive Director of the Company on 1 January 2022. He is currently Regius Professor of Physic and Head of the School of Clinical Medicine at the University of Cambridge. As a clinician scientist he has been centrally involved in a series of discoveries that have revealed how changes in oxygenation are sensed, and how genetic alterations cause kidney disease. Patrick is a Fellow of the Royal College of Physicians and the Academy of Medical Sciences, Director of Cambridge University Health Partners and a Non-Executive Director of Cambridge University Hospitals and Scottish Mortgage Investment Trust.

# 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 2022.

## 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 24 to 31: the Company's status, investment objective and policy, investment strategy, investment restrictions, financial risk management, the Company's exposure to risks, a statement regarding the Company's greenhouse gas emissions and the current and future developments as well as important events effecting the Company since the year end.

## PRINCIPAL ACTIVITIES 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 24. 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 7 to 9; and the Fund Manager's Review on pages 10 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 62. At the AGM held on 8 December 2021, 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 2021. 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 totalling 15.7 pence per Ordinary share (2021: 14.2 pence per Ordinary share). These were paid on 28 January 2022 and 26 August 2022. Further, the Directors intend to pay Interim Dividends for the year ended 31 August 2022 in two tranches in January and August 2023.

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 99.

## SHARE CAPITAL

At the AGM on 8 December 2021, shareholders gave approval for the Company to purchase up to 6,195,119 Ordinary shares of its own capital for cash, being 14.99% of the share capital in issue as at the date of the Notice of Meeting. During the year under review, 520,808 shares were repurchased by the Company. 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 positive effect of share buybacks on the Company's NAV during the year has been explained in the Chairman's Statement on page 8. 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 4,132,834 Ordinary shares (excluding those from treasury) with pre-emption rights disapplied. During the year, no Ordinary shares were re-issued 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 2022 is 41,383,817.

## DIRECTORS

All of the Directors as at 31 August 2022 held office throughout the year under review, with the exception of Patrick Maxwell who was appointed to the Board on 1 January 2022. Véronique Bouchet retired as a Director on 8 December 2021. The biographies of the Directors of the Company can be found on pages 32 and 33.

As indicated on page 40, 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.

# DIRECTORS' REPORT | continued

As disclosed by the Chairman on page 9, he will be retiring from the Board at the conclusion of the Company's forthcoming AGM in accordance with the Board's succession plan. Details of his replacement will be announced in the coming weeks.

The Board recognises corporate governance best practice is for all Directors to be submitted for annual re-election. Accordingly, all Directors will be standing for re-election at the forthcoming AGM with the exception of Jim Horsburgh. Patrick Maxwell will be standing for election for the first time since his initial appointment to the Board on 1 January 2022.

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 pages 40 and 41. 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, venture capital market experience, accounting and auditing, as detailed in the Directors' biographies on pages 32 and 33. Further, the Board has concluded that each Director continues to demonstrate commitment to their role and provides a valuable contribution to the deliberations of the Board. The Board therefore recommends that shareholders vote in favour of the election of Patrick Maxell, and re-elections of Kate Cornish-Bowden, Caroline Gulliver 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 in April 2022 and continues to be in force as at the date of this report.

The Company had a Deed Poll in place during the financial year to indemnify the Directors against any liability suffered or incurred in their 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 2022 with a recommendation for continued appointment 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 unquoted funds, is 20% of net realised gains, taking into account any unrealised losses but not unrealised gains.
- There is no performance fee calculated on unquoted funds as the Fund Manager has carried interest in these funds.

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

- The maximum performance fee in any one year is 2% of average net assets.
- Any underperformance of the quoted portfolio against the benchmark is carried forward for the current financial period plus two succeeding periods. Performance fees in excess of the performance fee cap are carried forward for the current financial period plus two succeeding periods and being offset against any subsequent underperformance before being paid out.

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

A performance fee of £471,000 is payable for the unquoted portfolio in respect of the year ended 31 August 2022 (31 August 2021: £353,000). Please see the Chairman's Statement on page 8 for further information.

# DIRECTORS' REPORT | continued

The Board has made commitments into unquoted funds, enabling the Company to achieve the benefits of diversification. There is no double charging of investment management fees in relation to these commitments.

## ADMINISTRATION, DEPOSITARY AND COMPANY SECRETARIAL SERVICES

With effect from 1 March 2022, delegation for performing fund administration and depositary services moved from HSBC Securities Services (UK) Limited to the Northern Trust Company, London branch. The Administration Agreement with the Northern Trust Company continues until terminated by either party on giving not less than 12 months' written notice. The Depositary Agreement with Northern Trust Investor Services Limited continues until terminated by either party on giving not less than 6 months 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 Link Company Matters. The Agreement with Link Company Matters may be terminated by either party on giving not less than six months' written notice.

## COMPANIES ACT 2006 (THE ACT) DISCLOSURES

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

The Company's capital structure is summarised on page 78, voting rights are summarised on page 78 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 buyback 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 2022. In doing so, the Directors have considered the Company's borrowing requirements and covenants on existing borrowings; liquidity risk (see note 23.3 on page 87); the business environment and its impact on financial risk; the nature of the portfolio; and expenditure projections for the next 12 months. The Company's assets consist mainly of equity shares in companies listed on the NASDAQ stock exchange and in most circumstances are realisable within a short timescale. As discussed in the Chairman's Statement, the Company's Articles of Association require the Board to put a proposal for the continuation of the Company to shareholders on a biennial basis. The relevant resolution will therefore be included in the Notice of Annual General Meeting for next year's AGM.

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 AUDITOR

Following a recommendation by the Audit Committee to the Board, resolutions to re-appoint PricewaterhouseCoopers LLP as Auditor and to authorise the Directors to determine their remuneration will be proposed at the forthcoming AGM. The Board considers that the Auditor remains 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 48 to 50.

## SUBSTANTIAL SHARE INTERESTS

As at the year ended 31 August 2022, 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:

# DIRECTORS' REPORT | continued

| | | As at 31 August 2022 |
|---|---|---|
| Shareholder | Number of Ordinary shares held | % of voting rights |
| Interactive Investor | **5,104,743** | **12.49** |
| Hargreaves Lansdown | **5,033,728** | **12.32** |
| Charles Stanley | **3,209,992** | **7.86** |
| Border to Coast Pensions Partnership | **2,535,000** | **6.20** |
| Brewin Dolphin | **1,753,236** | **4.29** |
| South Yorkshire Pension Authority | **1,700,000** | **4.16** |
| AJ Bell, stockbrokers | **1,658,135** | **4.06** |
| West Yorkshire PF | **1,245,599** | **3.05** |
| Mattioli Woods | **1,002,422** | **2.45** |
| Rathbones | **992,793** | **2.43** |

The Company has not been informed of any changes to the above interests between 31 August 2022 and the date of this report.

## 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 32 and 33, 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, 6 December 2022 at 2.30pm. Details of the business of the Meeting are set out in the Notice of Meeting on pages 99 and 100.

Pursuant to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the Directors are required to provide detailed information, amongst others, on their powers in relation to the issuing or buying back of the Company's shares. As a result, the Board is seeking shareholder approval for the following six items.

### Authority to allot shares

In order to provide maximum flexibility in the implementation of the Company's corporate strategy and premium management policy, the Directors wish to seek the power to allot new Ordinary shares for cash at a premium to the NAV at the forthcoming AGM.

Resolution 11 seeks authority for Directors to allot shares for cash up to a nominal amount of £1,021,575, equivalent to 4,086,300 Ordinary shares (being 10% of the issued Ordinary share capital of the Company (excluding treasury shares) in issue on 28 October 2022 (being the latest practicable date prior to the publication of the Notice of Meeting)).

In addition, Resolution 12 seeks authority for Directors to allot further shares for cash up to a nominal amount of £1,021,575, equivalent to 4,086,300 Ordinary shares (being 10% of the issued Ordinary share capital of the Company (excluding treasury shares) in issue on 28 October 2022 (being the latest practicable date prior to the publication of the Notice of Meeting)).

The Directors intend to use these authorities to issue new shares only if they believe it is in the best interests of the Company and is advantageous both to new investors and to the Company's existing shareholders to do so. New shares will only be issued at a price not less than the most recent published NAV per Ordinary share prior to such issue. Both authorities will expire at the conclusion of next year's AGM or 15 months from the date of passing of the resolutions, whichever is earlier, unless revoked, varied or renewed prior to that date.

# DIRECTORS' REPORT | continued

## Authority to disapply pre-emption rights

If new Ordinary shares are to be allotted for cash or treasury shares are to be sold for cash, the Act requires such new shares to be offered first to existing holders of Ordinary shares. This entitlement is known as a "pre-emption right". In certain circumstances it is beneficial for the Directors to allot shares for cash or treasury shares to be sold for cash otherwise than pro rata to existing shareholders and the Act provides for shareholders to give such power to the Directors by waiving their pre-emption rights.

Therefore, Resolution 13 will be proposed at the AGM which, if passed, will give the Directors power to disapply the statutory pre-emption rights of existing shareholders in relation to the issue of Ordinary shares for cash or the sale of Ordinary shares for cash out of treasury up to an aggregate nominal amount of £1,021,575 equivalent to 4,086,300 Ordinary shares (being 10% of the Company's existing issued Ordinary share capital (excluding treasury shares) on 28 October 2022 (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 14 is being proposed at the AGM in addition to Resolution 13 which, if passed, will give Directors power to disapply the statutory pre-emption rights of existing shareholders in relation to the issue of Ordinary shares for cash or the sale of Ordinary shares for cash out of treasury, subject to the passing of Resolution 12, up to an aggregate nominal amount of £1,021,575 equivalent to 4,086,300 Ordinary shares (being 10% of the Company's existing issued Ordinary share capital (excluding treasury shares) on 28 October 2022 (being the latest practicable date prior to the publication of the Notice of Meeting)) such Ordinary shares to be allotted or sold at a price not less than the most recent published NAV per Ordinary share prior to such allotment or sale. This authority will expire at the conclusion of next year's AGM or 15 months from the date of passing of the resolution, whichever is earlier, unless revoked, varied or renewed prior to that date provided that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement as if this authority had not expired.

The Board is aware that when combined the authorities sought under Resolutions 13 and 14 to disapply 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 Disapplying 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 in connection with the Company's corporate strategy and premium management policy.

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;
- is key to managing the share price premium to NAV, ensuring that shareholders are not forced to pay an excessive premium when adding to their holding; and
- facilitates enhanced scale for the Company, which would have the benefits of increasing the potential investor audience, enhancing trading liquidity and reducing the ongoing charges ratio.

During the year ended 31 August 2022, the Company did not re-issue any shares from treasury.

## 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, 8 December 2021.

# DIRECTORS' REPORT | continued

During the year ended 31 August 2022, the Company repurchased 520,808 Ordinary 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 15, 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.

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

## 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 Directors. 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 | continued

This Corporate Governance Statement, together with the Management Report and Directors' Responsibilities Statement set out on page 51, 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 at each Board Meeting, 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 five non-executive Directors. The biographical details of each Director, including their length of service, are set out on pages 32 and 33.

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 necessary, given the diverse skill set of the Board 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, Jim Horsburgh will retire following this year's AGM.

## INDUCTION AND TRAINING

Upon appointment to the Board, Directors are provided with all the relevant information regarding the Company and their duties and responsibilities as a Director. They receive a formal and tailored induction, which is administered by the Company Secretary and the Fund Manager. 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 their 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

In line with best practice, the Board's effectiveness is reviewed on an annual basis through a formal performance evaluation, including an assessment of the Board and its Committees. An external evaluator conducts the review every third year, and in the two intervening years this is carried out by the Company Secretary to ensure continuity over the three-year cycle.

# DIRECTORS' REPORT | continued

The review for the year ending 31 August 2022 was conducted by Lintstock Ltd, an experienced independent provider of board effectiveness reviews and took the form of electronic performance evaluation questionnaires.

The evaluation looked at several key areas, including the performance of the Board and its Committees, the effectiveness of the Board's oversight of the Fund Manager, investment strategy and performance, risk management, external relations and succession planning. The responses were then collated, analysed and presented to both the Nomination Committee and the Board in July 2022.

There were no significant issues arising from the evaluation process and it was agreed that the Board and its Committees were functioning effectively.

Key findings highlighted the need to prioritise ethnic diversity, marketing experience and investment experience, when considering future appointments to the Board.

## 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.

In addition, a number of unscheduled Board Meetings took place during the year under review to discuss matters separate from normal agenda matters. Parts of these Meetings were attended by external advisers. The whole 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.

| | 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 |
| Jim Horsburgh | 6 | 6 | 3 | 3 | 1 | 1 | 1 | 1 |
| Véronique Bouchet* | 2 | 2 | 1 | 1 | 0 | 0 | 0 | 0 |
| Kate Cornish-Bowden | 6 | 6 | 3 | 3 | 1 | 1 | 1 | 1 |
| Caroline Gulliver | 6 | 6 | 3 | 3 | 1 | 1 | 1 | 1 |
| Patrick Magee | 6 | 6 | 3 | 3 | 1 | 1 | 1 | 1 |
| Patrick Maxwell** | 3 | 3 | 2 | 2 | 1 | 1 | 1 | 1 |

*Retired 8 December 2022
**Appointed 1 January 2022.

# DIRECTORS' REPORT | 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 41. Please refer to page 48 for the report on the work of the Audit Committee.

### Nomination Committee

The Chairman of the Board acts as Chair to the Nomination Committee which met once during the year ended 31 August 2022. The function of the Committee is to consider and make recommendations to the Board on its composition and balance, including identifying and nominating new Directors to the Board 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 and ethnicity) is also considered. Newly appointed Directors are then assessed using the aforementioned criteria.

On those occasions when the Committee is reviewing the Chairman, or considering his successor, the Nomination Committee is chaired by the Senior Independent Director or, in her absence, another Committee Member and the Chairman abstains from discussions in this regard.

### Management Engagement Committee

The Chairman of the Board acts as Chairman to the Management Engagement Committee which met once during the year ended 31 August 2022 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 51 and a statement of going concern is set out in the Directors' Report on page 36. The Independent Auditors' Report can be found on pages 53 to 61 and the Audit Committee Report on pages 48 to 50.

