

INTERNATIONAL BIOTECHNOLOGY TRUST PLC (IBT or the Company)

Annual Financial Report Announcement of Audited Results for the year ended 31 August 2018

This announcement contains regulated information.

The information contained in this Annual Financial Report Announcement, including the 31 August 2017 comparatives, has been prepared in accordance with International Financial Reporting Standards (IFRS) and those parts of the Companies Act 2006 (the Act) applicable to companies reporting under IFRS. These comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and International Accounting Standards Committee (IASC), as adopted by the European Union (EU). The results for the year ended 31 August 2018 are audited but do not constitute statutory accounts as defined in Section 434 of the Act. The statutory accounts have not yet been delivered to the Registrar of Companies. Full statutory accounts for the year ended 31 August 2017 included an unqualified audit report and have been filed with the Registrar of Companies.

Fund Facts

Year ended 31 August 2018

PERFORMANCE

Net asset value (NAV)	+8.6%
Quoted portfolio (NAV)	+5.5%
Share price	+13.7%
NASDAQ Biotechnology Index (NBI)	+10.1%
FTSE All-Share Index	+4.7%

All sterling-adjusted and on a total return basis (with all dividends reinvested).

FINANCIAL HIGHLIGHTS

	31 August 2018	31 August 2017
Total equity (£'000)	262,473	252,651
NAV per share	699.0p	672.9p
Share price	680.0p	624.0p
Share price discount	2.7%	7.3%
Ongoing charges *	1.4% **	1.3% **
Ongoing charges including performance fee	1.4% **	1.9% **

* Calculated in accordance with the Association of Investment Companies (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. From 3 January 2018, the research costs under MiFID II borne by International Biotechnology Trust (IBT or the Company) are included in the ongoing charges calculation.

** Includes Management fees paid to SV Health Investors LLC directly from investment in SV Fund VI of £503,000 (2017: £985,000), which are offset against the Management fees paid to SV Health Managers LLP

Chairman's Statement

Summary

I am pleased to present my first Annual Report since taking over as Chairman of the Company in December 2017. It has been a highly successful year, with the Company reaching its lowest 12-month average discount since inception and even trading at a premium during December and January. Both the Company's NAV per share and share price traded at an all-time high on numerous occasions in the last three months of the year. Whilst the NAV underperformed the NASDAQ Biotechnology Index (NBI), returning 8.6% versus the NBI return of 10.1%, Shareholders were rewarded with a share price total return of 13.7% during the year, including the dividend payment equal to 4% of NAV as at 31 August 2017. By contrast, the FTSE All-Share Index provided a total return of just 4.7%, demonstrating another strong year of growth and returns for biotechnology investors.

The end of this particular financial year also marks five years since Carl Harald Janson became Lead Investment Manager of the Company. During that time, the Company has significantly outperformed the NBI on both a NAV and

share price basis, with outperformances of 10.9% and 43.4% respectively. Shareholders during that period have seen a total return of 174.5%, equating to an exceptional return of 22.4% per year over five years. Again, when compared with the broader UK equity market over this period, the Company's performance has been significantly better. Over the last five years, our NAV returned 142.0%, versus 44.1% across the wider UK market, as judged by the FTSE All-Share Index.

Overall performance and quoted portfolio

In the year ended 31 August 2018, the NAV per Ordinary share of the Company rose from 672.9p to 699.0p, returning 8.6%. Over the same period, the Ordinary share price of the Company increased by 13.7%. This compares to returns of 10.1% and 4.7% from the NBI and FTSE All-Share Index respectively. All figures are on a total return basis and are sterling-adjusted.

The quoted portfolio returned 5.5% and has performed strongly when compared with the wider equity market and our closest competitors but was outperformed by the benchmark, the NBI. The US political environment and the threat of President Trump's drug pricing war contributed to the volatility throughout the year, but the market reacted positively to his proposals in July, resulting in a year of strong returns for the sector.

Unquoted portfolio

Following the Board's decision to access the unquoted element of the sector through investment in a venture fund in September 2016, we now view the unquoted portfolio as two separate sub-portfolios; the first being the venture fund and the second being the directly-held legacy unquoted portfolio companies. Both have performed well during the financial year.

We are now 65.7% invested of our \$30.0m commitment to SV Life Sciences Fund VI (SV Fund VI). Following SV Fund VI's latest quarterly valuation report, we have achieved a 32% unrealised gain on the capital committed to-date. Investing directly into the venture fund allows us a broad, diversified access to a wider range of unquoted investments; SV Fund VI already has 21 investments. Our investment in SV Fund VI will increase slowly over the investment period and overlap with the exits of our existing unquoted companies.

The legacy unquoted portfolio also yielded returns of 10.8% in the year.

