

## **INTERNATIONAL BIOTECHNOLOGY TRUST PLC (IBT or the Company)**

Half Yearly Report for the six months ended 29 February 2016

This announcement contains regulated information.

### **Chairman's Statement**

#### **Summary**

During the six months to 29 February 2016, the net assets value (NAV) per Ordinary share of IBT fell by 17.7% from 585.1p to 481.7p. Over the same period, the Ordinary share price of IBT fell by 22.9% from 551.5p to 425.0p. This compares with a decline in the NASDAQ Biotechnology Index (NBI) of 18.0% and a fall in the FTSE All-Share Index of 1.2%.

Following six years of growth, the first six months of the year have been a period of setback for biotechnology stocks due to uncertainties triggered by the political response to unconscionable price hikes for certain drugs. The reasons for the NAV fall in the period are fully explained in the Investment Manager's report.

The effect of exchange rate movements positively impacted the Company, with an overall gain of £18.4m recorded. The Company's policy is not to hedge the foreign currency exposure of our investments, although this policy remains under continuing review.

#### **Longer-term results**

The Company's performance since our lead investment manager, Carl Harald Janson, joined the SV Life Sciences Managers LLP (SVLS) team in the latter half of 2013 has materially improved. This is evident in a much better showing against both our benchmark index, the NBI, and our sector peer group of funds. As a result of the stellar performance achieved in the previous year, IBT received two awards, Tech Fund Manager of the Year award at the UK Tech Awards 2015 and Best Specialist Fund at the Investment and Wealth Management Awards. Shareholders will also be particularly pleased by our very substantial outperformance of the broader UK equity market, as measured by the FTSE All-Share Index. Over the last three years, our NAV is up by 89%, versus a return of 12% from the UK market as a whole.

#### **Unquoted portfolio**

The Board paused new investments into the unquoted portfolio in 2014 as opportunities were judged to be more attractive in quoted biotechnology shares. This decision has recently been reviewed and now individual opportunities brought to the Board by the Investment Manager will again be considered on their merits. No new investments into unquoted companies have been made in the first half year and, in any event, the Board does not expect the unquoted portfolio to increase above its current guideline range of 10-15% of total investments.

#### **Buybacks and discount**

The Company bought back 1.2m shares at a cost of £5.4m during this six month period, as part of discount management for the benefit of shareholders. This reduced the overall Company NAV, but enhanced the NAV per share by 1.9p because the shares were bought at a discount to NAV that averaged approximately 13%.

The buybacks helped to manage the discount at which our shares trade in relation to their underlying NAV. The discount closed on 11.8%, up from 5.7% at the previous year end and the average discount was kept within low to mid-teens range. It is the Board's long-term intention to continue to narrow the discount and reduce volatility in the average discount as market conditions allow.

#### **Marketing**

A key part of our marketing strategy is an increasing emphasis on retail investors. As a part of this, we are renewing and enhancing our digital marketing strategy. Our efforts have been supported by increased resources at the Investment Manager, with the appointment of Lucy Costa Duarte as Vice President of Investor Relations in February 2016.

#### **Performance fee**

Further to the announcement on 9 December 2015, the Directors have agreed with the Investment Manager certain amendments to the performance fees payable under the Investment Management Agreement and the inclusion of certain key man provisions. The quoted and unquoted portfolios continue to be measured separately for performance purposes. The quoted portfolio, as before, will be measured relative to the NBI, with a hurdle of 0.5%. The changes are explained in full in Note 6 Related Parties.

#### **Prospects**

Despite the recent setbacks, biotechnology sector returns have been stellar over the past six years and have outperformed every other sector due to strong fundamentals and growth. I continue to hold the view that the sector retains its strong growth characteristics and attractive valuations, particularly so after the recent setbacks in share prices. The current political situation in the United States ahead of the next Presidential election is weighing heavily on sentiment towards the healthcare sector, biotechnology stocks included, as the debate about

drug pricing has captured headlines. The true driver of healthcare costs is not in fact drug price increases, but demographic changes as the population ages and demands greater use of the healthcare system. Scientific developments continue to be made, allowing more effective drugs to be brought to the market for lower R&D outlays. Innovative medicines for diseases with unmet medical need will continue to drive growth in the sector in the longer-term.