## 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 and emerging risks. It has adopted a monitoring system to ensure that risk management and all aspects of internal control are considered on a regular basis, and fully reviewed at least annually. The Board is satisfied that these tools permit it to review the effectiveness of the Company's internal controls and on that basis confirms that it has reviewed the effectiveness of the Company's risk management and internal control systems for the year under review, taking into account all matters leading up to the date of the approval of the Financial Statements.

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

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

# DIRECTORS' REPORT | continued

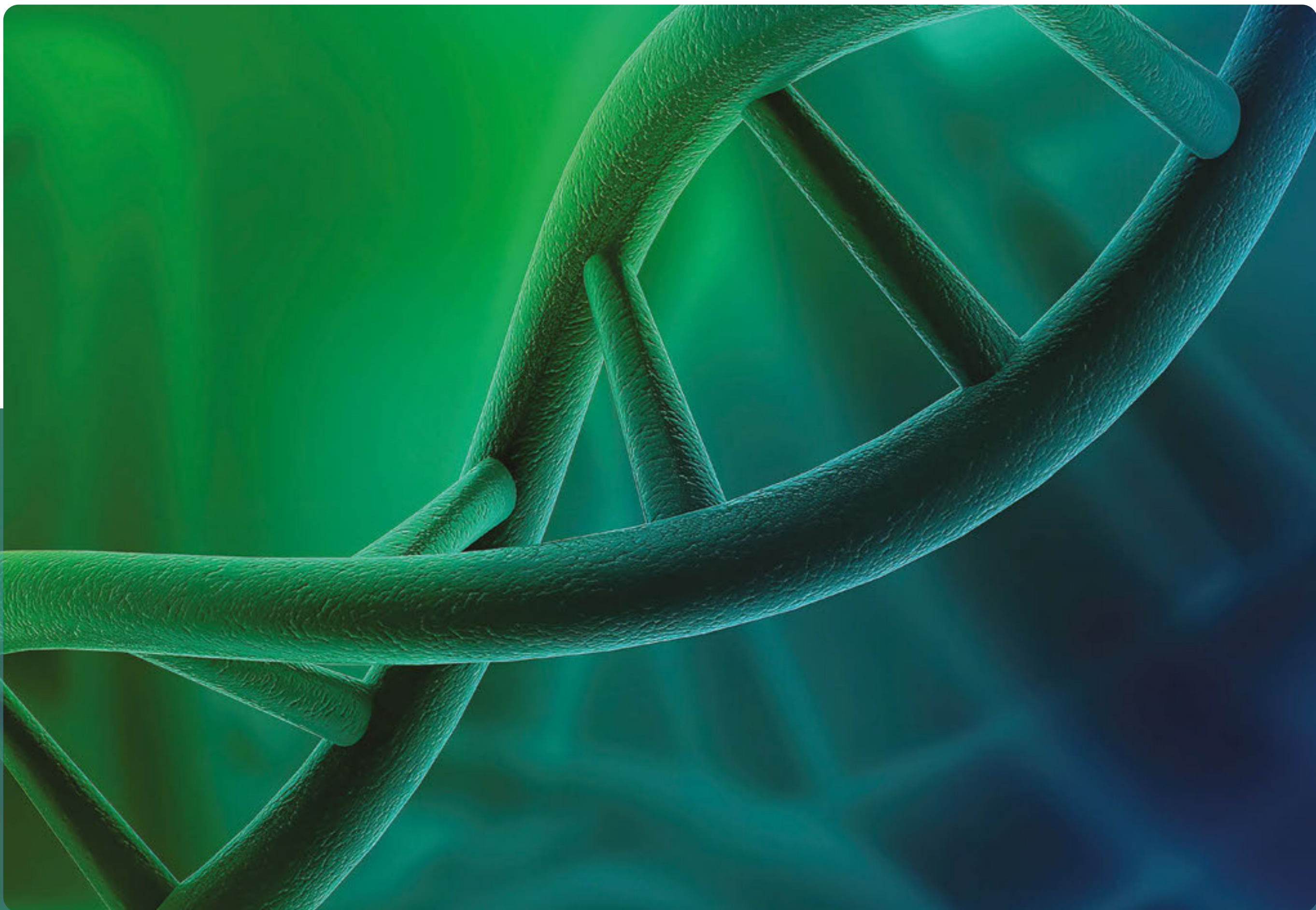
## DIRECTOR DUTIES

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 pages 30 to 31 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**
**JIM HORSBURGH | Chairman**

31 October 2022



# 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 Auditor is 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 53 to 61.

## 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. The remuneration policy will be reviewed and put to a shareholder vote at the Company's annual general meeting ("AGM") to be held in 2023.

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.

This year, I will be retiring from the Board and thus will not offer myself for re-election. Professor Patrick Maxwell will be standing for election for the first time since his initial appointment to the Board on 1 January 2022.

Following the performance evaluation carried out each year, the Board considers whether it is appropriate for each 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 2022** | Year ended 31 August 2021 |
|---|---|---|
| Chairman's base fee | **£42,500** | £42,500 |
| Non-executive Director base fee | **£28,000** | £28,000 |
| Additional fee for the Chair of the Audit Committee | **£4,500** | £4,500 |
| Additional fee for the Senior Independent Director | **£2,000** | £2,000 |

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

# REPORT ON DIRECTORS' REMUNERATION | continued

## ANNUAL REPORT ON DIRECTORS' REMUNERATION

This Report sets out how the Directors' Remuneration Policy was implemented during the year ended 31 August 2022. Directors' fees were last reviewed by the Board in July 2021 and will be examined alongside the Directors' Remuneration Policy prior to the year ended 31 August 2023.

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. 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 2022 and the previous financial year.

### Single total figure of the remuneration for each Director (audited)

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

| TOTAL FEES* Remuneration for Qualifying Services | | |
|---|---|---|
| Directors | **Year ended 31 August 2022 £** | Year ended 31 August 2021 £ |
| John Aston** | **—** | 10,031 |
| Véronique Bouchet** | **10,000** | 30,000 |
| Kate Cornish-Bowden*** | **29,077** | 28,056 |
| Caroline Gulliver | **32,500** | 32,500 |
| Jim Horsburgh (Chairman)**** | **42,500** | 39,600 |
| Patrick Magee | **28,000** | 28,056 |
| Patrick Maxwell***** | **18,667** | — |
| **Total** | **160,744** | 168,243 |

There were no taxable benefits claimed during the years ended 31 August 2022 or 31 August 2021.

### Annual Percentage Change in Directors' Remuneration

The table below sets out the annual percentage change in the Directors' fees for the past three years:

| Directors | % change 2019 to 2020 | % change 2020 to 2021 | **% change 2021 to 2022** |
|---|---|---|---|
| John Aston** | Nil | (76%) | **N/A** |
| Véronique Bouchet** | Nil | Nil | **(67%)** |
| Kate Cornish-Bowden*** | N/A | 255% | **4%** |
| Caroline Gulliver | Nil | Nil | **Nil** |
| Jim Horsburgh (Chairman)**** | Nil | 41% | **7%** |
| Patrick Magee | N/A | 255% | **0%** |
| Patrick Maxwell***** | N/A | N/A | **N/A** |

*No aspect of the Directors' remuneration, past or present, is performance-related in light of the Directors' Non-executive status. As a result, no Director is entitled to any bonuses, benefit in kind, share options, long-term incentives, pension or other retirement benefit. The Directors are entitled to reimbursement of all reasonable and properly documented expenses incurred in performing their duties.
**John Aston and Véronique Bouchet retired from the Board on 15 December 2020 and 8 December 2021, respectively.
*** Kate Cornish-Bowden replaced Véronique Bouchet as Senior Independent Director on 8 December 2021.
**** Jim Horsburgh was appointed as Chairman on 15 December 2020.
***** Patrick Maxwell was appointed as a Non-executive Director with effect from 1 January 2022.

### 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. The Board recognised that, whilst no increase was proposed during the year, the current level of remuneration had remained constant for a number of years and therefore is likely to be subject to an inflationary rise in future.

### Expenditure by the Company on Directors' remuneration compared with distributions to shareholders

The table on the following page 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. Dividends paid to shareholders during the year increased compared to the level paid in 2021.

# REPORT ON DIRECTORS' REMUNERATION | continued

| | | Year ended 31 August 2022 £'000 | Year ended 31 August 2021 £'000 |
|---|---|---|---|
| Aggregate spend on Directors' fees * | | **161** | 168 |
| Distributions to shareholders | – dividends | **12,879** | 11,564 |
| | – share buybacks | **3,534** | – |
| | | **16,574** | 11,732 |

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

## Directors' beneficial and family interests (audited)

| Directors | Ordinary shares of 25p each as at 31 August 2022 | Ordinary shares of 25p each as at 31 August 2021 |
|---|---|---|
| Véronique Bouchet* | **N/A** | 8,572 |
| Kate Cornish-Bowden | **11,000** | 8,000 |
| Caroline Gulliver | **9,500** | 9,500 |
| Jim Horsburgh | **30,000** | 30,000 |
| Patrick Magee | **10,000** | 3,500 |
| Professor Patrick Maxwell | **3,725** | N/A |

* Retired at AGM held on 8 December 2021.

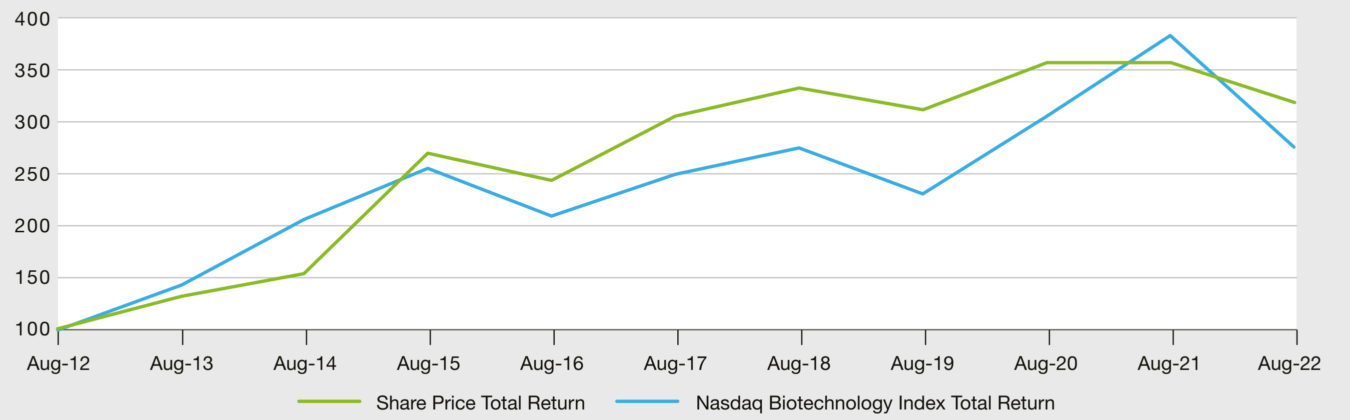
No Director has any material interest in any contract that is significant to the Company's business.

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 2012 compared to that of the benchmark NASDAQ Biotechnology Index. The data has been rebased to 100 at 31 August 2012 (the start of the period covered by the graph).

### SHARE PRICE/NASDAQ BIOTECHNOLOGY INDEX TOTAL RETURN (%)




Source: Share Price Total Return from Morningstar. NASDAQ Biotechnology Index Total Return from Bloomberg. Data rebased to 100 at 31 August 2012.

# 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 2022.

## 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 2022:

(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 15 December 2020 and accordingly, an ordinary resolution will be put to shareholders at the AGM to be held in 2023, unless the Directors choose to amend the policy, at which time it would be resubmitted to shareholders for approval.

At the AGM held on 15 December 2020, votes cast (including the votes cast at the Chairman's discretion) in respect of the Directors' Remuneration Policy were 10,102,858 (95.91%) in favour, 430,305 (4.09%) against and 32,132 votes withheld.

At the AGM held on 8 December 2021, votes cast (including the votes cast at the Chairman's discretion) in respect of the Annual Report on Directors' Remuneration were 11,696,167 (99.51%) in favour, 57,399 (0.49%) against and 16,437 votes withheld.

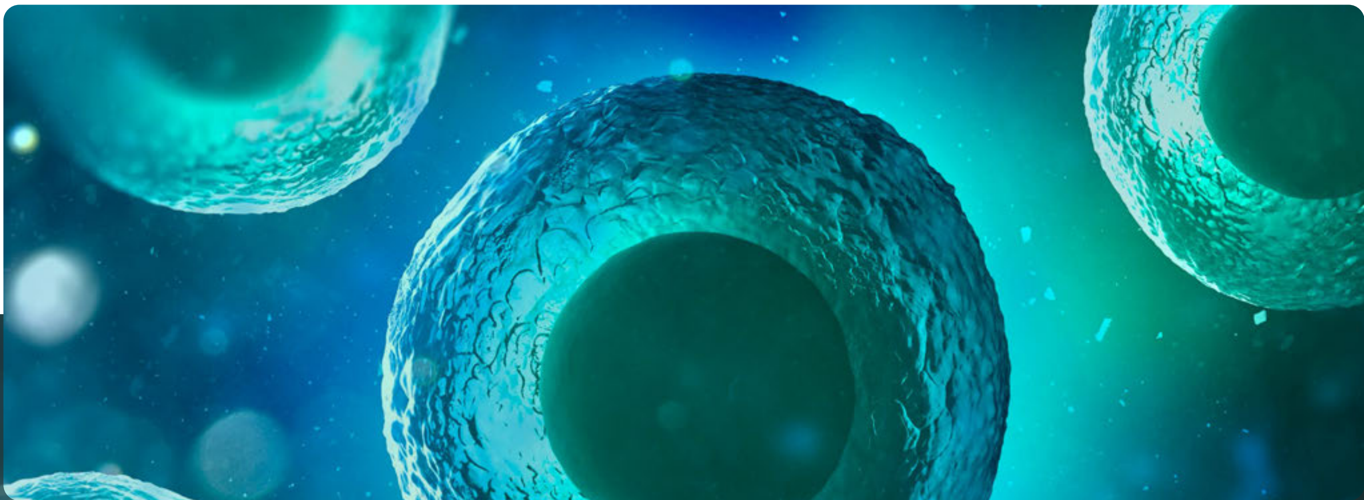
## RECOMMENDATION

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

On behalf of the Board

**JIM HORSBURGH | Chairman**

31 October 2022



# AUDIT COMMITTEE REPORT

## COMPOSITION AND MEETINGS OF THE AUDIT COMMITTEE

The Audit Committee is chaired by Caroline Gulliver. Given the size of the Board, it is considered both proportionate and practical for all Directors, including the Chairman of the Company (who was independent on appointment), to be members. All members of the Committee are independent and have competence relevant to the sector as a result of their current or recent employment in financial services and other industries. As the Chair 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. All the Committee members have extensive experience working in financial services. The biographies of each of the Committee Members are shown on pages 32 to 33.

