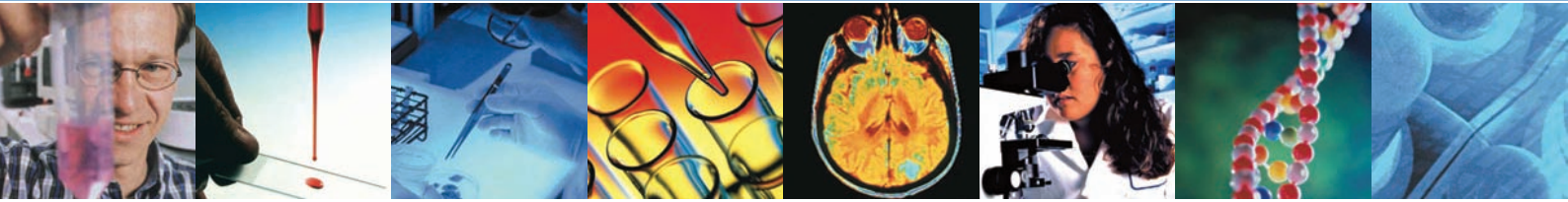


International Biotechnology Trust plc

# Annual Report

Year ended 31 August 2014



## **Why invest in International Biotechnology Trust plc (IBT or the Company)?**

### **The biotechnology market**

Biotechnology encompasses the application of novel techniques within the healthcare industry, which includes the creation and/or improvement of innovative drugs with the potential to generate billion dollar revenues.

Market capitalisations have kept pace with the increased profitability and growth potential of the sector. By the end of 2013 US quoted biotech companies were valued in total at \$791.8bn. Over the last five years the NASDAQ Biotechnology Index outperformed the S&P 500 and the NASDAQ technology by 180% and 163% respectively. In 2013 the US spent more on healthcare than the whole of the UK GDP (Gross Domestic Product – which is the total value of all goods and services produced over a twelve month period).

The sector's future remains bright because all the characteristics that have made it successful to date remain, with many diseases either without treatment or with poor treatment. From 2003 to 2013 two-thirds of all new drugs approved by the Food and Drug Administration (FDA) originated from biotechs rather than more traditional pharmaceutical companies.

### **IBT offers an excellent opportunity to invest in the biotechnology market**

IBT is focused on identifying innovative drugs and medical devices that meet medical needs in complex disease areas such as diabetes and cancer – often associated with increasing longevity and unhealthy lifestyles. IBT may also invest in healthcare service companies that provide services to biotech and medical device businesses.

Drugs that can cure or alleviate disease have the long-term potential to generate superior investment returns. But drug development is a risky business. Picking the winners from the losers requires the deep medical expertise and extensive industry contacts possessed by IBT.

Given the long-term nature of drug development, the closed ended investment trust structure is very well suited to investing in companies from a novel idea to approved and marketed products. Value increasing events may occur throughout the drug development process. IBT has a portfolio approach which provides both very good risk management whilst also giving access to the potential for exciting returns.

While some biotechnology companies have become stable and highly cash generative, this is a market for specialist investors. IBT offers investors access to the expertise required to invest in this sector successfully in both public and private stocks.

### **The IBT strategy**

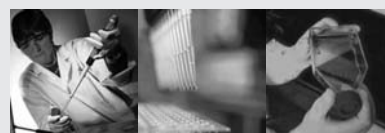
**Portfolio approach** – Portfolio approach – IBT gives investors exposure to this important global sector. Currently the biotechnology sector is dominated by US companies. Investing in smaller biotechnology and emerging medical device companies carries higher risk than investment in their larger peers 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 is able to invest across a 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 the specialist Investment Manager SV Life Sciences Managers LLP (SVLS). SVLS invests across the life sciences universe from small start-ups to large publicly quoted companies with very substantial revenues and profits. The core team is located in London, with other specialists located in Boston and San Francisco. These cities are important biotechnology innovation centres, allowing SVLS access to vital new opportunities, contacts and information.

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Further information on the Company may be found on the internet at [www.ibtplc.com](http://www.ibtplc.com)

# Financial Summary

year ended 31 August 2014



	<b>31 August 2014</b>	31 August 2013	%
			change
<b>Group performance</b>			
Total equity (£'000)	<b>214,970</b>	172,672	24.5
Ordinary shares in issue# ('000)	<b>54,333</b>	55,158	(1.5)
Net asset value (NAV) per share	<b>395.66p</b>	313.05p	26.4
Share price	<b>314.50p</b>	269.00p	16.9
Share price discount	<b>(20.5)%</b>	(14.1)%	
Ongoing charges*	<b>1.7%</b>	1.7%	
Ongoing charges including performance fee	<b>1.7%</b>	1.7%	
<b>Index values</b>			
NASDAQ Biotechnology Index (NBI) (sterling-adjusted)	<b>1,741.81</b>	1,307.66	33.2
FTSE All-Share Index (Total Return)	<b>5,572.21</b>	5,050.57	10.7

# Excludes those held in treasury (31 August 2014: 1,425,000; 31 August 2013: 600,000).

\* 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) %	FTSE All-Share total return %
<b>2014</b>	<b>214,970</b>	<b>54,332,663</b>	<b>395.7</b>	<b>26.4</b>	<b>314.5</b>	<b>16.9</b>	<b>(20.5)</b>	<b>10.3</b>
2013	172,672	55,157,663	313.1	34.7	269.0	31.5	(14.1)	18.9
2012	128,922	55,457,663	232.5	41.9	204.5	43.0	(12.0)	10.2
2011	91,764	56,007,663	163.8	5.6	143.0	6.9	(12.7)	7.3
2010	93,658	60,357,664	155.2	2.4	133.8	10.8	(13.8)	10.6
2009	98,255	64,832,664	151.6	(5.8)	120.8	(12.7)	(20.3)	(8.2)
2008	113,517	70,592,664	160.8	10.9	138.3	(0.9)	(14.0)	(8.7)
2007 <sup>①</sup>	102,360	70,592,664	145.0	1.9	139.5	7.3	(3.8)	11.8
2006	66,951	47,065,467	142.3	17.3	130.0	24.7	(8.6)	16.8
2005 (restated for International Financial Reporting Standards (IFRS))	58,003	47,815,467	121.3	5.2	104.3	9.7	(14.1)	24.1

<sup>①</sup> 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.

# Chairman's Statement



Total return to 31 August 2014	One year	Three years	Five years
IBT NAV	26.4%	141.5%	161.1%
IBT Share price	16.9%	119.9%	160.5%
NBI (sterling)	33.2%	183.2%	256.8%
FTSE All-Share Index	10.7%	30.0%	144.4%

### A third year of strong investment performance

The year ended 31 August 2014 saw a substantial positive return for the Company. The NAV increased by 26.4% to 395.7p per share and the share price increased by 16.9% from 269.0p to 314.5p. By comparison, the FTSE All-Share Index produced a total return of 10.7% over the same period.

For the third year in succession, the portfolio generated positive absolute performance. Investor enthusiasm for the biotechnology sector continued in the period against a backdrop of positive price gains for the broader stock market.

The Company's NAV return of 26.4% was encouraging, but did not keep pace with the underlying NBI (sterling denominated) which increased by 33.2%. This was largely a result of the impact of the unquoted portfolio whose contribution to the NAV was 2.6%, though it must be noted that the unquoted portfolio is intended to provide exposure and returns uncorrelated with the market and that one of the quoted portfolio companies, Ophthotech, originated in the unquoted portfolio at a cost materially below its listing and current share value.

The Company bought back stock with a value of £2.4m in the market to support the share price which added 0.3p per share to the NAV.

Adverse currency movements reduced NAV by £16.1m or 29.6p per share. The Board's policy is not to hedge the currency exposure resulting from the Company's largely US dollar denominated investments, a decision that is regularly reviewed.

### Discount management

The discount of share price on NAV widened from 14.1% to 20.5%, primarily due to profit taking across the biotechnology sector after a long period of very high returns.

The Board and Investment Manager maintain constant watch over the Company's share price and discount. The Company has a policy of buying back shares to maintain pressure on narrowing the discount and reducing discount volatility where an opportunity to enhance the NAV presents itself.

Over the course of the year under review 825,000 Ordinary shares were bought back into treasury (2013: 300,000) representing 1.5% of issued share capital at the beginning of the year. Subsequent to the year end, a further 4,270,000 shares have been bought back with 1,295,000 being held in treasury and 2,975,000 being cancelled.

The Company has supported a significant turnover in its share register during the year which has resulted in a material broadening of its Shareholder base. We now have some important new institutional Shareholders, whilst others originated from private client brokers whom we believe are becoming an increasingly important Shareholder source providing demand and liquidity for the Company's shares.

### AIFMD

The Alternative Investment Fund Managers Directive (AIFMD) required that the Company, which is an Alternative Investment Fund (AIF) under the AIFMD, appoint an Alternative Investment Fund Manager (AIFM) and a Depositary by 22 July 2014.

SVLS obtained approval from the Financial Conduct Authority (FCA) to become an AIFM and was appointed as the Company's AIFM before the 22 July 2014 deadline. HSBC Bank Plc became the Depositary for the Company on the same day.

### Investment in unquoted companies

Over the last decade the quoted biotechnology sector has matured, with risks substantially diminished, and it now contains a range of companies at all stages of development and profitability, from businesses that produce multi-million dollar profits to the very small, risky start-ups that were synonymous with the sector at its creation. It is with this in mind that the Board has decided henceforth to halt investments in new unquoted opportunities and to focus IBT's resources on its quoted portfolio. The Company will continue to make additional follow-on investments in its existing unquoted portfolio in line with those companies' own development plans and where there is a strong investment case.

# Chairman's Statement



## Management fee

The Board is pleased to announce that the Investment Manager has agreed to reduce the management fee from 1.15% to 0.9% with effect from 1 March 2015. The performance fee arrangements will remain unchanged.

## Prospects

The Company's prospects remain strong. In the last two decades the biotechnology sector has generated impressive growth – the NBI has averaged a compound annual growth rate of 12% over the last 20 years, and has better long-term performance than almost every other major index.

The opportunities for future growth are equally positive and the key factors impacting the industry: medical sciences innovation, biotech integration with pharma, regulation, healthcare reform, demographics, new markets and customers, and appealing valuations remain very compelling. Each of these areas is described in more detail within the Investment Manager's review.

I believe that the biotechnology sector represents an excellent long-term investment opportunity but this is a market that requires skill to make the right investment choices. I consider that having SVLS as Investment Manager gives the Company experienced, well regarded fund management expertise. A specialist fund like IBT can provide access to a portfolio of differentiated opportunities within this sector which we believe will provide material and sustained returns to investors.

## Annual General Meeting (AGM)

This year's AGM will be held on Tuesday, 16 December 2014 at 12.30 pm at BNP Paribas Fortis, 5 Aldermanbury Square, London EC2V 7BP. In addition to the formal process of voting on various resolutions, the AGM is an opportunity for Shareholders to meet the Board and representatives of the Investment Manager.

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](mailto: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

31 October 2014

# Investment Manager's Review



## Best performing investments

	Increase in NAV	% Increase in the year ended 31 August 2014
Gilead	£8.4m	48%
InterMune	£5.7m	80%
Biogen Idec	£5.3m	34%
Illumina	£4.7m	53%
Celgene	£3.6m	20%

## Summary – strong performance

In the year under review the Company's NAV increased by 26.4%. Quoted investments were helped by strong equity markets and significantly increased investor interest in the biotechnology sector on the back of encouraging product development and M&A news flow. A number of investments, including Gilead, InterMune, Biogen Idec and Illumina had a positive impact on NAV. Unquoted investments returned a small increase with portfolio gains being mostly offset by write offs and foreign exchange translation losses.

## Overview and performance

	2014	2013
Total portfolio companies	85	75
Quoted	61	46
Unquoted	24	29
Net asset value	£214.9m	£172.7m
Quoted	£206.5m	£141.2m
Unquoted	£18.2m	£27.3m
Other assets/(liabilities)	£(9.8)m	£4.2m
Legal commitments to investments in unquoted	£1.0m	£2.0m
Reserved for further investment in unquoted	£4.1m	£4.2m

The Company's NAV grew by £42.3m. The NAV per share increased from 313.1p to 395.7p (26.4%), while the NBI increased by 33.2%. Over the same period the S&P 500 returned 16.9% and the FTSE All-Share Index 10.7%. 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.

By subsector, 84% of NAV was invested in the biotechnology sector, 11% in the specialty pharmaceuticals sector, 6% in the life sciences, tools, diagnostics and services sector and

## Worst performing investments

	Decrease in NAV	% Decrease in the year ended 31 August 2014
Aegerion Pharmaceuticals	£2.4m	(36)%
Celldex Therapeutics	£1.4m	(26)%
Ariad Pharmaceuticals	£1.3m	(41)%
AlloCure	£1.3m	(100)%
NPS Pharmaceuticals	£0.8m	(12)%

4% in the medical device sector, emphasising the diversified nature of the Company's investments.

Representatives of the Investment Manager sat on the boards of 24 portfolio companies (21 unquoted and three 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 – The driver of NAV

During the year ended 31 August 2014, the quoted portfolio contributed £46.7m or 86.0p per share to the Company's NAV, a return of 32.2%. This takes into account a foreign exchange translation loss of £14.2m (10%) resulting primarily from movements in the exchange rate between sterling and US dollars.

Gilead, InterMune, Biogen Idec and Illumina were the largest contributors to the Company's increase in NAV over the year. Gilead's Sovaldi was approved by the FDA in December 2013 to treat hepatitis C virus infection. Sales of Sovaldi exceeded expectations, and are projected to be more than \$10bn in its first calendar year. Biogen Idec shares were helped by the continued successful launch of its multiple sclerosis drug Tecfidera in the US and in international markets. In the life science tools sector, Illumina continued to grow its business in gene sequencing. The company launched the HiSeq X Ten system and dropped below the \$1,000 genome barrier for human whole-genome sequencing. The system will be used for large scale whole genome sequencing of specific diseases and for wider population studies.

Many other companies reported continued good sales and earnings growth, positive regulatory news flow and encouraging trial results, contributing to the breadth of the growth in the biotech sector. For example, Alexion's Soliris continued to show solid growth in its initial indication



# Investment Manager's Review



paroxysmal nocturnal hemoglobinuria (PNH) and has demonstrated efficacy in new indications, adding to its peak sales potential. Regeneron's Eylea for age-related macular degeneration (AMD) is similarly experiencing continued growth and is showing efficacy in other diseases of the eye such as diabetic macular edema (DME). Vertex reported positive results from its phase 3 trial in cystic fibrosis with its combination of Lumacaftor and Ivacaftor, potentially a \$5bn drug. Similarly Actelion announced positive results in its phase 3 trial of Selexipag in pulmonary arterial hypertension (PAH). Selexipag and the earlier launched drug Opsumit for the same indication could help drive long-term growth for Actelion.