**Alan Clifton**

Chairman

18 April 2016

## **Investment Manager's Review**

### **Summary**

In the six months ended 29 February 2016, the Company's NAV per share fell by 17.7%. The NBI fell by 18.0%, while the S&P 500 Index increased by 9.3% and FTSE All-Share Index decreased by 1.2%, the latter taken from 28 August 2015 close. All figures are sterling-adjusted.

By subsector, 86% of the portfolio was invested in therapeutics, 6% in specialty pharmaceuticals, 1% in life science tools, diagnostics and services and 6% in medical devices. Cash and other net assets were 1% of NAV.

### **Quoted and Unquoted performance**

At 29 February 2016, for financial reporting the quoted portfolio represented 88.1% of NAV at £166.3m. The unquoted portfolio represented 11.5% of NAV at £21.2m. For the purposes of performance measurement, companies that were first invested in from the unquoted pool and have now become quoted but which suffer from illiquidity or other restrictions on trading are retained in the unquoted portfolio. This adjustment mirrors the performance fee arrangements and the responsibilities of the quoted and unquoted fund managers from SVLS. On this basis the quoted portfolio returned -20.3%, whilst the unquoted portfolio fell by 1.0%.

### **Quoted portfolio**

As noted above, the return of the quoted portfolio was -20.3%, which underperformed the benchmark index, the NBI which returned -18.0%.

In November 2015, AstraZeneca acquired ZS Pharma for \$2.7bn. ZS Pharma was selected for inclusion in the IBT portfolio on the basis of its wholly owned asset, ZS-9, a late stage treatment for hyperkalemia. Our position in ZS Pharma contributed £0.9m to the NAV as a result.

Also in November 2015, Genmab AS, based in Denmark, received FDA approval for Darzalex (daratumumab) for multiple myeloma. This was the first monoclonal antibody approved for multiple myeloma and the first US sale shortly after approval triggered receipt of a \$45m milestone payment from partner Johnson&Johnson. IBT's holding of Genmab contributed £2.2m to the NAV over the period.

Ophthotech, a former investment from the unquoted portfolio that the fund managers chose to remain invested in, contributed £3.1m in the six months to 29 February 2016. Following a fall in share price in October that was not supported by the fundamentals, the manager doubled the fund's position in the company after recognising the fall as a buying opportunity. Despite the difficult market conditions in 2016, the Ophthotech share price remains above cost.

In December 2015, Chimerix announced that their lead asset brincidofovir did not achieve its primary endpoint in the phase 3 SUPPRESS trial. This event, combined with the market falls in the autumn, led to an overall reduction in the value of the portfolio of £5.1m.

Regeneron was also negatively affected in the period after warning that Eylea sales were expected to slow in 2016. The launch of Praluent was also slower than anticipated, with only \$7m generated in fourth quarter end-user sales. Combined with the market decline, this led to a £2.7m decrease in the NAV over the period.

In January 2016, an FDA advisory panel voted against approval of Duchenne muscular dystrophy asset, Kyndrisa, the drug BioMarin acquired through the purchase of biotechnology company Prosensa in 2014 for up to \$840m. BioMarin will continue to pursue ongoing Kyndrisa studies, however the negative news flow, combined with market conditions, led to a decrease in NAV of £2.6m.

### **Unquoted portfolio**

The return for the unquoted portfolio over the six months ended 29 February 2016 was a fall of £0.3m or 1.0%. The combined effect of gains and losses on the unquoted investments was to decrease NAV by 0.7 pence per share. As at 29 February 2016, the Company held investments in eleven unquoted portfolio companies plus interests in six further companies that have been sold, but where there are further receipts dependent on reaching drug development or financial milestones set at the point when those companies were acquired, representing 3% of NAV. The Company also holds investments in two quoted companies that have listed, but

which as described above are still reported for performance purposes within the unquoted portfolio, Entellus and TransEnterix, representing £6.7m or 3.6% of NAV.

