

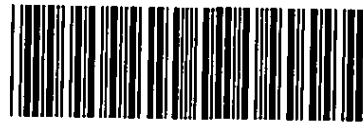
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International Biotechnology Trust plc

Annual Report

Year ended 31 August 2013

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Why invest in International Biotechnology Trust plc (“IBT”)?

IBT offers investors the opportunity to invest in the growing biotechnology sector which is creating innovative medicines that meet unmet medical needs and the potential to produce very attractive long term returns. In the five years to 31 August 2013 the NASDAQ Biotechnology Index (“NBI”) (a representative index for the biotech sector) outperformed the S&P 500 by 100%.

IBT is focused on investing in businesses that will benefit from the ultimate drivers of the healthcare sector, which are the requirement for more effective novel drugs to treat the rapidly growing number of people afflicted by highly complex diseases (such as diabetes, cancer, heart and lung diseases associated with living longer or unhealthier lifestyles), and an increased focus on developing and/or delivering therapies in a more cost effective and efficient manner. Rapid advances in the understanding of human molecular genetics are also enabling the development of new drug treatments for highly debilitating early-onset diseases caused by relatively rare inherited genetic profiles.

The Importance of Biotechnology

The biotechnology sector represents a significant part of the investment universe. The companies which comprise the NBI have a combined market value of \$529bn as at 31 August 2013. In the USA healthcare represented 17.6% of gross domestic product in 2011 (OECD). Approximately two thirds of all new drugs approved by the US Food and Drug Administration (“FDA”) in the period 2003 to 2013 originated at biotechnology companies, rather than their more traditional large pharmaceutical company counterparts.

Over the past ten years the quality of the earnings coming from the biotechnology sector has improved as drugs that were research projects at the beginning of the period have become revenue earning products prescribed to or purchased by patients around the world. The biotechnology industry in the USA and Europe is now highly profitable. In the USA quoted biotechnology profits of \$4.5bn were recorded in 2012 (E&Y – Beyond Borders report 2013) versus a loss of \$11.6bn in 2002 (Wall Street Journal – 12 June 2003). The NBI contains a number of companies with market capitalisations of greater than \$10bn. In 2012 drugs developed by biotechnology companies generated \$63.7bn of sales and employed 100,000 people (E&Y – as above). The development of new innovative products is increasingly being funded by the revenues from drugs on the market.

How IBT delivers access to the biotechnology sector

Portfolio approach – IBT gives investors exposure to this important global sector. Currently the biotechnology sector is dominated by US companies. Investing in smaller biotechnology and emerging medical device companies carries higher risk than investment in their larger peers since earlier-stage companies typically have fewer products and more modest cash resources. Product successes or failures can therefore have a very significant effect on the prospects for these companies. The Company invests in both private and publicly traded biotechnology companies to capture the whole range of opportunities from early stage innovation and product development in smaller companies to strong earnings driven growth in mid and large cap companies. Investing in a portfolio of companies across different sub sectors allows IBT to gain exposure to both strong earnings growth and new technologies, while minimising the exposure to company specific risk.

Specialist Management – IBT has appointed a specialist investment manager SV Life Sciences Managers LLP (“SVLS”). SVLS focuses on life science investing across the full range of companies, from the smallest private company just starting out to very profitable multibillion dollar quoted businesses. While SVLS’s core team are based in London, other specialists from the team are located in Boston and San Francisco to give access to the best opportunities and to feed back understanding of what is going on in these important biotechnology innovation hubs.

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Investment Objective & Policy and Investment Strategy

Investment Objective & Policy

The investment objective of International Biotechnology Trust plc (the "Company") is to achieve long-term capital growth by investing primarily in biotechnology and other life sciences companies that are either quoted or unquoted and possess the potential for high growth. The Company invests in companies whose shares are considered to have good prospects, with experienced management and strong potential upside through the development and/or commercialisation of a product, device or enabling technology.

Investment Strategy

The Company has delegated responsibility for day-to-day investment of its assets to the Investment Manager. Consistent with the Company's investment objective, the Investment Manager makes the majority of its investments in biotechnology companies focused on drug discovery and development. A small number of investments is also made in related sectors such as medical devices or healthcare services.

The great majority of the Company's assets is invested in the quoted biotechnology sector across the entire spectrum of listed companies. The Investment Manager is empowered to invest also in unquoted companies, whose weighting will vary according to the attractiveness of the opportunities identified. Currently, the Board expects investments in unquoted companies to represent between 10% and 15% of the portfolio.

Investments are made in quoted public companies with an expectation that these companies will benefit from a significant re-rating in valuation when they achieve clinical trial success, receive regulatory approvals for their products or execute M&A or licensing deals. For unquoted investments, the Investment Manager seeks to generate gains that represent multiples of invested cost primarily through the sale of these unquoted companies to strategic buyers including major pharmaceutical companies or, in some cases, through a flotation.

The Investment Manager has made the majority of its investments in the US, which is the most mature and established market for pharmaceutical drugs, and as a consequence has the most established commercial biotechnology industry with the broadest and deepest community of biotechnology companies. However, the best investments are sought worldwide, so the Company will usually have some investments in Western Europe and occasionally elsewhere, such as Australia or Asia.

The Board has negotiated an overdraft facility. 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.

Financial Summary
year ended 31 August 2013

	31 August 2013	31 August 2012	% Change
Group Performance			
Total equity (£'000)	172,672	128,922	33.9
Ordinary shares in issue# ('000)	55,158	55,458	(0.5)
Net asset value ("NAV") per share	313.05p	232.47p	34.7
Share price	269.00p	204.50p	31.5
Share price discount	(14.1)%	(12.0)%	
Ongoing charges*	1.70%	1.86%	
Ongoing charges including performance fee	1.70%	1.86%	
Index Values			
NASDAQ Biotechnology Index ("NBI") (Sterling-adjusted)	1,307.66	892.38	46.5
FTSE All-Share Index (Total Return)	5,050.57	4,247.77	18.9

* Excludes those held in treasury (31 August 2013: 600,000; 31 August 2012: 550,000)

* Calculated in accordance with The Association of Investment Companies (the AIC) guidance. Based on total expenses excluding finance costs and performance fee and expressed as a percentage of average daily net assets. The ratio including performance fee has also been provided, in line with the AIC recommendations.

Long-Term Record

As at 31 August	Total NAV £'000	Number of Shares in issue	NAV per share pence	Annual Return %	Share price pence	Annual Return %	(Discount)/ premium %	FTSE All-Share Total Return %
2013	172,672	55,157,663	313.05	34.7	269.00	31.5	(14.1)	18.9
2012	128,922	55,457,663	232.47	41.9	204.50	43.0	(12.0)	10.2
2011	91,764	56,007,663	163.84	5.6	143.00	6.9	(12.7)	7.3
2010	93,658	60,357,664	155.17	2.4	133.75	10.8	(13.8)	10.6
2009	98,255	64,832,664	151.55	(5.8)	120.75	(12.7)	(20.3)	(8.2)
2008	113,517	70,592,664	160.81	10.9	138.25	(0.9)	(14.0)	(8.7)
2007 ⁽ⁱ⁾	102,360	70,592,664	145.00	1.9	139.50	7.3	(3.8)	11.8
2006	66,951	47,065,467	142.25	17.3	130.00	24.7	(8.6)	16.8
2005 (restated for IFRS)	58,003	47,815,467	121.30	5.2	104.25	9.7	(14.1)	24.1
2004 (restated for IFRS)	58,373	47,815,467	115.35	2.3	95.00	11.8	(17.6)	10.8

⁽ⁱ⁾ Issue of 24,777,433 C shares on 12 February 2007 converted into 22,577,197 Ordinary shares on 24 May 2007. In addition 950,000 Ordinary shares were issued on 12 July 2007.

Directors' Biographies

Alan Clifton (Chairman)

Alan Clifton was appointed as a non-executive Director of the Company on 21 February 2001 and subsequently as Chairman on 13 April 2012. He was previously the managing director of Morley Fund Management (now Aviva Investors), the asset management arm of Aviva plc, the UK's largest insurance group. He is currently chairman of JPMorgan Japan Smaller Companies Trust plc and of Schroder UK Growth Fund plc, and a director of several other investment companies.

John Aston, OBE

He was appointed as a non-executive Director of the Company on 23 February 2011 and as Chairman of the Audit Committee on 15 April 2011. John Aston was chief financial officer of Astex Therapeutics Limited between January 2007 and May 2010, and was chief financial officer of Cambridge Antibody Technology for ten years to 2006. Prior to this he was a director in investment banking with Schroders in London and previously worked for British Technology Group and Price Waterhouse. He is a Chartered Accountant and has a degree in Mathematics from Cambridge University. He is currently a director of Polar Capital Global Healthcare Growth and Income Trust plc and a member of the Advisory Board of the CRT Pioneer Fund.

Dr Véronique Bouchet

Véronique Bouchet is the founder director of Novudel Associates, a lifesciences consultancy company and VP of business development Europe for Nexus 6 Ltd, a digital health company. Previously she was director of corporate strategy and head of venture capital relations at AstraZeneca PLC. In addition, Véronique Bouchet has held a variety of international roles in the healthcare industry across several therapeutic areas and functions, including investment management. She is a non-executive director of Stevenage Bioscience Catalyst, a member of BACIT LP Fund advisory committee, a trustee of Breast Cancer Campaign UK and a member of the Council of Queen Mary, University of London.

She has an MB BS from St Bartholomew's Hospital Medical School and holds a BSc in Psychology from University College London. She has an MBA from INSEAD, and has been awarded the Institute of Directors' Diploma in Company Direction (Distinction).

Dr David Clough

He was appointed as a non-executive Director of the Company on 25 February 2004. David Clough was director of Research at Roche in the UK between 1986 and 1999. He was responsible for over 300 staff with departments covering chemistry, biology and pre-clinical development. He holds a BSc and PhD in Physiology from The University of Glasgow.

Jim Horsburgh

Jim Horsburgh was appointed as a non-executive Director of the Company on 1 February 2013. Jim Horsburgh commenced his career in investment management 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 Manager ("SIM") as UK pension fund manager becoming an account director, a director and in 1998 UK managing director. He left Schroders in 2001 and, following a career break, was chief executive of Witan Investment Trust plc from February 2004 to October 2008.

All Directors are independent

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

Mr Clifton is Chairman of the Management Engagement and Nomination Committees as well as the main Board

Mr Aston is Chairman of the Audit Committee

Chairman's Statement

Total Return to 31 August 13

	1yr	3yr	5yr
IBT NAV	34.7%	101.7%	94.7%
IBT Share Price	31.5%	101.1%	94.6%
NBI	46.5%	151.4%	174.3%
FTSE All-Share Index	18.9%	40.5%	42.6%

Investment Performance

I am pleased to report to you a substantial positive return for the year ended 31 August 2013. The NAV increased by 34.7% to 313.05p per share. With a small widening of the discount to 14.1% from 12.0%, the Company's share price increased by 31.5%. By comparison, the FTSE All-Share Index produced a total return of just 18.9% over the same period.

For the second year in succession, positive absolute performance was generated from both the quoted and unquoted parts of the portfolio, with increases of 37.7% and 17.5% recorded, respectively. Investor enthusiasm for the biotechnology sector continued in the period against a backdrop of positive price gains for the broader stock market.

The performance of the quoted portfolio, whilst encouraging, did not keep pace with the underlying NBI, which increased 46.5%. The strong unquoted portfolio performance of 17.5% was assisted by the upward revaluation of four investments already exited for which the Company retains rights to receive future contingent performance-based payments. The re-evaluation of the current fair carrying value of these contingent receipts has been undertaken in accordance with International Financial Reporting Standards ("IFRS") and the International Private Equity and Venture Capital Valuation Guidelines ("IPEV") – December 2012 edition – which we believe give a better estimate of fair value than our previous approach, which was to value them at close to zero.

Share buybacks during the period of £0.7m added 0.03p per share to the NAV, while other adjustments, including management and other expenses, reduced the NAV by 4.0p per share.

Currency movements had a positive impact of £4.9m or 8.8p per share. The Board regularly reviews the position but the present policy is not to hedge the currency exposure resulting from the Company's largely US Dollar denominated investments.

Share Buybacks

During the year under review, the Company repurchased a total of 300,000 Ordinary shares into treasury (2012: 550,000) representing 0.6% of the issued share capital at the start of the year. At year end there were 55,157,663 Ordinary shares in issue and 600,000 held in treasury, after 250,000 Ordinary shares held in treasury were cancelled during the year.

It is the intention of the Board to continue its policy of buying back shares whether for cancellation or into treasury, where appropriate, to assist in reducing the volatility of the discount and to enhance the NAV. The Board therefore proposes and recommends that powers to repurchase up to 14.99% of the Company's Ordinary shares for cancellation be renewed for a further period.

Board of Directors

Jim Horsburgh was appointed a Director of the Company on 1 February 2013, and will be presented for election at the forthcoming Annual General Meeting ("AGM"). In accordance with the Company's Articles of Association, the Directors retiring by rotation and seeking re-election at this year's AGM are David Clough and myself. The Nomination Committee has met to consider the attributes and contributions of the individuals concerned and, following its review, the Board recommends the re-election of the retiring Board members as well as the election of Jim Horsburgh.

Investment Manager

At the end of April 2013 the lead manager of the quoted portfolio, David Pinniger, resigned. The Board wishes him well in his new role.

A new lead manager, Dr Carl Harald Janson, was appointed to SVLS on 2 September 2013. Carl Harald's most relevant previous experience was as principal fund manager of the Carnegie Biotechnology Fund for a period of over six years to March 2007. He was subsequently an investment manager for Karolinska Development in Stockholm, Sweden.

During the period between the resignation of David Pinniger and the appointment of Carl Harald, the quoted portion of the fund was managed by Ailsa Craig. Ailsa has been a member of the SV Life Sciences Managers LLP team since 2006 and is well known to the Board. She will continue to work closely with Carl Harald.

Prospects

It has been another fruitful year for the Company and we remain very positive about its future prospects. Demand for new, effective therapies continues to grow and the need for innovative drugs, diagnostics and medical devices to prevent and treat debilitating diseases is ever increasing.

We are particularly excited by Carl Harald joining the Investment Manager's team because his performance record and combination of experience and academic background, together with those of the existing team, are a boost to the Company's prospects.

Biotechnology companies, at all stages, are working hard to tackle diseases with high unmet medical needs, and I believe we are only seeing the beginning of a bright future for medical advances. Your Board views the Company as an excellent vehicle for investors to gain exposure to this exciting area.

In recent years, the perception of the biotechnology sector has subtly changed. Previously investors viewed these companies as a hunting ground for larger companies to acquire, capitalising on biotech's innovation and stemming the vast losses from their own patent expirations. That has proved to be true, with M&A activity an on-going driver for the sector. However, we are now seeing a new phenomenon emerging. New companies are growing into established large caps, without an M&A transaction. Secondly, the older, dominant larger names are reinventing themselves as growth companies again.

The wider investment community is attracted by the sector's strong growth rates. The NBI has outperformed the broader market (S&P500) over the past three years (a Sterling adjusted gain of 151.4% against 64.4%). For the smaller companies, one strong drug launch can be transformational, which for the pharmaceutical giants, would have less impact. I believe this has driven the current rerating as investors realise that growth of the biotechnology sector will continue into the long-term.

The initial public offering ("IPO") window has re-opened in the US and gives your Board further confidence that the industry is going from strength to strength, as attractive unquoted companies now have the opportunity of a flotation to finance further growth. One of the Company's unquoted assets, Ophthotech (ticker OPHT), came to the market soon after the Company's year end. The IPO was highly successful and significantly oversubscribed. Although performance of the unquoted portfolio has lagged that of the quoted portfolio in recent years, this year's performance on an absolute basis has been good, with a return of 17.5% for that portion of the fund. I believe that investing across the spectrum of the whole biotechnology industry puts the Company's investors in a strong position to capture value at all levels of innovation whilst diversifying risk.

AIFMD

The Alternative Investment Fund Managers Directive ("AIFMD"), which became UK Law in July 2013, has actively been considered by the Board. Transitional provisions mean that there is a twelve month period from July 2013 in which to act upon the provisions of this new European Directive. The Board has considered the various options for complying with the AIFMD and has agreed to appoint SVLS as the Company's AIFM, who will apply for Financial Conduct Authority ("FCA") authority in time for the July 2014 deadline for compliance.

AGM

This year's AGM will be held on Wednesday, 11 December 2013 at 12 00 pm at BNP Paribas Fortis, 5 Aldermanbury Square, London EC2V 7HR. In addition to the formal process of voting on various shareholder resolutions, the AGM is an opportunity for Shareholders to meet the Board and representatives of the Investment Manager. As in previous years, there will be a presentation from the Investment Manager.