The Audit Committee met three times during the year ended 31 August 2022 and reported its findings to the Board on the matters described below after each Meeting. The Company's Auditor is 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 pages 40 and 41.

The Audit Committee provides a forum through which the Company's external Auditor reports 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 on whether the Company's Annual Report, when 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.

# AUDIT COMMITTEE REPORT | continued

- Making recommendations to the Board regarding the appointment of the external Auditor, its independence and the objectivity and effectiveness of the audit process.
- Monitoring any non-audit services being provided to the Company by its external Auditor.
- Consideration of the need for the Company to have its own Internal Audit function.

## EFFECTIVENESS OF THE EXTERNAL AUDIT PROCESS

The Audit Committee annually reviews the performance of PricewaterhouseCoopers LLP, the Company's external Auditor and discusses its effectiveness with representatives of the Fund Manager, who work closely with the Auditor 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 Auditor and the effectiveness of the external audit process, which includes a report from the external Auditor on its own internal quality procedures. The Auditor attends the Audit Committee meeting at which the Annual Report is considered in order to present its report and have the opportunity to meet privately with the Audit Committee members without representatives of the Fund Manager present. The Auditor is required to rotate the audit partner every five years and this is the second year for which Colleen Local has served as audit partner.

Details of the amounts paid to the external auditor during the financial year under review, for audit services, are set out in note 5 to the Financial Statements on page 72. 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 Auditor remains independent.

## AUDIT TENDER AND RE-APPOINTMENT OF THE AUDITOR

The Company must also comply with UK Competition and Market Authority rules, which require the external audit contract to be put out to tender at least every 10 years, with the proviso that no single firm may serve as the Company's external auditor for a period exceeding 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 ongoing audits. Following recommendation by the Audit Committee, the Board decided to retain PricewaterhouseCoopers LLP as Auditor for the Company. Following a review of the Auditors' performance, as described above, the Audit Committee recommends the re-appointment of the Auditor at the forthcoming AGM.

## SIGNIFICANT ISSUES CONSIDERED WITH RESPECT TO THE ANNUAL REPORT

| Issue considered | How the issue was addressed |
|---|---|
| Valuation and existence of quoted and unquoted investments and gains and losses from those investments | Consideration and review of valuation processes and methodology at SV Health Managers LLP and the Northern Trust Company 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. |

# AUDIT COMMITTEE REPORT | continued

## INTERNAL AUDIT

The Audit Committee have considered the requirement for the Company to have an internal audit function pursuant to provisions 25 and 26 of the UK Code. It was deemed unnecessary for the Company to have its own internal audit function due to:

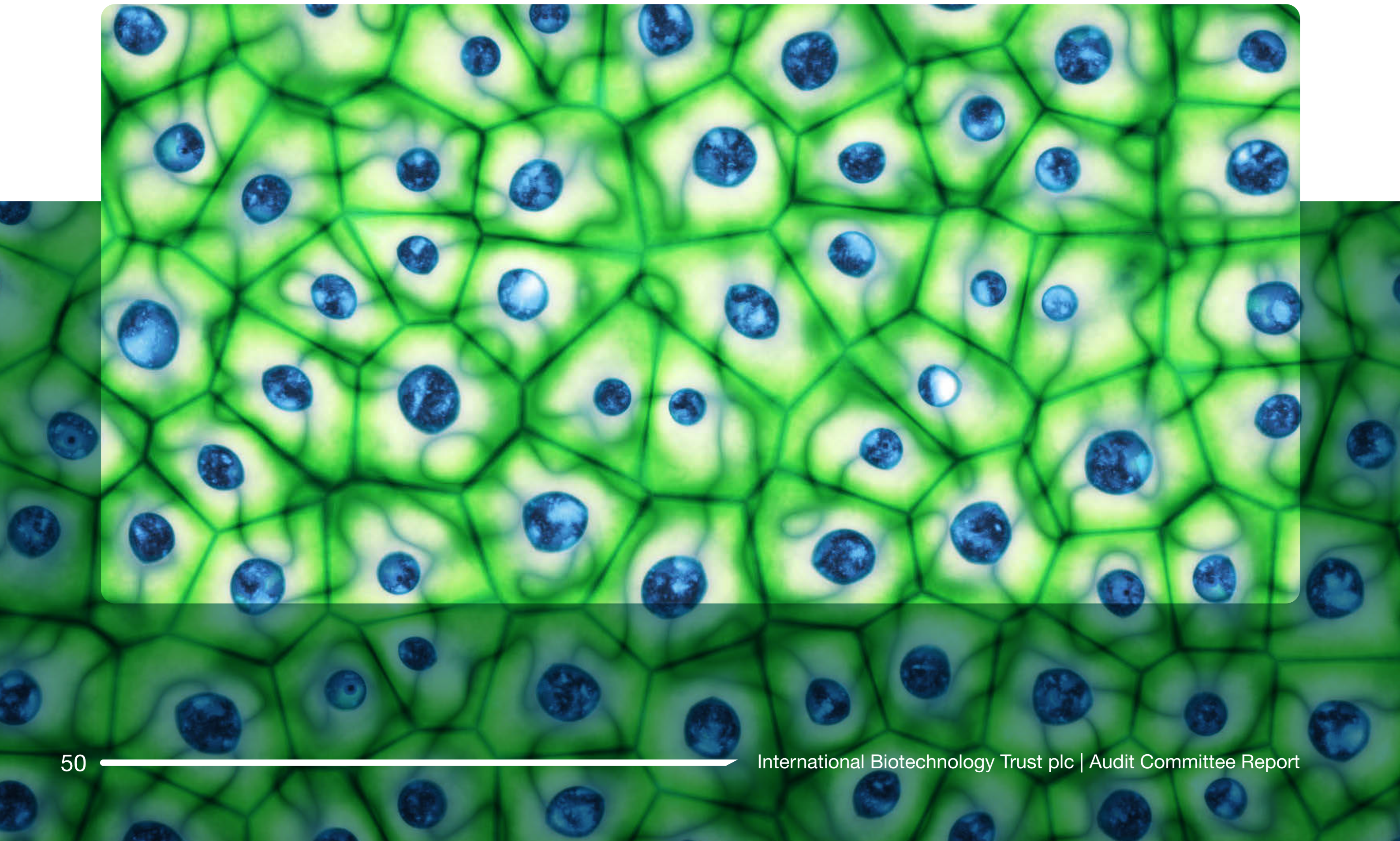
- The Board delegates its main functions to third-party service providers, who have their own internal audit functions and established internal controls frameworks which provide reasonable assurance on the effectiveness of the internal controls operated on behalf of their clients.
- The Fund Manager reports on compliance within the terms of its delegated authority under the Investment Management Agreement on a quarterly basis.
- The Company Secretary also reports any breaches of law and regulation as and when they arose.
- In the last two financial years, when reviewing the system of internal controls, the Audit Committee had not identified nor been advised of any failings or weaknesses which it had determined to be significant.

## 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 2022, 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 51. 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 | Chair of the Audit Committee**

31 October 2022



# 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 24 to 31 inclusive (together with the sections of the Annual Report incorporated by reference) and the Directors' Report on pages 34 to 43. Therefore, a separate management report has not been included.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

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 UK adopted international accounting standards.

Under company law, 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 the Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are 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 Directors are also 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 Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

## DIRECTORS' CONFIRMATIONS

Having taken advice from the Audit Committee the Directors consider that the Annual Report and Accounts, 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.

Each of the Directors, whose names and functions are listed in the Directors' Report confirm that, to the best of their knowledge:

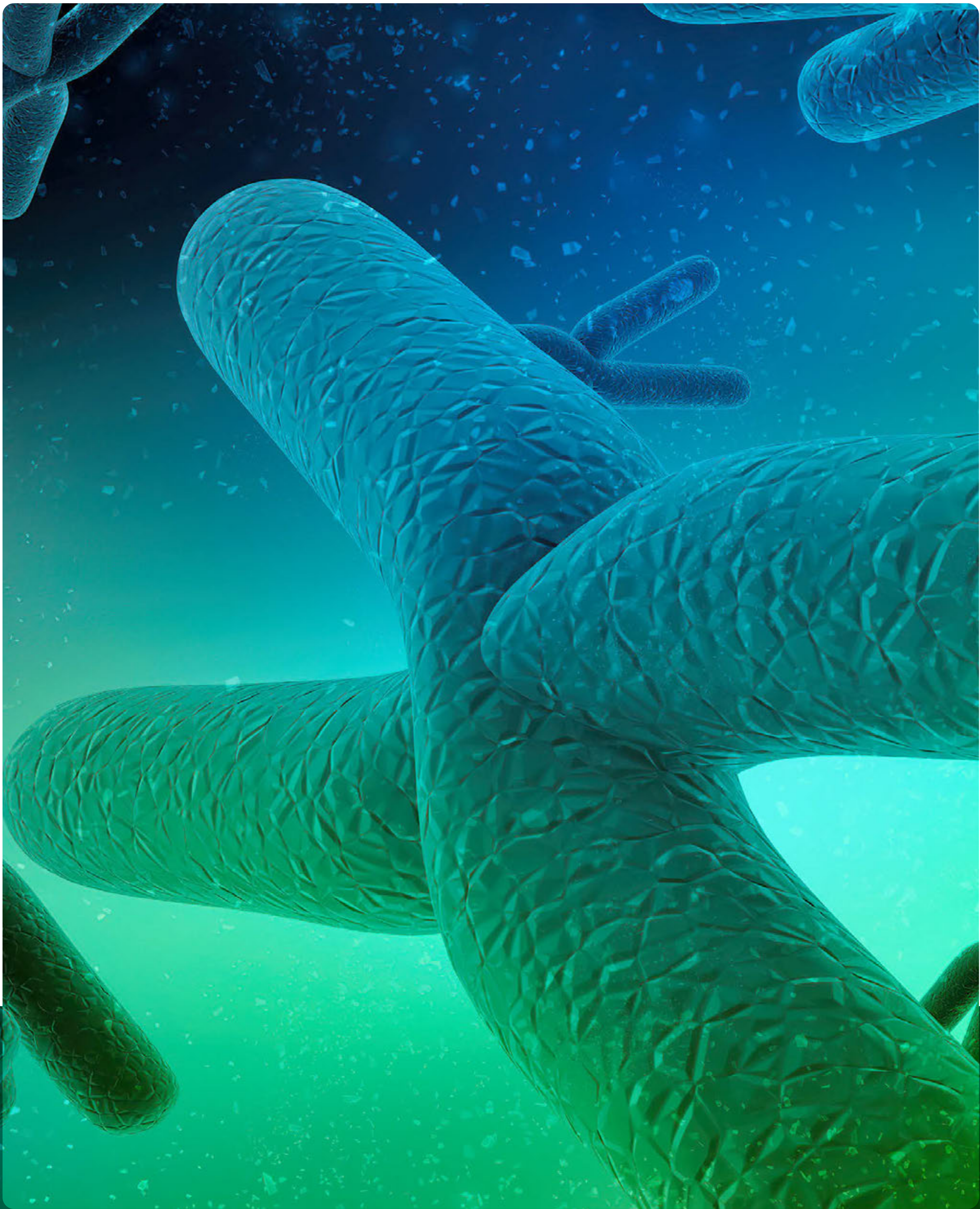
- the Company Financial Statements, which have been prepared in accordance with UK adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and result of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

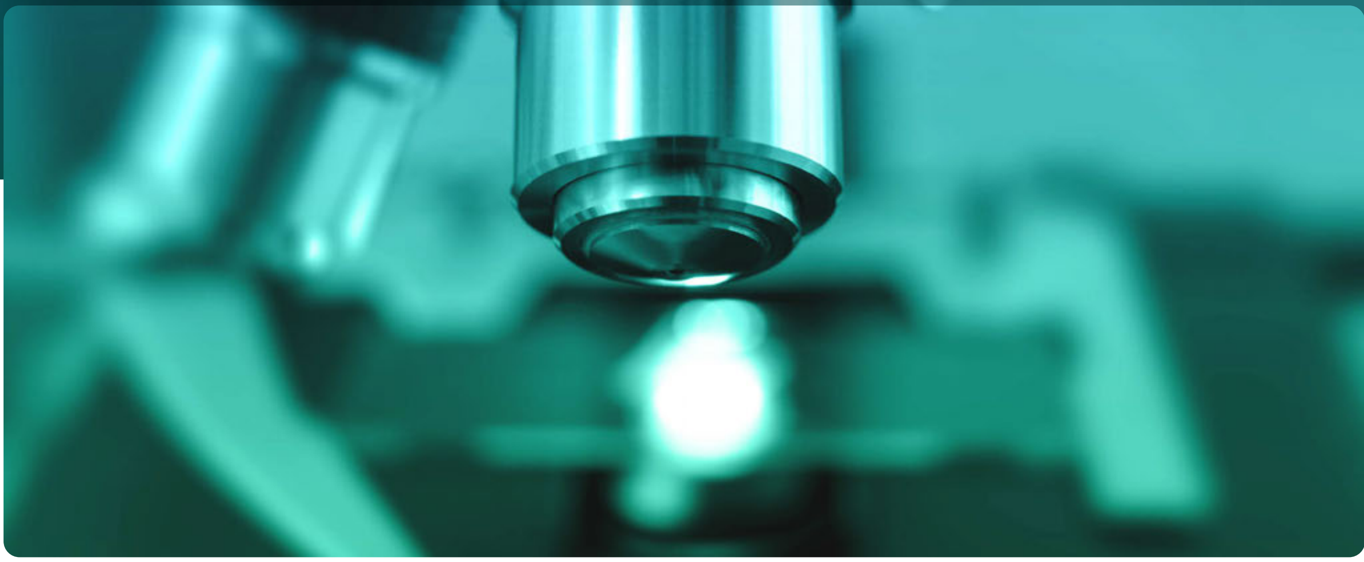
The Annual Report is published on www.ibtplc.com which is maintained by SV Health Managers LLP. The maintenance and integrity of the website is, so far as it relates to the Company, the responsibility of SV Health Managers LLP. The work carried out by the Auditor does not involve consideration of the maintenance and integrity of this website and accordingly, the Auditor accepts 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.