In February 2014 InterMune reported positive phase 3 data for their drug Pirfenidone for idiopathic pulmonary fibrosis (IPF), which triggered the acquisition by Roche in August 2014 for \$8bn. Other M&A transactions also helped the performance, such as the AbbVie bid for Shire, Mallinckrodt's acquisition of Questcor and Lundbeck's acquisition of Chelsea Therapeutics.

The main detractor from absolute performance was Aegerion Pharmaceuticals, which was impacted by reduced sales expectations of their cholesterol lowering drug and looming competition concerns. A further negative performance hit came in November 2013 when a number of specialty pharmaceutical companies in the NBI, but not in our portfolio, announced M&A deals with a corporate tax saving motivation, which was taken very positively by the market. Such tax inversion transactions have been a driver of M&A. However recent announcements from the US tax legislator appear to have reduced this activity.

The short-term borrowing facility was increased from £15m to £30m during the year to reflect the growing size of the Company's assets. The facility has been utilised selectively throughout the reporting period to provide cash flexibility to take advantage of market and individual stock opportunities.

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

## Unquoted investments

During the year ended 31 August 2014, the unquoted portfolio contributed £0.7m or 1.3p per share to the Company's NAV, a return of 2.6%, after taking into account a net foreign exchange translation loss of £1.9m.

The key contributors to positive performance were TransEnterix and Affinium. These investments increased the NAV by £1.0m and £0.9m respectively. Ophthotech and TransEnterix moved from the unquoted to the quoted portfolio and Ophthotech then contributed £1.8m to NAV from within the quoted portfolio. To 31 August 2014, the value of Ophthotech had increased 7.2 times over cost since the first investment in December 2009.

TransEnterix is developing a minimally invasive surgical robotic system. On 4 September 2013 the company merged with the Over the Counter Bulletin Board listed SafeStitch, alongside a \$30m fund raising. The combined company was renamed TransEnterix, Inc. and in April 2014 listed on the NYSE, at which point it was moved into the quoted portfolio.

In February 2014 Affinium was sold to Debiopharm. There was an upfront payment of £1.6m to IBT and future earn-out payments are possible, dependent on the achievement of certain development milestones.

A new unquoted investment of £0.4m was made in TopiVert Pharma, which is developing a novel small molecule Narrow Spectrum Kinase Inhibitor for local use in gastrointestinal and ocular inflammatory diseases. Follow-on investments were also made into twelve existing holdings. Investments into all unquoted holdings totalled £3.4m.

At the year end, there were further commitments totalling £1.0m and also additional estimated reserves of £1.7m to support existing unquoted portfolio companies.

The proportion of unquoted companies in the portfolio has dropped to 8% as a result of exits, IPOs and greater allocation of cash to the quoted portfolio. This proportion is likely to reduce further as existing holdings are realised.

## Outlook – strong sector fundamentals

The biotechnology and healthcare sectors have provided very strong returns to investors over the last decade. We believe the outlook for these sectors continues to be positive. The key underlying factors behind this growth remain intact and are as follows:

**Medical sciences innovation** – improved understanding of biology enables more efficient drug discovery and medical device development. The sector has consistently provided novel treatments for diseases of high unmet medical needs. We predict the next ten to twenty years will be an era characterised by the launch of many new drugs driving continued strong earnings growth for the sector.

# Investment Manager's Review



**Biotech integration with Pharma** – biotech remains a feeding ground for larger companies seeking new innovative products. This has been a major driving force of mergers and acquisitions within the sector and is set to continue. In the first half of 2014, biotech was an important component of the \$315.3bn M&A deals in healthcare.

**Regulation** – the regulatory environment in the US and in Europe has improved leading to better clinical trial design, higher internal competence and new development paths.

**Healthcare reform** – in the US and other significant markets, reform is pushing for a more broadly, more efficiently delivered system and is resulting in a larger number of patients receiving care.

**Demographics** – ageing populations around the globe continue to demand and pay for improved healthcare.

**New markets and customers** – increasing prosperity around the globe, particularly in high density populations such as China, India and South America, has provided patients and healthcare suppliers with the means to pay for healthcare. This materially widens the market for any product or service that provides a demonstrable benefit to the patient.

**Company valuations remain appealing** – healthcare indices such as the NBI may be at historical highs, but the fundamentals of the companies behind these indices remain compelling. Compared to the last material high around the year 2000 – the value of biotech companies is now supported by very real revenues and profits, with prices relative to long-term growth rates at very reasonable levels.

Set against these positive fundamentals for the sector, there is increasing pressure, particularly in the US where prices tend to be highest, to justify the current price of drugs, devices and healthcare services. While this does put pressure on profits for 'me too' drugs, innovators who are able to demonstrate improved efficacy and/or savings in the delivery of healthcare will continue to price at a premium. IBT focuses its investments in such companies.

## Conclusion

The outlook for earnings growth generation in the biotechnology sector continues to be strong, and is expected to remain intact for the next decade. This optimistic outlook is supported by the increased output of drugs from biotechnology companies. With the greater understanding of disease and an accelerating rate of discoveries in bioscience, there is the real potential for an unprecedented period of value creation in the biotechnology industry.

**SV Life Sciences Managers LLP**  
Investment Manager

31 October 2014

# Ten Largest Investments

as at 31 August 2014



Investment	Region	Sector classification	Market value of holding £'000	% of NAV
1 Gilead A company with an industry-leading franchise in hepatitis C and HIV drug development and commercialisation. In recent years the company has diversified its R&D and commercial portfolio into new disease areas, including hypertension, oncology and cystic fibrosis. Total revenues were \$18.7bn in 2013.	US	Biotechnology	21,016	9.8%
2 Alexion A company whose main product Soliris was approved for the treatment of PNH, a rare autoimmune disorder marked by red blood cell depletion, by US and European regulators in 2007. The company has successfully expanded the number of diseases treated with the drug, potentially transforming Soliris into a "blockbuster". Total revenues were \$1.6bn in 2013.	US	Biotechnology	15,687	7.3%
3 Biogen A company developing, manufacturing and commercialising biologic drugs primarily for inflammatory and autoimmune diseases as well as cancer. The company's major marketed products include Avonex, Tecfidera and Tysabri for the treatment of multiple sclerosis; and Rituxan for the treatment of blood-based cancers and rheumatoid arthritis. Total revenues were \$6.9bn in 2013.	US	Biotechnology	15,199	7.1%
4 Celgene A company engaged in the discovery, development and commercialisation of innovative therapies designed to treat cancer and immunological diseases. The company has four marketed products: Revlimid, Thalomid, Vidaza and Abraxane, and a full pipeline of drug candidates in clinical development. Total revenues were \$6.5bn in 2013.	US	Biotechnology	14,747	6.9%
5 Amgen A company that pioneered the development of novel products based on advances in molecular biology. Amgen markets products which are used to treat anaemia, rheumatoid arthritis and autoimmune diseases. In 2013 the company bought Onyx Pharmaceuticals to gain access to its growing oncology franchise. Total revenues were \$18.7bn in 2013.	US	Biotechnology	13,015	6.1%
6 Illumina A company that provides services such as sequencing, genotyping and gene expression markets for genomic research centres, biotechnology and pharmaceutical companies and academia. Total revenues were \$1.4bn in 2013.	US	Tools & Diagnostics	8,410	3.9%
7 Regeneron A company with a marketed drug called Eylea, indicated to treat age-related macular degeneration. Eylea is partnered with Bayer ex-US. The company also has a development deal with Sanofi, with whom there is a collaboration on a lead asset for cardiovascular disease. Total revenues were \$2.1bn in 2013.	US	Biotechnology	8,003	3.7%
8 BioMarin A company developing and commercialising drugs for relatively rare but life-threatening genetic diseases. The company's product portfolio comprises four approved products – Fabrazyme, Aldurazyme, Kuvan and recently approved Vimizim – and multiple drug candidates in clinical development. Total revenues were \$550m in 2013.	US	Biotechnology	7,136	3.3%
9 Actelion A company engaged in the development and commercialisation of specialist drugs. Actelion's main product Tracleer is indicated for the treatment of pulmonary arterial hypertension (PAH). Behind this blockbuster drug the company has two newly launched products Opsumit and Selexipag – both for PAH. Total revenues were CHF1.8bn in 2013.	Europe	Biotechnology	6,441	3.0%
10 Chimerix A company focused on developing novel, oral anti-viral drugs. The company has a phase three drug called Brincidofovir, which may be effective in treating Ebola. The company has an excellent management team who previously worked at Pharmasset which was sold to Gilead for \$10bn in 2011. The company does not yet generate sales or profits.	US	Biotechnology	6,394	3.0%
<b>Total</b>			<b>116,048</b>	<b>54.1%</b>

At 31 August 2013, the ten largest investments represented 51.2% of the NAV.

# All Unquoted Investments

as at 31 August 2014



Investment	Region	Sector classification	Fair value of holding £'000	% of NAV
1 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 and offers improved surgical ease and outcomes over existing treatments.	US	Medical Devices	3,190	1.4
2 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.	US	Medical Services	1,509	0.7
3 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.	US	Biotechnology	1,342	0.6
4 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	1,327	0.6
5 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.	US	Medical Devices	1,157	0.5
6 EBR Systems An early-stage company developing the first wireless cardiac stimulation device. The existing market for CRT (Cardiac Resynchronization Therapy) devices exceeds \$3bn in annual sales and is expected to grow at over 15% per annum over the next five years.	US	Medical Devices	1,100	0.5
7 Oncoethix 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.	Europe	Biotechnology	1,097	0.5
8 NCP Holdings Trading as Nordic Consultancy Partners. A company focused on providing Epic-only consulting within the US – implementation support and optimisation. Epic makes software for mid-size and large medical groups, hospitals and integrated healthcare organisations – working with customers that include community hospitals, academic facilities, children's organisations, safety net providers and multi-hospital systems.	US	Medical Research Services	987	0.5
9 Kalvista Pharmaceuticals A virtual Ophthalmology company, spun out of Vantia, developing Plasma Kallikrein inhibitors for the intra vitreal and oral treatment of Diabetic Macular Edema, which has been spun out of Vantia.	Europe	Biotechnology	855	0.4
10 Karus Therapeutics A drug discovery and development company focused on the delivery of novel compounds for the treatment of inflammatory disorders and oncology indications.	Europe	Biotechnology	647	0.3
11 Autifony Therapeutics A company focused on delivering drugs for hearing disorders by targeting specific ion channels which regulate the neuronal activity within the auditory system.	Europe	Biotechnology	540	0.3

# All Unquoted Investments

as at 31 August 2014



Investment	Region	Sector classification	Fair value of holding £'000	% of NAV	
12	Convergence Pharmaceuticals	Europe	Biotechnology	420	0.2
A company, spun out from GSK, focused on developing novel analgesic/pain relieving drugs.					
13	TopiVert	Europe	Biotechnology	412	0.2
A company developing small, novel molecule medicines as topical treatments for inflammatory diseases of the gut and eye. Founded in 2011 as a spin out of RespiVert, following its acquisition by Centocor Ortho Biotech (now Janssen Biotech).					
14	Spinal Kinetics	US	Medical Devices	386	0.2
A company pioneering a new generation of artificial discs for treating degenerative disc disease in the cervical and lumbar spine.					
15	Vantia Therapeutics	Europe	Biotechnology	40	0.0
A company focused on novel first in class therapies for dysmenorrhoea, nocturia and inflammation.					
<b>Total</b>			<b>15,009</b>	<b>6.9</b>	

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 7.

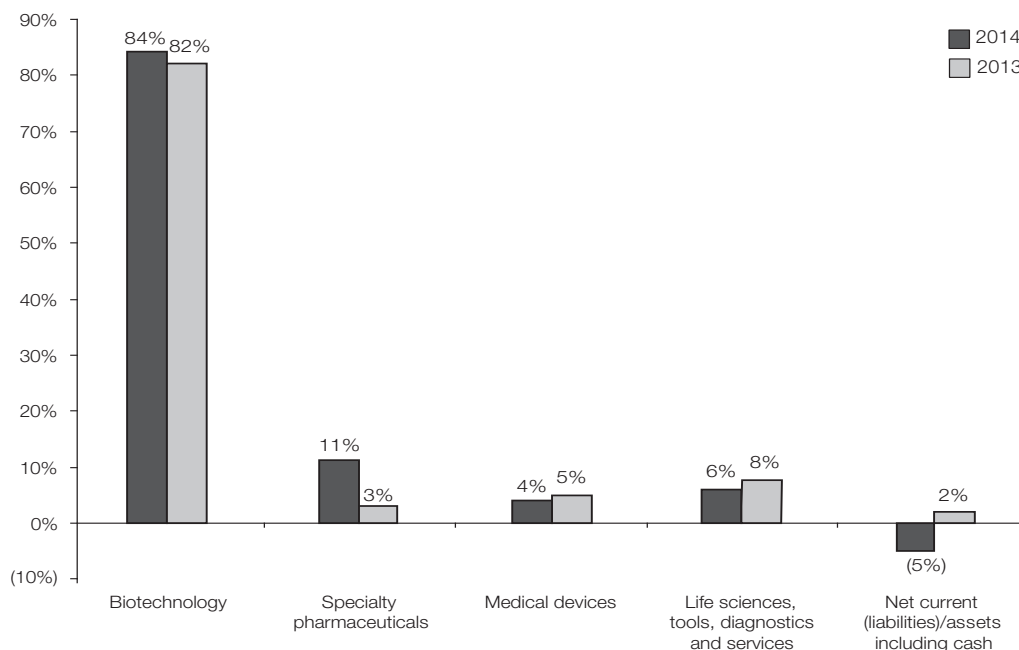
Investment	Region	Sector classification	Fair value of holding £'000	% of NAV	
1	Ikano Therapeutics	US	Biotechnology	1,352	0.6
A company focused on nasally delivered pharmaceutical products that was sold to Upsher Smith Laboratories in May 2010. The terms of the deal provide for an upfront payment and a series of milestones, which if successfully met, could provide a further £5.5m in addition to the current value.					
2	ESBATEch	Europe	Biotechnology	1,084	0.5
Valuation represents amounts due from Escrow following a takeover by Alcon. The terms of the deal provide for milestones which if successfully achieved would provide a further £5.2m in addition to the current value.					
3	Itero Holdings	US	Biotechnology	726	0.3
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.					
4	Affinium Pharmaceuticals	CAD	Biotechnology	61	0.0
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. The company was acquired by Debiopharm. The remaining cash held in escrow is considered immaterial.					
5	Aptiv Solutions	EUR	Medical Services	Nil	0.0
A company recognised as one of the leaders in the design and execution of adaptive clinical trials for pharmaceutical and biotech customers. The company was acquired by Icon and £5.5m cash has been received to date. The remaining cash held in escrow is considered immaterial.					
6	Archemix	US	Biotechnology	Nil	0.0
A company that was sold to Baxter in 2010. The terms of the deal provide for an upfront payment and a series of milestones, which if successful could provide a further £1.0m to the current value.					
<b>Total</b>			<b>3,223</b>	<b>1.4</b>	

