



Intl. Biotechnology Trust PLC - IBT

Annual Financial Report - Replacement
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Intl. Biotechnology Trust PLC

03 November 2014

INTERNATIONAL BIOTECHNOLOGY TRUST PLC (the "Company")

Annual Financial Report Announcement of Audited Results for the year ended 31 August 2014

The following amendment has been made to the 'Annual Financial Report' announcement released on Monday, 3 November 2014 at 07:00 under RNS Number 9121V.

The NAV return figure for the quoted portfolio within the Investment Manager's Review was incorrectly disclosed as 33.2% when it should have been detailed as 32.2%.

All other details remain unchanged.

The full amended text is shown below:

This announcement contains regulated information.

The information contained in this Annual Financial Report Announcement, including the 31 August 2013 comparatives, has been prepared in accordance with the applicable UK Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (issued in January 2009

and adopted early). The results for the year ended 31 August 2014 are audited but do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The statutory accounts have not yet been delivered to the Registrar of Companies. Full statutory accounts for the year ended 31 August 2013 included an unqualified audit report and have been filed with the Registrar of Companies.

Financial Summary

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

Chairman's Statement

Total return to 31 August 14	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.

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 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%

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)%

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 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 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.

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

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 contained within the Annual Report.

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.

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 above.

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 Companies Act 2006 (the Act), the 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.

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).

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 within the Annual Report (together with the sections of the Annual Report incorporated by reference) and the Director's Report within the Annual Report. 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, 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 in the Annual 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 in the Annual 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

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
Expenses							
Management fee		(2,145)	-	(2,145)	(1,660)	-	(1,660)
Administrative expenses		(962)	-	(962)	(840)	-	(840)
(Loss)/profit before finance costs and tax		(2,571)	47,434	44,863	(1,938)	46,417	44,479
Finance costs							
Interest payable		(109)	-	(109)	(13)	-	(13)
(Loss)/profit on ordinary activities before tax		(2,680)	47,434	44,754	(1,951)	46,417	44,466
Taxation		(35)	-	(35)	(38)	-	(38)
(Loss)/profit for the year attributable to owners of the parent		(2,715)	47,434	44,719	(1,989)	46,417	44,428
Basic and diluted (loss)/earnings per Ordinary share	4	(4.94)p	86.24p	81.30p	(3.59)p	83.89p	80.30p

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.

Balance at 1 September 2013	13,939	18,805	27,878	44,918	90,171	(23,550)	172,161
Total Comprehensive Income:							
Profit/(loss) for the year	-	-	-	-	47,434	(2,715)	44,719
Transactions with owners, recorded directly to equity:							
Shares bought back and held in treasury	-	-	-	(2,421)	-	-	(2,421)
Balance at 31 August 2014	13,939	18,805	27,878	42,497	137,605	(26,265)	214,459
	Called up share capital	Share premium account	Capital redemption reserve	Share purchase reserve	Capital reserves	Revenue reserve	Total
Company For the year ended 31 August 2013	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 September 2012	14,002	18,805	27,815	45,596	43,754	(21,561)	128,411
Total Comprehensive Income:							
Profit/(loss) for the year	-	-	-	-	46,417	(1,989)	44,428
Transactions with owners, recorded directly to equity:							
Shares bought back and held in treasury	-	-	-	(678)	-	-	(678)
Shares cancelled from treasury	(63)	-	63	-	-	-	-
Balance at 31 August 2013	13,939	18,805	27,878	44,918	90,171	(23,550)	172,161

The accompanying notes form part of these Financial Statements.

GROUP AND COMPANY BALANCE SHEETS

	At 31 August 2014	At 31 August 2014	At 31 August 2013	At 31 August 2013
	Group	Company	Group	Company
Note	£'000	£'000	£'000	£'000
Non-current assets				
Investments held at fair value through profit or loss	224,723	224,723	168,438	168,438
	224,723	224,723	168,438	168,438
Current assets				
Receivables	890	890	2,823	2,823