This Statement of Directors' Responsibilities was approved by the Board and signed on its behalf by:

**JIM HORSBURGH | Chairman**

31 October 2022





# 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 2022 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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 2022; the Statement of Comprehensive Income, the Statement of Changes in Equity, and the Cash Flow Statement 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.

We have provided no non-audit services to the Company in the period under audit.

# INDEPENDENT AUDITORS' REPORT | continued

## OUR AUDIT APPROACH

### Overview

**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 28/02/2022), and Northern Trust (the Administrator from 1/03/2022) to whom the Fund Manager has, with the consent of the Directors, delegated the provision of certain administrative functions.
- We tailored the scope of our audit taking into account the types of investments held by 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.

**Key Audit Matters**

- Valuation and existence of unquoted investments.
- Valuation and existence of quoted investments.
- Income from investments.

**Materiality**

- Overall materiality: £2,800,000 (2021: £3,200,000) based on approximately 1% of net assets.
- Performance materiality: £2,100,000 (2021: £2,400,000).

### 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.

### 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.

Ability to continue as a going concern, which was a key audit matter last year, is no longer included because of approval of the continuation vote at the 2021 AGM. Otherwise, the key audit matters below are consistent with last year.

# INDEPENDENT AUDITORS' REPORT | continued

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Valuation and existence of unquoted investments**<br>Refer to the Audit Committee Report, Note 1 Accounting Policies and Note 10 Investments held at fair value through profit or loss.<br><br>The investment portfolio at 31 August 2022 included unquoted investments. We focused on the valuation and existence of the unquoted investments as these investments represented a material balance in the financial statements (£28.0m) and the valuation requires significant estimates and judgements to be applied by the Directors and the Fund 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. | **Valuation of unquoted investments**<br>- We have understood and evaluated the valuation methodology applied, by reference to IFRS and the International Private Equity and Venture Capital Valuation guidelines (IPEV). We have assessed the techniques used by the Directors in determining the fair value of unquoted investments, as outlined below.<br><br>Our testing, performed on a sample basis, included:<br>- Assessing the appropriateness of the valuation models used,<br>- Assessing the reasonableness of assumptions and estimates used, and<br>- Testing the inputs through validation to appropriate third party sources.<br><br>We also read the Board papers and meeting minutes where the valuations of the unquoted investments were discussed by the Directors.<br><br>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 Directors and the Fund Manager as to the appropriateness of the methodologies, key inputs used and the valuations themselves.<br><br>We found that the Fund Manager's valuations of unquoted investments were consistent with IFRS 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.<br><br>**Existence of unquoted investments**<br>We tested the existence of the unquoted investment portfolio by agreeing holdings to an independently obtained confirmation from the custodian, Northern Trust, as at 31 August 2022. No material misstatements were identified from this testing. |
| **Valuation and existence of quoted investments**<br>Refer to the Audit Committee Report, Note 1 Accounting Policies and Note 10 Investments held at fair value through profit and loss.<br><br>The investment portfolio at the year-end comprised quoted equity investments valued at £285.5m. We focused on the valuation and existence of quoted investments because investments represent the principal element of the net asset value as disclosed on the Balance Sheet. | We tested the valuation of the quoted equity investments by agreeing 100% of prices used in the valuation to independent third party sources.<br><br>We tested the existence of the quoted investment portfolio by agreeing 100% of the holdings of quoted investments to an independently obtained confirmation from the custodian, Northern Trust, as at 31 August 2022.<br><br>No material misstatements were identified from this testing. |

# INDEPENDENT AUDITORS' REPORT | continued

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Income from investments**<br>Refer to the Audit Committee Report, Note 1 Accounting Policies, Note 3 Income and Note 10 Investments held at fair value through profit and loss.<br><br>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). We focused this risk on the accuracy and occurrence of gains/losses on investments and occurrence, accuracy and completeness of dividend income 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"). | 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.<br><br>We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income (revenue and capital gains and losses on investments) has been accounted for in accordance with the stated accounting policy.<br><br>We understood and assessed the design and implementation of key controls surrounding income recognition.<br><br>**Capital gains/losses on investments**<br>The gains/losses on investments held at fair value comprise realised and unrealised gains/losses.<br><br>For unrealised gains and losses, we have tested the valuation of the portfolio at the year-end (see above), together with testing the reconciliation of opening and closing investments, thereby we have assessed the accuracy of the gains/losses recorded. We have also verified the occurrence of the gains/losses through our testing of the existence of investments, as noted above.<br><br>For realised gains/losses, we tested a sample of disposal proceeds by agreeing the proceeds to bank statements, in order to verify the occurrence of the gain/loss. We re-performed the calculation of a sample of realised gains/losses in order to assess the accuracy of the gains/losses recorded.<br><br>**Revenue (or dividend income)**<br>To test the accuracy of dividend income, we tested a sample of dividend receipts by agreeing the dividend rates from all investments to independent third party sources.<br><br>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.<br><br>We tested the occurrence assertion 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.<br><br>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.<br><br>No material misstatements were identified from this testing. |

# INDEPENDENT AUDITORS' REPORT | continued

## 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.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

## Materiality

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

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

| | |
|---|---|
| **Overall Company materiality** | £2,800,000 (2021: £3,200,000). |
| **How we determined it** | Approximately 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 use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £2,100,000 (2021: £2,400,000) for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £140,000 (2021: £160,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

# INDEPENDENT AUDITORS' REPORT | continued

## CONCLUSIONS RELATING TO GOING CONCERN

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining 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.

- Assessing the performance of the Company when compared to its stated performance comparator; and

- Assessing the premium/discount the Company's share price trades at compared to its net asset value per share.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

In relation to the Directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this 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 our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### 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 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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.

### Directors' Remuneration

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

# INDEPENDENT AUDITORS' REPORT | continued

## CORPORATE GOVERNANCE STATEMENT

The Listing Rules require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' 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 its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Company was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Company and its environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when 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.

# INDEPENDENT AUDITORS' REPORT | continued

## RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

### Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

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 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 where applicable;
- reviewing relevant committee meeting minutes, including those of the Board and Audit Committee;
- assessment of the Company's compliance with the requirements of section 1158 of the Corporation Tax Act 2010, including recalculation of numerical aspects of the eligibility conditions;
- 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);
- identifying and testing journal entries, in particular a sample of manual year end journal entries posted during the preparation of the financial statements; 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. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. 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.

# INDEPENDENT AUDITORS' REPORT | continued

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 obtained 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 Report on Directors' Remuneration to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### 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 16 years, covering the years ended 31 August 2007 to 31 August 2022.

**Colleen Local (Senior Statutory Auditor)**
for and on behalf of PricewaterhouseCoopers LLP
*Chartered Accountants and Statutory Auditors*
*London*

31 October 2022

# STATEMENT OF COMPREHENSIVE INCOME

| | | For the year ended 31 August 2022 | | | For the year ended 31 August 2021 | | |
|---|---|---|---|---|---|---|---|
| | Notes | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| (Losses)/gains on investments held at fair value | 2 | — | (14,696) | (14,696) | — | 30,925 | 30,925 |
| Exchange (losses)/gains on currency balances | | — | (4,378) | (4,378) | — | 65 | 65 |
| Income | 3 | 1,113 | — | 1,113 | 1,105 | — | 1,105 |
| **Expenses** | | | | | | | |
| Management fee | 4 | (2,009) | — | (2,009) | (2,402) | — | (2,402) |
| Performance fee | 4 | — | (471) | (471) | — | (353) | (353) |
| Administrative expenses | 5 | (1,218) | — | (1,218) | (1,075) | — | (1,075) |
| **(Loss)/profit before finance costs and tax** | | (2,114) | (19,545) | (21,659) | (2,372) | 30,637 | 28,265 |
| **Finance costs** | | | | | | | |
| Interest payable | 6 | (663) | — | (663) | (218) | — | (218) |
| **(Loss)/profit before tax** | | (2,777) | (19,545) | (22,322) | (2,590) | 30,637 | 28,047 |
| **Taxation** | 7 | (151) | — | (151) | (162) | — | (162) |
| **(Loss)/profit for the year attributable to shareholders** | | (2,928) | (19,545) | (22,473) | (2,752) | 30,637 | 27,885 |
| **Basic and diluted (loss)/earnings per Ordinary share** | 8 | (7.13)p | (47.59)p | (54.72)p | (6.80)p | 75.66p | 68.86p |

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.

The Company does not have any other comprehensive income and hence the net 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 66 to 93 form part of these Financial Statements.

# STATEMENT OF CHANGES IN EQUITY

| For the year ended 31 August 2022 | 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 2021 | | **10,346** | **29,873** | **31,482** | **295,807** | **(43,733)** | **323,775** |
| **Total Comprehensive Income:** | | | | | | | |
| Loss for the year | | **–** | **–** | **–** | **(19,545)** | **(2,928)** | **(22,473)** |
| **Transactions with owners, recorded directly to equity:** | | | | | | | |
| Dividends paid in the year | 9 | **–** | **–** | **–** | **(12,879)** | **–** | **(12,879)** |
| Ordinary shares bought back into treasury | | **–** | **–** | **–** | **(3,534)** | **–** | **(3,534)** |
| **Balance at 31 August 2022** | | **10,346** | **29,873** | **31,482** | **259,849** | **(46,661)** | **284,889** |

| For the year ended 31 August 2021 | 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 2020 | | 10,335 | 20,434 | 31,482 | 262,627 | (40,981) | 283,897 |
| **Total Comprehensive Income:** | | | | | | | |
| Profit/(loss) for the year | | – | – | – | 30,637 | (2,752) | 27,885 |
| **Transactions with owners, recorded directly to equity:** | | | | | | | |
| Dividends paid in the year | 9 | – | – | – | (11,564) | – | (11,564) |
| Ordinary shares issued from treasury | | – | 9,158 | – | 14,107 | – | 23,265 |
| New Ordinary shares issued | | 11 | 281 | – | – | – | 292 |
| **Balance at 31 August 2021** | | 10,346 | 29,873 | 31,482 | 295,807 | (43,733) | 323,775 |

The notes on pages 66 to 93 form part of these Financial Statements.

# BALANCE SHEET

| | Notes | At 31 August 2022 £'000 | At 31 August 2021 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments held at fair value through profit or loss | 10 | **313,429** | 345,336 |
| | | **313,429** | 345,336 |
| **Current assets** | | | |
| Receivables | 11 | **13,487** | 942 |
| Cash and cash equivalents | 12 | **–** | 1,557 |
| | | **13,487** | 2,499 |
| **Total assets** | | **326,916** | 347,835 |
| **Current liabilities** | | | |
| Borrowings | 12 | **(39,976)** | (21,869) |
| Payables | 13 | **(2,051)** | (2,191) |
| | | **(42,027)** | (24,060) |
| **Net assets** | | **284,889** | 323,775 |
| | | | |
| **Equity attributable to equity holders** | | | |
| Called up share capital | 15 | **10,346** | 10,346 |
| Share premium account | 16 | **29,873** | 29,873 |
| Capital redemption reserve | 17 | **31,482** | 31,482 |
| Capital reserves | 18 | **259,849** | 295,807 |
| Revenue reserve | 19 | **(46,661)** | (43,733) |
| **Total equity** | | **284,889** | 323,775 |
| **NAV per Ordinary share** | 20 | **697.18p** | 782.37p |

The Financial Statements on pages 62 to 65 were approved by the Board on 31 October 2022 and signed on its behalf by:

**JIM HORSBURGH | Chairman** **CAROLINE GULLIVER | Chair of the Audit Committee**

The notes on pages 66 to 93 form part of these Financial Statements.

International Biotechnology Trust plc Company Number 2892872

# CASH FLOW STATEMENT

| | Notes | For the year ended 31 August 2022 £'000 | For the year ended 31 August 2021 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| (Loss)/profit before tax | | **(22,322)** | 28,047 |
| Adjustments for: | | | |
| Decrease/(increase) in investments | | **19,009** | (43,113) |
| Losses on foreign exchange | | **4,375** | – |
| Increase in receivables | | **(33)** | (781) |
| Increase in payables | | **261** | 1,476 |
| Taxation | | **(166)** | (162) |
| **Net cash flows generated from/(used in) operating activities** | 21 | **1,124** | (14,533) |
| **Cash flows from financing activities** | | | |
| Issue of Ordinary shares from treasury | | **–** | 23,265 |
| Issue of New Ordinary shares | | **–** | 292 |
| Buyback of Ordinary shares into treasury | | **(3,534)** | – |
| Dividends paid | 9 | **(12,879)** | (11,564) |
| **Net cash (used in)/generated from financing activities** | | **(16,413)** | 11,993 |
| Effect of foreign exchange rates | | **(4,375)** | – |
| **Net decrease in cash and cash equivalents** | | **(19,664)** | (2,540) |
| Cash and cash equivalents at 1 September | | **(20,312)** | (17,772) |
| **Cash and cash equivalents at 31 August** | 12 | **(39,976)** | (20,312) |

The notes on pages 66 to 93 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 UK adopted International Accounting Standards (IFRS) and those parts of the Companies Act 2006 (the Act) applicable to companies reporting under IFRS. These comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and International Accounting Standards Committee (IASC).

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. All values are rounded to the nearest thousand pound (£'000) except where otherwise indicated.

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

### (a) Basis of preparation

The Company Financial Statements have been prepared on a going concern basis (as set out on page 36) 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 (and updated in April 2021) 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.

The financial position of the Company as at 31 August 2022 is shown in the balance sheet on page 64. As at 31 August 2022 the Company's total assets exceeded its total liabilities by a multiple of over seven. 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 24. The Directors have considered a detailed assessment of the Company's ability to meets 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, 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. The Directors expect shareholders to vote in favour of continuation at the 2022 AGM. 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.