# Classification of Investments



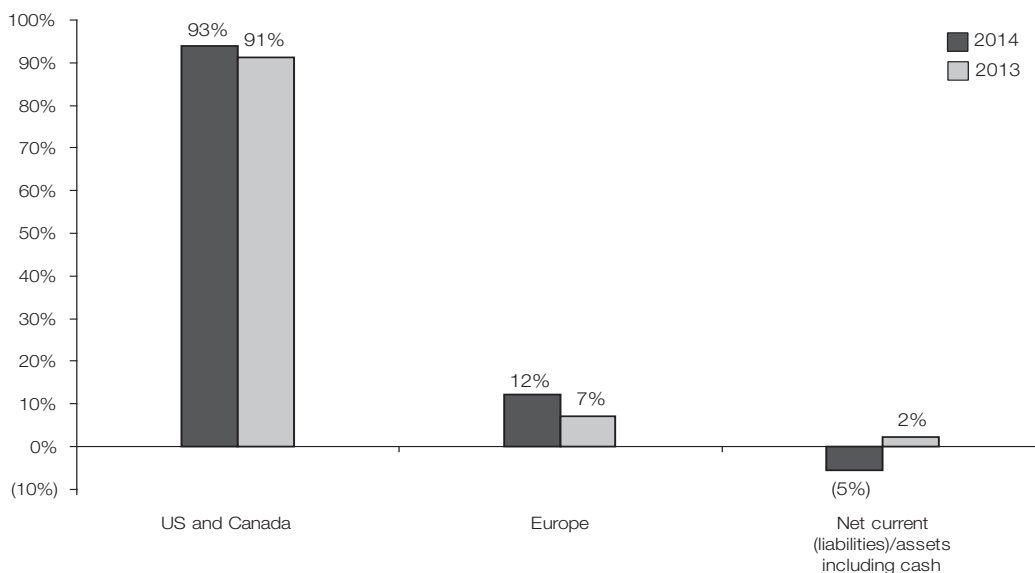
## Classification of investments by sector

at 31 August 2014



## Classification of investments by region

at 31 August 2014



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

# Strategic Report



The Directors present their Strategic Report for the Company and the Group for the year ended 31 August 2014. The Strategic Report contains a review of the Company's strategy and business model as well as the principal risks and challenges it faces, an analysis of its performance during the financial year and its future developments.

Pages 3 to 16 inclusive (together with the sections of the Annual Report incorporated by reference) consist of a Strategic Report that has been prepared in accordance with Section 414A of the Companies Act 2006 (the Act).

## Business model

The Group comprises the Company and its wholly owned 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.

IBT 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 is incorporated in England and Wales as a public limited company and domiciled in the UK.

## Life of the Company

The Company's Articles of Association provide for Directors to put forward a proposal for the continuation of the Company at the AGM at two-yearly intervals. The last continuation vote was held at the AGM on 11 December 2013 and was passed on a show of hands. Proxy votes cast in respect of the last continuation vote were 30,584,711 (96.77%) in favour, 1,020,000 (3.23%) against and 4,018 withheld.

## Investment objective

The Company's investment objective is to achieve long-term capital growth by investing in biotechnology and other life sciences companies.

## Investment policy

The Company will seek to achieve its objective by investing in a diversified portfolio of companies which may be quoted or unquoted and whose shares are considered to have good growth prospects, with experienced management and strong potential upside through the development and/or commercialisation of a product, device or enabling technology. The portfolio is diversified by geography, industry sub-sector and investment size with no single investment normally accounting for more than 15% of the portfolio at the time of investment.

The portfolio is split between large, mid and small-capitalisation companies, primarily listed on stock exchanges in North America, where the most established and commercial biotech companies are based, though investments will also be made in Europe, Asia and Australia. Investments will also be made into selected unquoted companies where the Investment Manager has expertise.

The Company may invest through equities, index-linked securities and debt securities, cash deposits, money market instruments and foreign currency exchange transactions. Forward or derivative transactions are not used by the Company.

## Investment strategy

The Company has delegated responsibility for day-to-day investment of its assets to the AIFM, SVLS. Consistent with the Company's investment policy SVLS makes the majority of its investments in biotechnology companies focused on drug discovery and development. Investments are also made in related sectors such as medical devices or healthcare services.

While the Company's portfolio is held as one pool of assets, for operational purposes there is a quoted portfolio and an unquoted portfolio. SVLS uses a bottom up approach focused on assessing the fundamentals of each investment. The universe of possible investments is assessed and reduced to take into account a number of key criteria such as disease area target and market, unmet medical need, management team, stock liquidity, market capitalisation, product portfolio and competition. The risk/reward of each investment is assessed on its own merits.

The Company has a £30.0m overdraft facility in place with HSBC. This facility provides the Company with funds to take advantage of investment opportunities that occur from time to time on occasions when the portfolio is otherwise fully invested. It is the intention of the Board that borrowings are made 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.

# Strategic Report



## Investment limitations

The Board imposes various investment limits and restrictions as follows:

- The Company will invest primarily in biotechnology and other life science companies that are either quoted or unquoted and possess potential for high growth.
- The Company will not invest more than 15%, in aggregate, of the value of its gross assets in any one individual stock at the time of acquisition.
- The great majority of IBTs assets will be invested in the quoted biotechnology sector with a global mandate across the entire spectrum of listed companies. The weighting of investment in unlisted companies will vary according to the attractiveness of the opportunities identified.
- Leverage is restricted to 30% of NAV – a limit that is reviewed at least annually by the Board. It is the intention of IBT 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. Leveraged transactions are by their nature subject to a higher level of financial risk than unleveraged transactions.
- The Company will not invest more than 15%, in aggregate, of the value of its gross assets in other closed-ended investment companies listed on the London Stock Exchange or any other stock exchanges.

## Changes to the investment objective, investment policy and investment strategy

Under the Listing Rules, the Company is required to seek the approval of Shareholders for any material changes to the published investment policy and in such circumstances, an ordinary resolution would be proposed at a General Meeting. Any changes to the investment strategy are agreed by the Board of the Company.

## Performance

An outline of performance, market background, investment activity and portfolio strategy during the year under review, as well as the outlook, is provided in the Chairman's Statement on pages 4 and 5 and the Investment Manager's Review on pages 6 to 8.

## Measuring performance – key performance indicators (KPIs)

The Board uses the following KPIs to help assess progress against the Company's investment objective, further details of which can be seen in the Financial Summary on page 2.

### *Absolute investment returns*

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

### *Relative investment returns*

The Board continues to compare its own returns against the NBI (sterling-adjusted) and the FTSE All-Share Index as well as other biotechnology funds over the longer-term.

### *Discount to the NAV*

The Board routinely monitors the level of share price to NAV and claims to limit its volatility and extent.

### *Ongoing charges (OC)*

The Company's OC is used as a further KPI to demonstrate the Company's ability to control costs to maximise Shareholder returns.

## Principal risks and uncertainties

The Board uses a framework of key risks which affect its business, and related internal controls designed to enable the Directors to take steps to mitigate these risks as appropriate. A full analysis of the Directors' system of internal control is set out in the Corporate Governance Statement on page 25.

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. SVLS 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.



# Strategic Report



## *Investment and strategy risks*

Alignment of the investment strategy with the Company's investment objective is essential and an inappropriate approach by SVLS 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 SVLS'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 currently the Board'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 page 4.

## *Tax, legal and regulatory risks*

To qualify as an investment trust, the Company must comply with Section 1158 Corporation Tax Act 2010 (CTA). Further details of the Company's approval under Section 1158 CTA are set out in the Directors' Report in "Principal activities".

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

The Company and the Group is also subject to other laws and regulations, including the Act, FCA Listing, Prospectus and Disclosure and Transparency Rules and AIFMD. Breaches of these laws and regulations could lead to criminal action being taken against Directors or suspension of the Company's shares from trading. SVLS and the Company Secretary provide regular reports to the Board on compliance with relevant provisions and report breaches without delay. The Board also relies on the services of its other professional advisers to minimise these risks.

## *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.

## **Social and environmental policy**

The Board recognises the requirement under Section 414C(7) of the Act to detail information about environmental matters (including the impact of the Company's business on the environment), any Company employees and social and community issues; including information about any policies it has in relation to these matters and effectiveness of these policies.

As an investment company, the Company has no direct social, community, employee or environmental responsibilities and delegates all its functions to third party services providers. Details of the Investment Management Agreement and arrangements with other advisers, are provided in the Directors' Report on page 19.

SVLS takes into account these considerations when making investment decisions and determines its voting instructions at investee company meetings accordingly. Full details around the application of the UK Stewardship Code can be found in the Directors' Report on page 25.

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

## **Gender representation on the Board**

During the year under review, there were four male Directors and one female Director on the Board.

# Strategic Report



## **Current and future developments**

Details of the Company's developments during the year ended 31 August 2014, along with its prospects for the future are set out in the Chairman's Statement on pages 4 and 5 and the Investment Manager's Review on pages 6 to 8. These are not intended to be detailed forecasts.

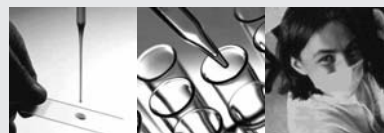
On behalf of the Board

## **BNP Paribas Secretarial Services Limited**

Company Secretary

31 October 2014

## 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 (Chairman of the Audit Committee)

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, Convergence Pharmaceuticals and a member of the Advisory Board of the CRT Pioneer Fund.

### Dr Véronique Bouchet

Véronique Bouchet was appointed as a non-executive Director of the Company on 1 September 2009. Véronique is the founder director of Novudel Associates, a lifesciences consultancy company. She has previously held a variety of senior international roles in the healthcare industry across several therapeutic areas and functions. She is a non-executive director of Stevenage Bioscience Catalyst, a member of 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.*

# Directors' Report

(incorporating the 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 2014.

## Information disclosed in the Strategic Report

The following matters required to be disclosed in this Report under the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 are covered in the Strategic Report on pages 3 to 16: the Company's status, investment objectives, investment policy, investment strategy, investment limitations, financial risk management, the Company's exposure to risks and the current and future developments (this is not intended to be a detailed forecast) as well as important events affecting the Group since the year end.

## Principal activities

The principal activity of the Company is the making of investments in accordance with the investment objective and policy set out on page 13. The Board delegates investment management of the Company's portfolio to SVLS. A description of the Company's activities and strategy during the year, as well as the outlook, is given in the Chairman's Statement on pages 4 and 5 and the Investment Manager's Review on pages 6 to 8.

The Company conducts itself as an approved investment trust for the purposes of Section 1158 CTA which allows exemption from Capital Gains Tax. Such approval has been granted from HM Revenue & Customs (HMRC) and the Directors expect the affairs of the Company to continue to satisfy the conditions for exemption.

The current portfolio of the Company is such that its shares are eligible for inclusion in an ISA, and the Directors expect this eligibility to be maintained.

The Company currently conducts its affairs so that its shares can be recommended by Independent Financial Advisers (IFAs) in the UK to ordinary retail investors in accordance with the FCA rules in relation to non-mainstream investment products and intends to continue to do so. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an authorised investment trust.

## Results and dividends

The results for the year are shown in the Group Statement of Comprehensive Income on page 36. The Company has not declared a dividend (2013: £nil).

## Share capital

At the AGM on Wednesday, 11 December 2013, Shareholders gave approval for the Company to purchase up to 8,268,133 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 825,000 Ordinary shares, representing 1.5% of the issued share capital at the start of the year. Subsequent to the year end, the Company repurchased 4,270,000 Ordinary shares (of which 1,295,000 are held in treasury and 2,975,000 were cancelled). The issued share capital of the Company is detailed in note 14 to the Financial Statements. The total number of Ordinary shares currently in issue is 52,782,663 of which 2,720,000 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 17.

The Board has agreed a formalised policy on tenure as outlined in the Corporate Governance Statement on page 22.

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 non-executive Directors 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, John Aston offers himself for re-election at the forthcoming AGM.

Messrs Aston, Clifton and Clough 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 these re-elections of the above mentioned Directors and 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 John Aston, Alan Clifton and David Clough.

# Directors' Report

(incorporating the Corporate Governance Statement)



## Directors' and Officers' Liability Insurance

Directors' and Officers' Liability Insurance cover was purchased and maintained by the Company and the Group for the financial year in respect of the Directors and will be due for renewal in April 2015.

## Management agreement

The Board considers the terms of engagement for SVLS, further details of which are set out below, to be in the best interests of the Company and its Shareholders. SVLS provides the Company with specialist investment management, thereby allowing the Company to achieve its investment objective. In accordance with AIFMD, the Board approved the appointment of SVLS as the Company's AIFM with effect from 21 July 2014, following the authorisation of SVLS as an AIFM by the FCA on 16 July 2014. The appointment is on the terms and subject to the conditions of an amended and restated Investment Management Agreement with SVLS and is on the same commercial terms as the previous Agreement but is also compliant with the new AIFMD regulatory regime.

SVLS is entitled to a management fee payable monthly at the rate of 1.15% per annum of the Company's NAV. From 1 March 2015 this will reduce to 0.9% per annum of the Company's NAV.

In addition, SVLS 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 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;

- 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; and
- 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 12 months' notice.

No performance fee is payable in respect of the year ended 31 August 2014 (31 August 2013: £nil).

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

## Administration, Depositary and Company Secretarial Services

Fund accounting administration and custody services are provided to the Company by HSBC Bank plc. As a result of AIFMD requiring the Company to appoint a Depositary, the Board appointed HSBC Bank plc to act as the Company's Depositary with effect from 21 July 2014. Accordingly, the Custodian Agreement previously in place has been terminated and replaced by a Depositary Agreement. The Administration Agreement with HSBC Bank plc continues until terminated by either party on giving not less than 12 months' written notice. The Depositary Agreement with HSBC Bank plc continues until terminated by either party on giving not less than 90 days' written notice. The Depositary also retains the right to serve notice on the Company requiring it, at the expiry of a period of not less than 270 calendar days, to give notice to the FCA of a proposal to wind-up the affairs of the Company unless a replacement Depositary has been appointed before the end of that period.