Changes in the valuation inputs led to slight increases in the valuation of Reshape and ESBATech, and decreases in the valuation of EBR Systems and OncoEthix.

The probability of receipt of certain milestone payments from Convergence, which was sold to Biogen in 2015, increased following the presentation of data at the Biogen R&D day in January 2016.

The final payment of £0.1m was received from Celerion, a previously exited investment, in February 2016.

During the period, the value of Atopix/Oxagen was written down by 50% due to a lack of clinical efficacy in the Phase 2 trials for CRTH2 in moderate to severe atopic dermatitis. Phase 2 trials are ongoing for CRTH2 in asthma, supporting the remaining value of the investment. Novartis have validated the mechanism in severe asthmatics with a similar molecule and have recently commenced Phase 3 trials. The write down led to a reduction of £0.7m in the NAV.

The decreases in valuation and write down of Atopix/Oxagen were offset by foreign exchange gains of £2.0m in the period.

### **Outlook**

A number of factors contributed to the dramatic falls seen across the biotechnology sector since 1 September – the beginning of the Company's financial year. The sector took a tumble in autumn on the back of the price gouging scandal by Turing Pharmaceuticals sparking the infamous 'Hillary tweet'. However the sector recovered well moving into the calendar year end. At the start of 2016, it then suffered a dramatic downturn as a significant level of funds flowed out of risk assets in January. This was thought to be driven in part by the broad selling from Sovereign Wealth Funds as a consequence of the oil price declines.

Compared to the previous market crash in 2008, the biotechnology sector has matured and many of the companies which were pre-revenue are now turning profitable. The fundamentals and growth prospects of many biotechnology companies remain attractive in the current market, with valuations of mega-cap companies at a discount to the S&P 500 based on forward price to earnings multiple. Sales and earnings for these more established companies are both predictable and visible. Often new drugs are launching into markets with known pricing and an established patient population but with better efficacy and safety. Once launched, sales should continue until the drug's patent expires or competing drugs enter the market. We continuously assess competitive products that may be developed and could impact the sales of current products and adjust the portfolio risk accordingly.

The forthcoming US Presidential election in November 2016 has added further pressure to the NBI. Rising healthcare costs including the cost of prescription drugs have become a key area of debate for US politicians, patients and the media, and a source of worry for investors. Total healthcare spend in 2014 was \$3.0trn, the highest of any developed nation at more than 17% of gross domestic product (GDP). Prescription drugs made up approximately 10% of the total healthcare cost, a ratio which has remained broadly consistent since the year 2000. Despite prescription drugs representing a relatively small proportion of overall spend, high launch prices and exceptional price hikes in the specialty drugs category, with limited supply, have led to negative news headlines and increased scrutiny on drug pricing.

In September 2015, Turing Pharmaceuticals acquired Daraprim, an old, off-patent drug used to treat toxoplasmosis. Turing raised the price from \$13.50 per tablet to \$750 per tablet, an increase of more than 5000%. In the outcry following this decision, Hillary Clinton the Democratic Presidential hopeful tweeted "Price gouging like this in the specialty drug market is outrageous. Tomorrow I'll lay out a plan to take it on. – H" This comment sparked a short-term sell off in the NBI of -20%. It is important to note, that in the tweet and in subsequent discussions, the target was not innovative medicines but specifically the act of taking old, off-patent drugs and ramping up the price.

It is the Investment Manager's view that in order for new political legislation to truly impact drug pricing, it is probable that both the House and Senate would need to have a Democratic majority. This is believed to be unlikely in the short to medium-term. What is more likely is continuing pricing pressure resulting from stronger negotiation power by payers, enhanced by the ongoing payer sector consolidation. This is particularly prevalent in pockets of the pharmaceutical market, for example, diabetes and respiratory diseases. Both these areas have an abundance of undifferentiated 'me-too' drugs i.e. drugs that do not show material benefits in either safety or efficacy. This is not a new phenomenon, but we expect this to intensify.