If you have any detailed or technical questions, it would be helpful if you could raise these in advance of the meeting by emailing the Company Secretary at secretarialservice@uk.bnpparibas.com or in writing to BNP Paribas Secretarial Services Limited, 55 Moorgate, London EC2R 6PA. Shareholders who are unable to attend the AGM are encouraged to use their proxy votes.

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



Alan Clifton

Chairman

28 October 2013

Investment Manager's Review

Summary

The year ended 31 August 2013 saw the Company's NAV per share increase by 34.7%. The Company's quoted portfolio gained 37.7% over the year, helped by strong equity markets and significantly increased investor interest in the biotechnology sector on the back of strong product development and M&A newsflow. The quoted portfolio benefited from two acquisitions during the period – YM Biosciences and Onyx Pharmaceuticals. The unquoted portfolio returned 17.5% over the year, driven by valuation changes to four investments already exited for which the Company retains rights to receive future contingent performance-based payments and an increase in the valuation of Entellus which moved to a revenue multiple based valuation in the period.

Portfolio Overview and Performance

At 31 August 2013, the Company held investments in 75 companies: 46 quoted (representing 81.8% of NAV) and 29 unquoted companies (representing 15.8% of NAV). The remaining 2.4% comprised cash, money market instruments and other net assets. 1.2% of NAV is legally committed to further investments in unquoted companies, while 2.3% is reserved for further investment in unquoted companies.

As mentioned in the Chairman's Statement the performance of the quoted portfolio, did not keep pace with the underlying NBI, which increased 46.5%. During the year, the quoted portfolio tracked the NBI until April and May 2013. In these months the portfolio was significantly underweight in three stocks – Regeneron, Vertex and Biogen – which contributed strongly to the performance of the NBI but also the Company's underperformance, which began underperforming in April on a relative basis and ended April and May 7.1% and 8.9% below the Index respectively. The portfolio then tracked the NBI to the year end underperforming by 8.8%.

By subsector, 82% of NAV was invested in the biotechnology sector, 5% in the medical device sector, 3% in the specialty pharmaceuticals sector, 5% in the medical research services sector and 3% in the life sciences tools and diagnostics sector, emphasising the diversified nature of the Company's investments.

Representatives of the Investment Manager sat on the boards of 24 portfolio companies (22 unquoted and two quoted) at the end of the year. An active board seat on private companies remains an important aspect of the Investment Manager's investing activities in early-stage unquoted biotechnology companies.

Quoted Investments

During the year ended 31 August 2013, the combined effect of gains and losses on quoted investments, including currency movements, was to increase the Company's NAV by £42.4m or 76.9p per share. The return for the quoted portfolio over the year was an increase of 37.7%, after taking a currency gain of 1.9% into account.

Broader equity markets performed strongly during the year under review. Against this backdrop, the biotechnology sector performed particularly well, driven by strong earnings growth at attractive valuations, M&A activity and positive clinical and regulatory news flow updates on a number of major new biotechnology product opportunities.

During the year ended 31 August 2013 there were a number of IPOs for biotechnology companies raising \$3.0bn. By comparison \$1.1bn, \$1.0bn and \$1.6bn was raised in the calendar years 2012, 2011 and 2010, respectively.

The market for follow-on, or secondary, financings for public biotech companies continues to be robust, with \$8.1bn raised calendar year to date by the end of August 2013, compared to \$4.5bn, \$6.0bn and \$3.5bn for calendar years 2012, 2011 and 2010, respectively (source BioCentury). High quality assets and management teams continue to be able to attract equity capital to fund research and development programmes.

Three companies were acquired during the period under review which positively contributed to NAV performance – YM Biosciences, Life Technologies and Onyx. In February 2013 Gilead Biosciences completed the acquisition of YM Biosciences for \$510m, contributing £1.5m to the NAV this year. In April 2013, Thermo Fisher Scientific announced the \$13.6bn acquisition of Life Technologies, contributing £1.5m to NAV. In August 2013, Amgen acquired Onyx Pharmaceuticals for \$10.4bn, contributing £4.9m to NAV.

The quoted portfolio continues to be structured to include large, mid and small-cap biotechnology, emerging medical device and life science tools and diagnostics companies, which we believe provides the optimal risk-reward structure for long-term capital gains.

Unquoted Investments

During the year ended 31 August 2013, the combined effect of gains and losses on unquoted investments, including currency movements, was to increase the Company's NAV by £4.2m or 7.6p per share. The return for the unquoted portfolio over the year was an increase of 17.5%, including a currency gain of 2.6%.

The main contributor to performance came from the upwards revaluation of four investments (ESBATEch, EUSA Pharma, Ikano Therapeutics and Itero Holdings) which increased the NAV by £3.5m or 6.3p per share. These companies have already been exited but IBT retains rights to receive future contingent performance based payments.

After these changes, the Company currently recognises £3.5m of fair value for future milestone payments. The receipt of these payments is contingent on pre-agreed, and legally-binding, operational or clinical development milestones being achieved. If paid in full, these milestone payments are estimated to amount to £16.8m on current exchange rates, representing £13.2m of additional unrecognised value beyond that currently incorporated into the NAV.

Two companies reduced unquoted performance, Lux Biosciences and Vantia. Lux Biosciences announced that a pivotal late-stage clinical study for its key drug candidate for the treatment of uveitis (eye inflammation) failed to show any treatment benefit. With no clear way forward for the asset or the company, the value of this investment was written down from £1.3m to zero during the period. In addition the failure of Vantia's phase II B drug trial for nocturia meant that the value of this investment was also written down to zero from £0.6m.

More positively, portfolio companies Entellus and Celerion have performed strongly. Entellus' valuation moved to a trading multiple basis as revenues of this sinus treatment medical device company have developed in the period adding £1.0m to NAV. Celerion – a clinical research organisation – continues to perform strongly and the value of the company's interest has been written up in line with public market comparables adding £0.6m to the NAV during the period.

Since the year end, two noteworthy events have impacted the portfolio. On 25 September 2013, Ophthotech listed on NASDAQ (Ticker: OPHT) at a share price of \$22 which added £1.2m to NAV. On 4 September 2013, TransEnterix merged with the OTCBB Listed SafeStitch (Ticker: SFES) alongside a \$30m fund raising. The stock remains very thinly traded so the valuation is based on the share price of the fund raising which has added £0.3m to NAV.

Three new unquoted investments were made during the 12 months under review. These were NCP Holdings, operating as Nordic Consulting Partners, a healthcare IT consulting business, Autifony, a spin-out from GlaxoSmithKline focused on developing drugs to treat hearing loss, and Oncoethix, a development-stage company focused on new cancer drug treatments. Follow-on investments were also made into 14 existing holdings. Investments into all unquoted holdings totalled £3.0m during the year.

At the year end, there were formal commitments to further invest in unquoted companies (based on certain operational or clinical milestone achievements) totalling £2.0m. There are also estimated reserves of an additional £4.1m for existing unquoted portfolio companies.

The life sciences venture capital industry remains challenging, while there are still very many innovative companies in which to make investments. In North America and Europe, the environment for raising venture funds to invest and for realising exits, and so making returns for investors, has been

weak Despite this backdrop the Company's unquoted portfolio contains some promising companies with exit possibilities that will reward the patience of investors

Outlook

The biotechnology sector has had another exceptional year, with impressive absolute and relative returns both against its peers within the healthcare sector, and versus other sectors within the S&P500

In recent years, the sector has been valued at a discount because of the following factors A lack of 'risk appetite' during the financial crisis that followed 2008, Unfounded concerns regarding healthcare reform and the belief that top line sales growth momentum would end after sales of the major profitable companies had matured, and, Investors had lost faith in the sector

Since then these concerns have diminished helped by strong growth in these biotechnology companies which has seen their rating improve In addition, new positive fundamental reasons to own the sector have emerged R&D productivity has improved and numerous drugs, with multi-billion dollar sales potential, have been launched Each derived from years of focused scientific research with funds raised through the equity markets

The larger profitable companies have successfully reinvented themselves Some acquired late stage assets which showed huge sales potential This role was traditionally assumed to be for the pharmaceutical giants However, strong management teams with an understanding of the best use of capital have taken advantage of the opportunities presented by late stage assets to get saleable products to the market

Gilead purchased Pharmasset, with a promising phase two drug which has the potential for peak sales of \$10bn annually Celgene bought Pharmion and most recently Amgen acquired Onyx Pharmaceuticals All three acquisitions have transformed the prospects of these larger cap names Biogen, however, proved that innovation still exists within a larger institution and developed Tecfidera which has sold \$192m in its first quarter after the launch Analysts predict Tecfidera sales could reach \$5.7bn at its peak

Secondly, new 'large cap' names were born Regeneron's highly successful launch of Eylea and Alexion's stellar growth for wholly owned drug, Soliris, catapulted both names to profitability and multi-billion dollar market caps

Today the large cap companies offer mid-twenties earnings growth over the next two to three years at reasonable share prices, attracting new investors and increasing valuations Interest in innovation has returned once again and drug launches, pipelines and consolidation are not being ignored

Investors might fear that a growth sector such as biotechnology, which is fundamentally being paid for by society and its governments, will face a financial dead-end However, the bulk of spending in the healthcare system stems from primary care and hospital-spend Innovative drug therapies for high unmet medical needs and more efficient delivery of health solutions which is the hunting ground for biotech businesses should ensure that demand for innovative products continues in the long-term

For example, Gilead's new drug for the hepatitis C virus, sofosbuvir could provide the opportunity of a cure for those who have recently contracted the disease or material alleviation of the impact for those in the early stages of disease development This will likely change disease management from what is a cumbersome treatment paradigm involving visits to hospital, poor side effects and only partial efficacy, to a relatively short period of oral therapy and possible cure High pricing for these therapies might on the face of it cause concerns but the potential for long-term savings for society, governments and most importantly, patients themselves, preventing liver transplants, hospital stay and other knock on effects later in life, will result in huge cost savings overall

The biotechnology sector fits neatly into this model of innovation and efficiency These companies have already made a substantial impact on the diseases of mankind HIV is now a chronic disease, when it used to be fatal Hepatitis C has an effective cure on the horizon, and new treatments for cancer with improved efficacy will be launched in the near term

Further into the future, innovation may provide solutions to diseases not yet understood, such as Alzheimers. A disease whose cost to society through nursing homes and round-the-clock care is very large. A biotechnology solution may be possible.

The Company invests across the spectrum of biotechnology, capturing innovation at every level. From the unquoted venture backed companies, which invest in the most innovative new drugs to the larger established, yet high growth profitable companies. We believe that giving our investors exposure to all the aspects of the biotechnology sector will provide excellent long-term performance and returns for their investment.

SV Life Sciences Managers LLP

Investment Manager

28 October 2013

Twenty Largest Investments

as at 31 August 2013

	Investment	Region	Sector classification	Market value of holding £'000	% of total equity
1	Amgen	USA	Biotechnology	12,660	7.3
	A company that pioneered the development of novel products based on advances in molecular biology. Amgen markets several multi-billion dollar drugs to treat anaemia, rheumatoid arthritis, oncology and autoimmune diseases. Newly launched oncology drug Kyprolis, from recently acquired Onyx Pharmaceuticals, could be the next major product for the company. Total revenues were \$17.3bn in 2012.				
2	Celgene	USA	Biotechnology	12,540	7.3
	A company engaged in the discovery, development and commercialisation of innovative therapies designed to treat cancer and immunological diseases. The company has several marketed products including Revlimid, Thalomid, Vidaza, Abraxane and Pomalyst, and a strong pipeline of drug candidates in development. Total revenues were \$5.5bn in 2012.				
3	Biogen Idec	USA	Biotechnology	12,534	7.3
	A company developing and commercialising drugs primarily for inflammatory and autoimmune diseases as well as cancer. The company's major marketed products include Avonex and Tysabri for the treatment of multiple sclerosis and Rituxan for the treatment of blood-based cancers and rheumatoid arthritis. Total revenues were \$5.5bn in 2012.				
4	Gilead Sciences	USA	Biotechnology	12,311	7.1
	A company with an industry-leading franchise in HIV drug development and commercialisation. In recent years the company has diversified its R&D and commercial portfolio into new disease areas, including hypertension, cystic fibrosis and more recently hepatitis C through its acquisition of Pharmasset. Total revenues were \$9.7bn in 2012.				
5	Regeneron	USA	Biotechnology	8,798	5.1
	A company whose lead drug product is called Eylea, for the treatment of age-related macular degeneration. Eylea is partnered with Bayer ex-US. The company also has a partnership deal with Sanofi for Aflibercept in oncology and an antibody discovery and development deal with Sanofi. Total revenues were \$1.4bn in 2012.				
6	Alexion Pharmaceuticals	USA	Biotechnology	7,235	4.2
	A company whose main drug product Soliris for the treatment of rare autoimmune disorders marked by red blood cell depletion was first approved in 2007. The company is also investigating the efficacy of Soliris in other related rare diseases, potentially transforming it into a multi-billion dollar "blockbuster" drug. Total revenues were \$1.1bn in 2012.				
7	Incyte Genomics	USA	Biotechnology	5,788	3.4
	A company focused on oncology and inflammation drugs. The company's lead product, Jakafi is approved in the USA for the treatment of intermediate and high risk myelofibrosis. Total revenues were \$297m in 2012.				
8	Onyx	USA	Biotechnology	5,782	3.3
	A company (recently acquired by Amgen) developing new drugs for the treatment of cancer. Lead product Nexavar inhibits the growth of blood vessels to tumours as well as their multiplication and is used in the treatment of kidney and liver cancers. The company's latest product Kyprolis is used for the treatment of multiple myeloma. Total revenues were \$362m in 2012.				
9	Aptiv Solutions*	USA	Medical Research Services	5,556	3.2
	A company formed from the acquisition and integration of a number of contract research businesses. Aptiv provides facilities and expertise for pharmaceutical and biotechnology companies looking to outsource early-stage research and development projects. Total revenues				

were \$147m in 2012, Cost of the investment was £4,789k, income recognised by IBT in the year was £330k Net assets of the company at the last balance sheet date were \$55m, pre-tax loss for the year ended 31 December 2012 was \$49m

- | | | | | | |
|----|---|-----|--|-------|-----|
| 10 | Vertex Pharmaceuticals | USA | Biotechnology | 5,095 | 3 0 |
| | A company engaged in the discovery and development of small molecule drugs for serious diseases Vertex's pipeline is focused on viral diseases, cystic fibrosis, inflammation and cancer The key value driver is Kalydeco which was launched in 2012 for the treatment of Cystic Fibrosis Total revenues were \$1 5bn in 2012 | | | | |
| 11 | Pharmacyclics | USA | Biotechnology | 3,491 | 2 0 |
| | A company focused on developing small molecule drugs for the treatment of cancer and immune mediated diseases The company has three candidates in clinical development – an oral therapy for B-cell hematologic malignancies, a subcutaneously administered drug targeting tumours and an oral drug for lymphomas and solid tumours Total revenues were \$82m in 2012 | | | | |
| 12 | Fluidigm | USA | Life Sciences, Tools, Diagnostics & Services | 3,310 | 1 9 |
| | A company focused on biotech tools and instrumentation for biological research The company's technology enables the rapid, efficient, highly parallel, and reproducible analysis of tens-to-hundreds of genetic markers, across hundreds-of-thousands of DNA samples Total revenues were \$52m in 2012 | | | | |
| 13 | Mylan | USA | Biotechnology | 3,282 | 1 9 |
| | A company focused on manufacturing generic and speciality pharmaceuticals The company operates in 140 countries and has attained leading positions in key international markets through its wide array of dosage forms and delivery systems, significant manufacturing capacity, global commercial scale and a committed focus on quality and customer service Total revenues were \$6 8bn in 2012 | | | | |
| 14 | Biomarin | USA | Biotechnology | 3,184 | 1 8 |
| | A company developing and commercialising drugs for rare genetic diseases of growth and metabolism The company's product portfolio comprises four approved products – Naglazyme, Aldurazyme, Kuvan and Firdapse, and multiple clinical and preclinical drug candidates Total revenues were \$501m in 2012 | | | | |
| 15 | Ophthotech* | USA | Biotechnology | 2,925 | 1 7 |
| | A clinical stage company focused on developing and commercialising therapies for back of the eye diseases with particular focus on both dry and wet Age-Related Macular Degeneration ("AMD") | | | | |
| 16 | NPS Pharmaceuticals | USA | Biotechnology | 2,921 | 1 7 |
| | A company focused on pioneering and delivering therapies that transform the lives of patients with rare diseases worldwide The company's lead product, Gattex for injection for subcutaneous use is approved for the treatment of adult patients with short bowel syndrome who are dependent on parenteral support NPS is also developing a drug for the treatment of adult hypoparathyroidism Total revenues were \$131m in 2012 | | | | |
| 17 | Jazz Pharmaceuticals | USA | Specialty Pharmaceuticals | 2,917 | 1 7 |
| | A fully integrated company selling products in neurology, oncology and psychiatry The company was founded in 2003 and has three marketed products, Xyrem for narcolepsy, Luvox for obsessive compulsive disorder and Erwinaze for oncology Total revenues were \$586m in 2012 | | | | |
| 18 | Entellus Medical* | USA | Medical Devices | 2,594 | 1 5 |
| | A company developing a minimally invasive treatment for chronic sinusitis Their system uses a specialist balloon which is inserted into the ostium of the targeted sinus, then inflated to dilate the ostium by crushing bone around the opening | | | | |