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

# NOTES TO THE FINANCIAL STATEMENTS | continued

## (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 (i.e. as prices) or indirectly (i.e. derived from prices). |
| • Level 3: | Having inputs for the asset or liability that are not based on observable market data. |

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

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

**Quoted investments**

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

**Unquoted Investments**

In respect of unquoted investments, or where the market for a financial instrument is not active, fair value is established by using various valuation techniques, in accordance with the International Private Equity and Venture Capital (IPEVC) Valuation Guidelines (December 2018) and Special Valuations Guidance (March 2020). These may include reference to 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.

# NOTES TO THE FINANCIAL STATEMENTS | continued

The valuations of the unquoted investments are assessed to ensure that the fair value is fairly reflected and will be revalued accordingly driven by the underlying assumptions deriving the value, including: the ability 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 and SV BCOF (SV unquoted funds) hold an investment. The value of SV unquoted funds' 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 unquoted funds' 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 unquoted funds is reflected in the NAV on the next NAV date. With respect to any investments within SV unquoted funds for which there is a listed price, the Company revalues its investment in SV unquoted funds 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 unquoted funds' underlying investments that materially impacts the Company's holding in SV unquoted funds 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 value of a fund investment used by the Company in determining the NAV is always based on the most current information known to the Company on the NAV date.

## (g) Foreign currencies

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

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

## (h) Critical accounting estimates and judgements

The preparation of Financial Statements in conformity with IFRS requires 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 IPEVC Valuation Guidelines (December 2018) and Special Valuations Guidance (March 2020) to each unquoted investment;

(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; and

# NOTES TO THE FINANCIAL STATEMENTS | continued

(iii) 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.

**Estimates**

The key estimate in the Financial Statements is the determination of the fair value of the unquoted investments by the Fund Manager 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).

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

(i) The application of an appropriate discount factor to reflect macro-economic factors and the reduced liquidity of unquoted companies;

(ii) 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

(iii) 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 90 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 re-issued 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) Dividend distributions

Dividend distributions to shareholders are recognised in the period in which they are paid.

## (n) 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.

# NOTES TO THE FINANCIAL STATEMENTS | continued

**(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:**
When making a distribution to shareholders, the Directors determine profits available for distribution by reference to 'Guidance on realised and distributable profits under the Companies Act 2006' issued by the Institute of Chartered accountants in England and Wales and the Institute of Chartered Accounts of Scotland in April 2017. The availability of distributable reserves in the Company is dependent on those dividends meeting the definition of qualifying consideration within the guidance and on available cash resources of the company and other accessible source of funds. The distributable reserves are therefore subject to any future restrictions or limitations at the time such distribution is made.

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

- Gains and losses on the realisation of investments;
- Unrealised investment holding gains and losses;
- Foreign exchange gains and losses;
- Performance fee;
- Re-issue of Ordinary shares from treasury;
- Repurchase of Ordinary shares in issue; and
- Dividends paid to shareholders.

Note: Unrealised unquoted holding gains are not distributable.

**(iv) Revenue reserve:**
Comprises accumulated undistributed revenue profits and losses.

## (o) 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 Financial Statements.

The following standards became effective for periods commencing on or after on 1 January 2021 and the adoption of the standards and interpretations have not had a material impact on the Financial Statements of the Company.

**IFRS 4 Insurance Contracts – temporary exemption from IFRS 9 (amended)**
The temporary exemption permits companies whose activities are predominantly connected with insurance to defer the application of IFRS 9 to annual periods beginning on or after 1 January 2023.

**IFRS 9, IAS 39, IFRS 7, IFRS 16 and IFRS 4: Interest Rate Benchmark Reform – phase 2 (amended)**
IBOR Reform - Phase 2 address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate.

Effective for periods commencing on or after 1 January 2022:

**IAS 37 Onerous Contracts – Costs of Fulfilling a Contract (amended)**
Amendments to clarify which costs needs to be included when assessing whether a contract is onerous or loss-making.

The following standards that have not yet been applied, were in issue at the date of authorisation of these Financial Statements and effective for periods commencing on or after 1 January 2023:

**IAS 1 Classification of Liabilities as Current or Non-Current (amended)**
Amendments to clarify what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right and that only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification.

**IAS 8 Definition of Accounting Estimates (amended)**
Amendments to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, to clarify how companies use measurement techniques and inputs to develop accounting estimates.

# NOTES TO THE FINANCIAL STATEMENTS | continued

**IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies (amended)**
Amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how to apply the concept of materiality in making decisions about accounting policy disclosures.

The Company does not believe that there will be a material impact on the financial statements or the amounts reported from the adoption of these standards.

## 2. GAINS ON INVESTMENTS HELD AT FAIR VALUE

| | **For the year ended 31 August 2022 £'000** | For the year ended 31 August 2021 £'000 |
|---|---|---|
| Net gains on disposal of investments at historic cost | **24,495** | 46,873 |
| Less fair value adjustments in earlier years | **(3,465)** | (31,976) |
| **Gains based on carrying value at previous Balance Sheet date** | **21,030** | 14,897 |
| Investment holding (losses)/gains during the year | **(35,726)** | 16,028 |
| | **(14,696)** | 30,925 |
| **Attributable to:** | | |
| Quoted investments | **(16,726)** | 29,059 |
| Unquoted investments | **2,030** | 1,866 |
| | **(14,696)** | 30,925 |

## 3. INCOME

| | **For the year ended 31 August 2022 £'000** | For the year ended 31 August 2021 £'000 |
|---|---|---|
| **Income from investments held at fair value through profit or loss:** | | |
| Unfranked dividends | **1,113** | 1,105 |
| | **1,113** | 1,105 |

# NOTES TO THE FINANCIAL STATEMENTS | continued

## 4. MANAGEMENT AND PERFORMANCE FEES

| | **For the year ended 31 August 2022 £'000** | For the year ended 31 August 2021 £'000 |
|---|---|---|
| Fees payable to the Fund Manager are as follows: | | |
| Management fees paid by Company (allocated to revenue) | **2,009** | 2,402 |
| Performance fee (allocated to capital) | **471** | 353 |

Details of the management and performance fee arrangements are included in the Directors' Report on page 35.

Following the investment into the SV Fund VI and SV BCOF (SV unquoted funds), management fees are partially paid through the venture capital investments. Venture Capital fees paid through the SV unquoted funds' investment in the year were £623,000 (2021: £377,000). Total Management fees on a comparative basis were £2,632,000 (2021: £2,779,000). Refer to note 22 Related Party Transactions on page 81, for further details.

## 5. ADMINISTRATIVE EXPENSES

| | **For the year ended 31 August 2022 £'000** | For the year ended 31 August 2021 £'000 |
|---|---|---|
| General expenses | **743** | 619 |
| Directors' fees* | **161** | 168 |
| Company Secretarial and administration fees | **249** | 231 |
| Auditors' remuneration: | | |
| Fees payable to the Company's Auditor for the audit of the annual Financial Statements | **65** | 57 |
| | **1,218** | 1,075 |

* See the Directors' Remuneration Report on pages 44 to 47.

# NOTES TO THE FINANCIAL STATEMENTS | continued

## 6. INTEREST PAYABLE

| | **For the year ended 31 August 2022 £'000** | For the year ended 31 August 2021 £'000 |
|---|---|---|
| Loan interest payable | **663** | 218 |

## 7. TAXATION

### (a) Analysis of charge in year

| | **For the year ended 31 August 2022 £'000** | For the year ended 31 August 2021 £'000 |
|---|---|---|
| Overseas tax | **151** | 162 |
| **Total tax charge for the year** | **151** | 162 |

### (b) Factors affecting tax charge for the year

The tax assessed for the year is higher than that resulting from applying the standard rate of Corporation Tax in the UK for a medium or large company of 19% (2021: 19%). The differences are explained below:

| | **For the year ended 31 August 2022** | | | For the year ended 31 August 2021 | | |
|---|---|---|---|---|---|---|
| | **Revenue £'000** | **Capital £'000** | **Total £'000** | Revenue £'000 | Capital £'000 | Total £'000 |
| **Factors affecting tax charge for the year:** | | | | | | |
| (Loss)/profit before taxation | **(2,777)** | **(19,545)** | **(22,322)** | (2,590) | 30,637 | 28,047 |
| Tax at the UK corporation tax rate of 19% (2021:19%) | **(528)** | **(3,714)** | **(4,242)** | (492) | 5,821 | 5,329 |
| **Tax effect of:** | | | | | | |
| Non-taxable dividend income | **(211)** | **—** | **(211)** | (210) | — | (210) |
| Capital returns on investments | **—** | **2,792** | **2,792** | — | (5,876) | (5,876) |
| Exchange losses | **—** | **832** | **832** | — | (12) | (12) |
| Expenses not utilised in the year | **739** | **90** | **829** | 702 | 67 | 769 |
| Overseas tax | **151** | **—** | **151** | 162 | — | 162 |
| **Total tax charge for the year** | **151** | **—** | **151** | 162 | — | 162 |

### (c) Provision for deferred taxation

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

# NOTES TO THE FINANCIAL STATEMENTS | continued

## (d) Factors that may affect future tax charges

The Company has a potential deferred tax asset of £18,746,000 (2021: £13,418,000) based on a main rate of corporation tax of 25% (2021: 19%). In October 2022 the government confirmed that the main rate of corporation tax (for all profits except ring fence profits) will increase to 25% from the 1st of April 2023.

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 Financial Statements.

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. BASIC AND DILUTED (LOSS)/EARNINGS PER ORDINARY SHARE

| | **For the year ended 31 August 2022 £'000** | For the year ended 31 August 2021 £'000 |
|---|---|---|
| Net revenue loss | **(2,928)** | (2,752) |
| Net capital (loss)/profit | **(19,545)** | 30,637 |
| | **(22,473)** | 27,885 |
| **Weighted average number of Ordinary shares in issue during the year*** | **41,072,164** | 40,495,020 |

| | **Pence** | Pence |
|---|---|---|
| **Revenue loss per Ordinary share** | **(7.13)** | (6.80) |
| **Capital (loss)/profit per Ordinary share** | **(47.59)** | 75.66 |
| **Total (loss)/earning per Ordinary share** | **(54.72)** | 68.86 |

*Excluding those Ordinary shares held in treasury.

## 9. DIVIDENDS

| | **For the year ended 31 August 2022 £'000** | For the year ended 31 August 2021 £'000 |
|---|---|---|
| **Dividends paid** | | |
| 2022 First interim dividend paid of 15.70p (2021: 14.20p) | **6,464** | 5,687 |
| 2022 Second interim dividend paid of 15.70p (2021: 14.20p) | **6,415** | 5,877 |
| **Total dividends paid in the year** | **12,879** | 11,564 |

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

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

# NOTES TO THE FINANCIAL STATEMENTS | continued

## 10. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

### (a) Analysis of investments

| | **At 31 August 2022 £'000** | At 31 August 2021 £'000 |
|---|---|---|
| Quoted overseas | **285,471** | 314,365 |
| | **285,471** | 314,365 |
| Unquoted in the United Kingdom | **3,752** | 472 |
| Unquoted overseas | **24,206** | 30,499 |
| | **27,958** | 30,971 |
| **Valuation of investments** | **313,429** | 345,336 |

### (b) Movements on investments

| | **For the year ended 31 August 2022 £'000** | For the year ended 31 August 2021 £'000 |
|---|---|---|
| Opening book cost | **311,419** | 252,358 |
| Opening investment holdings gains | **33,917** | 49,865 |
| **Opening fair value** | **345,336** | 302,223 |
| **Analysis of transactions made during the year** | | |
| Purchases at cost | **396,544** | 318,038 |
| Proceeds of disposals | **(413,755)** | (305,850) |
| (Losses)/gains on investments held at fair value | **(14,696)** | 30,925 |
| **Closing fair value** | **313,429** | 345,336 |
| | | |
| Closing book cost | **318,702** | 311,419 |
| Closing investment holding (losses)/gains | **(5,273)** | 33,917 |
| **Closing fair value** | **313,429** | 345,336 |

The Company received £413,755,000 (2021: £305,850,000) from disposal of investments in the year. The book cost of these investments when they were purchased were £389,260,000 (2021: £258,977,000). 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.

The investment holding losses of £5,273,000 (2021: gains of £33,917,000) have not been further analysed between those amounts that are distributable and those that are not distributable.

# NOTES TO THE FINANCIAL STATEMENTS | continued

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

| | **For the year ended 31 August 2022 £'000** | For the year ended 31 August 2021 £'000 |
|---|---|---|
| On acquisitions | **224** | 188 |
| On disposals | **220** | 176 |
| | **444** | 364 |

## (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 | 3.25% | UK |
| Oxagen Stocks* | Series B Pref | 25.89% | UK |
| Oxagen Stocks* | Series A Pref | 11.55% | UK |
| Oxagen Stocks* | Series C Pref | 11.60% | UK |
| Topivert** | Series A | 12.01% | UK |
| Topivert** | Series B | 19.65% | UK |

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

The Company has a holding of 11.8% in the unquoted fund SV BCOF which is managed by the Fund Manager, and a holding of less than 10% in the unquoted fund SV Fund VI which is managed by SV Health Managers LLC. The total invested in both Funds to date is $34.2m.

Arrangements are in place to ensure there is no double charging of management fees.

## (d) Disposals of unquoted investments

| | Book Cost at 31 August 2021 £'000 | Carrying Value at 31 August 2021 £'000 | Proceeds £'000 | Increase in fair value £'000 | **Carrying Value at 31 August 2022 £'000** |
|---|---|---|---|---|---|
| NCP Holdings | 303 | 2,519 | 3,461 | 1,030 | **88** |

## (e) Significant changes in fair values of unquoted investments

During the year under review the following unquoted investment was written down by a significant extent (adjusted for currency movements):

| | **Write down £'000** |
|---|---|
| SV Fund VI* | **(2,937)** |

*The movement in Fair Value (FV) was a combination of distributions from the fund of (£5.8m), capital contributions of £0.9m, the strengthening of the dollar £3.2m, and a FV loss suffered (£1.2m).