Company Secretarial services are provided by BNP Paribas Securities Services who delegate this activity to their wholly owned subsidiary, BNP Paribas Secretarial Services Limited. The Agreement with BNP Paribas Securities Services may be terminated by either party on giving not less than six months' written notice.

## Companies Act 2006 disclosures

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

# Directors' Report

(incorporating the Corporate Governance Statement)



- The Company's capital structure is summarised on page 52, voting rights are summarised on page 68, and there are no restrictions on voting rights nor any agreement between holders of securities that result in restrictions on the transfer of securities or on voting rights;
- There exist no securities carrying special rights with regard to the control of the Company;
- The Company does not have an employees' share scheme;
- The rules concerning the appointment and replacement of Directors, amendment to the Articles of Association and powers to issue or buy back the Company's shares are contained in the Articles of Association of the Company and the Act;
- There exist no agreements to which the Company is party that may affect its control following a takeover bid; and
- There exist no agreements between the Company and its Directors providing for compensation for loss of office that may occur because of a takeover bid.

## Substantial share interests

As at the year end and up to the date of this Report, the 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	As at 31 August 2014		As at 31 October 2014	
	Number of Ordinary shares held	% of total voting rights	Number of Ordinary shares held	% of total voting rights
Lazard Asset Management (US)	9,392,557	17.3	9,346,333	18.7
East Riding Pension Fund	5,300,000	9.6	4,300,000	8.6
Schroder Investment Management Ltd	2,504,616	4.5	564,336	1.1
Hargreaves Lansdown Asset Management	2,406,058	4.4	2,315,725	4.6
South Yorkshire Pension Authority	2,000,000	3.6	2,000,000	4.0
M&G Investment Management	1,945,545	3.0	1,945,545	3.9
Jupiter Asset Management	1,870,000	3.4	1,570,000	3.1
WH Ireland	1,714,138	3.1	571,498	1.1
Weiss Asset Management	–	–	3,350,000	6.7

## Global greenhouse gas emissions

All of the Company's activities are outsourced to third parties. As such, it does not have any greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Act (Strategic Report and Directors' Report) Regulations 2013.

## Going concern

The Company has reviewed the guidance issued by the Financial Reporting Council (FRC) in order to determine whether the going concern basis should be used in preparing the Financial Statements for the year ended 31 August 2014. 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.

## 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. 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.

## Disclosure of information to Auditors

In accordance with Section 418 of the Act, the Directors at the date of approval of this Report, as listed on page 17, confirm that:

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditors are unaware; and
- 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.

# Directors' Report

(incorporating the Corporate Governance Statement)



## AGM

The AGM will be held on Tuesday, 16 December 2014 at 12.30 pm at the offices of BNP Paribas Fortis, 5 Aldermanbury Square, London EC2V 7BP. Details of the business of the Meeting are set out in the Notice of Meeting on pages 66 to 69, amongst which the Board is seeking Shareholders' approval of three special resolutions.

### *Share buybacks and treasury share authority*

At the AGM held on Wednesday, 11 December 2013, 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 2014, the Company bought back 825,000 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 66 to 69. 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 £625,783.25, equivalent to 2,503,133 Ordinary shares of 25p each and 5% of the Company's existing issued Ordinary share capital as 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 as provided for in the Act. For meetings other than AGMs this is a period of 14 clear days.

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

## 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.

## 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](http://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.

# Directors' Report

(incorporating the Corporate Governance Statement)



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

## Statement of compliance

The Board considers that, for the year under review each Director, the Board and 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 SVLS. 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 2014 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 page 30, 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 fair, balanced and understandable assessment of the Company's position and, where appropriate, future prospects in Annual and Half Yearly Financial Reports and other forms of public reporting. It monitors and reviews the Shareholder base of the Company, marketing and Shareholder communication strategies, and evaluates the performance of all service providers, with input from its Committees where appropriate. A procedure has been adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company, where appropriate. The Directors have access to the advice and services of the corporate Company Secretary through its appointed representative, who is responsible to the Board for, *inter alia*, ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The appointment and removal of the Company Secretary is a matter for the whole Board.

## Conflicts of interest

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

The Board confirms that, during the year ended 31 August 2014, it authorised any potential conflicts of interest that would impact the Board's or the Company's operations, and that all procedures relating to their authorisation were appropriate and followed.

## Board diversity, composition and independence

The Board currently consists of five non-executive Directors. The biographical details of each Director, including his/her length of service, are set out on page 17.

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 will continue 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



# Directors' Report

(incorporating the Corporate Governance Statement)



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 will shortly be looking to formalise a succession plan with a view of refreshing the Board over the coming years. In the event that a new Directors is appointed, a formal rigorous and transparent process would be followed.

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 using a questionnaire as the basis for this formal and rigorous annual evaluation. Evaluation takes place in two stages. First, the evaluation of individual Directors is led by the Chairman and the evaluation of the Chairman's performance is led by a Director nominated by the Board. Secondly, the Board evaluates its own performance and that of its Committees.

The Board evaluation considers attendance, the balance of skills, experience, independence and knowledge of the Board, its diversity, including gender, how the Board works together as a unit, and other factors relevant to its effectiveness including the Board's ability to challenge SVLS's recommendations.

The Chairman uses the feedback from the discussion to make recommendations to improve performance where necessary. The Board considers annually, in the absence of the Chairman, matters pertaining to his performance. It was concluded that the performance of the Directors was satisfactory in all areas and they were confident in their ability to make effective contributions and to demonstrate commitment to their roles.

## Meetings and attendance

The Board meets at least five times each year. Additional meetings are arranged as required and regular contact between Directors, SVLS and the Company Secretary is maintained throughout the year. Representatives of SVLS and the 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	Valuation Committee
<b>Total</b>	<b>5</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>0</b>
John Aston	5	3	2	1	0
Véronique Bouchet	5	3	2	1	0
Alan Clifton	5	3	2	1	0
David Clough	5	3	2	1	0
Jim Horsburgh	5	3	2	1	0

Four informal Board meetings were also held throughout the year.

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

# Directors' Report

(incorporating the Corporate Governance Statement)



considers reports regularly from SVLS, 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. Committee membership is detailed on page 17.

### 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 Audit Committee met three times during the year ended 31 August 2014 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 17 of this Report.

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

During the year ended 31 August 2014, the Audit Committee considered the following significant issues:

Issue considered	How the issue was addressed
Valuations of listed and unlisted investments and gains and losses from those investments	Consideration and review of processes and procedures at HSBC and SVLS to identify key processes and controls over the valuation of stocks and where there is judgement, further information is sought to provide further comfort over the valuations being recommended for approval to the Board.

Accuracy and integrity of the Financial Statements	Consideration of draft Annual Report, letters of representation and the audit plan, together with a review of the appropriateness of accounting policies and regulatory developments during the year.
Review of internal control system and risks	Review of risk map, compliance against the AIC Code, policies and procedures in place.
Going Concern	Consideration of the appropriateness of adopting a going concern basis.

### Effectiveness of the external audit process

The Audit Committee annually reviews the performance of PricewaterhouseCoopers LLP, the Company's external Auditors and remains satisfied with the effectiveness of the audit provided. During the year the Audit Committee undertook a more rigorous review of the Auditors to evaluate whether a tender process was necessary. Having reviewed the calibre and reputation, size and resources of the audit firm, as well as the scope of the audit partner's involvement in the audit process, the Audit Committee recommended to the Board that a tender process for the audit was not necessary. The Auditors are required to rotate the audit partner every five years. Mr Allan McGrath is the assigned audit partner overseeing the audit for the second year.

Details of the amount paid to the external Auditors during the financial year under review, for their audit services, are set out in note 5 to the Financial Statements on page 46. The Audit Committee annually monitors the non-audit services provided to the Company and has developed a formal policy to ensure that such services do not impair the independence or objectivity of the Auditors. 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.

### Nomination Committee

The Nomination Committee met twice during the year ended 31 August 2014 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

# Directors' Report

(incorporating the Corporate Governance Statement)



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. Directors independence and diversity of the Board (including gender) is also considered. 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 2014 and will meet annually thereafter to review matters relating to the performance of the Company's third party service providers, including SVLS, 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. The Committee only meets if a valuation change is over 1% of NAV.

## **Relations with Shareholders**

The Board receives feedback on the views of Shareholders from its corporate broker and SVLS, 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 SVLS. 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 SVLS the day to day operations of this, full details of which can be found on the website [www.ibtplc.com](http://www.ibtplc.com).

## **Accountability and audit**

The Management Report and Directors' Responsibilities Statement in respect of the Financial Statements are on page 30 and a statement of going concern is set out in the Directors' Report on page 20. The Independent Auditors' Report can be found on pages 31 to 35.

## **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

# Directors' Report

(incorporating the Corporate Governance Statement)



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.

## **Anti-bribery policy**

The Company is committed to the practice of responsible behaviour and to complying with all laws, regulations and other requirements which govern the conduct of our activity. The Company is fully committed to instilling a strong anti-corruption culture and is fully committed to compliance with anti-bribery legislation including, but not limited to, the Bribery Act 2010.

On behalf of the Board

## **Alan Clifton**

Chairman

31 October 2014

# Report on Directors' Remuneration



## Introduction

This Report is submitted in accordance with Sections 420 to 422 of the Act and it also meets the relevant Listing Rules of the FCA and describes how the Board has applied the principles relating to Directors' remuneration.

The Company's Auditors are required to report on certain information contained within this Report. Where information set out below has been audited, it is indicated as such. The Auditors' opinion is included within the Independent Auditors' Report on pages 31 to 35.

## Directors' remuneration policy

The determination of the Directors' fees is a matter dealt with by the Board. A separate Remuneration Committee has not been appointed.

The Company's Articles of Association limit the aggregate fees payable to Directors to £250,000 per annum. Subject to this limit, it is the Company's policy to determine the level of Directors' fees having regard to the level of fees payable to non-executive directors in the industry, the role that individual Directors fulfil in respect of Board and Committee responsibilities and time committed to the Company's affairs. Fees payable to Directors should be sufficient to motivate and retain candidates of a high calibre to deliver the Company's investment objectives. No element of the Directors' remuneration is performance-related.

The Board considers any comments received from Shareholders on the remuneration policy on an ongoing basis and if appropriate, takes these into consideration when reviewing remuneration.

All Directors have a Letter of Appointment with the Company. The Letters of Appointment are available for inspection at the Company's Registered Office during normal business hours and at the location of the AGM during the Meeting. Directors do not have service contracts with the Company and no compensation is payable to Directors on leaving office. It is the intention of the Board that this policy will continue to apply in the forthcoming and subsequent financial years.

All Directors are appointed for an initial term covering the period from the date of their appointment until the first AGM thereafter, at which they are required to stand for election in accordance with the Company's Articles of Association. Thereafter, Directors retire by rotation at least every three

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

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

### Component parts of the Directors' remuneration

	Year ended <b>31 August</b> <b>2014</b>	Year ended 31 August 2013
Chairman's base fee	<b>£41,000</b>	£41,000
Non-executive Director base fee	<b>£27,000</b>	£27,000
Additional fee for the Chairman of the Audit Committee	<b>£4,500</b>	£4,500

1. The Company's policy is for the Chairman of the Board and the Chairman of the Audit Committee to be paid higher fees than the other Directors, to reflect their more onerous roles.
2. Directors' fees are paid up to the date of termination of their appointment, with no exit payments or compensation for loss of office payments applicable.
3. As the Company has no employees, there are no comparisons to be made between this Directors' Remuneration Policy and a policy on the remuneration of employees.
4. Directors' are entitled to claim expenses in respect of duties undertaken in connection with the management of the Company.
5. Fees are paid quarterly in arrears.
6. Fees are reviewed on an annual basis.

# Report on Directors' Remuneration



7. The Company retains the flexibility to pay additional one off fees to Directors should they be required to undertake additional work in order to deliver time consuming projects in the Shareholders' interests.

## Annual report on Directors' remuneration

This Report sets out how the Directors' Remuneration Policy was implemented during the year ended 31 August 2014.

Directors' fees are reviewed annually by the Board and, following the last review in February 2014, it was agreed that Directors' fees would remain unchanged as noted in the Directors' Remuneration Policy.

The amounts, set out in the following table, were paid by the Company to the Directors for services as Directors in respect of the year ended 31 August 2014 and the previous financial year.

*Single total figure of remuneration for each Director (audited)*

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

	Total Fees <sup>(i)</sup>	
	Year ended 31 August 2014	Year ended 31 August 2013
<b>Directors</b>		
John Aston	<b>31,500</b>	31,500
Véronique Bouchet	<b>27,000</b>	27,000
Alan Clifton (Chairman)	<b>41,000</b>	41,000
David Clough	<b>27,000</b>	27,000
Alex Hammond-Chambers <sup>(ii)</sup>	–	7,125
Jim Horsburgh <sup>(i)</sup>	<b>27,000</b>	15,600
<b>Total</b>	<b>153,500</b>	149,225

(i) appointed 1 February 2013.

(ii) resigned 5 December 2012.

(iii) No aspect of the Directors' remuneration, past or present, is performance-related in light of the Directors' non-executive status. As a result, no Director is entitled to any bonuses, benefit in kind, share options, long-term incentives, pension or other retirement benefit.

## Consideration of matters relating to Directors' remuneration

The Board as a whole reviewed the level of fees paid to Directors during the year and no Director was responsible for setting their own remuneration. No external advice was

sought in considering the level of Directors' fees. However, the Company Secretary provided an analysis of fees payable to other investment trust companies with comparable investment objectives which was taken into consideration.

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

The table below compares the remuneration paid to Directors and distributions to Shareholders by way of share buybacks for the year under review and the prior financial year.

	2014	2013	% change compared to previous year
Aggregate spend on Directors' fees*	<b>£153,500</b>	£149,225	2.9
Distributions to Shareholders – share buybacks*	<b>£2,409,250</b>	£673,500	257.7

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

\* During the year under review no dividends were paid.

## Directors' beneficial and family interests (audited)

	Ordinary shares of 25p each as at 31 August 2014	Ordinary shares of 25p each as at 1 September 2013
John Aston	<b>10,000</b>	10,000
Véronique Bouchet	<b>5,000</b>	5,000
Alan Clifton	<b>10,000</b>	10,000
David Clough	<b>5,000</b>	5,000
Jim Horsburgh	<b>10,000</b>	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.