19	TG Therapeutics	USA	Biotechnology	2,552	1 5
	A company focused on development and commercialisation of pharmaceutical products for the treatment of cancer and other underserved therapeutic needs. Currently, the company is developing two therapies targeting hematological malignancies. Total revenues were \$20k in 2012.				
20	Illumina	USA	Life Sciences, Tools, Diagnostics & Services	2,218	1 3
	A company focused on being a leading developer, manufacturer, and marketer of life science tools and integrated systems for large-scale analysis of genetic variation and function. These systems are enabling studies that were not even imaginable just a few years ago, and moving closer to the realisation of personalised medicine. Total revenues were \$1.1bn in 2012.				
Total				117,693	68.2

At 31 August 2012, the twenty largest investments represented 58.2% of the NAV

* Unquoted company investment

All Unquoted Investments

as at 31 August 2013

	Investment	Region	Sector classification	Fair value of holding £'000	% of total equity
1	Aptiv Solutions A company formed from the acquisition and integration of a number of contract research businesses Aptiv provides facilities and expertise for pharmaceutical and biotechnology companies looking to outsource early-stage research and development projects Total revenues were \$147m in 2012	USA	Medical Research Services	5,556	3.2
2	Ophthotech A clinical stage company focused on developing and commercialising therapies for back of the eye diseases with particular focus on both dry and wet AMD	USA	Biotechnology	2,925	1.7
3	Entellus Medical A company developing a minimally invasive treatment for chronic sinusitis Their system uses a specialist balloon which is inserted into the ostium of the targeted sinus, then inflated to dilate the ostium by crushing bone around the opening	USA	Medical Devices	2,594	1.5
4	Celerion A Clinical Research Organisation formed through the acquisition of the development and regulatory services consultancy and early clinical development operations of MDS Pharma Services The focus of the company is providing comprehensive early clinical research and bio-analytical services to the drug development community	USA	Medical Research Services	1,578	0.9
5	Atopix Therapeutics/Oxagen An early-stage biotechnology company developing a pipeline of novel drugs to treat inflammatory diseases The company's portfolio includes a lead drug programme with the potential to treat asthma and other respiratory and inflammatory conditions with a once daily pill	Europe	Biotechnology	1,326	0.8
6	TransEnterix An early-stage company developing a surgical platform that provides the clinical benefits of a multi-port laparoscopic (otherwise known as minimally invasive or "keyhole") surgical approach while using a single port of entry through a natural body orifice or via the umbilicus	USA	Medical Devices	1,150	0.7
7	ReShape Medical An early-stage company developing an endoscopically placed balloon in the stomach without surgery to stimulate the sensation of being full and so modulate appetite The device is designed to be easily implantable and removable to facilitate temporary, as well as long-term, use	USA	Medical Devices	1,035	0.6
8	AlloCure A company isolating Mesenchymal Stem Cells from bone marrow to treat acute renal failure and limit morbidity and mortality following kidney transplantation	USA	Biotechnology	1,014	0.6
9	EBR Systems An early-stage company developing the first wireless cardiac stimulation device The existing market for CRT devices exceeds \$3bn in annual sales and is expected to grow at over 15% over the next five years.	USA	Medical Devices	943	0.6
10	Sutro Biopharma A company developing the production of low-cost, high quality rapidly developed products, such as antibody drug conjugates and technology for manufacturing protein pharmaceuticals and innovative vaccines	USA	Biotechnology	935	0.5
11	Affinium Pharmaceuticals A company focused on the clinical development of antibacterials The lead development programme encompasses a potent, orally available, novel antibiotic class for the treatment of antibiotic resistant staphylococcal infections	USA	Biotechnology	859	0.5

12	NCP Holdings	USA	Medical Research Services	676	0.4	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 organizations – working with customers that include community hospitals, academic facilities, children's organisations, safety net providers and multi-hospital systems.
13	Delenex Therapeutics	Europe	Biotechnology	560	0.3	A company focused on research and development of its novel antibody fragments for therapeutic application. It uses ESBATech's proprietary screening platform IMMUNA and ESBATech's fully human antibody frameworks against targets of relevance currently in two disease areas: rheumatology and respiratory.
14	Kalvista Pharmaceuticals	Europe	Biotechnology	555	0.3	A virtual Ophthalmology company developing Plasma Kallikrein inhibitors for the intra vitreal and oral treatment of Diabetic Macular Edema, which has been spun out of Vantia.
15	Ricerca Holdings	USA	Medical Research Services	508	0.3	A pre-clinical contract research organization that primarily services biotechnology and pharmaceutical companies in North America. The company provides services in areas of chemistry (analytical and process), manufacturing, pharmacology and toxicology. Total revenues for 2012 were \$63m.
16	Oncoethix	Switzerland	Biotechnology	499	0.3	A company focused on developing a portfolio of three to five promising new drugs for cancer treatment. The company intends to develop its compounds through clinical proof of concept and the identification of an expedited registration strategy, after which pharmaceutical partners will be sought to fund pivotal trials and handle commercialisation.
17	Convergence Pharmaceuticals	Europe	Biotechnology	308	0.2	A company, spun out from GSK, focused on developing novel analgesic/pain relieving drugs.
18	Karus Therapeutics	Europe	Biotechnology	233	0.1	A drug discovery and development company focussed on the delivery of novel compounds for the treatment of inflammatory disorders and oncology indications.
19	Calchan Holdings	Europe	Biotechnology	220	0.1	A sister company of Convergence Pharmaceuticals, which is developing novel analgesic/pain relieving drugs.
20	Autifony Therapeutics	Europe	Biotechnology	200	0.1	A company focused on developing drugs for hearing disorders by targeting specific ion channels which regulate the neuronal activity within the auditory system.
21	Spinal Kinetics	USA	Medical Devices	110	0.1	A company pioneering a new generation of artificial discs for treating degenerative disc disease in the cervical and lumbar spine. The company's unique technology is designed to replicate a natural vertebral disc in its structure and physiologic range of motion in all planes, including axial compression and rotation. This "natural" artificial disc has been designed to enable patients to move freely while enjoying a sustained quality of life.
Total				23,784	13.8	

All Unquoted Investments

as at 31 August 2013

Exited unquoted companies for which the Company retains rights to receive future contingent performance-based payments are shown below. The maximum potential amounts as part of the sale agreements are disclosed in 'Unquoted Investments' on page 8.

	Investment	Region	Sector classification	Fair value of holding £'000	% of total equity
1	Ikano Therapeutics	USA	Biotechnology	1,569	0.9
	A company focused on nasally delivered pharmaceutical products that was sold to Upsher Smith Laboratories in May 2010. The terms of deal provide for an upfront payment and a series of milestones which if successfully met, could provide a further £5.5m in addition to the current value.				
2	Itero Holdings LLC	USA	Biotechnology	852	0.5
	A company that was sold to Watson in 2010. The terms of the deal provide for an upfront payment and a series of milestones, which if successfully achieved could provide a further £2.5m in addition to the current value.				
3	ESBATEch	Europe	Biotechnology	737	0.4
	Valuation represents amounts due from escrow following takeover by Alcon. The terms of the deal provide for milestones which if successfully achieved would provide a further £5.2m in addition to current value.				
4	EUSA Pharma	Europe	Specialty Pharmaceuticals	218	0.1
	EUSA was sold to Jazz Pharmaceuticals in June 2012. The remaining value relates to an escrow payment which has yet to be paid.				
5	Archemix	USA	Biotechnology	101	0.1
	A company that was sold to Baxter in 2010. No value is expected from the Baxter transaction further, all the value recognised in Archemix relates to its ownership of shares in Ophthotech, which listed on NASDAQ in September 2013.				
6	Cadent	USA	Medical Devices	8	0.0
	Valuation represents amounts due from escrow following acquisition by Align Technologies.				
	Total			3,485	2.0

Classification of Investments

Classification of Investments by Sector

at 31 August 2013

[Graph]

Classification of Investments by Region

at 31 August 2013

[Graph]

The figures stated above are expressed as a percentage of NAV

Directors' Report

(incorporating the Business Review and Corporate Governance Statement)

The Directors present their Report and the audited Financial Statements of the Company and the Group for the year ended 31 August 2013

Business Review

This Business Review has been prepared in accordance with the requirements of Section 417 of the Companies Act 2006 (the "Act") and current best practices

As an externally managed investment trust company, the Company has no employees and delegates most of its functions to third party service providers

Principal Activities

The principal activity of the Company is the making of investments in accordance with the investment objective and policy set out on page 2. The Board delegates investment management of the Company's portfolio to SVLS. A description of the Company's activities and strategy during the year is given in the Chairman's Statement on pages 6 and 7 and the Investment Manager's Review on pages 8 to 10.

The Board considers the investment fundamentals of the biotechnology sector to be compelling as highlighted in "The Importance of Biotechnology" overview set out on the inside front cover, the Chairman's Statement on pages 6 and 7 and the Investment Manager's Review on pages 8 to 10.

The Board believes that good long-term returns will be best achieved through a diversified portfolio. The Company does not have a prescriptive number of holdings, but over time the number of investments held has tended to be between 30 and 70 in total across the quoted and unquoted portfolios combined. Diversification is extended to investing in several therapeutic sub-sectors, for example oncology or cardiovascular.

The companies in which the Company invests include both profitable and highly cash-flow generative commercial-stage entities as well as earlier development-stage companies which may have negative cash-flows and may be several years away from sustainably profitable operations.

The exposure of the Company to any single quoted investment would generally be related to its market capitalisation, stage of maturity and prospects. Companies with a smaller capitalisation or earlier-stage companies are likely to have low market liquidity and not be well supported by investment banks and there is likely to be an extended time period before there is a major share price-moving event.

In addition, the Company holds unquoted investments which are higher risk but can produce higher returns. The risk of the unquoted investments in the portfolio is also partially mitigated by their typically being a later-stage subset of the total SVLS deal flow.

The majority of the Company's investments are made in companies whose shares are denominated in currencies other than the Company's functional and presentation currency, Sterling. Exchange rates are difficult to forecast and as a consequence it remains the Board's policy not to hedge the currency exposure of the portfolio. The Company has a global remit and, while most of the value and profits of biotechnology are based in the US, the portfolio's geographical and sector diversity reduces the risks of that market.

The Company has a £15.0m overdraft facility in place with HSBC Bank plc. This facility provides the Company with funds to take advantage of investment opportunities that occur from time to time – whether quoted or unquoted – on occasions when the portfolio is otherwise fully invested. It is the intention of the Board that 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.

Status of the Company

The Company is incorporated in England and Wales as a public limited company and domiciled in the United Kingdom. It is an investment company as defined in Section 833 of the Act and its Ordinary shares are listed and traded on the London Stock Exchange.

The Company conducts itself as an approved investment trust for the purposes of Section 1158 Corporation Tax Act 2010 ("CTA") which allows exemption from Capital Gains Tax. Such approval has been granted from HM Revenue & Customs ("HMRC") for the year ended 31 August 2012 and the Company is in the process of gaining approval for the year ended 31 August 2013. The Directors expect the affairs of the Company to continue to satisfy the conditions for exemption.

The Company has a Subsidiary, IBT Securities Limited, whose business is to hold investments. The Company's results are consolidated with those of its Subsidiary to produce Group results.

Individual Savings Account ("ISA") Status

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.

Key Performance Indicators ("KPIs")

The Board uses the following KPIs to help assess progress against the Company's investment objective, further details of which can be seen in the Financial Summary on page 3.

Absolute Investment Returns

The Company's stated investment objective is to achieve long-term capital growth and therefore the Board considers the progress of the NAV per share to be the principal measure of the Company's success in meeting its objective.

The Company's NAV per share increased by 34.7% in the year ended 31 August 2013. An explanation of the Company's performance can be found in the Investment Manager's Review on pages 8 to 10.

Relative Investment Returns

The Board believes that the Company's returns should be better than those of the NBI (Sterling-adjusted) and the FTSE All-Share Index as well as other biotechnology funds over the longer-term, and it compares its own returns against them (see Financial Summary on page 3).

Discount to the NAV

The Board routinely monitors the level of share price to NAV (see Financial Summary on page 3).

Ongoing Charges

The Company's Ongoing Charges ("OC") are calculated in accordance with recently updated guidelines from the AIC and replaces the Total Expense Ratio ("TER").

The Company's OC is used as a further KPI to demonstrate the Company's ability to control costs to maximise shareholder returns. The OC figure expresses the Company's costs, including management fees, Directors' fees and other operating expenses, after tax, excluding any performance fee, as a percentage of average monthly net assets over the year. The OC figure at 31 August 2013 was 1.70% (31 August 2012: 1.86%).

Results and Dividends

The results for the year are shown in the Group Statement of Comprehensive Income on page 33. The Company has not declared a dividend (2012: £nil).

Current and Future Developments

Details of the Company's developments during the year ended 31 August 2013, along with its prospects for the future are set out in the Chairman's Statement on pages 6 and 7 and the Investment Manager's Review on pages 8 to 10

Principal Risks and Uncertainties

The Board uses a framework of key risks which affect its business, and related internal controls designed to enable the Directors to take steps to mitigate these risks as appropriate. A full analysis of the Directors' system of internal control is set out in the Corporate Governance Statement on page 26

The Company's key risks include

Market Risk

The Company's returns are affected by changes in economic, financial and corporate conditions which can cause market fluctuations, a significant fall in equity markets is likely to affect adversely the value of the Company's portfolio. The Investment Manager provides the Board with information on the market at each Board meeting and the Board discusses appropriate strategies to manage the impact of any significant change in circumstances.

The biotechnology sector has its own specific risks leading to higher volatility than broad equity market indices. While the Company seeks to maintain a diversified portfolio within the confines of the current investment policy, biotechnology sector-specific or equity market risks cannot be eliminated by a diversified exposure to global biotechnology.

Investment and Strategy Risks

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

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

Currency Risk

The Financial Statements and performance of the Company are denominated in Sterling because it is the currency of most relevance to the Company's investors. However, the majority of the Company's assets are denominated in US Dollars. Accordingly, the total return and capital value of the Company's investments can be significantly affected by movements in foreign exchange rates. It is not the Company's policy to hedge against foreign currency movements.

Discount to the NAV

Failure to meet investment objectives and/or poor sector-specific or general equity sentiment can affect the Company's share price, resulting in shares trading at a relatively large discount to the underlying NAV. The Board continually reviews the Company's investment performance, taking into account changes in the market, and regularly reviews the position of the NAV per share compared to the share price. Further information on the Company's discount is provided in the Chairman's Statement on pages 6 and 7.

Accounting, Legal and Regulatory Risks

To qualify for the status of an investment trust, the Company must comply with Section 1158 CTA. Further details of the Company's approval under Section 1158 CTA are set out earlier in this report in "Status of the Company" on page 17.

A breach of Section 1158 CTA could result in the Company being subject to Capital Gains Tax on the sale of investments. Consequently, pre-trade compliance checks are embedded into the investment procedures of the Investment Manager. Reports confirming the Company's compliance with the provisions of Section 1158 CTA are submitted by the Investment Manager to each Board meeting together with relevant portfolio and financial information.

The Company is also subject to compliance with other laws and regulations, including the Companies Act 2006 and the FCA Listing, Prospectus and Disclosure and Transparency Rules. 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 Investment Manager and 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.

The Board continues to be alert to the many developments in regulation. These include the AIFMD, the Foreign Account Tax Compliance Act and the Retail Distribution Review.

Operational Risks

As the Company's main functions are delegated to third party service providers, operational risk arises from insufficient processes of internal control which would include compliance with statutes and regulations governing the functions of the Company.

Such risks are assessed by the Audit Committee, which receives regular reports from its main service providers as to the internal control processes in place within those organisations.

Financial Risks

The financial risks faced by the Company are set out in note 24 to the Financial Statements on pages 51 to 59, which includes further analysis of financial risks including market and credit risks.