It should be remembered that scientific progress is the main driver behind most of the value creation in the biotechnology/pharma sector. It is our view that innovative drug development with significant benefits to patients will continue to lead to high margin products offering attractive investment opportunities in the future, not only in the next few years, but also for several decades ahead. The medical need remains high in areas such as

Alzheimer's Disease and Parkinson's Disease. A vast number of cancers also remain without a cure. We anticipate these advancements will lead to an increasing numbers of drug approvals by the FDA, and falling development costs. Drugs which offer significant improvement to patients' lives and reduce or eliminate ongoing care costs are an attractive cornerstone of the healthcare strategy where demographic trends continue to push costs higher.

Several large cap pharma and biotech companies remain cash rich, are cash generative, and are in a position to acquire smaller innovative companies to expand their pipelines. With attractive valuations we expect strategic acquisitions and mergers (M&A) to continue to be a major theme for the sector, especially in the view of the failure of the Pfizer/Allergan merger. It is important to note that premiums paid for biotechnology companies have remained steady over time, regardless of the market backdrop. As part of our investment strategy, we focus on identifying companies that have the rights to drugs for novel targets in areas with little or no competition, as they are most likely to benefit from M&A activity.

Despite the recent challenges in the equity market, we remain excited about the biotechnology sector. Each year brings scientific breakthroughs, either through individual drug success stories like the one we have seen with Genmab's Darzalex, or through the advances of new technology platforms such as T-cell therapies and immunoncology. While healthcare costs will remain high on the agenda of public debate, we continue to believe in the future growth of the biotechnology sector. This belief is based on the significant value creation that is achieved through meeting high medical need with significant benefits for patients, allowing them to lead longer and healthier lives.

### SV Life Sciences Managers LLP

Investment Manager  
18 April 2016

### Directors' Responsibility Statement

In respect of the Half Yearly Report for the six months ended 29 February 2016, we confirm that, to the best of our knowledge:

- the condensed set of Financial Statements contained within, which have been prepared in accordance with IAS 34 "Interim Financial Reporting", gives a true and fair view of the assets, liabilities, financial position and profit and loss of the Company; and
- the Chairman's Statement and the Investment Manager's Review includes a fair review of the information required by 4.2.7R and 4.2.8R of the Financial Conduct Authority's Disclosure and Transparency Rules.

The Half Yearly Report has not been reviewed or audited by the Company's auditors.

The Half Yearly Report for the six months ended 29 February 2016 was approved by the Board and the above Responsibility Statement has been signed on its behalf by:

### Alan Clifton

Chairman  
18 April 2016

### Statement of Comprehensive Income for the six months ended 29 February 2016

	Notes	(Unaudited) For the six months ended 29 February 2016 Company			(Unaudited) For the six months ended 28 February 2015 Company			(Audited) For the year ended 31 August 2015 Company		
		Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
(Losses)/gains on investments held at fair value through profit or loss		–	(39,027)	(39,027)	–	77,455	77,455	–	83,559	83,559
Exchange losses on currency balances		–	(1,438)	(1,438)	–	(446)	(446)	–	(425)	(425)
Income	2	334	–	334	111	–	111	409	–	409
<b>Expenses</b>										
Management fee		(999)	–	(999)	(1,236)	–	(1,236)	(2,360)	–	(2,360)