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

# Report on Directors' Remuneration

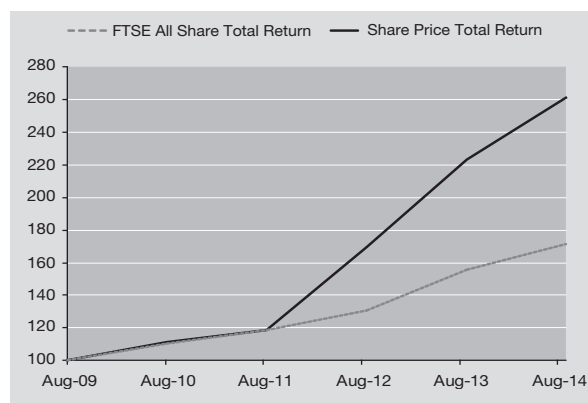


## Performance graph

The performance graph below charts the cumulative share price total return to Shareholders since 31 August 2009 compared to that of a broad equity market index. The FTSE All-Share Index has been used for this purpose as the NBI has a lack of diversity within its constituents.

A graph showing the Company's share price total return, compared with the FTSE All-Share Index Total Return, over the last five years, is shown below. The data have been rebased to 100 at 31 August 2009 (the start of the period covered by the graph).

## Share price/FTSE All-Share Index performance (%)



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

## Statement of implementation of Directors' remuneration policy

The Board does not envisage that there will be any significant changes to the implementation of the Directors' Remuneration Policy during the current financial year compared to how it was implemented during the year ended 31 August 2014.

## Annual statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulation 2013, I, as Chairman of the Board, confirm that the above Directors' Remuneration Annual Report summarises, as applicable, for the year ended 31 August 2014:

- the major decisions on Directors' remuneration;
- any substantial changes relating to Directors' remuneration made during the year; and
- the context in which those changes occurred and decisions taken.

## Shareholder approval

Shareholders will be asked to approve the Annual Report on Directors' Remuneration annually, as previously, by an advisory vote and an ordinary resolution to approve the Report will be put to Shareholders at the forthcoming AGM.

At the AGM held on 11 December 2013, votes cast (including the votes cast at the Chairman's discretion) in respect of the Directors' Remuneration Report were 31,555,822 (99.84%) in favour, 49,696 (0.16%) against and 3,211 votes withheld.

In addition, Shareholders will be asked to approve the Directors' Remuneration Policy on a three-yearly basis. Accordingly, an ordinary resolution will be put to Shareholders at the forthcoming AGM, and if approved, the full policy provisions will apply with immediate effect and will continue to apply until the AGM held in 2017. The Directors' Remuneration Policy is subject to a binding Shareholder vote and any changes to this policy would also require Shareholder approval.

## Recommendation

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

On behalf of the Board

**Alan Clifton**  
Chairman

31 October 2014

# 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 Financial Statements. The information required to be in the management report for the purposes of the Rules is included in the Strategic Report on pages 3 to 16 inclusive (together with the sections of the Annual Report incorporated by reference) and the Director's Report on pages 18 and 26. Therefore, a separate management report has not been included.

## Directors' responsibilities statement

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the 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 and the Group 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 Report on Directors' Remuneration comply with the Act and, as regards the Group Financial Statements, Article 4 of the International Accounting Standards (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](http://www.ibtplc.com), which is a website maintained by SVLS. The maintenance and integrity of the website is, so far as it relates to the Company, the responsibility of SVLS. 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.

The Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides information necessary for Shareholders to assess the Company's performance business model and strategy.

Each of the Directors, whose names and functions are listed on page 17 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 Company and the Group;
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that it faces; and
- As outlined on page 20 of this Report, the Directors have undertaken all necessary reviews to provide a going concern recommendation.

On behalf of the Board

**Alan Clifton**  
Chairman

31 October 2014



# Independent Auditors' Report

to the Members of International Biotechnology Trust plc

## Report on the Company financial statements

### Our opinion

In our opinion, (the "financial statements"):

- International Biotechnology Trust Plc's group financial statements and parent company financial statements (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 2014 and of the group's net profit and the group's and the parent company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with International Financial Reporting Standards ("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.

### What we have audited

International Biotechnology Trust Plc's financial statements comprise:

- the Group and Company balance sheet as at 31 August 2014;
- the Group Statement of Comprehensive Income for the year then ended;
- the Group and Company Cash Flow Statements for the year then ended;
- the Group and Company Statements of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and 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.

## Our audit approach

### Overview

### Materiality

- Overall materiality: £2.15 million which represents 1% of net assets.

### Audit Scope

- We audited the financial statements of the subsidiary and the parent company which accounted for 100% of the group's income and 100% of its net assets.
- We conducted the audit of the financial statements at HSBC Bank plc (the "Administrator") as SV Life Sciences Managers LLP (the "Manager") has, with the consent of the directors, delegated the provision of certain administrative functions.
- We tailored the scope of our audit taking into account the types of investments within the group, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the company operates.

### Area of Focus

- Our areas of focus included:
  - Gains/losses on quoted and unquoted investments held at fair value
  - Valuation and existence of quoted investments
  - Valuation and existence of unquoted investments

### The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of material misstatement arising from management override of internal controls, including evaluating whether there was evidence of bias by the directors that may represent a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below together with an explanation of how we tailored our audit to address these specific areas. This is not a complete list of all risks or areas of focus identified by our audit.

# Independent Auditors' Report

to the Members of International Biotechnology Trust plc

Area of Focus	The scope of our audit and our areas of focus
<p><i>Gains/losses on quoted and unquoted investments held at fair value</i></p> <p><i>Refer to page 24 (Audit Committee Report), page 40 (Accounting Policies) and page 45 (notes).</i></p> <p>ISAs (UK &amp; Ireland) presume there is a risk of fraud in revenue recognition because of the pressure management may feel to achieve capital growth in line with the objective of the group.</p> <p>We focussed on realised and unrealised gains/losses, on quoted and unquoted investments held at fair value.</p> <p>This is because incomplete or inaccurate gains/losses on quoted and unquoted investments held at fair value could have a material impact on the group's net asset value.</p>	<p>We assessed the accounting policy for quoted and unquoted investments held at fair value for compliance with accounting standards, International Private Equity and Venture Capital Valuation Guidelines and the AIC SORP and performed testing to check that quoted and unquoted investments held at fair value had been accounted for in accordance with this stated accounting policy as set out in note 1. (g) on page 41 of the financial statements.</p> <p>We understood and assessed the design and implementation of key controls surrounding recognition of realised and unrealised gains/losses on quoted and unquoted investments held at fair value.</p> <p>The gains/losses on quoted and unquoted investments held at fair value comprise realised and unrealised gains/losses:</p> <ul style="list-style-type: none"> <li>For unrealised gains/losses, we obtained an understanding of, and then tested the valuation process as set out in the 'Valuation of quoted investments' and 'Valuation of unquoted investments' areas of focus, to ascertain whether these gains/losses were appropriately calculated.</li> <li>For realised gains/losses, we tested disposal proceeds by agreeing the proceeds to bank statements and sale agreements and we re-performed the calculation of a sample of realised gains/losses.</li> </ul>
<p><i>Valuation and existence of quoted investments</i></p> <p><i>Refer to page 24 (Audit Committee Report), page 40 (Accounting Policies) and page 48 (notes).</i></p> <p>We focused on the valuation and existence of quoted investments as these investments represented a material balance in the financial statements of £206.5m at the year-end.</p>	<p>We tested the valuation of the quoted investments by agreeing the prices used in the valuation to independent third party sources.</p> <p>We tested the existence of the quoted investment portfolio by agreeing the holdings to an independent custodian confirmation from HSBC Bank plc.</p>

<p><i>Valuation and existence of unquoted investments</i></p> <p><i>Refer to page 24 (Audit Committee Report), page 40 (Accounting Policies) and page 48 (notes).</i></p> <p>We focused on the valuation and existence of the unquoted investments as these investments represented a material balance in the financial statements of £18.2m at the year-end.</p> <p>The valuation of these unquoted investments requires estimates and significant judgements to be applied by the Manager such that changes to key inputs in to the estimates and/or the judgements made can result, either on an individual unquoted investment or in aggregate, in a material change to the valuation of unquoted investments.</p>	<p>We understood and evaluated the valuation methodology applied, by reference to industry practice for investments in the biotechnology sector, and tested the techniques used, by the Manager, in determining the fair value of unquoted investments. The testing included:</p> <ul style="list-style-type: none"> <li>comparing valuations based on recent transactions;</li> <li>comparing recent investments made in investee companies where there was a significant new investor; and</li> <li>assessing valuation models that applied comparable company earnings multiples, discounted appropriately to reflect the illiquidity in the investment, to earnings data from audited accounts, unaudited management accounts and/or forecasts for the investee company, being the key inputs in valuing the unquoted investments.</li> </ul> <p>We also read the Valuation Committee papers and meeting minutes where the valuations of the unquoted investments were discussed and agreed. This, together with the work outlined above, our knowledge of the investee entities and the International Private Equity and Venture Capital Valuation guidelines, enabled us to discuss and challenge the Manager and Directors as to the appropriateness of the methodology and key inputs used, and the valuations themselves.</p> <p>We tested the existence of the unquoted investment portfolio by agreeing the holdings to an independent custodian confirmation from HSBC Bank plc.</p>
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## How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the types of investments within the group, the involvement of the Manager and Administrator, the accounting processes and controls, and the industry in which the group operates.

The group's accounting is delegated to the Administrator who maintain their own accounting records and controls and report to the Manager and the Directors.

# Independent Auditors' Report

to the Members of International Biotechnology Trust plc

As part of our risk assessment, we assessed the control environment in place at both the Manager and the Administrator to the extent relevant to our audit. This assessment of the operating and accounting structure in place at both organisations involved obtaining and reading the relevant control reports issued by the independent auditor of the Manager and Administrator in accordance with generally accepted assurance standards for such work. We then identified those key controls at the Administrator on which we could place reliance to provide audit evidence. We also assessed the gap period of 8 months between the period covered by the controls report and the year-end of the group. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements, including whether we needed to perform additional testing in respect of those key controls to support our substantive work.

## Materiality

The scope of our audit is influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

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

### Overall group materiality

£2.15 million (2013: £1.73 million)

### How we determined it

1% of net assets

### Rationale for benchmark applied

We have applied this benchmark, a generally accepted auditing practice for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate and consistent year-on-year basis for our audit.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £112,000 (2013: £86,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 20, in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the group's ability to continue as a going concern.

## Other required reporting

### Consistency of other information

#### *Companies Act 2006 opinions*

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### *ISAs (UK & Ireland) reporting*

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- Information in the Annual Report is:
  - materially inconsistent with the information in the audited financial statements; or
  - apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
  - is otherwise misleading.

We have no exceptions to report arising from this responsibility.

- the statement given by the directors on page 30, in accordance with Code Provision C.1.1, that they consider the Annual Report taken as a whole to be fair, balanced

# Independent Auditors' Report

to the Members of International Biotechnology Trust plc

and understandable and provides the information necessary for members to assess the group's performance, business model and strategy is materially inconsistent with our knowledge of the group acquired in the course of performing our audit.

We have no exceptions to report arising from this responsibility.

- the section of the Annual Report on page 24, as required by Code Provision C.3.8, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

## Adequacy of information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

## Directors' remuneration

### *Directors' remuneration report – Companies Act 2006 opinion*

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

### *Other Companies Act 2006 reporting*

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the parent company's compliance with nine provisions of the UK

Corporate Governance Code ("the Code"). We have nothing to report having performed our review.

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 30, 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 ISAs (UK & 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.

### What an audit of financial statements involves

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 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

# Independent Auditors' Report

to the Members of International Biotechnology Trust plc

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Allan McGrath (Senior Statutory Auditor)**

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

31 October 2014

# Group Statement of Comprehensive Income

	Note	For the year ended 31 August 2014			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	-	47,426	47,426	-	46,621	46,621
Exchange gains/(losses) on currency balances		-	8	8	-	(204)	(204)
Income	3	536	-	536	562	-	562
<b>Expenses</b>							
Management fee	4	(2,145)	-	(2,145)	(1,660)	-	(1,660)
Administrative expenses	5	(962)	-	(962)	(840)	-	(840)
<b>(Loss)/profit before finance costs and tax</b>		<b>(2,571)</b>	<b>47,434</b>	<b>44,863</b>	<b>(1,938)</b>	<b>46,417</b>	<b>44,479</b>
<b>Finance costs</b>							
Interest payable	6	(109)	-	(109)	(13)	-	(13)
<b>(Loss)/profit on ordinary activities before tax</b>		<b>(2,680)</b>	<b>47,434</b>	<b>44,754</b>	<b>(1,951)</b>	<b>46,417</b>	<b>44,466</b>
Taxation	7	(35)	-	(35)	(38)	-	(38)
<b>(Loss)/profit for the year attributable to owners of the parent</b>		<b>(2,715)</b>	<b>47,434</b>	<b>44,719</b>	<b>(1,989)</b>	<b>46,417</b>	<b>44,428</b>
<b>Basic and diluted (loss)/earnings per Ordinary share</b>	8	<b>(4.94)p</b>	<b>86.24p</b>	<b>81.30p</b>	<b>(3.59)p</b>	<b>83.89p</b>	<b>80.30p</b>

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 40 to 64 form part of these Financial Statements.

# Group and Company Statements of Changes in Equity

<b>Group</b> <b>For the year ended</b> <b>31 August 2014</b>	Note	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 2013		13,939	18,805	27,878	44,918	90,682	(23,550)	172,672
<b>Total Comprehensive Income:</b>								
Profit/(loss) for the year		-	-	-	-	47,434	(2,715)	44,719
<b>Transactions with owners, recorded directly to equity:</b>								
Shares bought back and held in treasury	14, 17	-	-	-	(2,421)	-	-	(2,421)
<b>Balance at 31 August 2014</b>		<b>13,939</b>	<b>18,805</b>	<b>27,878</b>	<b>42,497</b>	<b>138,116</b>	<b>(26,265)</b>	<b>214,970</b>
<b>Group</b> <b>For the year ended</b> <b>31 August 2013</b>		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	44,265	(21,561)	128,922
<b>Total Comprehensive Income:</b>								
Profit/(loss) for the year		-	-	-	-	46,417	(1,989)	44,428
<b>Transactions with owners, recorded directly to equity:</b>								
Shares bought back and held in treasury	14, 17	-	-	-	(678)	-	-	(678)
Shares cancelled from treasury	16	(63)	-	63	-	-	-	-
Balance at 31 August 2013		13,939	18,805	27,878	44,918	90,682	(23,550)	172,672
<b>Company</b> <b>For the year ended</b> <b>31 August 2014</b>		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 2013		13,939	18,805	27,878	44,918	90,171	(23,550)	172,161
<b>Total Comprehensive Income:</b>								
Profit/(loss) for the year		-	-	-	-	47,434	(2,715)	44,719
<b>Transactions with owners, recorded directly to equity:</b>								
Shares bought back and held in treasury	14, 17	-	-	-	(2,421)	-	-	(2,421)
<b>Balance at 31 August 2014</b>		<b>13,939</b>	<b>18,805</b>	<b>27,878</b>	<b>42,497</b>	<b>137,605</b>	<b>(26,265)</b>	<b>214,459</b>
<b>Company</b> <b>For the year ended</b> <b>31 August 2013</b>		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
<b>Total Comprehensive Income:</b>								
Profit/(loss) for the year		-	-	-	-	46,417	(1,989)	44,428
<b>Transactions with owners, recorded directly to equity:</b>								
Shares bought back and held in treasury	14, 17	-	-	-	(678)	-	-	(678)
Shares cancelled from treasury	16	(63)	-	63	-	-	-	-
Balance at 31 August 2013		13,939	18,805	27,878	44,918	90,171	(23,550)	172,161

The notes on pages 40 to 64 form part of these Financial Statements.