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, such a proposal will be put forward at the AGM to be held on Wednesday, 11 December 2013 under Resolution 8.

Share Capital

At the AGM on Wednesday, 5 December 2012, Shareholders gave approval for the Company to purchase up to 8,313,103 Ordinary shares of its own capital for cash, being 14.99% of the share capital in issue as at the date of the Notice of Meeting. During the year under review the Company repurchased 300,000 Ordinary shares, representing 0.5% of the issued share capital at the start of the year. The issued share capital of the Company is detailed in note 15 to the Financial Statements. The total number of Ordinary shares currently in issue is 55,757,663 of which 600,000 Ordinary shares are held in treasury.

Directors

The biographies of the Directors of the Company, all of whom were in office during the year and up to the date of the signing of the Financial Statements, are set out on page 5.

The Board has agreed a formalised policy on tenure as outlined in the Corporate Governance Statement on page 23.

In accordance with the Company's policy on tenure as outlined in the following Corporate Governance Statement, Alan Clifton and David Clough, having served as a non-executive Director for more than nine years, will retire at the forthcoming AGM and, being eligible, offer themselves for re-election

In addition, in accordance with the Company's Articles of Association, Mr Horsburgh having been appointed to the Board on 1 February 2013 offers himself for election at the forthcoming AGM

Alan Clifton, David Clough and Jim Horsburgh are all deemed by the Board to be independent in both character and judgement as indicated on page 23 and have performed their duties in an independent manner at all times

The Board supports the re-elections and election as appropriate, of the above mentioned Directors. The Board considers that these Directors continue to demonstrate commitment to their roles and provide a valuable contribution to the deliberations of the Board. Furthermore, Alan Clifton, in his role as Chairman, provides the Board with sound leadership and demonstrates strong independence in the manner in which he discharges this responsibility. The Board therefore recommends that Shareholders vote in favour of the re-election of Alan Clifton and David Clough and the election of Jim Horsburgh

Directors' Interests

The interests of the current Directors as set out on page 5 of this report and their families, all of which are beneficial, are as follows

	Ordinary shares of 25p each as at 31 August 2013	Ordinary shares of 25p each as at 1 September 2012
John Aston	10,000	10,000
Véronique Bouchet	5,000	5,000
Alan Clifton	10,000	10,000
David Clough	5,000	5,000
Jim Horsburgh	5,000	–

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

The Directors have declared any conflicts of interest to the Company Secretary, who maintains the Register of Directors' Conflicts of Interests. It is reviewed annually by the Board, and the Directors advise the Company Secretary as soon as they become aware of any conflicts of interest.

The Board confirms that, during the year ended 31 August 2013, it authorised any potential conflicts of interest that would impact the Board's or the Company's operations, and that all procedures relating to their authorisation were appropriate and followed.

Companies Act 2006 Disclosures

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

- The Company's capital structure is summarised on page 48, voting rights are summarised on page 64, and there are no restrictions on voting rights nor any agreement between holders of securities that result in restrictions on the transfer of securities or on voting rights,
- There exist no securities carrying special rights with regard to the control of the Company,
- Details of the substantial Shareholders in the Company are listed opposite,
- The Company does not have an employees' share scheme,
- The rules concerning the appointment and replacement of Directors, amendment of the Articles of Association and powers to issue or buy back the Company's shares are contained in the Articles of Association of the Company and the Act,
- There exist no agreements to which the Company is party that may affect its control following a takeover bid, and

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

The Board recognises the requirement under Section 417(5) of the Act to detail information about environmental matters (including the impact of the Company's business on the environment), any Company employees and social and community issues, including information about any policies it has in relation to these matters and effectiveness of these policies. As the Company has no employees or policies in these matters this requirement does not apply. Notwithstanding, the Investment Manager takes into account these considerations when making investment decisions and determines its voting instructions at investee company meetings accordingly.

Substantial Share Interests

As at 31 August 2013, the Company had determined that the following held interests of 3% or more of the voting rights attaching to the Company's issued share capital

Shareholder	Number of Ordinary shares held	% of total voting rights
Astrazeneca UK Ltd	8,961,652	16.25
Lazard Asset Management (US) ⁽ⁱ⁾	8,374,602	15.19
Findlay Park Partners LLP ⁽ⁱⁱ⁾	7,050,000	12.79
East Riding Pension Fund	5,900,000	10.70
AXA Investment Managers (UK) ⁽ⁱⁱⁱ⁾	2,189,894	3.97
Schroder Investment Management Ltd ^(iv)	2,132,428	3.87
South Yorkshire Pension Authority	2,000,000	3.63
M&G Investment Management ^(v)	1,655,519	3.01

As at 7 October 2013 changed to -

(i) 9,374,800	17.00	(iv) 2,002,682	3.63
(ii) 5,900,000	10.70	(v) 1,622,008	2.94
(iii) 1,419,526	2.57		

Policy for the Payment of Creditors

It is the Company's policy to settle all investment transactions in accordance with the terms and conditions of the relevant market in which it operates. All other expenses are paid on a timely basis in the ordinary course of business. There were no outstanding trade payables, other than purchases for future settlement, at 31 August 2013 (2012: £nil).

Management Agreements

The Board considers the terms of engagement for the Investment Manager, further details of which are set out below, to be in the best interests of the Company and its Shareholders. The Investment Manager provides the Company with specialist investment management, thereby allowing the Company to achieve its investment objective.

The Investment Manager is entitled to a management fee payable monthly at the rate of 1.15% per annum of the Company's NAV.

In addition, the Investment Manager is entitled to an annual performance fee 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 pound Sterling-adjusted NBI plus a 0.5% hurdle.

The fee on the unquoted pool remains 20% of net realised gains, taking into account any unrealised losses but not unrealised gains, with a high water mark.

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

- The maximum performance fee in any one year is 3% of average net assets during the year, with any excess held over and adjusted up or down according to the performance of the share price.

over the period between the end of the period in which it is earned and the period in which it becomes payable,

- The performance fee for any period may not cause the NAV of the Company to drop below the NAV on the first day of the relevant period, and
- A fund high water mark, initially set at close of business on 31 August 2011, will be reset whenever a performance fee is paid. It will also be reset upwards or downwards for share buybacks or fund raisings or any other movement associated with a change of capital
- No performance fee may be paid unless the NAV exceeds this mark. Any fee that would otherwise be held over and payable will be added to the next sum payable in respect of the performance fee subject to these limits

The Investment Management Agreement is terminable by either party on twelve months' notice

No performance fee is payable in respect of the year ended 31 August 2013 (31 August 2012 £Nil)

The Board reviewed the performance of the Investment Manager during the year and considers the continued appointment of the Investment Manager on the existing terms, to be in the best interests of Shareholders

Administration and Company Secretarial Services

Fund accounting administration and custody services are provided to the Company by HSBC Bank plc. The Agreement with HSBC Bank plc continues until terminated by either party on giving not less than six months' written notice

Company Secretarial services are provided by BNP Paribas Secretarial Services Ltd. The Agreement with BNP Paribas Securities Services continues until terminated by either party on giving not less than six months' written notice

Independent Auditors

Having been appointed in 2007, the Company's Auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office. The Audit Committee has responsibility for making a recommendation to the Board on the re-appointment of the external Auditors. The Audit Committee remains satisfied with the effectiveness of the audit provided by PricewaterhouseCoopers LLP and therefore has not considered it necessary to date to require an independent tender process. The Auditors are required to rotate the audit partner every five years. Mr Allan McGrath is the assigned audit partner overseeing the audit.

After careful consideration of the services provided during the year, the Audit Committee recommended to the Board that PricewaterhouseCoopers LLP should be re-appointed as the Company's Auditors. Accordingly, resolutions to re-appoint it as Auditors and to authorise the Directors to determine its remuneration will be proposed at the forthcoming AGM. There do not exist any contractual obligations that restrict the choice of Auditors. The Board considers that the Auditors remain independent.

Details of the amount paid to the external Auditors during the financial year under review, for their audit services, are set out in note 5 to the Financial Statements on page 42. The Auditors provided non-audit services in the form of iXBRL tagging of the Financial Statements during the year under review. No other non-audit services were provided.

Going Concern

Following the issue of the revised guidance by the Financial Reporting Council ("FRC") in October 2009 regarding going concern (the "Guidance"), the Company has reviewed the enhanced information as required by this Guidance in order to determine whether the going concern basis should be used in preparing the Financial Statements for the year ended 31 August 2013. In doing so, the Directors have reviewed the likely operational costs and cash flows for the Company for the 12 months from the date of this Report and are of the opinion that the Company has adequate resources to continue in

operational existence for the foreseeable future. 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.

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 ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"), both of which can be found on the AIC website www.theaic.co.uk. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

As an investment company most of the day to day responsibilities are delegated to outside parties as the Company has no employees and all the Directors are non-executive. Many of the provisions of the UK Corporate Governance Code are not directly applicable to the Company.

The Board has determined that reporting against the AIC Code provides the most appropriate information to Shareholders therefore the report on corporate governance describes how the principles of the AIC Code have been applied.

Statement of Compliance

The AIC Code comprises 21 principles. The Board considers that, for the year under review each Director, the Board and 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 the Company is an investment trust company and the Chairman is deemed independent, a Senior Independent Director was not appointed,
- as there are no executive Directors the provisions of the UK Corporate Governance Code in respect of executive directors' remuneration are not relevant, and
- the Company does not have an internal audit function as it relies on the systems of control operated by third party suppliers in particular those of the Investment Manager. The Board monitors these systems of internal control to provide assurance that they operate as intended.

Application of the AIC Code's principles

The Board considers that it has managed its affairs throughout the year ended 31 August 2013 in compliance with the recommendations of the AIC Code and observed the relevant requirements throughout the year under review. Where non compliance occurs, an explanation has been provided.

The Board will continue to observe the principles and recommendations set out in the AIC Code in future.

This Corporate Governance Statement, together with the Management Report and Directors' Responsibilities Statement set out on pages 30 and 31, indicate how the Company has complied with the principles of good governance and meets internal control requirements.

Role of the Chairman

The Chairman is responsible for leading the Board, ensuring its effectiveness in all aspects of its role, and setting its agenda

Role of the Board

The Board determines and monitors the Company's investment objectives and policy, and considers its future strategic direction, being collectively responsible for the long-term success of the Company. A schedule of matters specifically reserved for consideration and decision by the Board has been adopted. The Board is responsible for presenting a 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.

Board Diversity, Composition and Independence

The Board currently consists of five non-executive Directors. The biographical details of each Director, including his/her length of service, are set out on page 5.

The Board recognises the objectives of the Davies Report to improve the performance of corporate boards by encouraging the appointment of the best people from a range of differing perspectives and backgrounds. The Board has not adopted a policy or target for diversity, it will continue, as it has in the past, to appoint the best qualified person for the job.

The Directors have adopted a policy on tenure that is considered appropriate for an investment trust. The Board is of the opinion that long service does not necessarily compromise the independence or contribution of Directors of investment trusts where continuity and experience can significantly benefit a board, a view supported by the AIC.

The independence of Directors will continue to be assessed on a case by case basis. In order to give Shareholders the opportunity to endorse this policy, any Director who has served for more than nine years will thereafter be subject to annual re-election by Shareholders.

Alan Clifton and David Clough have served the Company for over nine years. The Board has considered their independence with particular care and considers that their individual skills and knowledge of both the Company and the industry provide continuity and an overall balance to the Board. In particular, Alan Clifton continues to demonstrate a strong independence in the manner in which he discharges his responsibilities as Chairman.

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

Induction and Training

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

Board Evaluation

The Board has adopted an annual evaluation of its own performance and that of its Committees and individual Directors. Evaluation takes place in two stages. First, the evaluation of individual Directors is led by the Chairman and the evaluation of the Chairman's performance is led by a Director nominated by the Board. Secondly, the Board evaluates its own performance and that of its Committees.

Meetings and Attendance

The Board meets at least five times each year. Additional meetings are arranged as required and regular contact between Directors, the Investment Manager and the Company Secretary is maintained throughout the year. Representatives of the Investment Manager and Company Secretary attend each meeting and other advisers also attend when requested to do so by the Board.

The number of formal meetings of the Board and its Committees held during the year and the attendance of individual Directors are shown below.

	Board	Audit Committee	Nomination Committee	Management Engagement Committee
Total	6	3	3	1
John Aston	6	3	3	1
Véronique Bouchet	6	3	3	1
Alan Clifton	6	3	3	1
David Clough	6	3	3	1
Alex Hammond-Chambers [†]	2	1	1	—
Jim Horsburgh*	4	2	2	1

[†] resigned 5 December 2012

* appointed 1 February 2013

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 Investment Manager, the Company Secretary and other key advisers. Ad-hoc reports and information are supplied to the Board as required.

Committees

The Board has delegated certain responsibilities and functions to four Board Committees, all of which operate under written terms of reference. Copies of the terms of reference for the Board Committees have been published on the Company's website. The Chairman of the Board acts as Chairman for the Management Engagement and Nomination Committees, and John Aston acts as Chairman of the Audit Committee.

Audit Committee

The Audit Committee provides a forum through which the Company's external Auditors report to the Board. The main responsibilities of the Audit Committee include monitoring the integrity of the Company's Annual Report and appropriateness of its accounting policies, reviewing the internal control systems and the risks to which the Company is exposed, and making recommendations to the Board regarding the appointment of the external Auditors, their independence and the objectivity and effectiveness of the audit process.

The Audit Committee monitors any non-audit services being provided to the Company by its external Auditors, in accordance with the recommendations of the AIC Code. The Committee also reviews the independence of the Auditors annually.

The Audit Committee met three times during the year ended 31 August 2013 and reported its findings to the Board on the matters described above after each meeting. The Board considers that all the Directors have relevant and recent financial experience as a result of their professional positions in financial services and other industries as detailed in the biographies on page 5 of this Report.

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

Nomination Committee

The Nomination Committee met three times during the year ended 31 August 2013 and intends to meet at least annually in the future. The function of the Committee is to consider and make recommendations to the Board on its composition and balance, including identifying and nominating to the Board new Directors and proposing that existing Directors be re-elected.

When considering new appointments the Nomination Committee seeks to have a list of candidates, for the whole Board to consider, that will enhance the Board or replace and refresh skills lost through a Director leaving the Board. The Committee therefore 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. Newly appointed directors are 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 another Committee member and the Chairman abstains from discussions in this regard.

Management Engagement Committee

The Management Engagement Committee met once during the year ended 31 August 2013 and will meet annually thereafter to review matters relating to the performance of the Company's third party service providers, including the Investment Manager, and to review the terms of their contractual arrangements with the Company, ensuring their continued competitiveness for Shareholders.

Valuation Committee

The role of the Committee is to ensure that the Company's investment portfolio valuations continue to accurately reflect their current fair value, calculated in accordance with the Company's valuation and accounting policies.

Relations with Shareholders

The Board receives feedback on the views of Shareholders from its corporate broker and the Investment Manager, both of whom regularly meet with the larger Shareholders. The Chairman, and other Directors where appropriate, discuss governance and strategy with major Shareholders and the Chairman ensures the communication of Shareholders' views to the Board.

The Board believes that the AGM provides an appropriate forum for investors to communicate with the Board, and encourages Shareholder participation. The AGM is typically attended by the full Board of Directors and proceedings include a presentation by the Investment Manager. There is an opportunity for individual Shareholders to question the Chairman of the Board and the Chairman of each Board Committee at the AGM. Details of proxy votes received in respect of each resolution are made available to Shareholders at the meeting and are published on the Company's website following the meeting.

UK Stewardship Code

The UK Stewardship Code published in July 2010 aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to Shareholders and the efficient exercise of governance responsibilities.

The Company has delegated to its Investment Manager the day to day operations of this, full details of which can be found on the website www.ibtplc.com

Environmental Policy

The Company has no premises and no employees. The Company's key core activities are carried out by the Investment Manager which seeks to act in an environmentally responsible manner.

Accountability and Audit

The Management Report and Directors' Responsibilities Statement in respect of the Financial Statements is on pages 30 and 31 and a statement of going concern is set out in the Directors' Report on page 22. The Independent Auditors' Report can be found on page 32.

Internal Control

The AIC Code requires the Board to conduct at least annually a review of the adequacy of the Company's systems of internal control and report to Shareholders that it has done so. The Board has reviewed a detailed Risk Map identifying significant strategic, investment-related, operational and service provider-related risks, and 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 systems of internal control for the year under review, taking into account all matters leading up to the date of the approval of the Financial Statements.