Performance fee	-	-	-	-	(1,988)	(1,988)	-	(1,348)	(1,348)	
Administrative expenses	(550)	-	(550)	(579)	-	(579)	(1,136)	-	(1,136)	
<b>(Loss)/profit before finance costs and tax</b>	<b>(1,215)</b>	<b>(40,465)</b>	<b>(41,680)</b>	<b>(1,704)</b>	<b>75,021</b>	<b>73,317</b>	<b>(3,087)</b>	<b>81,786</b>	<b>78,699</b>	
<b>Finance costs</b>										
Interest payable	(129)	-	(129)	(88)	-	(88)	(166)	-	(166)	
<b>(Loss)/profit on ordinary activities before tax</b>	<b>(1,344)</b>	<b>(40,465)</b>	<b>(41,809)</b>	<b>(1,792)</b>	<b>75,021</b>	<b>73,229</b>	<b>(3,253)</b>	<b>81,786</b>	<b>78,533</b>	
Taxation	(52)	-	(52)	(16)	-	(16)	(54)	-	(54)	
<b>(Loss)/profit for the period attributable to owners of the Company</b>	<b>(1,396)</b>	<b>(40,465)</b>	<b>(41,861)</b>	<b>(1,808)</b>	<b>75,021</b>	<b>73,213</b>	<b>(3,307)</b>	<b>81,786</b>	<b>78,479</b>	
<b>(Loss)/earnings per Ordinary share</b>	<b>3</b>	<b>(3.52)p</b>	<b>(101.96)p</b>	<b>(105.48)p</b>	<b>(3.84)p</b>	<b>159.30p</b>	<b>155.46p</b>	<b>(7.52)p</b>	<b>186.06p</b>	<b>178.54p</b>

The total column of this statement represents the Company's Statement of Comprehensive Income prepared in accordance with IFRS as adopted by the EU.

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

The revenue and capital columns are supplementary and are prepared under guidance published by the Association of Investment Companies (AIC).

The accompanying notes form part of these Financial Statements.

#### Balance Sheet as at 29 February 2016

	Notes	(Unaudited) At 29 February 2016 Company £'000	(Unaudited) At 28 February 2015 Company £'000	(Audited) At 31 August 2015 Company £'000
<b>Non-current assets</b>				
Investments held at fair value through profit or loss		187,498	247,000	246,929
		<b>187,498</b>	247,000	246,929
<b>Current assets</b>				
Receivables		8,369	1,920	14,456
Cash and cash equivalents		2,465	250	296
		<b>10,834</b>	2,170	14,752
<b>Total assets</b>		<b>198,332</b>	249,170	261,681
<b>Current liabilities</b>				
Borrowings		-	(5,187)	(21,864)
Payables		(10,061)	(5,671)	(4,327)

		(10,061)	(10,858)	(26,191)
<b>Net assets</b>		<b>188,271</b>	238,312	235,490
<b>Equity attributable to equity holders</b>				
Called up share capital		10,723	11,191	11,116
Share premium account		18,805	18,805	18,805
Capital redemption reserve		31,094	30,626	30,701
Capital reserves	4	158,617	205,763	204,440
Revenue reserve		(30,968)	(28,073)	(29,572)
<b>Total equity</b>		<b>188,271</b>	238,312	235,490
<b>NAV per Ordinary share</b>	5	<b>481.66p</b>	570.57p	585.10p

The accompanying notes form part of these Financial Statements.

#### Statement of Changes in Equity

Company For the six months ended 29 February 2016 (Unaudited)	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 2015	11,116	18,805	30,701	-	204,440	(29,572)	235,490
<b>Total Comprehensive Income:</b>							
Loss for the period	-	-	-	-	(40,465)	(1,396)	(41,861)
<b>Transactions with owners, recorded directly to equity:</b>							
Shares bought back and held in treasury	-	-	-	-	(5,358)	-	(5,358)
Shares cancelled from treasury	(393)	-	393	-	-	-	-
<b>Balance at 29 February 2016</b>	<b>10,723</b>	<b>18,805</b>	<b>31,094</b>	<b>-</b>	<b>158,617</b>	<b>(30,968)</b>	<b>188,271</b>