## Group and Company Balance Sheets

	Note	At 31 August 2014 Group £'000	At 31 August 2014 Company £'000	At 31 August 2013 Group £'000	At 31 August 2013 Company £'000
<b>Non-current assets</b>					
Investments held at fair value through profit or loss	9	224,723	224,723	168,438	168,438
		<b>224,723</b>	<b>224,723</b>	168,438	168,438
<b>Current assets</b>					
Receivables	10	890	890	2,823	2,823
Cash and cash equivalents	11	–	–	1,635	1,635
		<b>890</b>	<b>890</b>	4,458	4,458
<b>Total assets</b>		<b>225,613</b>	<b>225,613</b>	172,896	172,896
<b>Current liabilities</b>					
Borrowings	11	(3,017)	(3,017)	–	–
Payables	12	(7,626)	(8,137)	(224)	(735)
		<b>(10,643)</b>	<b>(11,154)</b>	(224)	(735)
<b>Net assets</b>		<b>214,970</b>	<b>214,459</b>	172,672	172,161
<b>Equity attributable to equity holders</b>					
Called up share capital	14	13,939	13,939	13,939	13,939
Share premium account	15	18,805	18,805	18,805	18,805
Capital redemption reserve	16	27,878	27,878	27,878	27,878
Share purchase reserve	17	42,497	42,497	44,918	44,918
Capital reserves	18	138,116	137,605	90,682	90,171
Revenue reserve	19	(26,265)	(26,265)	(23,550)	(23,550)
<b>Total equity</b>		<b>214,970</b>	<b>214,459</b>	172,672	172,161
<b>Basic and diluted net asset value per Ordinary share</b>	20	<b>395.66p</b>	<b>394.71p</b>	313.05p	312.13p

The Financial Statements on pages 36 to 64 were approved by the Board on 31 October 2014 and signed on its behalf by:

**Alan Clifton**  
Chairman

**John Aston**  
Audit Committee Chairman

The notes on pages 40 to 64 form part of these Financial Statements.

*International Biotechnology Trust plc*  
Company Number: 2892872



## Group and Company Cash Flow Statements

	Note	For the year ended 31 August 2014 Group £'000	For the year ended 31 August 2014 Company £'000	For the year ended 31 August 2013 Group £'000	For the year ended 31 August 2013 Company £'000
<b>Cash flows from operating activities</b>					
Profit before tax		44,754	44,754	44,466	44,466
Adjustments for:					
Increase in investments		(56,285)	(56,285)	(48,049)	(48,049)
Decrease in current asset investments		-	-	6,043	6,043
Decrease/(increase) in receivables		1,933	1,933	(2,468)	(2,468)
Increase in payables		7,402	7,402	25	25
Taxation		(35)	(35)	(38)	(38)
<b>Net cash flows used in operating activities</b>	21	<b>(2,231)</b>	<b>(2,231)</b>	(21)	(21)
<b>Cash flows used in financing activities</b>					
Share repurchase costs		(2,421)	(2,421)	(678)	(678)
<b>Net cash used in financing activities</b>		<b>(2,421)</b>	<b>(2,421)</b>	(678)	(678)
<b>Net decrease in cash and cash equivalents</b>					
Cash and cash equivalents at 1 September		1,635	1,635	2,334	2,334
<b>Cash and cash equivalents at 31 August</b>	11	<b>(3,017)</b>	<b>(3,017)</b>	1,635	1,635

The notes on pages 40 to 64 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 Strategic and Director's Reports.

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 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. 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.

# Notes to the Financial Statements

## 1. Accounting policies (continued)

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

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

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

### (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 (ie 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 (December 2012). 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.

# Notes to the Financial Statements

## 1. Accounting policies (continued)

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) Investment in Subsidiary

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

### (i) 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".

### (j) 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.

### (k) 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 £nil. In the Balance Sheet, bank overdrafts (£3.0m) are shown within borrowings in current liabilities.

### (l) 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.

### (m) 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.

# Notes to the Financial Statements

## 1. Accounting policies (continued)

### (n) 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.

### (o) 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 and losses.

### (p) Accounting developments

#### (i) New standards, amendments and interpretations becoming effective in the year ended 31 August 2014:

- IAS 1 (amendment), 'Presentation of Financial Statements' – amendments resulting from annual improvements review to revise the way other comprehensive income is presented.
- IFRS 7 (amendment), 'Financial Instruments – Disclosures' (effective for periods beginning on or after 1 January 2013) – amendments enhancing disclosures about offsetting financial assets and financial liabilities.
- IFRS 13, 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2013) – aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

None of the above has had any significant impact on the amounts reported in these Financial Statements.

# Notes to the Financial Statements

## 1. Accounting policies (continued)

(ii) *New standards, amendments and interpretations issued but not effective for the current financial year and not adopted early by the Group:*

- IFRS 9, 'Financial Instruments' (effective for financial periods beginning on or after 1 January 2015) – addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015, subject to endorsement by the EU.
- IFRS 10, 'Consolidated Financial Statements' (effective for financial periods beginning on or after 1 January 2014) – Provides additional guidance to assist in the determination of control where this is difficult to assess.
- IFRS 12, 'Disclosures of Interests In Other Entities' (effective for financial periods beginning on or after 1 January 2014) – includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- IAS 27 (revised), 'Separate Financial Statements' (effective for financial periods beginning on or after 1 January 2014) – requirements for consolidated financial statements moved to IFRS 10.
- IAS 32, 'Financial Instruments: Presentation' (effective for financial periods beginning on or after 1 January 2014) – updates the application guidance in IAS 32 to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
- IAS 39, 'Financial Instruments: Recognition and Measurement' (effective for financial periods beginning on or after 1 January 2014) – narrow scope amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

It is not expected that the standards listed above will have a significant impact on the Financial Statements of the Group in future periods, except that IFRS 9 may impact both the measurement and disclosure of financial instruments. However, it is not yet practical to provide an estimate of the effect.

(iii) *New standards, amendments and interpretations issued but not effective for the current financial year and not relevant to the Group's operations:*

- IFRS 1 (amendments), 'First Time Adoption of International Financial Reporting Standards';
- IFRS 11, 'Joint Arrangements';
- IAS 12 (amendment), 'Income Taxes';
- IAS 16, 'Property, Plant and Equipment';
- IAS 19 (amendment), 'Employee Benefits';
- IAS 28, 'Associates and Joint Ventures';
- IAS 34, 'Interim Reporting'; and
- IAS 36, 'Impairment of Assets'.

# Notes to the Financial Statements

## 2. Gains on investments held at fair value

	For the year ended 31 August 2014 £'000	For the year ended 31 August 2013 £'000
Net gains on disposal of investments at historic cost	28,523	27,065
Less fair value adjustments in earlier years	(14,438)	(8,685)
Gains based on carrying value at previous Balance Sheet date	14,085	18,380
Investment holding gains during the year	33,341	28,241
	<b>47,426</b>	46,621
Attributable to:		
Quoted investments	46,630	42,427
Unquoted investments	796	4,194
	<b>47,426</b>	46,621

## 3. Income

	For the year ended 31 August 2014 £'000	For the year ended 31 August 2013 £'000
Income from investments held at fair value through profit or loss:		
Unfranked dividends	247	377
Interest on debt securities	289	323
	<b>536</b>	700
Other income:		
Income from current asset investments	-	(139)
Bank interest	-	1
	<b>536</b>	562

## 4. Management and performance fees

	For the year ended 31 August 2014 £'000	For the year ended 31 August 2013 £'000
Fees payable to SVLS are as follows:		
Management fees (allocated to revenue)	2,145	1,660
	<b>2,145</b>	1,660

In the year ended 31 August 2014 a performance fee of £nil (2013: £nil) was earned by SVLS.

Details of the management and performance fee arrangements are included in the Directors' Report on page 19.

# Notes to the Financial Statements

## 5. Administrative expenses

	For the year ended 31 August 2014 £'000	For the year ended 31 August 2013 £'000
General expenses	573	462
Directors' fees*	154	149
Company Secretarial and administration fees	201	193
Auditors' remuneration:		
Fees payable to the Group's auditor for the audit of the Annual Financial Statements	34	34
Fees payable to the Group's auditor for taxation compliance services	-	2
	<b>962</b>	<b>840</b>

\* See the Report on Directors' Remuneration on pages 27 to 29.

## 6. Interest payable

	For the year ended 31 August 2014 £'000	For the year ended 31 August 2013 £'000
Bank overdraft interest payable	109	13
	<b>109</b>	<b>13</b>

## 7. Taxation

### (a) Analysis of charge in year:

	For the year ended 31 August 2014 £'000	For the year ended 31 August 2013 £'000
Overseas tax	35	38
Total current tax charge for the year	<b>35</b>	<b>38</b>

Under the Finance Act 2013 the standard rate of Corporation Tax in the UK changed from 23% to 21% with effect from 1 April 2014.

Accordingly, the Company's (loss)/profits for the accounting period to 31 August 2014 are taxed at an effective rate of 22.17% (2013: 23.58%).



# Notes to the Financial Statements

## 7. Taxation (continued)

### (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 22.17% (2013: 23.58%). The differences are explained below:

	For the year ended 31 August 2014			For the year ended 31 August 2013		
	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	(2,680)	47,434	44,754	(1,951)	46,417	44,466
Tax at the UK Corporation Tax rate of						
23% (2013: 24%)	(360)	6,365	6,005	(273)	6,499	6,226
21% (2013: 23%)	(235)	4,150	3,915	(187)	4,448	4,261
	(595)	10,515	9,920	(460)	10,947	10,487
Tax effect of:						
Non-taxable dividend income	(55)	–	(55)	(81)	–	(81)
Capital returns on investments	–	(10,513)	(10,513)	–	(10,995)	(10,995)
Exchange (gains)/losses	–	(2)	(2)	–	48	48
Expenses not utilised in the year	650	–	650	542	–	542
Overseas tax	35	–	35	38	–	38
Tax relief on overseas tax suffered	–	–	–	(1)	–	(1)
	35	–	35	38	–	38

### (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 2014 the Company had a potential deferred tax asset of £8,816,000 (2013: £8,231,000) 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 (2013: 20%).

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

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

# Notes to the Financial Statements

## 8. Net (loss)/earnings per Ordinary share

	For the year ended 31 August 2014 £'000	For the year ended 31 August 2013 £'000
Net revenue loss	<b>(2,715)</b>	(1,989)
Net capital profit	<b>47,434</b>	46,417
	<b>44,719</b>	44,428
Weighted average number of Ordinary shares in issue during the year*	<b>55,003,553</b>	55,328,622
	<b>Pence</b>	Pence
Revenue loss per Ordinary share	<b>(4.94)</b>	(3.59)
Capital profit per Ordinary share	<b>86.24</b>	83.89
Total earnings per Ordinary share	<b>81.30</b>	80.30

\*Excluding those held in treasury.

The increase in the NAV per share from 313.05p (31 August 2013) to 395.66p (31 August 2014) includes the total earnings 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 2014 Group £'000	At 31 August 2014 Company*	At 31 August 2013 Group £'000	At 31 August 2013 Company*
Quoted in the UK	–	–	1,170	1,170
Quoted overseas	<b>206,491</b>	<b>206,491</b>	139,999	139,999
	<b>206,491</b>	<b>206,491</b>	141,169	141,169
Unquoted in the UK	<b>4,240</b>	<b>4,240</b>	3,060	3,060
Unquoted overseas	<b>13,992</b>	<b>13,992</b>	24,209	24,209
Valuation of investments at 31 August	<b>224,723</b>	<b>224,723</b>	168,438	168,438

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

# Notes to the Financial Statements

## 9. Investments held at fair value through profit or loss (continued)

### (b) Movements on investments

	For the year ended 31 August 2014 Group £'000	For the year ended 31 August 2014 Company £'000	For the year ended 31 August 2013 Group £'000	For the year ended 31 August 2013 Company £'000
Opening book cost	139,234	139,234	110,741	110,741
Opening fair value adjustment	29,204	29,204	9,648	9,648
Opening valuation	168,438	168,438	120,389	120,389
Purchases at cost	218,478	218,478	124,026	124,026
Proceeds of disposals	(209,619)	(209,619)	(122,594)	(122,594)
Net gains realised on disposals	14,085	14,085	18,380	18,380
Amortisation on fixed interest securities	–	–	(4)	(4)
Increase in fair value adjustment	33,341	33,341	28,241	28,241
Valuation of investments at 31 August	224,723	224,723	168,438	168,438
Closing book cost	176,616	176,616	139,234	139,234
Closing fair value adjustment	48,107	48,107	29,204	29,204
Closing valuation	224,723	224,723	168,438	168,438

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

	For the year ended 31 August 2014 £'000	For the year ended 31 August 2013 £'000
On acquisitions	125	70
On disposals	125	73
	250	143