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

Although the Board believes that it has robust systems of internal control in place this can provide only reasonable and not absolute assurance against material financial misstatement or loss and is designed to manage, not eliminate, risk. The Company does not have an internal audit function as it employs no staff and delegates to third parties most of its operations. By the procedures set out above, the Board will continue to monitor its system of internal control in accordance with the Turnbull Guidance 2005 for Directors 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.

Annual General Meeting

The AGM will be held on Wednesday, 11 December 2013 at 12 noon at the offices of BNP Paribas Fortis, 5 Aldermanbury Square, London EC2V 7HR. Details of the business of the Meeting are set out in the Notice of Meeting on pages 61 to 64, amongst which the Board is seeking Shareholders' approval of three special resolutions.

Continuation Vote

The Company's Articles of Association require the Board to put a proposal for the continuation of the Company to shareholders at two yearly intervals. The next continuation vote will be put to

shareholders at the forthcoming AGM in December, and the Directors strongly recommend shareholders vote in favour

Share Buybacks and Treasury Share Authority

At the AGM held on Wednesday, 5 December 2012, authorities for the Company to purchase 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

During the year ended 31 August 2013, the Company bought back 300,000 of its issued shares for holding 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 buy back its shares in the market for cancellation or holding in treasury for potential subsequent re-issue. No shares held in treasury will be re-issued at a discount wider than the discount prevailing at the time of acquisition. The authority to hold shares in treasury is in addition to the power to buy back shares for immediate cancellation.

Accordingly, a special resolution to authorise the Company to purchase up to 14.99% of the share capital in issue at the date of this Report for cancellation or for holding in treasury (up to a maximum of 10% of the share capital in issue at the date of this Report) will be proposed at the forthcoming AGM for which Notice is given on pages 61 to 64. Purchases will only be made if the Directors consider them to be for the benefit of the Company and its Shareholders, taking into account relevant factors and circumstances at the time.

Issues of New Shares and Disapplication of Pre-Emption Rights

In order to provide maximum flexibility, the Directors also wish to seek the power to allot new Ordinary shares for cash at a premium to the NAV at the forthcoming AGM.

The Directors intend to use this authority to issue new shares only if they believe it is advantageous both to new investors and to the Company's existing Shareholders to do so. If new Ordinary shares are to be allotted for cash, the Act requires such new shares to be offered first to existing holders of Ordinary shares. This entitlement is known as a "pre-emption right". In certain circumstances it is beneficial for the Directors to allot shares for cash otherwise than pro rata to existing Shareholders and the Act provides for Shareholders to give such power to the Directors by waiving their pre-emption rights. Therefore, resolutions will be proposed at the AGM which, if passed, will give the Directors power to allot Ordinary shares for cash on a non pre-emptive basis up to an aggregate nominal amount of £689,470.75, equivalent to 2,757,883 Ordinary shares of 25p each and 5% of the Company's existing issued Ordinary share capital on at the date of this Report.

Notice of General Meetings

At last year's AGM, a special resolution was passed allowing General Meetings of the Company to be called on a minimum notice period provided for in the Act. For meetings other than AGMs this is a period of 14 clear days.

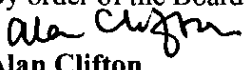
The Board believes that it should have the flexibility to convene General Meetings of the Company (other than AGMs) on 14 clear days' notice. The Board is therefore proposing Resolution 12 as a special resolution to approve 14 clear days as the minimum period of notice for all General Meetings of the Company other than AGMs. The authority, if given, will be effective until the Company's next AGM or until the expiry of 15 months from the date of the passing of the special resolution (whichever is earlier).

It is intended that a similar resolution will be proposed at the Company's next AGM.

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. The Board encourages your attendance at the AGM.

By order of the Board


Alan Clifton

Chairman

28 October 2013

Directors' Remuneration Report

Introduction

This report is submitted in accordance with Sections 420 to 422 of the Act. The report also meets the relevant Listing Rules of the FCA and describes how the Board has applied the principles relating to directors' remuneration. As required by the Act, a resolution to approve this report will be proposed at the AGM. The Company's Auditors are required to report on certain information contained within this report. Where information set out below has been audited, it is indicated as such.

Policy on Remuneration

The determination of the Directors' fees is a matter dealt with by the Board.

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. No element of the Directors' remuneration is performance-related.

Directors' fees are reviewed annually by the Board and, following the last review in July 2013, it was agreed that Directors' fees would remain unchanged as noted in the Directors' Emoluments table opposite.

All Directors have a Letter of Appointment with the Company. The Letters of Appointment are available for inspection at the Company's Registered Office during normal business hours and at the location of the AGM during the meeting. Directors do not have service contracts with the Company and no compensation is payable to Directors on leaving office. No Director, past or present, has any entitlement to a pension, share options or long-term performance incentives. It is the intention of the Board that the above policy will continue to apply in the forthcoming and subsequent financial years.

All Directors are appointed for an initial term covering the period from the date of their appointment until the first AGM thereafter, at which they are required to stand for election in accordance with the Company's Articles of Association. Thereafter, Directors retire by rotation at least every three years. The Chairman meets with each Director before he or she is proposed for re-election and, subject to the evaluation of performance carried out each year, the Board agrees whether it is appropriate for such Director to seek an additional term. When recommending whether an individual Director should seek re-election, the Board will take into account the ongoing recommendations of the AIC Code, including the need to refresh the Board and its Committees.

Directors' Emoluments (Audited)

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

	Level of Fees Effective from 1 September 2013 £	Year ended 31 August 2013 £	31 August 2012 £
Remuneration for Qualifying Services			
John Aston	31,500	31,500	30,000
Andrew Barker ⁽ⁱ⁾	—	—	24,163
Véronique Bouchet	27,000	27,000	26,000
Alan Clifton (Chairman)	41,000	41,000	30,946
David Clough	27,000	27,000	26,000
Jim Horsburgh ⁽ⁱⁱ⁾	27,000	15,600	—
Alex Hammond-Chambers ⁽ⁱⁱⁱ⁾	—	7,125	26,000
Total	153,500	149,225	163,109

⁽ⁱ⁾ resigned 13 April 2012

⁽ⁱⁱ⁾ appointed 1 February 2013

⁽ⁱⁱⁱ⁾ resigned 5 December 2012

Directors' and Officers Liability Insurance

Directors' and Officers Liability Insurance cover is held by the Company in respect of the Directors. The current policy has been in force during the financial period and will be due for renewal in April 2014.

Performance graph

The Company is required to show a graph of its performance over a five year period compared to that of a broad equity market index. The FTSE All-Share Index has been used for this purpose.

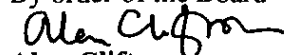
A graph showing the Company's share price total return, compared with the FTSE All-Share Index Total Return, over the last five years, is shown below. The data have been rebased to 100 at 31 August 2008 (the start of the period covered by the graph).

Share Price/FTSE All Share Index Performance (%)

[GRAPH]

Source: Share Price Total Return from Morningstar; FTSE All-Share Total Return from Thomson Datastream

By order of the Board


Alan Clifton

Chairman

28 October 2013

Management Report and Directors' Responsibilities Statement

in respect of the Annual Report

Management Report

Listed companies are required by the FCA's Disclosure and Transparency Rules (the "Rules") to include a management report in their annual financial statements. The information required to be in the management report for the purposes of the Rules is included in the Chairman's Statement on pages 6 and 7, the Investment Manager's Review on pages 8 to 10 and the Business Review as contained in the Director's Report on pages 17 and 18. Therefore, a separate management report has not been included.

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Group and Parent Company Financial Statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU"). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Parent Company and of the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgements and accounting estimates that are reasonable and prudent,
- State whether applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the Financial Statements, and
- Prepare Financial Statements on the going concern basis unless it is inappropriate to presume the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and the Group and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Act and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Parent Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Annual Report is published on the following website www.ibtplc.com, which is a website maintained by the Company's Investment Manager. The maintenance and integrity of the website maintained by the Investment Manager is, so far as it relates to the Company, the responsibility of the Investment Manager. The work carried out by the Auditors does not involve consideration of the maintenance and integrity of this website and accordingly, the Auditors accept no responsibility for any changes that have occurred to the Annual Report since it was initially presented on the website. Visitors to the website need to be aware that legislation in the UK governing the preparation and dissemination of the Annual Report may differ from legislation in their home jurisdiction.

Each of the Directors, whose names and functions are listed on page 5 of this Report, confirms that, to the best of his or her knowledge

- The Group Financial Statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group,
- The Directors' Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces, and

- As outlined on page 22 of this Report, the Directors have undertaken all necessary reviews to provide a going concern recommendation

In accordance with Section 418 of the Act, the Directors at the date of approval of this Report, as listed on page 5, confirm that

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

By order of the Board


Alan Clifton

Chairman

28 October 2013

Independent Auditors' Report

to the Members of International Biotechnology Trust plc

We have audited the Financial Statements of International Biotechnology Trust plc for the year ended 31 August 2013 which comprise the Group Statement of Comprehensive Income, the Group and Company Statements of Changes in Equity, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 30 and 31, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's Members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the Financial Statements

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 August 2013 and of the Group's profit and Group's and Company's cash flows for the year then ended,
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Parent Company's Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

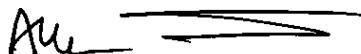
Under the Listing Rules we are required to review

- the Directors' Statement, set out on page 22, in relation to going concern,
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review, and
- certain elements of the report to shareholders by the Board on Directors' remuneration

Allan McGrath (Senior Statutory Auditor)

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

28 October 2013



Group Statement of Comprehensive Income

	Note	For the year ended 31 August 2013			For the year ended 31 August 2013		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments held at fair value	2	–	46,621	46,621	–	39,683	39,683
Exchange losses on currency balances		–	(204)	(204)	–	(179)	(179)
Income	3	562	–	562	380	260	640
Expenses							
Management fee	4	(1,660)	–	(1,660)	(1,269)	–	(1,269)
Administrative expenses	5	(840)	–	(840)	(802)	–	(802)
(Loss)/profit before finance costs and tax		(1,938)	46,417	44,479	(1,691)	39,764	38,073
Finance costs							
Interest payable	6	(13)	–	(13)	(20)	–	(20)
(Loss)/profit on ordinary activities before tax		(1,951)	46,417	44,466	(1,711)	39,764	38,053
Taxation	7	(38)	–	(38)	(42)	–	(42)
(Loss)/profit for the year attributable to owners of the parent		(1,989)	46,417	44,428	(1,753)	39,764	38,011
Basic and diluted (loss)/earnings per Ordinary share	8	(3.59)p	83.89p	80.30p	(3.16)p	71.58p	68.42p

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

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

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

The notes on pages 37 to 59 form part of these Financial Statements

Group and Company Statements of Changes in Equity

Group	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
For the year ended 31 August 2013							
Balance at 1 September 2012	14,002	18,805	27,815	45,596	44,265	(21,561)	128,922
Total Comprehensive Income:							
Profit/(loss) for the year	-	-	-	-	46,417	(1,989)	44,428
Transactions with owners, recorded directly to equity:							
Shares bought back and held in treasury	-	-	-	(678)	-	-	(678)
Shares cancelled from treasury	(63)	-	63	-	-	-	-
Balance at 31 August 2013	13,939	18,805	27,878	44,918	90,682	(23,550)	172,672
Note							
15,18							
15,17							
Group							
For the year ended 31 August 2012							
Balance at 1 September 2011	15,089	18,805	26,728	46,449	4,501	(19,808)	91,764
Total Comprehensive Income							
Profit/(loss) for the year	-	-	-	-	39,764	(1,753)	38,011
Transactions with owners, recorded directly to equity							
Shares bought back and held in treasury	-	-	-	(853)	-	-	(853)
Shares cancelled from treasury	(1,087)	-	1,087	-	-	-	-
Balance at 31 August 2012	14,002	18,805	27,815	45,596	44,265	(21,561)	128,922
Note							
15,18							
15,17							

Company For the year ended 31 August 2013	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
Balance at 1 September 2012	14,002	18,805	27,815	45,596	43,754	(21,561)	128,411
Total Comprehensive Income:							
Profit/(loss) for the year	-	-	-	-	46,417	(1,989)	44,428
Transactions with owners, recorded directly to equity:							
Shares bought back and held in treasury	15,18	-	-	(678)	-	-	(678)
Shares cancelled from treasury	15,17	(63)	63	-	-	-	-
Balance at 31 August 2013	13,939	18,805	27,878	44,918	90,171	(23,550)	172,161

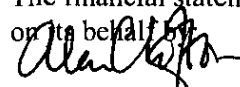
Company For the year ended 31 August 2012	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
Balance at 1 September 2011	15,089	18,805	26,728	46,449	3,990	(19,808)	91,253
Total Comprehensive Income							
Profit/(loss) for the year	-	-	-	-	39,764	(1,753)	38,011
Transactions with owners, recorded directly to equity							
Shares bought back and held in treasury	15,18	-	-	(853)	-	-	(853)
Shares cancelled from treasury	15,17	(1,087)	1,087	-	-	-	-
Balance at 31 August 2012	14,002	18,805	27,815	45,596	43,754	(21,561)	128,411

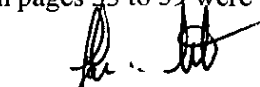
The notes on pages 37 to 59 form part of these Financial Statements

Group and Company Balance Sheets

		At 31 August 2013 Group £'000	At 31 August 2013 Company £'000	At 31 August 2012 Group £'000	At 31 August 2012 Company £'000
	Note				
Non-current assets					
Investments held at fair value through profit or loss	9	168,438	168,438	120,389	120,389
		<u>168,438</u>	<u>168,438</u>	<u>120,389</u>	<u>120,389</u>
Current assets					
Current asset investments	10	—	—	6,043	6,043
Receivables	11	2,823	2,823	355	355
Cash and cash equivalents	12	1,635	1,635	2,334	2,334
		<u>4,458</u>	<u>4,458</u>	<u>8,732</u>	<u>8,732</u>
Total assets		<u>172,896</u>	<u>172,896</u>	<u>129,121</u>	<u>129,121</u>
Current liabilities					
Payables	13	(224)	(735)	(199)	(710)
		<u>(224)</u>	<u>(735)</u>	<u>(199)</u>	<u>(710)</u>
Net assets		<u>172,672</u>	<u>172,161</u>	<u>128,922</u>	<u>128,411</u>
Equity attributable to equity holders					
Called up share capital	15	13,939	13,939	14,002	14,002
Share premium account	16	18,805	18,805	18,805	18,805
Capital redemption reserve	17	27,878	27,878	27,815	27,815
Share purchase reserve	18	44,918	44,918	45,596	45,596
Capital reserves	19	90,682	90,171	44,265	43,754
Revenue reserve	20	(23,550)	(23,550)	(21,561)	(21,561)
Total equity		<u>172,672</u>	<u>172,161</u>	<u>128,922</u>	<u>128,411</u>
Basic and diluted net asset value per Ordinary share	21	<u>313.05p</u>	<u>312.13p</u>	<u>232.47p</u>	<u>231.55p</u>

The financial statements on pages 33 to 59 were approved by the Board on 28 October 2013 and signed on its behalf by


Alan Clifton
Chairman


John Aston
Audit Committee Chairman

The notes on pages 37 to 59 form part of these Financial Statements

International Biotechnology Trust plc
Company Number 2892872

Group and Company Cash Flow Statements

		For the year ended 31 August 2013 Group £'000	For the year ended 31 August 2013 Company £'000	For the year ended 31 August 2012 Group £'000	For the year ended 31 August 2012 Company £'000
	Note				
Cash flows from operating activities					
Profit before finance costs and tax		44,479	44,479	38,073	38,073
Adjustments for					
(Increase) in investments		(48,049)	(48,049)	(24,522)	(24,522)
Decrease/(increase) in current asset investments		6,043	6,043	(6,043)	(6,043)
(Increase)/decrease in receivables		(2,468)	(2,468)	5,072	5,072
Increase/(decrease) in payables		25	25	(1,349)	(1,349)
Taxation		(38)	(38)	(42)	(42)
Net cash flows (used in)/generated from operating activities	22	(8)	(8)	11,189	11,189
Cash flows used in financing activities					
Share repurchase costs		(678)	(678)	(853)	(853)
Interest paid on bank overdrafts		(13)	(13)	(29)	(29)
Net cash used in financing activities		(691)	(691)	(882)	(882)
Net (decrease)/increase in cash and cash equivalents		(699)	(699)	10,307	10,307
Cash and cash equivalents at 1 September		2,334	2,334	(7,973)	(7,973)
Cash and cash equivalents at 31 August	12	<u>1,635</u>	<u>1,635</u>	<u>2,334</u>	<u>2,334</u>

The notes on pages 37 to 59 form part of these Financial Statements

Notes to the Financial Statements

1. Accounting Policies

The Group comprises International Biotechnology Trust plc (the “Company”) and its wholly owned subsidiary, IBT Securities Limited (the “Subsidiary”)

The nature of the Group’s operations and its principal activities are set out in the Report of the Directors on page 17

Consolidated and Company Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and those parts of the Companies Act 2006 (the “Act”) applicable to companies reporting under IFRSs. These comprise standards and interpretations approved by the International Accounting Standards Board (“IASB”) and International Accounting Standards Committee (“IASC”), as adopted by the EU.