Company For the six months ended 28 February 2015 (Unaudited)	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 2014	13,939	18,805	27,878	42,497	137,605	(26,265)	214,459
<b>Total Comprehensive Income:</b>							
Profit/(loss) for the period	-	-	-	-	75,021	(1,808)	73,213
<b>Transactions with owners, recorded directly to equity:</b>							
Shares bought back and held in treasury	-	-	-	(4,064)	(1,310)	-	(5,374)
Shares bought back and cancelled	(2,748)	-	2,748	(38,433)	(5,553)	-	(43,986)
<b>Balance at 28 February 2015</b>	<b>11,191</b>	<b>18,805</b>	<b>30,626</b>	<b>-</b>	<b>205,763</b>	<b>(28,073)</b>	<b>238,312</b>

Company For the year ended 31 August 2015 (Audited)	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 2014	13,939	18,805	27,878	42,497	137,605	(26,265)	214,459
<b>Total Comprehensive Income:</b>							
Profit/(loss) for the year	–	–	–	–	81,786	(3,307)	78,479
<b>Transactions with owners, recorded directly to equity:</b>							
Shares bought back and held in treasury	–	–	–	(4,064)	(9,398)	–	(13,462)
Shares bought back and cancelled	(2,748)	–	2,748	(38,433)	(5,553)	–	(43,986)
Shares cancelled from treasury	(75)	–	75	–	–	–	–
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Balance at 31 August 2015	11,116	18,805	30,701	–	204,440	(29,572)	235,490
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The accompanying notes form part of these Financial Statements.

### Cash Flow Statement

	<b>(Unaudited) For the six months ended 29 February 2016 Company £'000</b>	(Unaudited) For the six months ended 28 February 2015 Company £'000	(Audited) For the year ended 31 August 2015 Company £'000
<b>Cash flows from operating activities</b>			
(Loss)/profit before tax	<b>(41,809)</b>	73,229	78,533
Adjustments for:			
Decrease/(increase) in investments	<b>59,431</b>	(22,277)	(22,206)
Decrease/(increase) in receivables	<b>6,087</b>	(1,030)	(13,566)
Increase/(decrease) in payables	<b>5,734</b>	(2,466)	(3,810)
Taxation	<b>(52)</b>	(16)	(54)
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<b>Net cash flows generated from operating activities</b>	<b>29,391</b>	47,440	38,897
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<b>Cash flows from financing activities</b>			
Share repurchase costs	<b>(5,358)</b>	(49,360)	(57,448)
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<b>Net cash used in financing activities</b>	<b>(5,358)</b>	(49,360)	(57,448)
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<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>24,033</b>	(1,920)	(18,551)
Cash and cash equivalents at beginning of period	<b>(21,568)</b>	(3,017)	(3,017)
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<b>Cash and cash equivalents at end of period</b>	<b>2,465</b>	(4,937)	(21,568)
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The accompanying notes form part of these Financial Statements.

### Notes to the Financial Statements

#### 1. Accounting policies

The Financial Statements have been prepared on a going concern basis, in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union (EU) and are

presented in sterling, as this is the principal currency of the primary economic environment in which the Company operates.

The financial information for each of the six month periods ended 29 February 2016 and 28 February 2015 comprises non-statutory accounts within the meaning of Sections 434 - 436 of the Companies Act 2006 (the Act). The financial information for the year ended 31 August 2015 has been extracted from published accounts that have been delivered to the Registrar of Companies and on which the report of the auditors was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under Section 498(2) or (3) of the Act.

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 six months ended 29 February 2016. The Directors have reviewed the likely operational costs and cash flows for the Company for the 12 months from the date of this Half Yearly 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.

The Company's principal risks and uncertainties remained unchanged to those described in the Annual Report for the year ended 31 August 2015. These include market risk, investment and strategy risks, currency risk, discount to the NAV, tax, legal and regulatory risks and operational risks. These risks, and the way in which they are managed, are described in more detail under the heading "Principal risks and uncertainties" within the Strategic Report in the Company's Annual Report for the year ended 31 August 2015 as well as Note 23 entitled "Financial Instruments and Risk Management".