### (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.

## Notes to the Financial Statements

### 9. Investments held at fair value through profit or loss (continued)

#### (d) Significant undertaking

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
AlloCure	Series A Pref	6.70%	US
AlloCure	Series B Pref	4.70%	US
Atopix Therapeutics	Series A Pref	6.03%	UK
Archemix	Series B	3.80%	US
Celerion Series A	Series A	3.51%	US
EBR Systems	Series C	7.84%	US
EBR Systems	Series D	4.16%	US
EBR Systems	Series E	4.02%	US
Entellus Medical	Series C	13.30%	US
Ikano Therapeutics Liquidating trust	Units	6.41%	US
Kalvista Pharmaceuticals	Series A	4.87%	UK
Karus Therapeutics	Series B Pref	4.07%	UK
NCP Holdings	Series A Convertible	3.10%	US
Oncoethics	Series B Pref	4.61%	France
Oxagen Stocks	Series A Pref	4.63%	UK
Oxagen Stocks	Series B Pref	9.10%	UK
Oxagen Stocks	Series C pref	4.18%	UK
Reshape	Series B	10.00%	US
Reshape	Sereis C Pref	4.20%	US
Reshape	8% Convertible Loan Note	5.03%	US
Ricerca	Series 1 Pref	7.03%	US
Sutro Biopharma	Series B	3.93%	US
Vantia	Series A	3.37%	UK
Vantia	Series B	3.56%	UK
Vantia	15% Convertible Loan Note	4.44%	UK
Vantia	10% Convertible Loan Note	5.00%	UK

#### (e) Disposals of unquoted investments

The significant unquoted investment disposals during the year were:

Investment	Carrying Value at 31 August 2013 £'000	Transactions prior to disposal £'000	Cost £'000	Proceeds £'000	Carrying value at 31 August 2014 £'000
Affinium Pharmaceuticals (partial disposal)	859	5	803	1,632	61
Aptiv Solutions	5,556	–	4,790	5,530	–
EUSA Pharma	218	–	–	420	–
Lux Biosciences	–	–	1,615	–	–

# Notes to the Financial Statements

## 9. Investments held at fair value through profit or loss (continued)

### (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
Affinium Pharmaceuticals	970
Archemix	206
AlloCure	(1,294)
Calchan Holdings	(220)
Delenex Therapeutics	(708)
Entellus Medical	596
ESBATEch	300
NCP Holdings	250
TransEnterix	980

## 10. Receivables

	At 31 August 2014 Group £'000	At 31 August 2014 Company £'000	At 31 August 2013 Group £'000	At 31 August 2013 Company £'000
Amounts due within one year:				
Sales awaiting settlement	801	801	2,726	2,726
Accrued income	53	53	68	68
Prepaid expenses	22	22	20	20
Tax recoverable	1	1	1	1
VAT recoverable	13	13	8	8
	<b>890</b>	<b>890</b>	2,823	2,823

## 11. Cash and cash equivalents

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

	At 31 August 2014 Group £'000	At 31 August 2014 Company £'000	At 31 August 2013 Group £'000	At 31 August 2013 Company £'000
Cash at bank	–	–	1,635	1,635
Bank overdraft	(3,017)	(3,017)	–	–
Cash and cash equivalents	<b>(3,017)</b>	<b>(3,017)</b>	1,635	1,635

The Company has a £30m uncommitted multi-currency overdraft facility. On 31 August 2014, £3,017,000 (2013: £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.

# Notes to the Financial Statements

## 12. Payables

	At 31 August 2014 Group £'000	At 31 August 2014 Company £'000	At 31 August 2013 Group £'000	At 31 August 2013 Company £'000
Amounts falling due within one year:				
Purchases awaiting settlement	7,378	7,378	–	–
Accrued expenses	248	248	224	224
Amount due to subsidiary	–	511	–	511
	<b>7,626</b>	<b>8,137</b>	224	735

## 13. 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:

2014: Karus £353,434; Ricerca £38,611 and TopiVert £588,236 (2013: Autifony £300,000; AlloCure £294,000; Convergence Pharmaceuticals £70,000; Karus Therapeutics £767,000; Oncoethix £499,000; and Ricerca £41,000).

## 14. Called up share capital

	Ordinary shares of 25p each at 31 August 2014	Ordinary shares of 25p each at 31 August 2013	Nominal value at 31 August 2014 £'000	Nominal value at 31 August 2013 £'000
Allotted, Called up and Fully paid:				
Ordinary shares in issue	54,332,663	55,157,663	13,583	13,789
Ordinary shares held in treasury	1,425,000	600,000	356	150
	<b>55,757,663</b>	55,757,663	<b>13,939</b>	13,939

During the year 825,000 Ordinary shares were repurchased to be held in treasury at a cost of £2,421,000 (2013: 300,000 shares at a cost of £678,000).

Nil (2013: 250,000) 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.

## 15. Share premium account (Group and Company)

	At 31 August 2014 £'000	At 31 August 2013 £'000
Balance brought forward	18,805	18,805
Balance carried forward	18,805	18,805

## 16. Capital redemption reserve (Group and Company)

	At 31 August 2014 £'000	At 31 August 2013 £'000
Balance brought forward	27,878	27,815
Nominal value of nil (2013: 250,000) Ordinary shares cancelled from treasury	–	63
Balance carried forward	<b>27,878</b>	27,878

# Notes to the Financial Statements

## 17. Share purchase reserve (Group and Company)

	At 31 August 2014 £'000	At 31 August 2013 £'000
Balance brought forward	44,918	45,596
Cost of shares bought back and held in treasury	(2,421)	(678)
Balance carried forward	42,497	44,918

## 18. Capital reserves

	At 31 August 2014 Group £'000	At 31 August 2014 Company £'000	At 31 August 2013 Group £'000	At 31 August 2013 Company £'000
Balance brought forward	90,682	90,171	44,265	43,754
Gains on investments	47,426	47,426	46,621	46,621
Realised exchange gains/(losses) on currency balances	8	8	(204)	(204)
Balance carried forward	138,116	137,605	90,682	90,171
The capital reserves may be further analysed as follows:				
Reserve on investments sold	90,009	89,498	61,478	60,967
Reserve on investments held	48,107	48,107	29,204	29,204
	138,116	137,605	90,682	90,171

## 19. Revenue reserve (Group and Company)

	At 31 August 2014 £'000	At 31 August 2013 £'000
Balance brought forward	(23,550)	(21,561)
Net loss for the year	(2,715)	(1,989)
Balance carried forward	(26,265)	(23,550)

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 £2,715,000 (2013: £1,989,000).

## 20. Net Asset Value per Ordinary Share

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

	At 31 August 2014 Group £'000	At 31 August 2014 Company £'000	At 31 August 2013 Group £'000	At 31 August 2013 Company £'000
NAV (£'000)	214,970	214,459	172,672	172,161
Number of Ordinary shares in issue	54,332,663	54,332,663	55,157,663	55,157,663
Basic NAV per Ordinary share (pence)	395.66	394.71	313.05	312.13

The diluted NAV per share is the same as the basic NAV per share calculated above as there are no potentially dilutive shares in issue (2013: same).

# Notes to the Financial Statements

## 21. Notes to the Cash Flow Statement

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

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

	<b>For the year ended 31 August 2014 Group and Company £'000</b>	For the year ended 31 August 2013 Group and Company £'000
Proceeds on disposal of fair value through profit and loss investments	<b>211,544</b>	119,868
Purchases of fair value through profit and loss investments	<b>(211,100)</b>	(124,034)
Net cash inflow/(outflow) from investing activities	<b>444</b>	(4,166)
Net sale of current asset investments	-	5,906
Cash flows from other operating activities	<b>(2,675)</b>	(1,761)
Net cash flows used in operating activities	<b>(2,231)</b>	(21)

## 22. Transactions with SVLS and related party transactions

### (a) Transactions with SVLS

Details of the management fee arrangement are given in the Director's Report on page 19.

The total fee payable under this Agreement to SVLS for the year ended 31 August 2014 was £2,145,000 (2013: £1,660,000) of which £nil (2013: £nil) was outstanding at the year end. In addition to this, SVLS is also entitled to a performance fee of £nil (2013: £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 2014 £nil (2013: £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 2014 was £153,500 (2013: £149,225) of which £38,375 (2013: £38,375) was outstanding at the year end.

At 31 August 2014 there was an outstanding balance of £511,000 due to the Subsidiary, IBT Securities Limited (2013: £511,000 due to the Subsidiary).



# Notes to the Financial Statements

## 23. 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 13) 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. SVLS 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 9 to 12 and in the Investment Manager's Review on pages 6 to 8. 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:

	<b>At 31 August 2014 Group £'000</b>	<b>At 31 August 2014 Company £'000</b>	At 31 August 2013 Group £'000	At 31 August 2013 Company £'000
Non-current asset investments at fair value through profit or loss	<b>224,723</b>	<b>224,723</b>	168,438	168,438
Total	<b>224,723</b>	<b>224,723</b>	168,438	168,438

The level of assets exposed to market price risk increased by approximately 33% during the year, through a combination of acquisitions of investments and increases in fair values.

#### *Concentration of exposure to price risk*

The Company currently holds investments in 85 companies, in a mixture of quoted and unquoted investments in a variety of countries, which significantly spreads the risk of individual investments performing poorly and reduces the concentration of exposure. The classification of investments by sector and region is provided on page 12.

#### *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.

# Notes to the Financial Statements

## 23. Financial instruments (continued)

Group and Company:

	31 August 2014 Increase in fair value £'000	31 August 2014 Decrease in fair value £'000	31 August 2013 Increase in fair value £'000	31 August 2013 Decrease in fair value £'000
Effect on revenue return	(258)	258	(194)	194
Effect on capital return	22,472	(22,472)	16,844	(16,844)
Effect on total return and net assets	22,214	(22,214)	16,650	(16,650)

### 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 12.

#### Management of the risk

SVLS 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 2014 are shown below.

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

	At 31 August 2014 Group and Company £'000	At 31 August 2013 Group and Company £'000
<b>Monetary assets/(liabilities)</b>		
Cash and cash equivalents:		
US dollars	–	1,411
Short-term receivables:		
US dollars	851	2,763
Swiss francs	–	6
Australian dollars	–	4
Short-term payables:		
Swiss francs	(2)	–
US dollars	(10,278)	–
<b>Foreign currency exposure on net monetary items</b>	<b>(9,429)</b>	4,184
<b>Non-current asset investments held at fair value</b>		
US dollars	208,887	160,673
Swiss francs	7,538	1,059
Euros	1,723	1,539
Danish krone	1,445	633
Canadian dollars	890	–
Norwegian krone	–	270
Australian dollars	–	252
<b>Total net foreign currency exposure</b>	<b>211,054</b>	168,610

At the year end, approximately 98% (2013: 98%) 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.

# Notes to the Financial Statements

## 23. Financial instruments (continued)

### Foreign currency sensitivity

During the financial year sterling strengthened by 7.4% against the US dollar, 7.5% against the euro and 5.5% against the Swiss franc. (2013: weakened 2.6%, 6.9% and 4.7% 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 (loss)/profit for the year attributable to equity Shareholders as follows:

	At 31 August 2014 £'000	At 31 August 2013 £'000
US dollars	19,946	16,485
Swiss francs	754	107
Euros	172	154
Danish krone	145	63
Canadian dollars	89	–
Norwegian krone	–	27
Australian dollars	–	25
	<b>21,106</b>	16,861

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

	At 31 August 2014 £'000	At 31 August 2013 £'000
US dollars	(19,946)	(16,485)
Swiss francs	(754)	(107)
Euros	(172)	(154)
Danish krone	(145)	(63)
Canadian dollars	(89)	–
Norwegian krone	–	(27)
Australian dollars	–	(25)
	<b>(21,106)</b>	(16,861)

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.

# Notes to the Financial Statements

## 23. Financial instruments (continued)

### 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 £3,017,000 (2013: £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 2014, 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 2014			At 31 August 2013		Total £'000
	Within one year £'000	More than one year £'000	Total £'000	Within one year £'000	More than one year £'000	
Exposure to floating interest rates:						
Cash and cash equivalents	<b>(3,017)</b>	–	<b>(3,017)</b>	1,635	–	1,635
Exposure to fixed interest rates:						
Non-current asset investments held at fair value through profit or loss	<b>167</b>	–	<b>167</b>	62	2,903	2,965
<b>Total exposure to interest rates</b>	<b>(2,850)</b>	–	<b>(2,850)</b>	1,697	2,903	4,600

The weighted average interest rate for the fixed rate financial assets was 8.3% (2013: 11.5%) and the effective period for which the rate was fixed was 0.7 years (2013: 3.2 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 SVLS' 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 £103,000 and £15.4m.

### 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 (2013: 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.

# Notes to the Financial Statements

The sensitivity analysis is based on the Group's monetary financial instruments held at each Balance Sheet date, with all other variables held constant.

	<b>31 August 2014 Increase in rate £'000</b>	<b>31 August 2014 Decrease in rate £'000</b>	31 August 2013 Increase in rate £'000	31 August 2013 Decrease in rate £'000
Effect on revenue return	(15)	15	8	(8)
Effect on capital return	-	-	-	-
Effect on total return and on net assets	(15)	15	8	(8)

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. The Company's investments are held in accounts which are segregated from the Custodian's own trading assets. If the Custodian were to become insolvent, the Company's right of ownership is clear and they are therefore protected. However cash balances deposited with the Custodian may be at risk in this instance, as the Company would rank alongside other creditors.

### *Management of the risk*

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

Cash balances will only be deposited with reputable banks with high quality credit ratings.

### *Credit risk exposure*

The maximum exposure to credit risk at the year end comprised:

	<b>At 31 August 2014 Group &amp; Company £'000</b>	At 31 August 2013 Group & Company £'000
Sales awaiting settlement	801	2,726
Accrued income	53	68
Cash at bank	-	1,635
	<b>854</b>	4,429

All of the above financial assets are current, their fair values are considered to be the same as the values shown and the likelihood of a material credit default is considered to be low.

None of the Group's financial assets are past due or impaired

## 3. Liquidity risk

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

# Notes to the Financial Statements

## 23. Financial instruments (continued)

### *Management of the risk*

Liquidity and cash flow risk are minimised as SVLS 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 plc of £30 million.

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 SVLS' active involvement in that company.

### *Liquidity risk exposure*

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

## 4. Specific risk

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

- (a) the stock prices of publicly quoted biotechnology companies have been characterised by periods of high volatility;
- (b) a significant proportion of the 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 IPEVC Valuation Guidelines. The methods commonly used to value unquoted securities are stated in accounting policy 1(g).