# NOTES TO THE FINANCIAL STATEMENTS | continued

## 11. RECEIVABLES

| | At 31 August 2022 £'000 | At 31 August 2021 £'000 |
|---|---|---|
| Amounts due within one year: | | |
| Sales awaiting settlement | **13,251** | 754 |
| Accrued income | **90** | 91 |
| Prepaid expenses | **68** | 44 |
| Tax recoverable | **57** | 42 |
| VAT recoverable | **21** | 11 |
| | **13,487** | 942 |

## 12. CASH AND CASH EQUIVALENTS AND BORROWINGS

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

| | At 31 August 2022 £'000 | At 31 August 2021 £'000 |
|---|---|---|
| Cash and cash equivalents | **–** | 1,557 |
| Bank overdraft | **(39,976)** | (21,869) |
| **Cash and cash equivalents** | **(39,976)** | (20,312) |

The Company has a £55.0m unsecured multi-currency overdraft facility. The facility is structured as part committed, part uncommitted such that 60% of the facility is made available on a committed basis and the remaining 40% is made available on an uncommitted basis. All cash balances are netted off against the drawn facility to result in a net drawn overdraft balance as this is a multi-currency overdraft facility.

On 31 August 2022, £40.0m (2021: £20.3m) was drawn down. The principal covenants relating to this facility are as follows:

- the borrowing base to consist of 20 or more individual eligible investments; and
- the net asset value per share of the Company must not fall by 15% over a rolling one month period, 25% over a rolling three month period or 35% over a rolling six month period.

The Company has complied with the terms of the facility throughout the financial year.

## 13. PAYABLES

| | At 31 August 2022 £'000 | At 31 August 2021 £'000 |
|---|---|---|
| Amounts falling due within one year: | | |
| Purchases awaiting settlement | **1,196** | 1,597 |
| Accrued expenses | **855** | 575 |
| Other | **–** | 19 |
| | **2,051** | 2,191 |

# NOTES TO THE FINANCIAL STATEMENTS | continued

## 14. CAPITAL COMMITMENTS – CONTINGENT ASSETS AND LIABILITIES

The Company made a $30.0m commitment to SV Fund VI in 2016, and at 31 August 2022 has fully invested this amount. A commitment of $25.0m was made to SV BCOF in December 2021 and $4.2m has been invested to date.

## 15. CALLED UP SHARE CAPITAL

Allotted, Called up and Fully paid:

| | **At 31 August 2022 Number** | At 31 August 2021 Number | **At 31 August 2022 £'000** | At 31 August 2021 £'000 |
|---|---|---|---|---|
| Allotted, Called up and Fully paid shares of 25p each: | | | | |
| Ordinary shares in issue | **40,863,009** | 41,383,817 | **10,216** | 10,346 |
| Ordinary shares held in treasury | **520,808** | — | **130** | — |
| | **41,383,817** | 41,383,817 | **10,346** | 10,346 |

During the year, there were 520,808 Ordinary shares repurchased into treasury for total cost of £3,534,000 (2021: nil).

There were no new Ordinary shares issued (2021: £41,154 new Ordinary shares issued for total proceeds of £292,000) and no Ordinary shares issued from treasury (2021: 2,905,846 Ordinary shares reissued for total proceeds of £23,265,000). No Ordinary shares were cancelled (2021: nil).

Post year-end as at 28 October 2022, 50,650 shares were repurchased to be held in treasury.

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

## 16. SHARE PREMIUM ACCOUNT

| | **For the year ended 31 August 2022 £'000** | For the year ended 31 August 2021 £'000 |
|---|---|---|
| Balance brought forward | **29,873** | 20,434 |
| Ordinary shares issued from treasury | **–** | 9,158 |
| Ordinary shares issued | **–** | 281 |
| Balance carried forward | **29,873** | 29,873 |

This reserve is not distributable.

# NOTES TO THE FINANCIAL STATEMENTS | continued

## 17. CAPITAL REDEMPTION RESERVE

| | **For the year ended 31 August 2022 £'000** | For the year ended 31 August 2021 £'000 |
|---|---|---|
| Balance brought forward | **31,482** | 31,482 |
| Balance carried forward | **31,482** | 31,482 |
| **Movement during the year** | **—** | — |

This reserve is not distributable.

## 18. CAPITAL RESERVES

| | **For the year ended 31 August 2022 £'000** | For the year ended 31 August 2021 £'000 |
|---|---|---|
| Balance brought forward | **295,807** | 262,627 |
| (Losses)/gains on investments | **(14,696)** | 30,925 |
| Proceeds from Ordinary shares re-issued from treasury | **—** | 14,107 |
| Cost of Ordinary shares bought back into treasury | **(3,534)** | — |
| Performance fee | **(471)** | (353) |
| Dividend paid out of capital | **(12,879)** | (11,564) |
| Realised exchange (losses)/gains on currency balances | **(4,378)** | 65 |
| Balance carried forward | **259,849** | 295,807 |

## 19. REVENUE RESERVE

| | **For the year ended 31 August 2022 £'000** | For the year ended 31 August 2021 £'000 |
|---|---|---|
| Balance brought forward | **(43,733)** | (40,981) |
| Net loss for the year | **(2,928)** | (2,752) |
| **Balance carried forward** | **(46,661)** | (43,733) |

The revenue reserve may be distributed or used to repurchase the Company's shares (subject to being a positive balance). A negative revenue reserve will reduce any distributable reserves available in the capital reserve.

# NOTES TO THE FINANCIAL STATEMENTS | continued

## 20. NET ASSET VALUE PER ORDINARY SHARE

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

| | **For the year ended 31 August 2022** | For the year ended 31 August 2021 |
|---|---|---|
| NAV (£'000) | **284,889** | 323,775 |
| Number of Ordinary shares in issue | **40,863,009** | 41,383,817 |
| Basic NAV per Ordinary share (pence) | **697.18** | 782.37 |

The decrease in the NAV per share from 782.37p (31 August 2021) to 697.18p (31 August 2022) includes the total loss per share during the year, and the effect on the Company of any issue of Ordinary shares, share buybacks and dividend payments.

There are no dilutive securities; hence, the basic and diluted NAV per share are the same.

## 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 2022 £'000** | For the year ended 31 August 2021 £'000 |
|---|---|---|
| Proceeds on disposal of fair value through profit and loss investments | **401,258** | 305,096 |
| Purchases of fair value through profit and loss investments | **(396,945)** | (316,565) |
| Net cash inflow/(outflow) from operating activities | **4,313** | (11,469) |
| Cash flows from other operating activities | **(7,564)** | (3,064) |
| **Net cash flows used in operating activities** | **(3,251)** | (14,533) |

## 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 35. The total fee payable under this Agreement to SV Health Managers LLP for the year ended 31 August 2022 was £2,632,000 (2021: £2,779,000) of which £nil (2021: £nil) was outstanding at the year end. £623,000 (2021: £377,000) of the total management fees payable are paid to SV Health Investors LLC and SV Health Managers LLP through the Company's investments into SV Fund VI and SV BCOF respectively. In addition to this, SV Health Managers LLP is also entitled to a performance fee of £471,000 on the unquoted portfolio (2021: £353,000 on the quoted portfolio).

# NOTES TO THE FINANCIAL STATEMENTS | continued

SV Health Managers LLP will often take seats on boards of companies in which the Company holds an unquoted 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 2022 £nil (2021: £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 2022 was £160,744 (2021: £168,243) of which nil (2021: £40,250) 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 continued impact of the Ukraine war and noted that it did not have a significant impact on the risk management policies for the year ended 31 August 2022.

### 23.1 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 pages 20 to 23. Market price risk arises mainly from uncertainty about future prices of the financial instruments held.

### Management of the risk

The Board regularly considers the asset allocation of the portfolio as part of the process of managing the risks associated with the biotechnology sector, described in greater detail in the section on sector specific risk, (note 23.4), 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.

# NOTES TO THE FINANCIAL STATEMENTS | continued

## Price risk exposure

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

| | At 31 August 2022 £'000 | At 31 August 2021 £'000 |
|---|---|---|
| Non-current asset investments at fair value through profit or loss | **313,429** | 345,336 |
| **Total** | **313,429** | 345,336 |

The level of assets exposed to market price risk decreased by 9.2% (2021: increased by 14.3%) during the year, through a combination of acquisitions and disposal of investments and decreases in fair values.

## Concentration of exposure to price risk

The Company currently holds investments in 74 companies, in a mixture of quoted and unquoted investments in a variety of countries, which significantly spreads the risk of individual investments performing poorly and reduces the concentration of exposure. This includes the Company's investments into SV Fund VI and SV BCOF as two unquoted holdings. However, SV Fund VI and SV BCOF have 20 and 4 companies, respectively, in their own portfolios. 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% (2021: 10%) in the fair values of the Company's investments. The Board believe that a 10% (2021: 10%) movement is sufficient to provide a reasonable range that could have affected the investment valuations at the year end. 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 2022 | | At 31 August 2021 | |
|---|---|---|---|---|
| | Increase in fair value £'000 | Decrease in fair value £'000 | Increase in fair value £'000 | Decrease in fair value £'000 |
| Effect on revenue return | **(282)** | **282** | (311) | 311 |
| Effect on capital return | **31,343** | **(31,343)** | 34,534 | (34,534) |
| **Effect on total return and net assets** | **31,061** | **(31,061)** | 34,223 | (34,223) |

# NOTES TO THE FINANCIAL STATEMENTS | continued

## (b) Currency risk

The Financial Statements 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 2022 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 2022 £'000** | At 31 August 2021 £'000 |
|---|---|---|
| **Monetary (liabilities)/assets** | | |
| **Cash and cash equivalents:** | | |
| US dollars | **(39,771)** | (21,869) |
| Danish krone | **–** | 789 |
| Euros | **–** | 655 |
| **Short-term receivables:** | | |
| US dollars | **13,378** | 113 |
| Danish krone | **20** | 774 |
| **Short-term payables:** | | |
| US dollars | **(1,196)** | (1,597) |
| **Foreign currency exposure on net monetary items** | **(27,569)** | (21,135) |
| **Non-current asset investments held at fair value** | | |
| US dollars | **309,128** | 342,543 |
| Danish krone | **–** | 288 |
| Euros | **2,517** | 2,033 |
| Swedish krona | **1,443** | – |
| **Total net foreign currency exposure** | **285,519** | 323,729 |

At the year end, 99.8% (2021: 100%) of the Company's net assets were denominated in currencies other than sterling. This level of exposure is broadly representative of the levels throughout the year.

# NOTES TO THE FINANCIAL STATEMENTS | continued

## Foreign currency sensitivity

The Company measures foreign currency sensitivity by calculating the standard deviation of rates throughout the financial year. On this basis sterling strengthened by 0.45% against the US dollar, by 0.34% against the Euro, by 0.34% against the Danish krone, by 0.39% against the Swiss franc and by 0.49% against Swedish krona (2021: strengthened 2.8%, 4.1% and 4.0% 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% (2021: 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 2022 £'000** | At 31 August 2021 £'000 |
|---|---|---|
| US dollars | **28,154** | 31,919 |
| Euros | **252** | 269 |
| Danish krone | **2** | 185 |
| Swedish krona | **144** | — |
| | **28,552** | 32,373 |

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 for the year attributable to equity shareholders as follows:

| | **At 31 August 2022 £'000** | At 31 August 2021 £'000 |
|---|---|---|
| US dollars | **(28,154)** | (31,919) |
| Euros | **(252)** | (269) |
| Danish krone | **(2)** | (185) |
| Swedish krona | **(144)** | — |
| | **(28,552)** | (32,373) |

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.

## 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.

# NOTES TO THE FINANCIAL STATEMENTS | continued

At the year end, £40.0m (2021: £20.3m) 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 2022, 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.

| | **For the year ended 31 August 2022** | | | For the year ended 31 August 2021 | | |
|---|---|---|---|---|---|---|
| | **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 | **(39,976)** | **–** | **(39,976)** | (20,312) | – | (20,312) |
| Exposure to fixed interest rates: | | | | | | |
| Non-current asset investments held at fair value through profit or loss | **–** | **–** | **–** | – | – | – |
| **Total exposure to interest rates** | **(39,976)** | **–** | **(39,976)** | (20,312) | – | (20,312) |

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 £6.9m and £51.7m.

## 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 300 (2021: 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.

| | **At 31 August 2022** | | At 31 August 2021 | |
|---|---|---|---|---|
| | **Increase in rate £'000** | **Decrease in rate £'000** | Increase in rate £'000 | Decrease in rate £'000 |
| Effect on revenue return | **(1,199)** | **1,199** | (102) | 102 |
| Effect on capital return | **–** | **–** | – | – |
| **Effect on total return and net assets** | **(1,199)** | **1,199** | (102) | 102 |

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

# NOTES TO THE FINANCIAL STATEMENTS | continued

## (d) Loss of investor appetite

Loss of investor appetite risk is the risk that there will be a loss of investor appetite for investing in the biotech sector as a result of political conditions, including FDA and FTC policy, or declining interest in IPOs.

## Management of the risk

Loss of investor appetite risk is minimised as the Fund Manager updates the Board monthly and at each scheduled Board Meeting on issues pertinent to the portfolio and the biotechnology sector generally, including expected future drivers.

## Loss of investor appetite risk exposure

As an Investment Trust that invests in the biotech sector the Company has a moderate loss of investor appetite risk exposure.

## 23.2 Credit risk

Credit risk is the risk of 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. Northern Trust is the Custodian of the Company's assets. The Company's investments are held in accounts which are segregated from the Custodian's own trading assets. If the Custodian were to be become insolvent, the Company's right of ownership is clear and the investments 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 2022 £'000** | At 31 August 2021 £'000 |
|---|---|---|
| Sales awaiting settlement | **13,251** | 754 |
| Accrued income | **90** | 91 |
| Cash at bank | **–** | 1,557 |
| | **13,341** | 2,402 |

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.

# NOTES TO THE FINANCIAL STATEMENTS | continued

## 23.3 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 a loan facility with Northern Trust of £55.0m (2021: HSBC £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% (2021: 60%) of the portfolio within five days if required, in normal functioning markets. A summary of the Company's financial liabilities is provided in note 23.6.