The Company's accounting policies have not varied from those described in the Annual Report for the year ended 31 August 2015.

The trading subsidiary, IBT Securities Limited was dissolved and removed from the Companies House Register on 16 February 2016. As such, there is no longer a Group in existence and therefore the Financial Statements, including comparatives, have been presented on a Company only basis. For a reconciliation of the Company and Group results in comparative periods, and an explanation of the impact of the dissolution of IBT Securities Limited, refer to Note 7.

## 2. Income

	<b>(Unaudited) For the six months ended 29 February 2016 Company £'000</b>	(Unaudited) For the six months ended 28 February 2015 Company £'000	(Audited) For the year ended 31 August 2015 Company £'000
Revenue:			
Income from investments held at fair value through profit or loss:			
Unfranked dividends	334	98	363
Interest on debt securities	-	13	46
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	<b>334</b>	111	409
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## 3. Net (loss)/earnings per Ordinary share

	<b>(Unaudited) For the six months ended 29 February 2016 Company £'000</b>	(Unaudited) For the six months ended 28 February 2015 Company £'000	(Audited) For the year ended 31 August 2015 Company £'000
Net revenue loss	<b>(1,396)</b>	(1,808)	(3,307)
Net capital (loss)/profit	<b>(40,465)</b>	75,021	81,786
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	<b>(41,861)</b>	73,213	78,479
	=====	=====	=====
Weighted average number of Ordinary shares in issue	<b>39,687,223</b>	47,093,630	43,955,896
Revenue loss per Ordinary share	<b>(3.52)p</b>	(3.84)p	(7.52)p
Capital (loss)/profit per Ordinary share	<b>(101.96)p</b>	159.30p	186.06p
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Total (loss)/earnings per Ordinary share	<b>(105.48)p</b>	155.46p	178.54p
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#### 4. Capital reserves

The capital reserve account comprises both realised gains on investments sold and unrealised gains and losses on investments held, which are analysed as follows:

	<b>(Unaudited)</b> <b>For the six</b> <b>months ended</b> <b>29 February</b> <b>2016</b> <b>Company</b> <b>£'000</b>	(Unaudited) For the six months ended 28 February 2015 Company £'000	(Audited) For the year ended 31 August 2015 Company £'000
Capital reserve – on investments sold	<b>159,580</b>	137,296	172,168
Capital reserve – on investments held	<b>(963)</b>	68,467	32,272
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	<b>158,617</b>	205,763	204,440
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#### 5. Net asset value per Ordinary share

	<b>(Unaudited)</b> <b>At 29 February</b> <b>2016</b> <b>Company</b> <b>£'000</b>	(Unaudited) At 28 February 2015 Company £'000	(Audited) At 31 August 2015 Company £'000
Net assets attributable to Ordinary shareholders (£'000)	<b>188,271</b>	238,312	235,490
Ordinary shares in issue at end of period	<b>39,087,663</b>	41,767,663	40,247,663
NAV per Ordinary share	<b>481.66p</b>	570.57p	585.10p
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#### 6. Related party transactions

During the period, the Directors have agreed with the Company's investment manager, SV Life Sciences Managers LLP (the Investment Manager), amendments to the performance fees payable under an amended and restated investment management agreement (the IMA).

Under the IMA, the management fee payable to the Investment Manager (0.9% per annum of net asset value) remains unchanged as do the key principles of the annual performance fee:

- The portfolio consists of two investment pools: quoted and unquoted.
- The fee on the quoted pool is 10% of relative outperformance above the sterling-adjusted NASDAQ Biotechnology Index (NBI) (the Benchmark) plus a 0.5% hurdle.
- The fee on the unquoted pool is 20% of net realised gains, taking into account any unrealised losses but not unrealised gains.
- Total performance fees will continue to be subject to a cap and losses on both portfolios will continue to be carried forward but both on changed terms.