For the purposes of the consolidated Financial Statements, the results and financial position of each entity is expressed in pounds Sterling, which is the functional currency of the Company and of its Subsidiary and the presentational currency of the Group. 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 Group’s operating expenses are paid.

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

(a) Basis of preparation

The consolidated and parent company Financial Statements have been prepared on a going concern basis and under the historical cost convention, as modified by the inclusion of investments at fair value through profit or loss.

Where presentational guidance set out in the Statement of Recommended Practice (“the SORP”) for investment trusts issued by The Association of Investment Companies (“the AIC”) in January 2009 is consistent with the requirements of IFRS, the Directors have sought to prepare the Financial Statements on a basis compliant with the recommendations of the SORP.

(b) Basis of consolidation

The consolidated Financial Statements of the Group comprise the Financial Statements of the Company and its Subsidiary. The Subsidiary is fully consolidated from the date on which control is transferred to the Group. Control is achieved where the Company has power to govern the financial and operating policies of an investee entity so as to obtain all the benefits from its activities. Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

No Statement of Comprehensive Income is presented for the Company, as permitted under Section 408 of the Act.

(c) 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 profit after taxation in the revenue column is the measure the Directors believe appropriate in assessing the Group’s compliance with certain requirements set out in Section 1158 Corporation Tax Act 2010 (“CTA”).

(d) 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 Group 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.

(e) Expenses and interest payable

Administrative expenses including the management fee and interest payable are accounted for on an accruals basis and are recognised when they fall due.

All expenses and interest payable have been presented as revenue items except as follows:

- Any performance fee payable is allocated wholly to capital, as it is primarily attributable to the capital performance of the Company's assets, and
- Transaction costs incurred on the acquisition or disposal of investments are expensed and included in the costs of acquisition or deducted from the proceeds of sale as appropriate.

(f) Taxation

Deferred tax is provided 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.

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

Investments are recognised or derecognised on the trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

On initial recognition all non-current asset investments are designated as held at fair value through profit or loss as defined by IFRSs. 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 Group has significant influence) are measured at fair value with gains and losses arising from changes in their fair value being included in net profit or loss for the year as a capital item

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

In respect of unquoted investments, or where the market for a financial instrument is not active, fair value is established by using various valuation techniques, in accordance with the International Private Equity and Venture Capital ("IPEVC") Valuation Guidelines (August 2010). These may include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to recent rounds of re-financing undertaken by investee companies involving knowledgeable parties, reference to the current fair value of another instrument that is substantially the same or an earnings multiple

As many of the unquoted investments are early stage investments, without revenue, valuation is also assessed up or down with reference to a range of factors among which are ability of portfolio company management to keep cash and operating budgets, clinical developments towards management and/or investor milestone targets, clinical trial data, progress of competitor products, performance and quality of the management team, litigation brought by or against the portfolio company, patent approval or challenge, the market for the product being developed and the broad climate of the economies of the countries in which they will likely be sold by reference to public stock market performance

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

(h) Current asset investments

Current asset investments are measured at fair value with gains and losses arising from their changes in fair value being included in the Statement of Comprehensive Income as a revenue item. Current asset investments comprise liquidity funds as disclosed in note 10. These are all short-term in nature and held for less than one year

(i) Investment in Subsidiary

The Company's investment in the Subsidiary is included at cost in the Company's Balance Sheet

(j) Foreign currencies

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

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

(k) Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources

The critical estimates and assumptions relate, in particular, to the valuation of unquoted investments, as summarised in (g) on the previous page

Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(l) Cash and cash equivalents

In the Statement of Cash Flows, cash and cash equivalents includes cash in hand, short-term deposits and bank overdrafts. These are held for the purpose of meeting short-term cash commitments rather than for investment or other purpose and cash balances are held at their value (translated to Sterling at the Balance Sheet date where appropriate) and are stated at £1.6m. In the Balance Sheet, bank overdrafts are shown within borrowings in current liabilities.

(m) 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.

(n) 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.

(o) Repurchase of Ordinary shares (including those held in treasury)

The costs of repurchasing Ordinary shares including related stamp duty and transaction costs are taken directly to equity and reported through the Statement of Changes in Equity as a charge on the share purchase reserve. Share repurchase 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.

(p) Reserves

(i) Capital redemption reserve:

The capital redemption reserve, which is non-distributable, holds the amount by which the nominal value of the Company's issued share capital is diminished when shares redeemed or purchased out of the Company's distributable reserves are subsequently cancelled.

(ii) Share premium account:

A non-distributable reserve, represents the amount by which the fair value of the consideration received exceeds the nominal value of shares issued.

(iii) Share purchase reserve:

A distributable reserve, which is used to finance the repurchase of shares in issue.

(iv) Capital reserves

The following are accounted for in this reserve:

- Gains and losses on the realisation of investments,
- Unrealised investment holding gains and losses,
- Foreign exchange gains and losses, and
- Performance fee

(v) Revenue reserve:

Comprises accumulated undistributed revenue profits available for distribution as dividends

(q) Accounting developments

At the date of authorisation of these Financial Statements, the following Standards and Interpretations were in issue. They are not yet mandatory, but are available for early adoption. They are not expected to have any significant impact on the Group or Company.

- IFRS 9, 'Financial Instruments: Classification and Measurement' (effective for annual periods beginning on or after 1 January 2015). This standard has not yet been adopted by the EU.
- IFRS 10, 'Consolidated Financial Statements' (effective for annual periods beginning on or after 1 January 2014).
- IFRS 11, 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2014).
- IFRS 12, 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2014).
- IFRS 13, 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2013).
- IAS 27 (revised 2011), 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2014).
- IAS 19 (amendment), 'Employee Benefits' (effective for annual periods beginning on or after 1 January 2013).
- IAS 28 (revised 2011), 'Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2014).
- IAS 32 (amendment), 'Offsetting Financial Assets and Liabilities' (effective for annual periods beginning on or after 1 January 2014).
- Additions to IFRS 9, 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2015).
- IFRS 10, 11 and 12 (amendment) transition guidance.
- IAS 12 (amendment), 'Income Taxes'.
- IFRS 7 (amendment), 'Financial Instruments: Disclosures', on offsetting financial assets and liabilities (effective for annual periods beginning on or after 1 January 2014).
- IFRS 10, 12 and IAS 21 (amendments) (effective for annual periods beginning on or after 1 January 2014).
- IAS 36 (amendment), 'Impairment of assets' (effective for annual periods beginning on or after 1 January 2014).

The following became effective during the year but had no impact on the Financial Statements:

- IAS 1, 'Financial Statement Presentation'.

2. Gains on Investments Held at Fair Value

	For the year ended 31 August 2013 £'000	For the year ended 31 August 2012 £'000
Net gains on disposal of investments at historic cost	27,065	24,336
Less fair value adjustments in earlier years	(8,685)	(5,221)
Gains based on carrying value at previous Balance Sheet date	18,380	19,115
Investment holding gains during the year	28,241	20,568
	<u>46,621</u>	<u>39,683</u>
Attributable to		
Listed investments	42,427	35,025
Unquoted investments	4,194	4,658
	<u>46,621</u>	<u>39,683</u>

3. Income

	For the year ended 31 August 2013 £'000	For the year ended 31 August 2012 £'000
Revenue		
Income from investments held at fair value through profit or loss		
Franked dividends	—	3
Unfranked dividends	377	276
Interest on debt securities	323	108
	<u>700</u>	<u>387</u>
Other income		
Income from current asset investments	(139)	(7)
Bank interest	1	—
	<u>562</u>	<u>380</u>
Capital		
Special dividends allocated to capital	—	260

4. Management and Performance Fees

	For the year ended 31 August 2013 £'000	For the year ended 31 August 2012 £'000
Fees payable to the Investment Manager are as follows		
Management fees (allocated to revenue)	1,660	1,269
	<u>1,660</u>	<u>1,269</u>

In the year ended 31 August 2013 a performance fee of £nil (2012 £nil) was earned by the Investment Manager

Details of the management and performance fee arrangements are included in the Directors' Report on pages 21 and 22

5. Administrative Expenses

	For the year ended 31 August 2013 £'000	For the year ended 31 August 2012 £'000
General expenses	462	398
Directors' fees*	149	163
Company Secretarial and administration fees	193	202
Auditors' remuneration		
Fees payable to the Group's auditors for the audit of the Annual Financial Statements	34	33
Fees payable to the Group's auditor for taxation compliance services	2	6
	840	802

* See the Directors' Remuneration Report on pages 28 and 29

6. Interest Payable

	For the year ended 31 August 2013 £'000	For the year ended 31 August 2012 £'000
Bank overdraft interest payable	13	20
	13	20

7. Taxation

(a) Analysis of charge in period:

	For the year ended 31 August 2013 £'000	For the year ended 31 August 2012 £'000
Overseas tax	38	42
Total current tax charge for the period	38	42

Under the Finance Act 2012, the standard rate of Corporation Tax in the UK changed from 24% to 23% with effect from 1 April 2013. Accordingly, the Company's profits for the accounting period to 31 August 2013 are taxed at an effective rate of 23.58% (2012: 25.17%).

(b) Factors affecting tax charge for the year

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

The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the UK for a medium or large company of 23% (2012 24%) The differences are explained below

	For the year ended 31 August 2013			For the year ended 31 August 2012		
	Revenue Group £'000	Capital Group £'000	Total Group £'000	Revenue Group £'000	Capital Group £'000	Total Group £'000
Factors affecting tax charge for the year						
Profit/(loss) on ordinary activities before taxation	(1,951)	46,417	44,466	(1,711)	39,764	38,053
Tax at the UK corporation tax rate of						
24% (2012 26%)	(273)	6,499	6,226	(260)	6,031	5,771
23% (2012 24%)	(187)	4,448	4,261	(171)	3,976	3,805
	(460)	10,947	10,487	(431)	10,007	9,576
Tax effect of						
Non-taxable dividend income	(81)	–	(81)	(45)	(65)	(110)
Capital returns on investments	–	(10,995)	(10,995)	–	(9,987)	(9,987)
Exchange losses	–	48	48	–	45	45
Expenses not utilised in the year	542	–	542	479	–	479
Overseas tax	38	–	38	42	–	42
Tax relief on overseas tax suffered	(1)	–	(1)	(3)	–	(3)
	38	–	38	42	–	42

(c) Provision for deferred taxation

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

(d) Factors that may affect future tax charges

At 31 August 2013 the Company had a potential deferred tax asset of £8,231,000 (2012 £8,937,000) on taxable losses, which is available to be carried forward and offset against future taxable profits. A deferred tax asset has not been provided on these losses as it is considered unlikely that the Company will make taxable revenue profits in the future and it is not liable to tax on capital gains. In addition to the reduction in the rate of Corporation Tax disclosed above, a further reduction to 20% will be effective from 1 April 2015. As this reduction was substantively enacted in July 2013, the potential deferred tax asset has been calculated using the 20% rate (2012 23%).

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

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

8. Net (Loss)/Earnings per Ordinary Share

	For the year ended 31 August 2013 £'000	For the year ended 31 August 2012 £'000
Net revenue loss	(1,989)	(1,753)
Net capital profit	46,417	39,764
	44,428	38,011
Weighted average number of Ordinary shares in issue during the year*	55,328,622	55,554,794
	Pence	Pence
Revenue loss per Ordinary share	(3.59)	(3 16)
Capital profit per Ordinary share	83.89	71 58
Total earnings per Ordinary share	80.30	68 42

*Excluding those held in treasury

The increase in the NAV per share from 232 47p (31 August 2012) to 313 05p (31 August 2013) includes the total profit per share as disclosed above and the effect of the Company, during the year, repurchasing shares at a discount to the prevailing NAV per share

9. Investments Held at Fair Value Through Profit or Loss

(a) Analysis of investments

	At 31 August 2013 Group £'000	At 31 August 2013 Company* £'000	At 31 August 2012 Group £'000	At 31 August 2012 Company* £'000
Listed in the United Kingdom	1,170	1,170	2,834	2,834
Listed overseas	139,999	139,999	96,981	96,981
	141,169	141,169	99,815	99,815
Unquoted in the United Kingdom	3,060	3,060	2,500	2,500
Unquoted overseas	24,209	24,209	18,074	18,074
Valuation of investments at 31 August	168,438	168,438	120,389	120,389

* The subsidiary is held at cost of 100 Ordinary shares of £1 each fully paid, and held by the Company

(b) Movements on investments

	For the year ended 31 August 2013 Group £'000	For the year ended 31 August 2013 Company £'000	For the year ended 31 August 2012 Group £'000	For the year ended 31 August 2012 Company £'000
Opening book cost	110,741	110,741	101,566	101,566
Opening fair value adjustment	9,648	9,648	(5,699)	(5,699)
Opening valuation	120,389	120,389	95,867	95,867
Purchases at cost	124,026	124,026	67,023	67,023
Proceeds of disposals	(122,594)	(122,594)	(82,184)	(82,184)
Net gains realised on disposals	18,380	18,380	19,115	19,115
Amortisation on fixed interest securities	(4)	(4)	—	—
Increase in fair value adjustment	28,241	28,241	20,568	20,568
Valuation of investments at 31 August	168,438	168,438	120,389	120,389
Closing book cost	139,234	139,234	110,741	110,741
Closing fair value adjustment	29,204	29,204	9,648	9,648
Closing valuation	168,438	168,438	120,389	120,389

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

	For the year ended 31 August 2013 £'000	For the year ended 31 August 2012 £'000
On acquisitions	70	36
On disposals	73	51
	143	87

(c) Subsidiary undertaking

Company and business	Country of registration, incorporation and operation	Number and class of shares held by the Company	Holding
IBT Securities Limited*	England and Wales	100 Ordinary shares of £1	100%

*investment holding company

The investment is stated in the Company's Financial Statements at cost, which is considered by the Directors to equate to fair value

(d) Significant undertakings

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

	Class of shares held	% of class held	Country of incorporation
Affinium	Series A	3 60%	USA
Affinium	Note	6 60%	USA
Allocure	Series A Pref	6 70%	USA
Allocure	Series B Pref	4 70%	USA
Aptiv Solutions	Series A	6 20%	USA
Aptiv Solutions	15% Unsecured Convertible Note	50 00%	USA
Atopix Therapeutics	Series A Pref	6 03%	UK
Archemix	Series B	3 80%	USA
Celerion Series A	Series A	3 51%	USA
EBR Systems	Series C	7 28%	USA
EBR Systems	Series D	6 54%	USA
EBR Systems	Secured Convertible Notes	4 10%	USA
Entellus Medical	Series C	13 30%	USA
Itero Holdings	Class A-NV units in LLC	5 70%	USA
Ikano Therapeutics Liquidating trust	Units	6 41%	USA
Kalvista Pharmaceuticals	Series A	4 17%	UK
Karus Therapeutics	Series B Pref	18 00%	UK
NCP Holdings	Series A Convertible	3 10%	USA
Oncoethics	Series B Preferred	4 60%	France
Ophthotech	Series B Preferred	3 33%	USA
Oxagen	Series A Pref	4 63%	UK
Oxagen	Series B Pref	9 10%	UK
Oxagen	Series C Pref	4 18%	UK
ReShape	Series B	10 00%	USA
ReShape	Series C Pref	4 20%	USA
Ricerca	Series 1 Pref	7 03%	USA
Sutro Biopharma	Series B	3 93%	USA
TransEntrix	Series A	7 50%	USA
TransEntrix	Series B-1	4 21%	USA
TransEntrix	Bridge Loan	4 30%	USA

(e) Disposals of unquoted investments

There were no significant unquoted investment disposals during the year

(f) Significant changes in fair values of unquoted investments

During the year under review the following unquoted investments were written up/(down) by a significant extent (adjusted for currency movements)

	Write up/ (down) £'000
ESBATEch	728
EUSA Pharma	421
Ikano Therapeutics	1,671
Itero Holdings	663
Lux Biosciences	(1,296)
Ophthotech	1,232
TransEnterix	360
Vantia	(531)

10. Current Asset Investments

	At 31 August 2013 Group £'000	At 31 August 2013 Company £'000	At 31 August 2012 Group £'000	At 31 August 2012 Company £'000
HSBC US Dollar Liquidity Fund	—	—	2,518	2,518
Prime Rate Sterling Liquidity Fund	—	—	1,005	1,005
Prime Rate US Dollar Liquidity Fund	—	—	2,520	2,520
	<u>—</u>	<u>—</u>	<u>6,043</u>	<u>6,043</u>

11. Receivables

	At 31 August 2013 Group £'000	At 31 August 2013 Company £'000	At 31 August 2012 Group £'000	At 31 August 2012 Company £'000
Amounts due within one year				
Sales awaiting settlement	2,726	2,726	—	—
Accrued income	68	68	330	330
Prepaid expenses	20	20	15	15
Tax recoverable	1	1	1	1
VAT recoverable	8	8	9	9
	<u>2,823</u>	<u>2,823</u>	<u>355</u>	<u>355</u>

12. Cash and Cash Equivalents

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

	At 31 August 2013 Group £'000	At 31 August 2013 Company £'000	At 31 August 2012 Group £'000	At 31 August 2012 Company £'000
Cash at bank	<u>1,635</u>	<u>1,635</u>	<u>2,334</u>	<u>2,334</u>

The Company has a £15 0m uncommitted multi-currency overdraft facility. On 31 August 2013, £nil (2012 £nil) was drawn down. The principal covenants relating to this facility are that there must be at least twenty investments in the portfolio and that performance must not fall 15% in a month, 25% in two months or 30% in any six month period. The Company has complied with the terms of the facility throughout the financial year.