## 23.4 Sector specific risk

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

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS | continued

## 23.5 Fair values of financial assets and financial liabilities

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

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

## 23.6 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 2022 £'000** | At 31 August 2021 £'000 |
|---|---|---|
| **Financial assets at fair value through profit or loss:** | | |
| Non-current asset investments – designated as such on initial recognition | **313,429** | 345,336 |
| **Cash and receivables:** | | |
| Current assets: | | |
| Receivables | **13,487** | 898 |
| Cash at bank | **—** | 1,557 |
| | **13,487** | 2,455 |

### Financial liabilities

| | **At 31 August 2022 £'000** | At 31 August 2021 £'000 |
|---|---|---|
| Measured at amortised cost | | |
| Creditors: amounts falling due within one month: | | |
| Purchases awaiting settlement | **1,196** | 1,597 |
| Bank overdraft | **39,976** | 21,869 |
| Accruals | **855** | 575 |
| Payables | **—** | 19 |
| | **42,027** | 24,060 |

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

# NOTES TO THE FINANCIAL STATEMENTS | continued

## 23.7 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 2022 | Total £'000 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 |
|---|---|---|---|---|
| **Equity investments** | **313,429** | **285,471** | **—** | **27,958** |
| | **313,429** | **285,471** | **—** | **27,958** |

| At 31 August 2021 | Total £'000 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 |
|---|---|---|---|---|
| Equity investments | 345,336 | 314,365 | — | 30,971 |
| | 345,336 | 314,365 | — | 30,971 |

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 67.

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 2022 £'000 | At 31 August 2021 £'000 |
|---|---|---|
| **Opening valuation** | **30,971** | 35,276 |
| Acquisitions | **1,324** | 652 |
| Disposal proceeds | **(7,362)** | (6,677) |
| **Total gains/(losses) included in the Statement of Comprehensive Income** | | |
| – on assets sold | **6,186** | 121 |
| – on assets held at the year end | **(3,161)** | 1,599 |
| **Closing valuation** | **27,958** | 30,971 |

# NOTES TO THE FINANCIAL STATEMENTS | continued

## (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 20 to 23. As at 31 August 2022, 91.1% of the Company's investments are invested in quoted investments and 8.9% of the 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.

| **Year ended 31 August 2022** | | | **Effect of reasonably possible alternative assumptions** | |
|---|---|---|---|---|
| **Valuation techniques*** | **Fair value £'000** | **Significant unobservable inputs*** | **Favourable impacts £'000** | **Unfavourable impacts £'000** |
| Discounted future cash flows | **4,330** | Probability estimate of royalty income | **444** | **(404)** |
| | | Discount rate | **225** | **(210)** |
| Present value of future milestone payments | **922** | Probability estimate of milestone achievement | **64** | **(58)** |
| | | Discount rate | **4** | **(4)** |
| Calibration price of recent investment | **341** | Calibration price of recent investment | **34** | **(34)** |
| | **5,593** | | **770** | **(710)** |
| Net asset value | **88** | No significant judgements applied | **–** | **–** |
| | **5,681** | | **770** | **(710)** |

| Year ended 31 August 2021 | | | Effect of reasonably possible alternative assumptions | |
|---|---|---|---|---|
| Valuation techniques* | Fair value £'000 | Significant unobservable inputs* | Favourable impacts £'000 | Unfavourable impacts £'000 |
| Discounted future cash flows | 4,964 | Probability estimate of royalty income | 506 | (460) |
| | | Discount rate | 206 | (214) |
| Present value of future milestone payments | 1,213 | Probability estimate of milestone achievement | 97 | (89) |
| | | Discount rate | 5 | (5) |
| Price multiples | 2,519 | Estimated sustainable earnings | 504 | (504) |
| | | Selection of appropriate price multiple | 655 | (655) |
| Calibration price of recent investment | 341 | Calibration price of recent investment | 34 | (34) |
| | 9,037 | | 2,007 | (1,961) |
| Net asset value | 131 | No significant judgements applied | – | – |
| | 9,168 | | 2,007 | (1,961) |

*Excludes investments in unquoted funds.

Please refer to the accounting policy note 1(f) on pages 67 to 68 for details on the valuation methodology for SV Fund VI and SV BCOF. As at 31 August 2022, SV unquoted funds have been valued in accordance with this valuation methodology. No key estimates or assumptions have been applied to the valuation of SV Fund VI and SV BCOF between the date of the last quarterly report received and 31 August 2022.

# NOTES TO THE FINANCIAL STATEMENTS | 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 pages 67 to 68.

**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%. Management is comfortable that the largest differential in the flux of the valuations would be 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 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%. Management is comfortable that the largest differential in the flux of the valuations would be 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%. Management is comfortable that the largest differential in the flux of the discount rate would be 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

## 23.8 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 2022 £'000 | At 31 August 2021 £'000 |
|---|---|---|
| **Debt** | | |
| Bank loan | **39,976** | 21,869 |
| **Equity** | | |
| Called up share capital | **10,346** | 10,346 |
| Reserves | **274,543** | 313,429 |
| **Total equity** | **284,889** | 323,775 |
| **Total debt and equity** | **324,865** | 345,644 |

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 of the CTA and the Act respectively.

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

| | At 31 August 2022 £'000 | At 31 August 2021 £'000 |
|---|---|---|
| Borrowings used for investment purposes, including cash | **39,976** | 20,312 |
| Net assets | **284,889** | 323,775 |
| Gearing | **14.0%** | 6.3% |

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

# NOTES TO THE FINANCIAL STATEMENTS | 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 2022, 50,650 Ordinary shares were bought back to be held in treasury. Following this buyback, the total number of shares in issue was 41,383,817 of which 571,458 were held in treasury.

No other significant events occurred after the end of the reporting period to the date of this Report requiring disclosure.

# ALTERNATIVE INVESTMENT FUND MANAGER'S DISCLOSURE (UNAUDITED)

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 35.

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 24 of this Report.

## 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 Link Company Matters Limited and Administrator, HSBC Security Services Ltd – differ only to the extent necessary to comply with the AIFMD.

Also on 21 July 2016, the Company appointed HSBC Bank plc to the new AIFMD role of Depositary which amended the Custody Agreement and created a new Custody Agreement with HSBC Bank plc to reflect the different roles under the AIFMD legislation. Under the terms of the Depositary Agreement, the Company has agreed to pay the HSBC Bank plc a fee of 5bps on the net assets of the Company.

## Management functions delegated by AIFM

A description of safe-keeping functions, administrative functions and secretarial functions delegated by the AIFM and the identity of such delegates can be found on page 36 under the heading "Administration, Depositary and Company Secretarial Services". The AIFM does not consider that any conflicts of interest arise from the delegation of these functions.

## Valuation policy

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

# ALTERNATIVE INVESTMENT FUND MANAGER'S DISCLOSURE (UNAUDITED) | 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 94. 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 (UNAUDITED) | 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 2021 are available for inspection at the Registered Office address of Link Company Matters 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.

# ALTERNATIVE INVESTMENT FUND MANAGER'S DISCLOSURE (UNAUDITED) | continued

## Periodic disclosures

During the year ended 31 August 2022, the overdraft facility available to the Company was £55.0m (2021: £55.0m).

## Risk management

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

The Company has risk management controls which are agreed with the Board. The Fund Manager maintains adequate risk management systems in order to identify, measure and monitor principal risks at least annually under AIFMD. The Fund Manager 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 25 to 26 of the Annual Report 2022 and in note 23 to the Financial Statements 2022 on pages 81 to 92.

## 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 2022, £40m was drawn down against the uncommitted loan 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 77.

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**

31 October 2022

# STATEMENT OF THE DEPOSITARY'S RESPONSIBILITIES (UNAUDITED)

## 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 2022

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority'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 in 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 net asset value 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;
- the Company's income is applied in accordance with the Regulations; and
- 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.

**Northern Trust Investor Services Limited**

**UK Trustee and Depositary Services**

31 October 2022

# NOTICE OF MEETING (UNAUDITED)

Notice is hereby given that the Annual General Meeting (AGM) of International Biotechnology Trust plc (the Company) will be held at 2.30pm on Tuesday, 6 December 2022 at Franks Room, Wellcome Collection, 183 Euston Road, London, NW1 2BE, to consider and, if thought fit, to pass the following resolutions, of which resolutions 1 to 11 will be proposed as Ordinary Resolutions and resolutions 12 to 15 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 2022.

2. To approve the Annual Report on Directors' Remuneration for the year ended 31 August 2022.

3. To approve the Company's dividend policy of making dividend payments, equivalent to 4% of the Company's NAV as at the last day of the Company's preceding financial year, through two equal semi-annual distributions.

4. To re-elect Miss Kate Cornish-Bowden as a Director of the Company.

5. To re-elect Mrs Caroline Gulliver as a Director of the Company.

6. To re-elect Mr Patrick Magee as a Director of the Company.

7. To elect Professor Patrick Maxwell as Director of the Company.

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

9. To authorise the Directors to determine the remuneration of the Auditor.

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

10. THAT, the Directors be generally and unconditionally authorised pursuant to and in accordance with Section 551 of the Companies Act 2006 (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 to convert any security into Ordinary shares in the Company up to an aggregate nominal amount of £1,021,575, equivalent to 4,086,300 Ordinary shares (being 10% of the issued Ordinary share capital of the Company on 28 October 2022 (excluding treasury shares) (being the latest practical date prior to the publication of this Notice of Meeting)), such authority to apply in substitution for all previous authorities pursuant to Section 551 of the Act and to expire at the conclusion of the AGM held in 2023 (or 15 months from the date of passing this resolution, whichever is the earlier, but, in each case, so that the Company may, before such expiry, make offers and enter into agreements which would, or might, require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after the authority given by this resolution has expired.

11. THAT, subject to the passing of Resolution 10, in addition to the authority granted pursuant to resolution 10, 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 £1,021,575, equivalent to 4,086,300 Ordinary shares (being 10% of the issued Ordinary share capital of the Company on 28 October 2022 (excluding treasury shares) (being the latest practicable date prior to the publication of this Notice)), and to apply until the conclusion of the AGM held in 2023 (or 15 months from the date of passing this resolution, whichever is earlier, unless previously revoked, varied or renewed, by the Company in General Meeting) save that the Company may make offers and enter into agreements before the expiry of this authority which would, or might, require Ordinary shares to be allotted or rights to subscribe for or convert securities into Ordinary shares to be granted after the authority ends and the Directors may allot Ordinary shares or grant rights to subscribe for or convert securities into Ordinary shares under any such offer or agreement as if the authority had not ended.

## SPECIAL RESOLUTIONS

12. THAT, subject to the passing of Resolution 10, the Directors be and are hereby authorised pursuant to Sections 570 and 573 of the Act, to allot and make offers or agreements to allot equity securities (as defined in Section 560 of the Act) and to sell equity securities held by the Company as treasury shares (as defined in Section 724 of the Act) for cash pursuant to the authority granted by Resolution 10 as if Section 561(1) of the Act did not apply to any such allotment or sale of equity securities, provided that this authority:

    (a) shall be limited to the allotment of equity securities and/or the sale of equity securities held in treasury for cash up to an aggregate nominal amount of £1,021,575

# NOTICE OF MEETING (UNAUDITED) | continued

equivalent to 4,086,300 Ordinary shares (representing 10% of the Company's existing issued Ordinary share capital (excluding treasury shares) on 28 October 2022 (being the latest practicable date prior to the publication of this Notice));

(b) Shall expire at the earlier of the conclusion of the AGM held in 2023 (or, 15 months from the date of passing this resolution, 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.

13. THAT, subject to the passing of Resolution 11, the Directors be and are hereby authorised (and in addition to any authority granted under Resolution 12) to allot equity securities (as defined in Section 560 in the Act) wholly for cash pursuant to the authority given by Resolution 12 above or to sell equity securities held by the Company as treasury shares for cash, as if Section 561 of the Act did not apply to any such allotment or sale up to an aggregate nominal amount of £1,021,575 equivalent to 4,086,300 Ordinary shares (being 10% of the Company's existing issued Ordinary share capital (excluding treasury shares) on 28 October 2022 (being the latest practicable date prior to the publication of this Notice)), such authority to apply until the conclusion of the AGM held in 2023 (or, 15 months from the date of passing this resolution, whichever is earlier, unless previously revoked, varied or renewed, by the Company in General Meeting) but in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

14. THAT, the Company be generally and unconditionally authorised, for the purposes of Section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary shares of 25p each in the capital of the Company, in such a manner and upon such terms as the Directors may from time to time determine, provided that:

(a) the maximum number of Ordinary shares which may be purchased is 6,124,285 (being 14.99% of the issued Ordinary share capital, excluding treasury shares, as at 28 October 2022 (being the last practicable date prior to the publication of this Notice));

(b) the minimum price which may be paid for such Ordinary share is 25p (being the nominal value of an Ordinary share) exclusive of associated expenses,

(c) the maximum price, exclusive of expenses, which may be paid for an Ordinary share is an amount equal to the higher of:

(i) 105% of the average of the closing price of an Ordinary 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 of an Ordinary share and the highest current bid for an Ordinary share on the trading venue where the purchase is carried out (exclusive of associated expenses); and

(d) the authority to purchase hereby conferred shall expire at the end of the Company's AGM in 2023 or (or, 15 months from the date of passing this resolution, whichever is the earlier), save that the Company may make a contract to purchase Ordinary shares under this authority before the expiry of the authority which will or may be completed wholly or partly thereafter and a purchase of Ordinary shares may be made in pursuance of any such contract.

15. THAT, a General Meeting (other than an AGM) may be called on not less than 14 clear days' notice.

By order of the Board

**LINK COMPANY MATTERS LIMITED**
Company Secretary

Registered Office:
6th floor, 65 Gresham St, London EC2V 7NQ

31 October 2022

# NOTICE OF MEETING | NOTES (UNAUDITED)

## NOTICE OF MEETING NOTES

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

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

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

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered in the Register of Members of the Company at 6.30pm on Friday, 2 December 2022, 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 6.30pm on Friday, 2 December 2022 shall be disregarded in determining the right of any person to vote at the Meeting. The voting record date has been determined as Friday, 2 December 2022.