# Notes to the Financial Statements

## 23. Financial instruments (continued)

### 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 2014 £'000	At 31 August 2013 £'000
Financial assets at fair value through profit or loss:		
Non-current asset investments – designated as such on initial recognition	<b>224,723</b>	168,438
Loans and receivables:		
Current assets:		
Receivables	<b>867</b>	2,802
Cash and cash equivalents	–	1,635
	<b>867</b>	4,437

#### Financial liabilities

	At 31 August 2014 Group £'000	At 31 August 2014 Company £'000	At 31 August 2013 Group £'000	At 31 August 2013 Company £'000
Measured at amortised cost				
Creditors: amounts falling due within one month:				
Purchases awaiting settlement	<b>7,378</b>	<b>7,378</b>	–	–
Bank overdraft	<b>3,017</b>	<b>3,017</b>	–	–
Accruals	<b>248</b>	<b>248</b>	224	224
Amount due to Subsidiary	–	<b>511</b>	–	511
	<b>10,643</b>	<b>11,154</b>	224	735

### 7. Classification under the fair value hierarchy

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

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

At 31 August 2014	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Equity investments	<b>224,556</b>	<b>206,345</b>	<b>146</b>	<b>18,065</b>
Fixed interest investments	<b>167</b>	–	–	<b>167</b>
	<b>224,723</b>	<b>206,345</b>	<b>146</b>	<b>18,232</b>
At 31 August 2013	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Equity investments	165,131	139,466	740	24,925
Fixed interest investments	3,307	963	–	2,344
	168,438	140,429	740	27,269

# Notes to the Financial Statements

## 23. Financial instruments (continued)

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.

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

	At 31 August 2014	At 31 August 2013
Opening valuation	27,269	20,574
Transfers out of Level 3	(5,055)	–
Acquisitions	4,219	3,469
Disposal proceeds	(8,997)	(968)
Total gains/(losses) included in the Statement of Comprehensive Income		
– on assets sold	429	422
– on assets held at the year end	367	3,772
Closing valuation	18,232	27,269

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

### (iii) Sensitivity of Level 3 valuations

Valuation techniques	Significant unobservable inputs	For the year ended 31 August 2014			For the year ended 31 August 2013		
		Carrying value £'000	Favourable changes £'000	Unfavourable changes £'000	Carrying value £'000	Favourable changes £'000	Unfavourable changes £'000
Multiple of revenue/comparable market companies	Revenue multiple	3,190	4,453	2,464	2,594	112	2,594
Multiple of EBITDA	EBITDA multiple	1,509	389	165	1,578	173	348
Discounted cash flow	Discount rate	3,224	90	97	4,018	36	42
	Probability of milestone achievement		152	1,912		2,452	864
Market comparable/multiple of revenue	Revenue multiple	987	179	424	676	125	264
Market comparable/multiple of EBITDA	EBITDA multiple		3	138		198	247
		<b>8,910</b>	<b>5,266</b>	<b>5,200</b>	<b>8,866</b>	<b>3,096</b>	<b>4,359</b>



# Notes to the Financial Statements

## 23. Financial instruments (continued)

### 8. Capital management policies and procedures

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

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

	At 31 August 2014 £'000	At 31 August 2013 £'000
<b>Debt</b>		
Bank overdraft	3,017	–
<b>Equity</b>		
Called up share capital	13,939	13,939
Reserves	200,520	158,222
	<b>214,459</b>	172,161
<b>Total debt and equity</b>	<b>217,476</b>	172,161

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 SVLS, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This includes consideration of:

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

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

In addition, with respect to the obligation and ability to pay dividends, the Company must comply with the provisions of Section 1158 Corporation Tax Act 2010 and the Act respectively.

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

	At 31 August 2014 £'000	At 31 August 2013 £'000
Borrowings used for investment purposes, less cash	3,017	(1,635)
Net assets	214,459	172,161
Gearing/(net cash)	1.4%	(0.9)%

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

## 24. Segmental reporting

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

The Board is of the opinion that the 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.

# Notes to the Financial Statements

## 25. 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 2014	At 31 August 2013
Australian dollars	<b>1.77563</b>	1.73682
Danish krone	<b>9.39304</b>	8.75136
Euros	<b>1.26082</b>	1.17314
Norwegian krone	<b>10.25879</b>	9.48018
Swiss francs	<b>1.52100</b>	1.44233
US dollars	<b>1.66075</b>	1.54690

## 26. Post Balance Sheet events

Subsequent to the year end, a further 4,270,000 shares have been bought back (of which 1,295,000 are held in treasury and 2,975,000 shares were cancelled) at a cost of £8,870,852.50. Following those purchases there are 50,062,663 Ordinary shares in issue and 2,720,000 shares held in treasury.

The unquoted portfolio company Celerion was acquired by MTS Health Investors for which cash of \$2.3m (£1.4m) was received on 29 October 2014.

# Company Summary, Shareholder Information, Directors and Advisers

## Company status

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

## Life of the Company

The Company's Articles of Association provide for Directors to put forward a proposal for the continuation of the Company at the Company's AGM at two-yearly intervals. Accordingly, a proposal will be put forward at the AGM to be held in 2015.

## Share price and NAV information

The Company's shares are listed on the London Stock Exchange. The Company's share price is quoted daily in the Daily Telegraph and The 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](http://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 31 October 2014, the Company had 50,062,663 Ordinary shares of 25p each in issue and 2,720,000 Ordinary shares of 25p each held in treasury.

## Website

The Company's website is located at [www.ibtplc.com](http://www.ibtplc.com). The site provides share price and NAV information as well as details of the Board of Directors and SVLS, 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 and AIFM

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: 020 7410 5971  
Email: [secretarialservice@uk.bnpparibas.com](mailto:secretarialservice@uk.bnpparibas.com)

### Administrator, Banker, Custodian and Depository

HSBC Bank plc  
8 Canada Square, London E14 5HQ

### Independent Auditors

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

### Stockbroker

Cenkos Securities plc  
6.7.8 Tokenhouse Yard, London EC2R 7AS

### Registrar

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](http://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 12.30 pm on Tuesday, 16 December 2014 at BNP Paribas Fortis, 5 Aldermanbury Square, London EC2V 7BP, 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 2014.
2. To approve the Directors' Remuneration Policy.
3. To approve the Annual Report on Directors' Remuneration for the year ended 31 August 2014.
4. To re-elect Mr Alan Clifton as a Director of the Company.
5. To re-elect Dr David Clough as a Director of the Company.
6. To re-elect Mr John Aston as a Director of the Company.
7. To re-appoint PricewaterhouseCoopers LLP as the Independent Auditors of the Company from the conclusion of this Meeting until the conclusion of the next AGM at which the Financial Statements are laid before Members.
8. To authorise the Directors to determine the Auditors' remuneration.
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 £625,783.25 (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 (the Act)) up to a nominal amount of £1,251,566.50 (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 2015 (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 Act) 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 Act, as if Section 561(1) of the Act 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):

## Notice of Meeting

- (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 Act, to the allotment (otherwise than under paragraph (a) above) of equity securities up to a nominal amount of £625,783.25, equivalent to 2,503,133 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 2015 (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 Act to make one or more market purchases (within the meaning of Section 693(4) of the Act) of Ordinary shares of 25p each in the capital of the Company, subject to the following restrictions and provisions:
- (a) the maximum number of Ordinary shares hereby authorised to be purchased is 7,504,393 (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 2015 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

31 October 2014

Registered Office:

55 Moorgate  
London EC2R 6PA

# Notice of Meeting

## Notes

1. Ordinary Shareholders are entitled to attend and vote at the Meeting and to appoint one or more proxies or corporate representatives to exercise all or any of their rights to attend, speak and vote on their behalf at the Meeting but only if each proxy or corporate representative is appointed to vote on separate or separate blocks of shares registered to the Shareholder. A proxy need not be a Member of the Company. A proxy form is enclosed accordingly.
2. Any person to whom this notice is sent, who is a person nominated under Section 146 of the Act to enjoy information rights (a "Nominated Person") may, under an agreement between him or her and the Shareholder by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.

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

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those Shareholders registered in the Register of Members of the Company at 6.00 pm on Sunday, 14 December 2014, 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 Sunday, 14 December 2014 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 Sunday, 14 December 2014.
4. Members (and any proxies or corporate representatives appointed) agree, by attending the Meeting, that they are expressly requesting and are willing to receive any communications relating to the Company's securities made at the Meeting.
5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM to be held on Tuesday, 16 December 2014 and any adjournment(s) thereof by using the procedures described in the CREST Manual on the Euroclear website ([www.euroclear.com](http://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 12.30 pm on Sunday, 14 December 2014. 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.

6. 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.
7. 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.
8. The biographies of the Directors offering themselves for re-election are set out on page 17 of the Company's Annual Report for the year ended 31 August 2014.
9. As at 31 October 2014, 50,062,663 Ordinary shares of 25 pence were in issue and 2,720,000 Ordinary shares were held in treasury. Accordingly, the total number of voting rights of the Company as at 31 October 2014 is 50,062,663.
10. 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.

# Notice of Meeting

11. The Annual Report and this Notice of Meeting will be available on the Company's website, [www.ibtplc.com](http://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.
12. 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.
13. 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](http://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](mailto:secretarialservice@uk.bnpparibas.com).

14. 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.
15. Under Section 527 of the Act, Shareholders meeting the threshold requirements set out in that Section have the right to require the Company to publish on a website a statement setting out any matter relating to:
  - (i) the audit of the Company's Financial Statements (including the Independent Auditors Report and the conduct of the audit) that are to be laid before the AGM; or
  - (ii) any circumstance connected with the Auditors of the Company ceasing to hold office since the previous meeting at which an Annual Report and Financial Statements were laid in accordance with Section 437 of the Act.

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

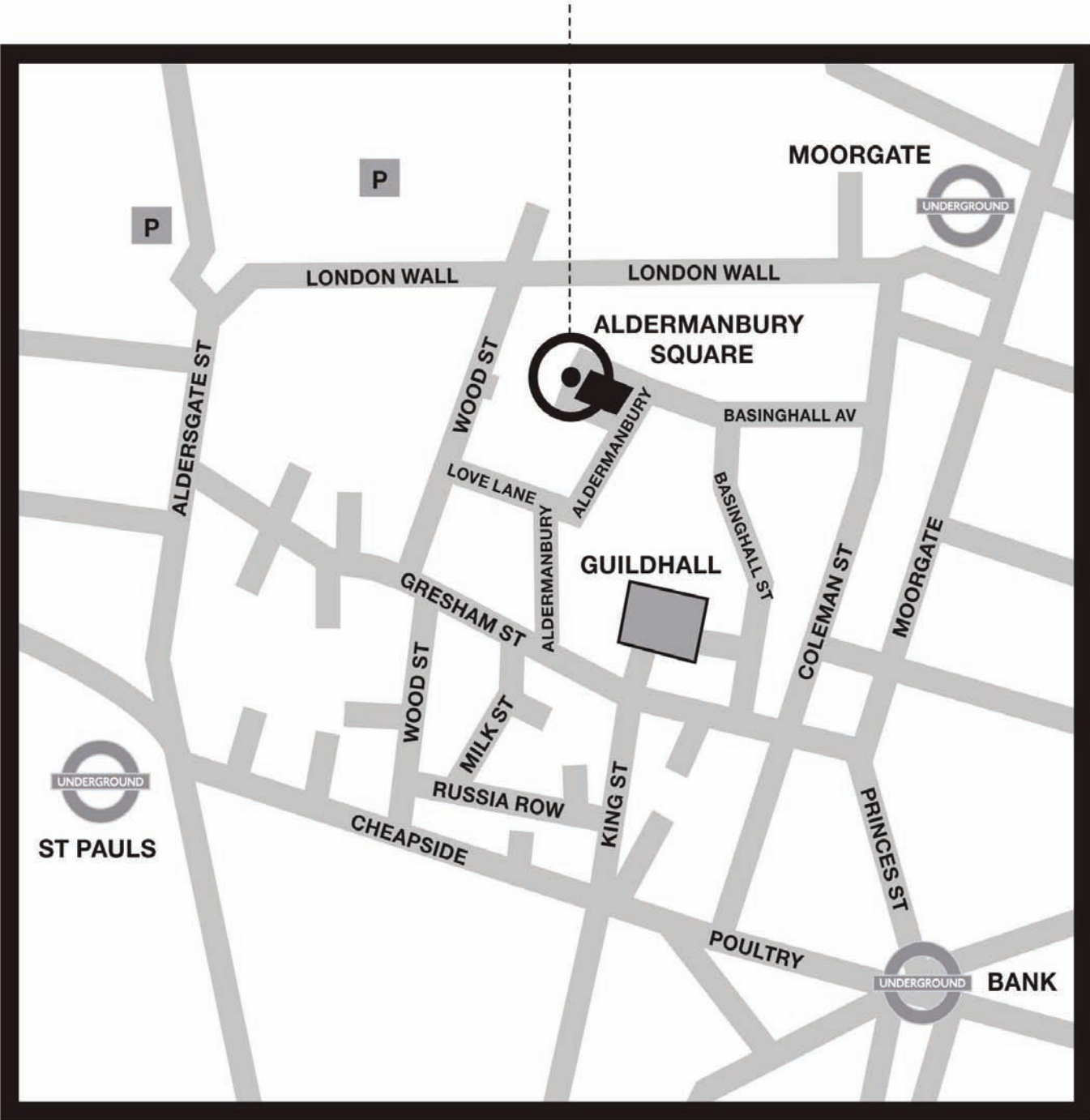
16. A copy of this notice, and other information by Section 311A of the Act, can be viewed and/or downloaded at [www.ibtplc.com](http://www.ibtplc.com) and, if applicable, any Members' statements, resolutions or matters of business received by the Company after the date of this Notice will be available on the Company's website [www.ibtplc.com](http://www.ibtplc.com).

*Registered Office:*

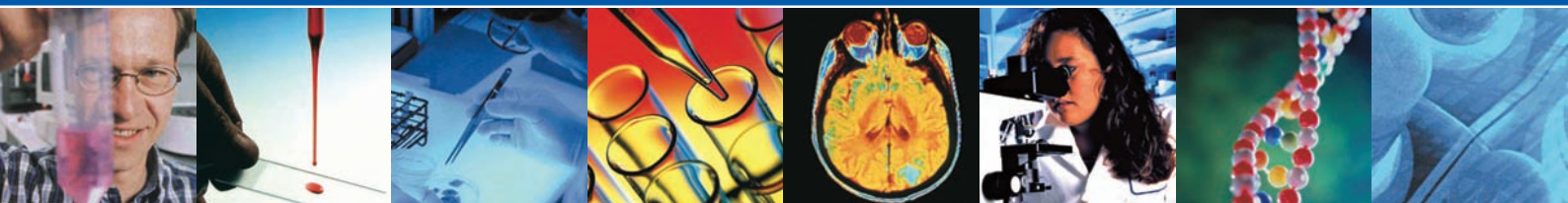
55 Moorgate  
London EC2R 6PA

# Location of Meeting

**BNP PARIBAS FORTIS, 5 ALDERMANBURY SQUARE, LONDON EC2V 7BP**







*For further information:*

**[www.ibtplc.com](http://www.ibtplc.com)**

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