13. Payables

	At 31 August 2013 Group £'000	At 31 August 2013 Company £'000	At 31 August 2012 Group £'000	At 31 August 2012 Company £'000
Amounts falling due within one year				
Purchases awaiting settlement	–	–	8	8
Accrued expenses	224	224	191	191
Amount due to subsidiary	–	511	–	511
	<u>224</u>	<u>735</u>	<u>199</u>	<u>710</u>

14. Capital Commitments, Contingent Assets and Liabilities

The Company is committed to further investment in the following investee companies, subject to the fulfilment of certain conditions

2013 Autifony £300,000, Allocure £294,000, Convergence Pharmaceuticals £70,000, Karus Therapeutics £767,000, Oncoethix £499,000 and Ricerca £41,000

(2012 Calchan £91,000, Convergence Pharmaceuticals £91,000, EBR Systems £101,000, Entellus Medical £175,000, Kalvista Pharmaceuticals £194,000, Karus Therapeutics £767,000, Ricerca £41,000 and Vantia £278,000)

15. Called Up Share Capital

	Ordinary shares of 25p each at 31 August 2013	Ordinary shares of 25p each at 31 August 2012	Nominal value at 31 August 2013 £'000	Nominal value at 31 August 2012 £'000
Allotted, Called up and Fully paid				
Ordinary shares in issue	55,157,663	55,457,663	13,789	13,864
Ordinary shares held in treasury	600,000	550,000	150	138
	<u>55,757,663</u>	<u>56,007,663</u>	<u>13,939</u>	<u>14,002</u>

During the year 300,000 Ordinary shares were repurchased to be held in treasury at a cost of £678,000 (2012 550,000 shares at a cost of £853,000)

250,000 (2012 4,350,000) Ordinary shares held in treasury were cancelled during the year

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

16. Share Premium Account (Group and Company)

	At 31 August 2013 £'000	At 31 August 2012 £'000
Balance brought forward	18,805	18,805
Balance carried forward	<u>18,805</u>	<u>18,805</u>

17. Capital Redemption Reserve (Group and Company)

	At 31 August 2013 £'000	At 31 August 2012 £'000
Balance brought forward	27,815	26,728
Nominal value of 250,000 (2012 4,350,000) Ordinary shares cancelled from treasury	63	1,087
Balance carried forward	<u>27,878</u>	<u>27,815</u>

18. Share Purchase Reserve (Group and Company)

	At 31 August 2013 £'000	At 31 August 2012 £'000
Balance brought forward	45,596	46,449
Cost of shares bought back and held in treasury	(678)	(853)
Balance carried forward	<u>44,918</u>	<u>45,596</u>

19. Capital Reserves

	At 31 August 2013 Group £'000	At 31 August 2013 Company £'000	At 31 August 2012 Group £'000	At 31 August 2012 Company £'000
Balance brought forward	44,265	43,754	4,501	3,990
Gains on investments	46,621	46,621	39,683	39,683
Special dividend, allocated to capital	—	—	260	260
Realised exchange losses on currency balances	(204)	(204)	(179)	(179)
Balance carried forward	<u>90,682</u>	<u>90,171</u>	<u>44,265</u>	<u>43,754</u>
The capital reserves may be further analysed as follows				
Reserve on investments sold	61,478	60,967	34,617	34,106
Reserve on investments held	29,204	29,204	9,648	9,648
	<u>90,682</u>	<u>90,171</u>	<u>44,265</u>	<u>43,754</u>

20. Revenue Reserve (Group and Company)

	At 31 August 2013 £'000	At 31 August 2012 £'000
Balance brought forward	(21,561)	(19,808)
Net loss for the year	(1,989)	(1,753)
Balance carried forward	<u>(23,550)</u>	<u>(21,561)</u>

As permitted by section 408 of the Act, the Company has not presented its own Statement of Comprehensive Income. The loss for the year of the Company amounted to £1,989,000 (2012 £1,753,000)

21. Net Asset Value per Ordinary Share

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

	At 31 August 2013 Group	At 31 August 2013 Company	At 31 August 2012 Group	At 31 August 2012 Company
NAV (£'000)	<u>172,672</u>	<u>172,161</u>	<u>128,922</u>	<u>128,411</u>
Number of Ordinary shares in issue	<u>55,157,663</u>	<u>55,157,663</u>	<u>55,457,663</u>	<u>55,457,663</u>
Basic NAV per Ordinary share (pence)	<u>313.05</u>	<u>312.13</u>	<u>232.47</u>	<u>231.55</u>

22. Notes to the Cash Flow Statement

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

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

	For the year ended 31 August 2013 Group and Company £'000	For the year ended 31 August 2012 Group and Company £'000
Proceeds on disposal of fair value through profit and loss investments	119,868	87,558
Purchases of fair value through profit and loss investments	(124,034)	(67,883)
Net cash (outflow)/inflow from investing activities	(4,166)	19,675
Net sale/(purchase) of current asset investments	5,906	(6,063)
Cash flows from other operating activities	(1,748)	(2,423)
Net cash flows (used in)/generated from operating activities	(8)	11,189

23. Transactions With The Investment Manager And Related Party Transactions

(a) Transactions with the Manager

Details of the management fee arrangement are given in the Directors' Report on pages 21 and 22

The total fee payable under this Agreement to SVLS ("the Investment Manager") for the year ended 31 August 2013 was £1,660,000 (2012 £1,269,000) of which £nil (2012 £nil) was outstanding at the year end. In addition to this, SVLS is also entitled to a performance fee of £nil (2012 £nil)

SVLS will often take seats on boards of companies in which the Company holds an investment. These positions help to monitor the investee companies and in many cases add to the strength and depth of management. They sometimes provide an economic benefit to the individual who takes the position – often in the form of a director's fee or share awards. SVLS has agreed with the Board a set of guidelines on how any economic interest will be divided between the Company and SVLS. The Board is informed of both the position held and any economic benefits as they arise and a summary of all the positions, benefits and allocations is presented for review at each Board meeting for formal approval. During the year ended 31 August 2013 £nil (2012 £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 2013 was £149,225 (2012 £163,109) of which £38,375 (2012 £nil) was outstanding at the year end.

At 31 August 2013 there was an outstanding balance of £511,000 due to Subsidiary, IBT Securities Limited (2012 £511,000 due to Subsidiary).

24. Financial Instruments

Risk management policies and procedures

The Group's financial assets and liabilities, in addition to short-term debtors and creditors and cash, comprise financial instruments which include investments in equity and liquidity funds.

The holding of securities, investment activities and associated financing undertaken pursuant to the investment policy involve certain inherent risks. Events may occur that would result in either a reduction in the Group's net assets or a reduction of the total return.

The main risks arising from the Group's pursuit of its investment objective (see page 2) are those that affect stock market levels – market risk. In addition, there are specific risks inherent in investing in the

biotechnology sector The Board reviews and agrees policies for managing these risks, as summarised below These policies have remained substantially unchanged throughout the current and preceding year

1 Market Risk

The fair value or future cash flows of a financial instrument held by the Group may fluctuate because of changes in market prices This market risk comprises three elements – price risk, currency risk and interest rate risk The Investment Manager assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis

a. Price Risk

The Company is an investment company and as such its performance is dependent on the valuation of its investments A detailed breakdown of the investment portfolio is given on pages 11 to 15 and in the Investment Manager's Review on pages 8 to 10 Market price risk arises mainly from uncertainty about future prices of the financial instruments held

Management of the risk

The Board regularly considers the asset allocation of the portfolio as part of the process of managing the risks associated with the biotechnology sector, described in greater detail in the section on specific risk, whilst continuing to follow the investment objective

It is not the Group's current policy to use derivative instruments to hedge the investment portfolio against market price risk

Price risks exposure

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

	At 31 August 2013 Group £'000	At 31 August 2013 Company £'000	At 31 August 2012 Group £'000	At 31 August 2012 Company £'000
Non-current asset investments at fair value through profit or loss	168,438	168,438	120,389	120,389
Total	168,438	168,438	120,389	120,389

The level of assets exposed to market price risk increased by approximately 40% during the year, through a combination of acquisitions of investments and increases in fair values

Concentration of exposure to price risk

The Company normally holds around 70 investments, in a mixture of listed and unquoted investments in a variety of countries, which significantly spreads the risk of individual investments performing poorly and reduces the concentration of exposure The classification of investments by sector and region is provided on page 16

Price risk sensitivity

The following table illustrates the sensitivity of the profit for the year and the equity to an increase or decrease of 10% in the fair values of the Company's investments This level of change is considered to be reasonably possible based on observation of current market conditions The sensitivity analysis is based on the Company's investments at each Balance Sheet date, with all other variables held constant

Group and Company:

	31 August 2013 Increase in fair value £'000	31 August 2013 Decrease in fair value £'000	31 August 2012 Increase in fair value £'000	31 August 2012 Decrease in fair value £'000
Effect on revenue return	(194)	194	(138)	138
Effect on capital return	16,844	(16,844)	12,039	(12,039)
Effect on total return and net assets	<u>16,650</u>	<u>(16,650)</u>	<u>11,901</u>	<u>(11,901)</u>

b. Currency Risk

The Financial Statements and performance of the Group are denominated in Sterling. However, the majority of the Group's assets and the total return are denominated in US Dollars, accordingly the total return and capital value of the Group's investments can be significantly affected by movements in foreign exchange rates. It is not the Group's policy to hedge against foreign currency movement. The geographical split of investments is detailed on page 16.

Management of the risk

The Investment Manager monitors the Group'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 Group's monetary items that have foreign currency exposure at 31 August 2013 are shown below.

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

	At 31 August 2013 Group and Company £'000	At 31 August 2012 Group and Company £'000
Monetary assets/(liabilities)		
Cash and short-term receivables		
US Dollars	1,411	7,256
Short-term receivables		
US Dollars	2,763	–
Swiss Francs	6	–
Australian Dollars	4	–
Short-term payables		
US Dollars	–	(8)
Foreign currency exposure on net monetary items	<u>4,184</u>	<u>7,248</u>
Non-current asset investments held at fair value		
US Dollars	160,673	109,150
Euros	1,539	–
Swiss Francs	1,059	2,953
Danish Krone	633	538
Norwegian Krone	270	–
Australian Dollars	252	3,864
Total net foreign currency exposure	<u>168,610</u>	<u>123,753</u>

At the year end, approximately 98% (2012: 96%) of the Group's net assets were denominated in currencies other than Sterling. This level of exposure is broadly representative of the levels throughout the year.

Foreign currency sensitivity

During the financial year Sterling depreciated by 2.6% against the US Dollar, depreciated by 6.9% against the Euro and depreciated by 4.7% against the Swiss Franc (2012 depreciated 2.4%, appreciated 11.4% and appreciated 15.2% respectively). It is not possible to forecast how much rates might move in the next year, but based on the movements in the three major currencies above in the last two years, it appears reasonably possible that rates could change by as much as 10%.

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

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

	At 31 August 2013 £'000	At 31 August 2012 £'000
US Dollars	16,485	11,640
Euros	154	–
Swiss Francs	107	295
Danish Krone	63	54
Norwegian Krone	27	–
Australian Dollars	25	386
	<u>16,861</u>	<u>12,375</u>

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

	At 31 August 2013 £'000	At 31 August 2012 £'000
US Dollars	(16,485)	(11,640)
Euros	(154)	–
Swiss Francs	(107)	(295)
Danish Krone	(63)	(54)
Norwegian Krone	(27)	–
Australian Dollars	(25)	(386)
	<u>(16,861)</u>	<u>(12,375)</u>

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 Group's objectives.

c. Interest rate risk

The Group will be affected by interest rate changes as it holds interest-bearing financial assets and liabilities. Interest rate changes will also have an impact in the valuation of investments, although this forms part of price risk, which is considered separately above.

Management of the risk

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

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

At the year end £nil (2012 £nil) was drawn down under the Company's committed overdraft facility

It is not the Group'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 2013, 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

Group and Company:

	At 31 August 2013			At 31 August 2012		
	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	1,635	–	1,635	2,334	–	2,334
Current asset investments	–	–	–	6,043	–	6,043
Exposure to fixed interest rates						
Non-current asset investments held at fair value through profit or loss	62	2,903	2,965	44	1,889	1,933
Total exposure to interest rates	1,697	2,903	4,600	8,421	1,889	10,310

The weighted average interest rate for the fixed rate financial assets was 11.5% (2012 15.0%) and the effective period for which the rate was fixed was 3.2 years (2012 2.9 years)

The above amounts are not necessarily representative of the exposure to interest rates in the year ahead, as the level of cash or cash like assets such as money market funds and borrowings varies during the year according to the performance of the stock market, events within the wider economy and opportunities within the unquoted market and the Investment Manager's decisions on the best use of cash or borrowings over the period. During the year under review the level of financial assets and liabilities exposed to interest rates fluctuated between £133,000 and £11.3m

Interest rate sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year and equity to an increase or decrease of 50 (2012 50) basis points in interest rates in regard to the Group'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 Group's monetary financial instruments held at each Balance Sheet date, with all other variables held constant.

	31 August 2013 Increase in rate £'000	31 August 2013 Decrease in rate £'000	31 August 2012 Increase in rate £'000	31 August 2012 Decrease in rate £'000
Effect on revenue return	8	(8)	42	(42)
Effect on capital return	–	–	–	–
Effect on total return and on net assets	8	(8)	42	(42)

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

2. Credit risk

In undertaking purchases and sales of investments, there is a risk that the counterparty will not deliver the investment before or after the Group has fulfilled its responsibilities. Additionally, the Group has funds on deposit with banks or in money market funds. HSBC Bank plc is the Custodian of the Company's assets, however the Company's assets are segregated from HSBC's own trading assets and are therefore protected from Creditors in the event that HSBC were to cease trading.

Management of the risk

During the year the Group bought and sold investments only through brokers which had been approved by the Investment Manager as acceptable counterparties. In addition, limits are set as to the maximum exposure to any individual broker that may exist at any time. These limits are reviewed regularly.

During the year all deposits placed were with banks or in money market funds that had ratings of 'A' or higher.

Credit risk exposure

The maximum exposure to credit risk at the year end comprised

	At 31 August 2013 Group & Company £'000	At 31 August 2012 Group & Company £'000
Sales awaiting settlement	2,726	–
Accrued income	68	330
Cash at bank	1,635	2,334
Current asset investments	–	6,043
	<u>4,429</u>	<u>8,707</u>

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.

3. Liquidity risk

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

Management of the risk

Liquidity and cash flow risk are minimised as the Investment Manager aims to hold sufficient Group assets in the form of readily realisable securities which can be sold to meet funding commitments as necessary. In addition, the Group has an overdraft facility with HSBC Bank of £15.0m.

It should be noted, however, that investments in unquoted securities will not be readily realisable. Furthermore, even where the Group holds an investment in quoted securities, the Group 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 Group being privy to confidential price sensitive information as a result of the Investment Manager's active involvement in that company.

Liquidity risk exposure

A summary of the Company's financial liabilities is provided on the next page in sub-note 6.