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

Dividends, buybacks and discount

I am pleased to report that the Company's third and fourth dividend payments were made during the financial year. We paid out a dividend equal to 4% of NAV as at 31 August 2017 in two equal tranches on 31 January 2018 and 31 August 2018. As anticipated, the underlying growth of our investments is more than sufficient to support the payment of the dividend out of capital growth.

In accordance with the Shareholder Circular dated 13 September 2016 and as a matter of best practice, the Board will be seeking Shareholder approval to continue the payment of dividends and a resolution will be put to Shareholders at the forthcoming Annual General Meeting (AGM). For the year ending 31 August 2019, we propose a dividend to be paid in two tranches on 31 January 2019 and 31 August 2019, equivalent to 4% of NAV at 31 August 2018. Since the announcement of our policy changes and the introduction of the dividend in September 2016, no buybacks have been required for discount management purposes. Indeed, the discount narrowed to 2.7% from 7.3% at the previous year end. The long-term outperformance of the benchmark, combined with the outperformance of our competitors in more recent times, have resulted in an increased demand for the Company's shares, reducing the need for share buybacks to protect Shareholder interests.

Additionally, the introduction of the dividend policy appears to have led to a pleasing shift in the Company's Shareholder base. Before the introduction of the dividend, retail and private wealth investors accounted for less than 35%. Today, that figure sits just below 50%, demonstrating the widening demand for our shares and further narrowing the discount.

It is the Board's long-term intention to continue to reduce the discount.

Performance fee

The realisation of historical gains within the unquoted portfolio, driven primarily by the sale of Entellus to Stryker in March 2018, gave rise to a performance fee of £93,000 in the year ended 31 August 2018.

Prospects

The factors which contributed to flat growth for much of the year, namely President Trump's drug pricing war, have abated, allowing strong growth in the final months of the financial year. While the looming mid-term elections in November may create some short-term uncertainty, the healthcare demographic argument for growth in the biotechnology sector remains strong, and I am confident about the long-term prospects for the Company. The changing landscape may benefit some biotechnology companies more than others, a key advantage of an investment fund is that its investments are diversified across a wide range of companies within the industry. Therefore, in times of increased uncertainty, investors can gain access to the biotechnology sector but reduce the risk of volatility which would otherwise be present if one were to directly purchase a small portfolio of biotechnology companies. Our closed-end structure allows us to gear, which we do prudently to take advantage of changing market conditions and, because of greater stability of capital, allows a longer-term approach to investment.

Looking further afield, Brexit continues to cast a shadow over European investment markets and it is difficult to predict the paths the UK and the EU will follow in 2019, which could see volatility in these currencies. Investors should be aware that the Company does not engage in any currency hedging and the NAV is therefore partially dependent on currency fluctuations however, since almost 90% of our holdings are USD denominated, further weakening of sterling would increase the NAV.

The outlook for the sector is more thoroughly explored in the Q&A with the Investment Managers and the Fund Manager's Review.

AGM

This year's AGM will be held at 3.00 pm on Wednesday, 12 December 2018 at BNP Paribas Securities Services S.C.A., 10 Harewood Avenue, London, NW1 6AA. 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 Alternative Investment Fund Manager, SV Health Managers LLP, who will present to Shareholders.

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, 10 Harewood Avenue, London, NW1 6AA. 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.

John Aston OBE

Chairman

30 October 2018

Fund Manager's Review

Best performing investments		Worst performing investments	
	Contribution to NAV		(Reduction) in NAV
SV Fund VI Investment	£6.6m	Celgene	£(5.7)m
Neurocrine	£6.2m	Regeneron	£(3.8)m
Nektar Therapeutics Com	£5.1m	Exelixis	£(3.8)m
Illumina	£4.4m	Incyte	£(3.1)m
Ligand	£3.8m	Tesaro	£(3.1)m

Summary

In the year ended 31 August 2018, the Company's NAV per share returned 8.6% including the dividend. The Company's share price returned 13.7%. The NBI returned 10.1% and the FTSE All-Share Index returned 4.7%. All figures are on a total return basis and are sterling-adjusted.

By subsector, 80% of the portfolio was invested in therapeutics, 4% in specialty pharmaceuticals, 4% in medical devices, 5% in life science tools, diagnostics and services, and 8% in a venture capital fund, SV Fund VI. SV Fund VI makes investments into unquoted companies across three sectors; biotechnology (40%), healthcare services and IT (40%) and medical devices (20%). Cash and other net assets were -1% of NAV.