Under the terms of the IMA, the annual payment of the performance fee is now subject to new limits which include a reduction in the performance fee cap (from 3% to 2% of net assets), any underperformance of the quoted portfolio against the Benchmark being carried forward for the current financial period plus two preceding periods, performance fees in excess of the performance fee cap being carried forward for the current financial period plus two preceding periods and being offset against any carried forward underperformance before being paid out and the removal of a high water mark for the quoted portfolio. Further details on the changes are outlined below.

The Board and the Investment Manager have agreed that the amendments to the performance fee will be implemented as if having taken effect from 1 September 2015. As at 29 February 2016, no performance fee is payable to the Investment Manager under the proposals or would have been payable under the previous performance fee arrangements.

Further details on the revised performance fee arrangements:

- *Revised performance fee cap* - The maximum performance fee in any one year is reduced to 2% of the net assets as at the financial year end for the relevant period (the Performance Fee Cap). This Performance Fee Cap will be split pro-rata between the quoted and unquoted pool;
- *Underperformance is carried forward* - In the case of the quoted pool, any underperformance of the Benchmark (excluding the hurdle) within a relevant financial year, will be carried forward for the current financial period plus two preceding periods of the Company and, if a performance fee becomes payable for the quoted pool in such future period, such performance fee will first be offset against any carried forward underperformance before being paid;
- *Excess performance over the Performance Fee Cap is carried forward* – Any performance fee that is earned in excess of the Performance Fee Cap in any performance period is carried forward and, in the case of the quoted pool proportion, used to offset future underperformance of the quoted portfolio for the current financial period plus two preceding periods. In a subsequent year where a performance fee is due, and provided all historic carried forward underperformance has been offset, then any remaining carried forward performance fee will also be paid (subject to the prevailing Performance Fee Cap). Any carried forward performance fee that has not been offset against historic underperformance or otherwise paid out will be paid to the Investment Manager in the third year after it became payable, subject to the Performance Fee Cap;
- *Payment of performance fees on termination* - On termination of the Investment Manager other than for cause, any unpaid performance fees will become payable, subject to a cap of 4% of net assets for the performance period in which the Investment Manager's appointment is terminated. This will allow the Investment Manager to be paid any historic fees that were previously deferred; and
- *Removal of high water mark* - The performance fee will no longer be subject to a high water mark on the quoted portfolio. If after accounting for any carried forward underperformance and adding back any carried forward performance fees in a particular period, the current period's performance is still negative, no performance fee will be payable in that period.

The amendment to the performance fees payable to the Investment Manager, who is a related party of the Company under the Listing Rules, amounts to a smaller related party transaction under Listing Rule 11.1.10R.

### **7. Subsidiary Undertaking**

The Company had an investment in the entire issued ordinary share capital, fully paid, of £100 in its wholly owned subsidiary undertaking, IBT Securities Limited, which was registered in England and Wales and operated in the United Kingdom. The subsidiary company was placed into members voluntary liquidation on 16 February 2016. Therefore the Financial Statements are no longer prepared on a consolidated basis and Company only accounts will be produced.

Prior to its dissolution, following the decision by the Directors, the intercompany receivable of £511,000 from IBT plc was derecognised. As a result, the corresponding creditor in IBT plc's Company Financial Statements was also released to the Profit and Loss Account (P&L). IBT Securities Limited was being carried at a value of £100 in IBT plc's Company accounts. This amount was written off to the P&L upon dissolution. These were the only reconciling items between the Group and the Company accounts.

### **8. Half Yearly Report**

The Company's Half Yearly Report for the six months ended 29 February 2016 will be posted to Shareholders in April 2016. Copies of the Half Yearly Report will shortly be available from the Registered Office of the Company at 55 Moorgate, London EC2R 6PA and on the website, [www.ibtplc.com](http://www.ibtplc.com), which is a website maintained by the Company's Investment Manager, SV Life Sciences Managers LLP. A copy of the Half Yearly Report for the six months ended 29 February 2016 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](http://www.Hemscott.com/nsm.do).

For further information, please contact:

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18 APRIL 2016