4. Specific risk

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

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

- (b) a significant proportion of the Group's investments will be in companies whose securities are not publicly traded or freely marketable and may, therefore, be difficult to realise. In addition, there are inherent difficulties in valuing unquoted investments and the realisations from sales of investments could be less than their carrying value,
- (c) biotechnology companies typically have a limited product range and those products may be subject to extensive government regulation. Obtaining necessary approval for new products can be a lengthy process, which is expensive and uncertain as to outcome,
- (d) technological advances can render existing biotechnology products obsolete,
- (e) intense competition exists in certain product areas in relation to obtaining and sustaining proprietary technology protection and the complex nature of the technologies involved can lead to patent disputes,
- (f) certain biotechnology companies may be exposed to potential product liability risks, particularly in relation to the testing, manufacturing and sales of healthcare products,
- (g) biotechnology companies spend a considerable proportion of their resources on R&D, which may be commercially unproductive or require the injection of further funds to exploit the results of their work, and
- (h) the growing cost of providing healthcare has placed financial strains on governments, insurers, employers and individuals, all of whom are searching for ways to reduce costs. As a result, certain areas may be affected by price controls and reimbursement limitations

5. Fair values of financial assets and financial liabilities

All financial assets and liabilities are either carried in the Balance Sheet at fair value or the Balance Sheet amount is a reasonable approximation of fair value. The fair value of listed 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 IPEVCV Guidelines. The methods commonly used to value unquoted securities are stated in accounting policy 1(g).

6. Summary of financial assets and financial liabilities by category

The carrying amounts of the Group'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 (Group and Company)

	At 31 August 2013 £'000	At 31 August 2012 £'000
Financial assets at fair value through profit or loss		
Non-current asset investments – designated as such on initial recognition	168,438	120,389
Loans and receivables		
Current assets		
Current asset investments	–	6,043
Receivables	2,802	339
Cash and cash equivalents	1,635	2,334
	4,437	8,716

Financial liabilities

	At 31 August 2013 Group £'000	At 31 August 2013 Company £'000	At 31 August 2012 Group £'000	At 31 August 2012 Company £'000
Measured at amortised cost				
Creditors amounts falling due within one month				
Purchases awaiting settlement	–	–	8	8
Accruals	224	224	191	191
Amount due to subsidiary	–	511	–	511
	<u>224</u>	<u>735</u>	<u>199</u>	<u>710</u>

7. Classification under the fair value hierarchy

The table below sets out fair value measurements using the IFRS 7 fair value hierarchy

Financial assets at fair value through profit or loss (Group and Company)

	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
At 31 August 2013				
Equity investments	165,131	139,466	740	24,925
Fixed interest investments	3,307	963	–	2,344
	<u>168,438</u>	<u>140,429</u>	<u>740</u>	<u>27,269</u>
At 31 August 2012				
Equity investments	118,249	99,784	31	18,434
Fixed interest investments	2,140	–	–	2,140
	<u>120,389</u>	<u>99,784</u>	<u>31</u>	<u>20,574</u>

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

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

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

	At 31 August 2013	At 31 August 2012
Opening valuation	20,574	17,361
Acquisitions	3,469	4,580
Disposal proceeds	(968)	(6,025)
Total gains/(losses) included in the Statement of Comprehensive Income		
– on assets sold	422	2,915
– on assets held at the year end	3,772	1,743
Closing valuation	<u>27,269</u>	<u>20,574</u>

8. Capital management policies and procedures

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

The Company's debt and capital structure comprises the following

	At 31 August 2013	At 31 August 2012
Debt		
Bank overdraft	—	—
Equity		
Called up share capital	13,939	14,002
Reserves	158,222	114,409
	<u>172,161</u>	<u>128,411</u>
Total debt and equity	<u>172,161</u>	<u>128,411</u>

The Company's capital is managed to ensure that it will continue as a going concern and to maximise the capital return to its equity Shareholders over the longer-term

The Board, with the assistance of the Investment Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This includes consideration of

- (i) the buy back or issuance of equity shares,
- (ii) the level of gearing, if any, and
- (iii) dividend payments, if any

The Company is subject to externally imposed capital requirements through the Act, with respect to its status as a public limited company

In addition, with respect to the obligation and ability to pay dividends, the Company must comply with the provisions of Section 1158 CTA and the Act respectively

25. Segmental Reporting

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

The Board is of the opinion that the Group is engaged in a single segment of business, namely the investment in development staged biotechnology and other life sciences companies in accordance with the Company's investment objective, and consequently no segmental analysis is provided.

26. Exchange Rates

Foreign currency assets and liabilities have been translated into Sterling on the Balance Sheet dates at the following rates of exchange

	At 31 August 2013	At 31 August 2012
Australian Dollars	1.73682	1.53695
Danish Krone	8.75136	9.38959
Euros	1.17314	1.26011
Norwegian Krone	9.48018	9.20058
Swiss Francs	1.44233	1.51307
US Dollars	<u>1.54690</u>	<u>1.58836</u>

27. Post Balance Sheet Events

The value of the investment portfolio as reported at 31 August 2013 in these Financial Statements includes revisions to certain investment values as shown below, based on events that occurred in September 2013 (details of which are included in the Investment Manager's Review on page 8)

Ophthotech – written up by £1 2m, TransEnterix – written up by £0 3m, and Vantia – written down by £0 6m

Company Summary, Shareholder Information, Directors and Advisers

Company Status

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

Life of the Company

The Company's Articles of Association provide for Directors to put forward a proposal for the continuation of the Company at the Company's AGM at two-yearly intervals Accordingly, a proposal will be put forward at the AGM on 11 December 2013

Share Price and Net Asset Value Information

The Company's shares are listed on the London Stock Exchange The Company's share price is quoted daily in the Financial Times and The Times

The Company releases its NAV per share to the market on a daily basis

Association of Investment Companies

The Company is a member of the Association of Investment Companies ("the AIC") Further information on the AIC can be found at its website, www.theaic.co.uk

2014 Financial Calendar

April	Half Yearly Results announced
31 August	Year End
October	Annual Results announced
December	AGM

Shares in Issue

As at 28 October 2013, the Company had 55,157,663 Ordinary shares of 25p each in issue and 600,000 Ordinary shares of 25p each in treasury

Website

The Company maintains a website, which is located at www.ibtplc.com The site provides share price and NAV information as well as details of the Board of Directors and Investment Manager, information on investee companies, monthly fact sheets, the latest published Annual and Half Yearly Financial Statements and access to recent market announcements

Directors

Alan Clifton (Chairman)
John Aston (Audit Committee Chairman)
Véronique Bouchet
David Clough
Jim Horsburgh

Advisers

Investment Manager

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

Company Secretary and Registered Office

BNP Paribas Secretarial Services Limited
55 Moorgate, London EC2R 6PA
Telephone 0141 225 3009
Email secretarialservice@uk.bnpparibas.com

Administrator, Banker and Custodian

HSBC Bank plc
8 Canada Square, London E14 5HQ

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Erskine House, 68-73 Queen Street, Edinburgh EH2 4NH

Stockbroker

Cenkos Securities plc
67 8 Tokenhouse Yard, London EC2R 7AS

Registrar

Equiniti Limited
Aspect House, Spencer Road
Lancing, West Sussex BN99 6DA
Shareholder Helpline 0871 384 2624*
Overseas Helpline +44 121 415 7047
Website www.shareview.co.uk

*Calls to this number are charged at 8p per minute plus network extras

Notice of Meeting

Notice is hereby given that the Annual General Meeting ("AGM") of International Biotechnology Trust plc will be held at 12 noon on Wednesday, 11 December 2013 at BNP Paribas Fortis, 5 Aldermanbury Square, London EC2V 7HR, to consider and, if thought fit, to pass the following resolutions, of which resolutions 1 to 9 will be proposed as ordinary resolutions and resolutions 10 to 12 will be proposed as special resolutions

Ordinary Resolutions

- 1 To receive the Directors' Report and the audited Financial Statements for the year ended 31 August 2013
- 2 To approve the Directors' Remuneration Report for the year ended 31 August 2013
- 3 To re-elect Mr Alan Clifton as a Director of the Company
- 4 To re-elect Dr David Clough as a Director of the Company
- 5 To elect Mr Jim Horsburgh as a Director of the Company
- 6 To re-appoint PricewaterhouseCoopers LLP as the Independent Auditors of the Company from the conclusion of this meeting until the conclusion of the next Annual General Meeting at which the Financial Statements are laid before Members
- 7 To authorise the Directors to determine the Auditors' remuneration
- 8 To consider and, if thought fit, pass the following resolution
THAT, in accordance with the Articles of Association, the Company should continue as an investment trust for a further two year period
- 9 THAT, the Board be authorised to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company
 - (a) up to a nominal amount of £689,470 75 (being 5% of the issued Ordinary share capital at the date of this Notice), and
 - (b) comprising equity securities (as defined in the Companies Act 2006) up to a nominal amount of £1,378,941 50 (including within such limit any shares and rights to subscribe for or convert any security into shares allotted under paragraph (a) above) in connection with an offer by way of a rights issue or other pre-emptive offer
 - (i) to Ordinary Shareholders in proportion (as nearly as may be practicable) to their existing holdings, and
 - (ii) to holders of other equity securities as required by the rights of those securities or as the Board otherwise considers necessary, and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authorities to apply until the end of the AGM to be held in 2014 (or 15 months from the date of passing this resolution, whichever is earlier, unless previously revoked, varied or renewed, by the Company in General Meeting) but, in each case, so that the Company may make offers and enter into agreements during the relevant period which would, or might, require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends and the Board may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authorities had not ended

Special Resolutions

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

- 10 THAT, if resolution 9 is passed, the Board be given power to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that resolution and/or where the allotment is treated as an allotment of equity securities under Section 560(2)(b) of the Companies Act 2006, as if Section 561(1) of the Companies Act 2006 did not apply, such power to be limited
- (a) to the allotment of equity securities in connection with an offer of equity securities (but in the case of the authority granted under paragraph (b) of resolution 9, by way of a rights issue or other pre-emptive offer of equity securities only)
 - (i) to Ordinary Shareholders in proportion (as nearly as may be practicable) to their existing holdings, and
 - (ii) to holders of other equity securities, as required by the rights of those securities or, as the Board otherwise considers necessary, and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, and
 - (b) in the case of the authority granted under paragraph (b) of resolution 9 and/or in the case of any transfer of treasury shares which is treated as an allotment of equity securities under Section 560(2)(b) of the Companies Act 2006, to the allotment (otherwise than under paragraph (a) above) of equity securities up to a nominal amount of £689,470 75, equivalent to 2,757,883 Ordinary shares, (being 5% of the issued Ordinary share capital at the date of this Notice), such power to apply until the end of the AGM to be held in 2014 (or, 15 months from the date of passing this resolution, whichever is earlier, unless previously revoked, varied or renewed, by the Company in General Meeting) but during this period the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted after the power ends and the Board may allot equity securities under any such offer or agreement as if the power had not ended
- 11 THAT, the Company be generally and unconditionally authorised, for the purposes of Section 701 of the Companies Act 2006 to make one or more market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of Ordinary shares of 25p each in the capital of the Company, subject to the following restrictions and provisions
- (a) the maximum number of Ordinary shares hereby authorised to be purchased is 8,268,133 (being 14.99% of the issued Ordinary share capital at the date of this Notice),
 - (b) the maximum price, exclusive of expenses, which may be paid for any such Ordinary share shall be the higher of
 - (i) an amount equal to 105% of the average of the closing middle market quotations for an Ordinary share (as derived from the London Stock Exchange Daily Official List) for the five Business Days immediately preceding the day on which that Ordinary share is contracted to be purchased, and
 - (ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange at the time the purchase is carried out,
 - (c) the minimum price which may be paid for such Ordinary share is 25p per share, and
 - (d) unless previously revoked or varied the authority conferred hereby shall expire at the end of the AGM of the Company to be held in 2014 or, if earlier, on the expiry of 15 months from the date of passing this resolution, (unless previously revoked, varied or extended by the Company in General Meeting), except that the Company may before such expiry

enter into a new contract or contracts to purchase such Ordinary shares under the authority conferred hereby that will or may be executed wholly or partly after the expiry of such authority and the Company may make a purchase of Ordinary shares in pursuance of any such contract or contracts as if the authority had not expired

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

By order of the Board

BNP Paribas Secretarial Services Limited
Company Secretary
28 October 2013

Registered Office
55 Moorgate
London EC2R 6PA

Notes

- 1 Ordinary Shareholders are entitled to attend and vote at the meeting and to appoint one or more proxies or corporate representatives to exercise all or any of their rights to attend, speak and vote on their behalf at the meeting but only if each proxy or corporate representative is appointed to vote on separate or separate blocks of shares registered to the Shareholder. A proxy need not be a Member of the Company

A proxy form is enclosed. If you wish to appoint a person other than the Chairman as your proxy, please insert the name of your chosen proxy holder in the space provided at the top of the form. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a Shareholder, the full voting entitlement for that designated account). Additional proxy forms can be obtained by contacting the Company's Registrars, Equiniti Limited, on 0871 384 2624 (calls to this number are charged at 8p per minute plus network extras). Lines are open from 8.30 am to 5.30 pm Monday to Friday (Non-UK callers should dial +44 121 415 7047), or you may photocopy the enclosed proxy form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy.

Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. Completion and return of a form of proxy will not preclude a Shareholder from attending the AGM and voting in person.

The "Vote Withheld" option on the proxy form is provided to enable you to abstain on any particular resolution. However it should be noted that a "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "For" and "Against" a resolution.

A proxy form must be signed and dated by the Shareholder or his or her attorney duly authorised in writing. In the case of joint holdings, any one holder may sign this form. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder and for this purpose seniority will be determined by the order in which the names appear on the Register of Members in respect of the joint holding. To be valid, proxy form(s) must be completed and returned to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZR, together with any power of attorney or other authority under which it is signed or a copy of such authority certified notarially, to arrive no later than 48 hours before the time fixed for the meeting, or an adjourned meeting.

- 2 Any person to whom this notice is sent, who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him or her and the Shareholder by whom he or she was nominated, have a

right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.

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

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those Shareholders registered in the Register of Members of the Company at 6 00 pm on Monday, 9 December 2013, or 6 00 pm two days prior to the date of an adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after 6 00 pm on Monday, 9 December 2013 shall be disregarded in determining the right of any person to attend and vote at the meeting. The voting record date has been determined as Monday, 9 December 2013.
4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM to be held on Wednesday, 11 December 2013 and any adjournment(s) thereof by using the procedures described in the CREST Manual on the Euroclear website (www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by 12 noon on Monday, 9 December 2013. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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

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

5. You may 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.

- 6 Copies of the Appointment Letters of the non-executive Directors, the Company's Articles of Association and a statement of all transactions of each Director and of his family interests in the shares of the Company, will be available for inspection by any Shareholder of the Company at the Registered Office of the Company during normal business hours on any weekday (English public holidays excepted) and at the AGM by any attendee, for at least 15 minutes prior to, and during, the AGM. None of the Directors has a contract of service with the Company.
- 7 The biographies of the Directors offering themselves for election and re-election are set out on page 5 of the Company's Annual Report for the year ended 31 August 2013.
- 8 As at 28 October 2013, 55,157,663 Ordinary shares of 25 pence were in issue and 600,000 Ordinary shares were held in treasury. Accordingly, the total number of voting rights of the Company as at 28 October 2013 is 55,157,663.
- 9 If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests of the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the FCA. As a result, any member holding 3 per cent or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the FCA.
- 10 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.
- 11 A map of the location of the AGM venue is shown on the inside back cover and will assist Shareholders who wish to attend the AGM. A personalised proxy form will be sent to each registered Shareholder with the Annual Report and this Notice of Meeting, and instructions on how to vote will be contained thereon.
- 12 Shareholders are advised that they have the right to have questions answered at the AGM. The Company must cause to be answered any such question relating to the business being dealt with at the AGM but no such answer need be given if
- (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information,
 - (b) the answer has already been given on the Company's website (www.ibtplc.com) in the form of an answer to a question, or
 - (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
- The Board encourages Shareholders to submit any questions they may wish to raise at the AGM in writing to the Company Secretary in advance of the meeting. The Company Secretary can be contacted by writing to BNP Paribas Secretarial Services Limited, 55 Moorgate, London EC2R 6PA or by email at secretarialservice@uk.bnpparibas.com.
- 13 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.
- 14 Under Section 527 of the Companies Act 2006, Shareholders meeting the threshold requirements set out in that Section have the right to require the Company to publish on a website a statement setting out any matter relating to

- (i) the audit of the Company's Financial Statements (including the Independent Auditors Report and the conduct of the audit) that are to be laid before the AGM, or
- (ii) any circumstance connected with the Auditors of the Company ceasing to hold office since the previous meeting at which an Annual Report and Financial Statements were laid in accordance with Section 437 of the Companies Act 2006

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 Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's Auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.

Registered Office

55 Moorgate
London EC2R 6PA

Location of Meeting

[MAP]

For further information

www.ibtplc.com

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