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. If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 2.30pm on 2 December 2022 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM to be held on Tuesday, 6 December 2022 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, 2 December 2022. 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.

# NOTICE OF MEETING | NOTES (UNAUDITED) | continued

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

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

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

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

10. The biographies of the Directors offering themselves for re-election are set out on pages 32 and 33 of the Company's Annual Report for the year ended 31 August 2022 and set out each Director's experience. These, along with the disclosure in the Directors' Report on pages 34 and 35, explain why the Directors' contributions are important to the Company's long-term sustainable success.

11. As at 28 October 2022, 41,383,817 Ordinary shares of 25 pence were in issue, of which, 571,458 Ordinary shares were held in treasury (equivalent to 1.38% of the issued share capital, including treasury shares). Accordingly, the total number of voting rights of the Company as at 28 October 2022 is 40,812,359.

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

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

14. A personalised proxy form will be sent to each registered shareholder with the Annual Report and this Notice of Meeting, and instructions on how to vote will be contained thereon.

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

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

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

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

# NOTICE OF MEETING | NOTES (UNAUDITED) | continued

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 cmuk-ibt_cosec@linkgroup.co.uk.

16. 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 Auditor 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 Auditor not later than the time when it makes the statement available on the website.

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

17. A copy of this Notice, and other information required 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 (UNAUDITED)

**Administrator** – the administrator is the Northern Trust Company 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.

**AIFM** – Alternative Investment Fund Manager – SV Health Managers LLP.

**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.

**APM(s)** – Alternative Performance Measures (please refer to pages 106 to 107).

**BCOF** – SV Biotech Crossover Opportunities Fund LP.

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

**Company** – International Biotechnology Trust plc or IBT.

**Custodian** – the Custodian is Northern Trust Investor Services Limited. 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 Northern Trust Investor Services Limited. 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.

**Independent Auditor** – PricewaterhouseCoopers LLP.

**Joint Lead Investment Managers** – Ailsa Craig and Marek Poszepczynski, employees 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 to the Financial Statements.

**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.

**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 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.

**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.

# GLOSSARY (UNAUDITED) | continued

- The fee on the unquoted pool, excluding the investments in unquoted funds, is 20% of net realised gains, taking into account any unrealised losses but not unrealised gains.

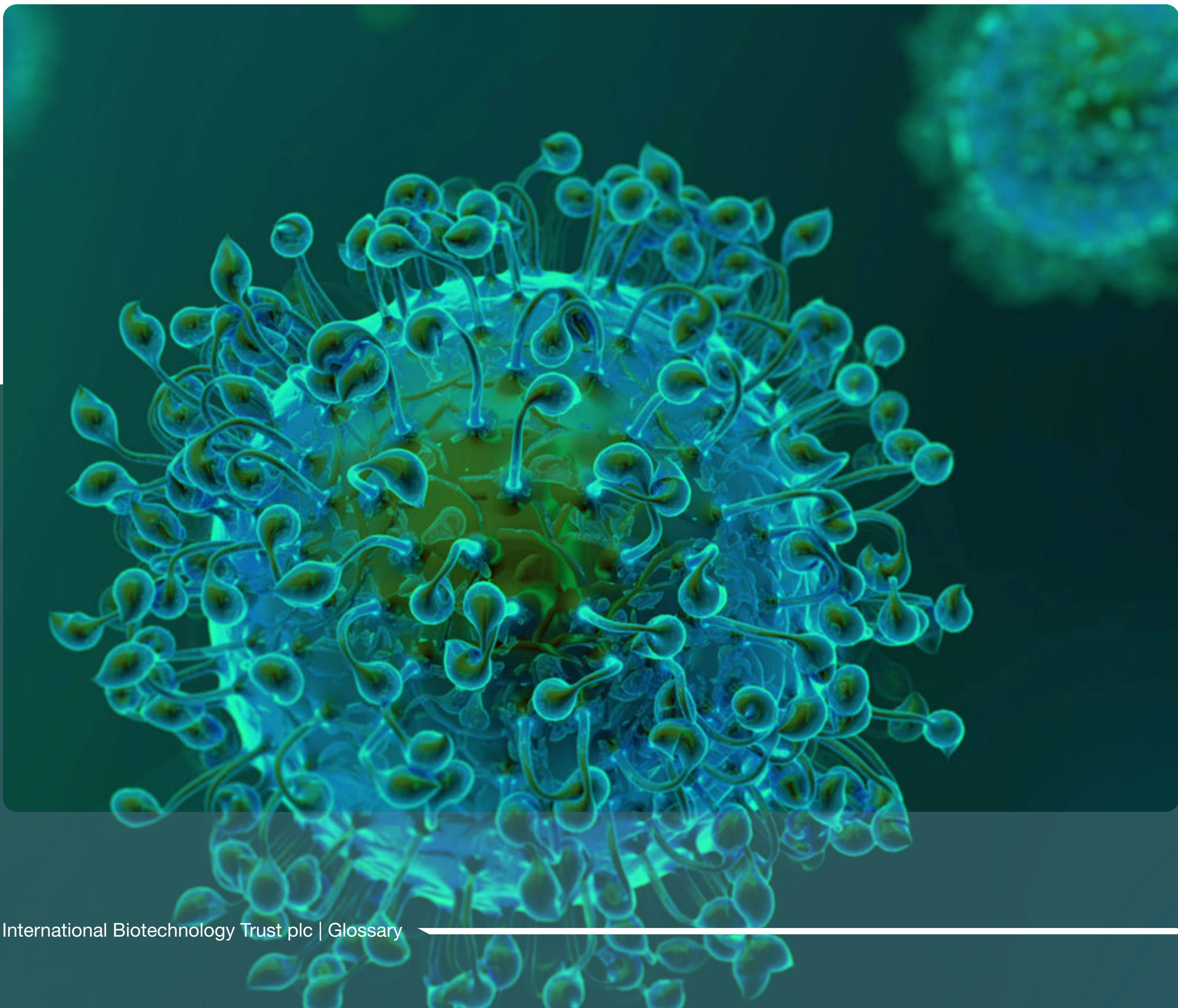
The payment of the performance fee is subject to the following limits:

- 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 are 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, calculated on either a share price or NAV basis.

**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) (UNAUDITED)

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'. The Board's objective is to keep the discount within a defined range and actively monitors it to allow it to take the correcting action of conducting share buybacks when the discount widens beyond that range.

| | | At 31 August 2022 | At 31 August 2021 |
|---|---|---|---|
| NAV per share (pence) | a | **697.2** | 782.4 |
| Share price (pence) | b | **651.5** | 729.5 |
| **Discount** | (b ÷ a) - 1 | **(6.6%)** | (6.8%) |

## Gearing

Gearing for this purpose is defined as borrowings used for investment purposes, less cash, expressed as a percentage of net assets. The Company has authority to use gearing to a maximum of 30% of NAV and this is monitored daily to ensure this level is not exceeded.

| | | Note | At 31 August 2022 | At 31 August 2021 |
|---|---|---|---|---|
| Borrowings used for investment purposes including cash (£'000) | a | 12 | **39,976** | 20,312 |
| Net assets (£'000) | b | | **284,889** | 323,775 |
| **Gearing** | a ÷ b | | **14.0%** | 6.3% |

## 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. This calculation allows a comparison to be made between the costs of the Company and external investment companies and is a key metric used by the Board to ensure it remains competitive.

| | | Note | Year ending 31 August 2022 | Year ending 31 August 2021 |
|---|---|---|---|---|
| Management fee paid by the Company (£'000) | | 4 | **2,009** | 2,402 |
| Management fee paid directly by SV unquoted funds (£'000) | | 4 | **623** | 377 |
| Administrative expenses (£'000) | | 5 | **1,218** | 1,075 |
| **Total ongoing expenses (£'000)** | a | | **3,850** | 3,854 |
| **Average daily NAV (£'000)** | b | | **290,719** | 313,619 |
| **Ongoing Charges (expressed as a percentage)** | a ÷ b | | **1.3%** | 1.2% |

# APMs (UNAUDITED) | continued

## 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. Total Return is the primary measurement used by the Board to assess Company performance against the benchmark and its competitors on a consistent basis.

### (a) NAV total return

| | | **Year ending 31 August 2022** | Year ending 31 August 2021 |
|---|---|---|---|
| Opening NAV per share (pence) | a | **782.4** | 738.6 |
| Closing NAV per share (pence) | b | **697.2** | 782.4 |
| Dividend adjustment factor* | c | **1.0450** | 1.0363 |
| **Adjusted closing NAV per share (pence)** | d = b x c | **728.6** | 810.8 |
| **Total return** | (d ÷ a) -1 | **(6.9%)** | 9.8% |

*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 2021 being a UK public holiday, performance data reported in the 2021 Annual Report differed slightly from the performance data reported in the Factsheet for August 2021.

### (b) Share price total return

| | | **Year ending 31 August 2022** | Year ending 31 August 2021 |
|---|---|---|---|
| Opening price per share (pence) | a | **729.5** | 730.0 |
| Closing price per share (pence) | b | **651.5** | 729.5 |
| Dividend adjustment factor* | c | **1.0482** | 1.0389 |
| **Adjusted closing price per share (pence)** | d = b x c | **682.9** | 757.9 |
| **Total return** | (d ÷ a) -1 | **(6.4%)** | 3.8% |

*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 (UNAUDITED)

## 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 2023.

## 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 2022, the Company had 41,383,817 Ordinary shares of 25p each in issue which included 571,458 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

Jim Horsburgh (Chairman)

Kate Cornish-Bowden (Senior Independent Director)

Caroline Gulliver (Chair of the Audit Committee)

Patrick Magee

Professor Patrick Maxwell

# ADVISERS

## Fund Manager and AIFM

SV Health Managers LLP
71 Kingsway, London, WC2B 6ST

Telephone: 020 7421 7070

## Company Secretary and Registered Office

Link Company Matters Limited
6th Floor, 65 Gresham Street, London, England, EC2V 7NQ

Telephone: +44 (0)20 7410 5971
Email: companymatters@linkgroup.co.uk

## Administrator

The Northern Trust Company
50 Bank Street, London, E14 5NT

## Custodian and Depositary

Northern Trust Investor Services Limited
50 Bank Street, London, E14 5NT

## Independent Auditors

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

## Stockbroker

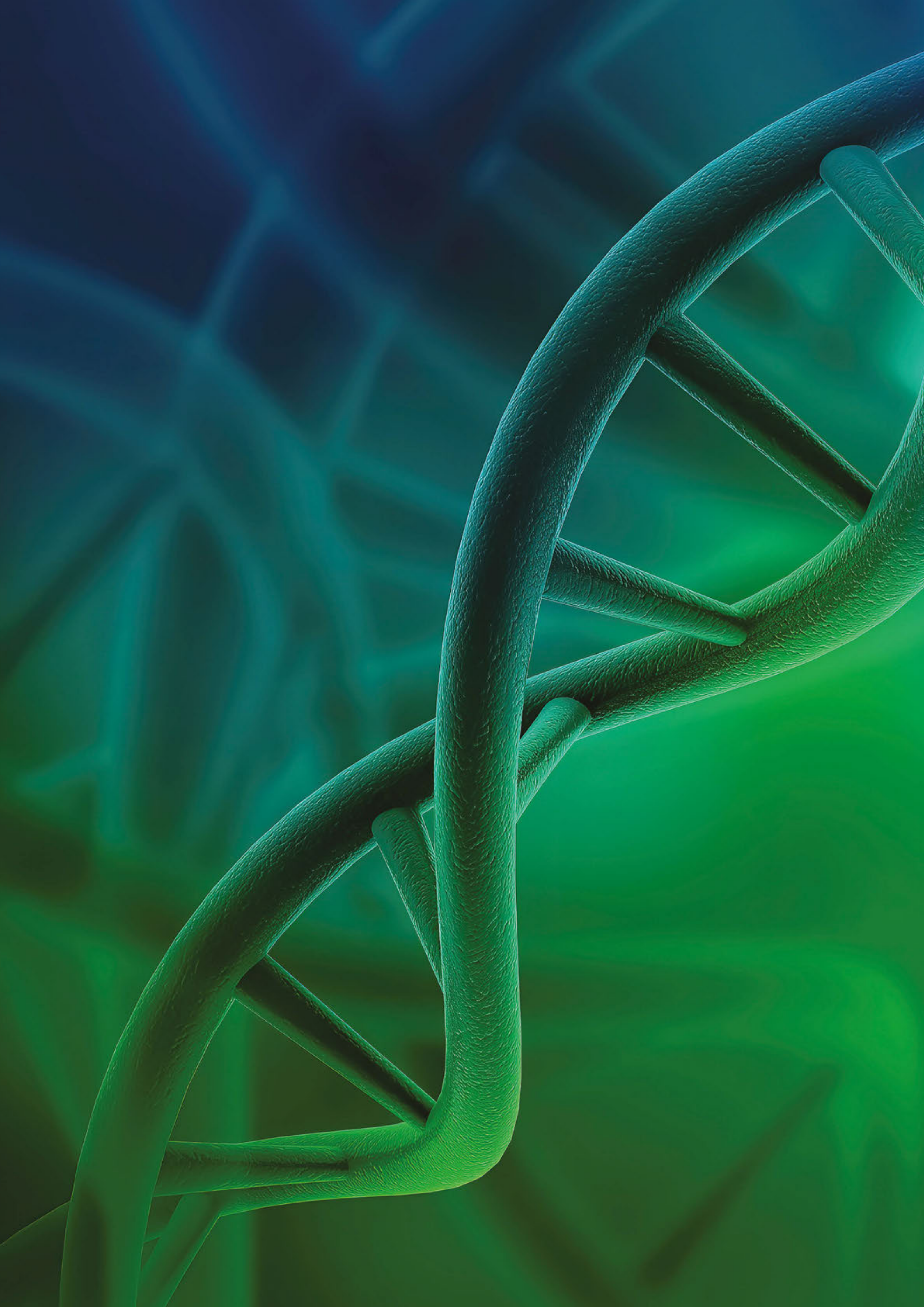
Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square, London EC4M 7LT

## 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 8.30am to 5.30pm Monday to Friday (excluding public holidays in England and Wales).



ANNUAL
REPORT
31 August 2022

**SV Health Managers LLP**
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For further information: www.ibtplc.com