Cash and cash equivalents	-	-	1,635	1,635
	<u>890</u>	<u>890</u>	<u>4,458</u>	<u>4,458</u>
Total assets	225,613	225,613	172,896	172,896
Current liabilities				
Borrowings	(3,017)	(3,017)	-	-
Payables	(7,626)	(8,137)	(224)	(735)
	<u>(10,643)</u>	<u>(11,154)</u>	<u>(224)</u>	<u>(735)</u>
Net assets	214,970	214,459	172,672	172,161
Equity attributable to equity holders				
Called up share capital	13,939	13,939	13,939	13,939
Share premium account	18,805	18,805	18,805	18,805
Capital redemption reserve	27,878	27,878	27,878	27,878
Share purchase reserve	42,497	42,497	44,918	44,918
Capital reserves	138,116	137,605	90,682	90,171
Revenue reserve	(26,265)	(26,265)	(23,550)	(23,550)
	<u>214,970</u>	<u>214,459</u>	<u>172,672</u>	<u>172,161</u>
Total equity	214,970	214,459	172,672	172,161
Basic and diluted net asset value per Ordinary share	5	395.66p	394.71p	313.05p
		<u>312.13p</u>	<u>312.13p</u>	<u>312.13p</u>

The Financial Statements within the Annual Report were approved by the Board on 31 October 2014 and signed on its behalf by Alan Clifton, Chairman and John Aston, Audit Committee Chairman.

The accompanying notes form part of these Financial Statements.

GROUP AND COMPANY CASH FLOW STATEMENTS

	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
Cash flows from operating activities				
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)
	<u>(2,231)</u>	<u>(2,231)</u>	<u>(21)</u>	<u>(21)</u>
Net cash flows used in operating activities	(2,231)	(2,231)	(21)	(21)

Cash flows used in financing activities				
Share repurchase costs	(2,421)	(2,421)	(678)	(678)
	-----	-----	-----	-----
Net cash used in financing activities	(2,421)	(2,421)	(678)	(678)
	-----	-----	-----	-----
Net decrease in cash and cash equivalents	(4,652)	(4,652)	(699)	(699)
Cash and cash equivalents at 1 September	1,635	1,635	2,334	2,334
	-----	-----	-----	-----
Cash and cash equivalents at 31 August	(3,017)	(3,017)	1,635	1,635
	=====	=====	=====	=====

The accompanying notes form part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2014

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.

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

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

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

In respect of unquoted investments, or where the market for a financial instrument is not active, fair value is established by using various valuation techniques, in accordance with the International Private Equity and Venture Capital (IPEVC) Valuation Guidelines (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.

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) above.

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.

(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.

(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'.

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
	-----	-----
	47,426	46,621
	-----	-----
Attributable to:		
Quoted investments	46,630	42,427
Unquoted investments	796	4,194
	-----	-----
	47,426	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
	-----	-----
	536	700
Other income:		
Income from current asset investments	-	(139)
Bank interest	-	1
	-----	-----
	536	562
	=====	=====

4. Net (loss)/earnings per Ordinary share

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

5. Net Asset Value per Ordinary share

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

	At 31 August	At 31 August	At 31 August	At 31 August
	2014	2014	2013	2013
	Group	Company	Group	Company
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).

6. **The figures and financial information for the year ended 31 August 2013 have been extracted from the latest published Financial Statements and do not constitute the statutory accounts for that year as defined in Section 434 of the Act. Those Financial Statements have been delivered to the Registrar of Companies and included the Report of the Auditors which was unqualified and did not contain a statement under Section 498 of the Act.**

This Annual Financial Report Announcement does not constitute statutory accounts for the year ended 31 August 2014 as defined in Section 434 of the Act.

7. The Annual Report for the year ended 31 August 2014 will be posted to Shareholders in November 2014 and thereafter copies will be available upon request at the Company's Registered Office: 55 Moorgate, London EC2R 6PA. The Annual Report will also be available on the Company's website, www.ibtplc.com, from today. A copy of the Annual Report for the year ended 31 August 2014 has been submitted to the National Storage Mechanism of the UK Listing Authority and will shortly be available for inspection at: www.Hemscott.com/nsm.do. The Company's AGM will be held at 12.30 pm on Tuesday, 16 December 2014 at the offices of BNP Paribas Fortis, 5 Aldermanbury Square, London EC2V 7BP.

For further information, please contact:

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Company Secretary

3 NOVEMBER 2014

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