Overview and performance

	2018	2017
Total portfolio companies*	66	83
Quoted	51	69
Unquoted	15	14

NAV	£262.5m	£252.7m
Quoted**	£230.6m	£224.8m
Unquoted	£32.6m	£20.7m
Other assets/(liabilities)	£(0.5)m	£(16.7)m
Legal commitments to investments in unquoted	£8.9m	£14.9m
Reserved for further investment in unquoted	£1.3m	£2.7m

* Excluding unquoted companies fully written off (2018: 7; 2017: 8)

** Including TransEnterix, KalVista and ReShape which are quoted companies but excluded from the quoted portfolio for performance measurement purposes. Excluding these companies from the quoted portfolio values this portfolio at £222.4m

At 31 August 2018, the quoted portfolio represented 87.6% of NAV (excluding cash and other net assets) at £230.6m. The unquoted portfolio represented 13.4% of NAV at £32.6m. Companies that were first invested in from the unquoted pool and have now become quoted but continue to be managed by the unquoted Investment Managers are included within the unquoted portfolio for the purposes of performance measurement. Based on the classification of the investments as adjusted for performance measurement, the quoted portfolio was 84.5% of the portfolio, whilst the unquoted portfolio represented 15.5%.

Quoted Portfolio

The return on the quoted portfolio was 5.5%, which underperformed the benchmark index, the NBI, by 4.7% compared with the NBI total return of 10.1%.

Following a relatively flat six months to 28 February 2018, the second half of the fiscal year saw an initial decline for the broader equity market, with biotechnology being hit hard, fuelled by speculation that President Trump's Republican government would enforce strict drug pricing controls on drugs sold in the US, which is by far the largest biotechnology market. When the White House finally released its proposals on 11 May 2018, the market reacted with relief, with the NBI rising 4% on the day as a result of the announcement's lack of disruptive regulatory proposals on drug pricing. The industry friendly announcement was the main factor in biotechnology starting to swing back in favour with generalist investors. As is expected, when an industry increases in popularity the large-cap stocks are the first to benefit from the increased interest. Combining this with better than expected earnings growth amongst these companies saw their share prices increase significantly in the latter part of the financial year. Given eight of these large-caps make up 48% of the benchmark index, the Company's focus on the higher growth companies appears slightly less successful when viewed through the snapshot of the year end position. Despite the encouraging signs following the White House announcement, mid and small-cap companies experienced profit-taking throughout July and August 2018. Historically low trading volumes in the summer months and the upcoming US mid-term elections in November has naturally resulted in the market focusing on larger companies but we remain very positive about the longer-term growth prospects for these mid and small-cap stocks.

M&A deals

Six portfolio holdings were the subjects of successful bids during the year under review: Ignyta, Entellus, Juno, AveXis, Shire and Spinal Kinetics.

Ignyta was acquired by Roche at a 91% premium to the previous share price. Ignyta's lead asset was a tyrosine-kinase inhibitor that targets specific mutations in tumours and has the ability to cross the blood brain barrier.

Celgene acquired Juno in January 2018 at a 70% premium to the previous share price. Juno was a cell therapy company with a late-stage asset, also for oncology. Its technology harnesses the body's immune system to treat certain blood cancers.

Novartis agreed to acquire AveXis Inc. for \$8.7bn to expand its position as a gene therapy leader. AveXis' lead product candidate, AVXS-101, has potential to be the first-ever one-time gene replacement therapy for spinal muscular atrophy (SMA), a disease which results in early death or lifelong disability with considerable healthcare costs.

In April 2018, Shire was the subject of an ambitious \$62bn takeover bid by Japanese giant Takeda. The takeover now appears to have cleared most of the hurdles and should complete in the autumn. We identified that Shire's valuation was exceptionally low, and initiated a 4.8% position.

Entellus was a listed company classified within the unquoted portfolio for performance purposes while Spinal Kinetics was unquoted. These two companies are discussed in greater detail in the Unquoted Portfolio review below.

Whilst this activity is indicative that M&A is alive and well, the last of these offers was made in April 2018, suggesting that the upcoming mid-term elections and other factors may be building up a backlog of potential M&A deals. With

many large and mega-cap companies searching for increased top-line growth, we expect M&A to continue to be a prominent feature of the sector in the year ahead and will continue to pick stocks which we think have strong M&A potential.

Positive contributors

Neurocrine's launch of Ingrezza to treat Tardive Dyskinesia was highly successful, continually beating expectations throughout the year, as we expected. Neurocrine was the biggest contributor to performance in the year.

Nektar announced exciting, albeit early, data for its CD122 biased agonist at a medical conference in the autumn of 2017. NKTR-214 is an investigational immune-stimulatory therapy that helps boost the cells that target cancer in the patient. In February 2018, the company announced a lucrative deal with Bristol Myers Squibb. The share price rose 300.7% in the year under review.

Life science tools company Illumina, one of the larger holdings in the Company, reported strong revenue and earnings growth based on an increased demand for its gene sequencing machines and consumables. Gene sequencing has come of age and its ever-increasing use will allow Illumina to profit from its dominant position in the market.

Negative contributors

Celgene experienced two setbacks in October 2017, announcing disappointing results from its pipeline asset, GED-301, in Crohn's disease and concerns about long-term revenue growth once its lead asset Revlimid goes off patent. The company is taking steps to diversify away from Revlimid by seeking M&A targets. In January 2018, it acquired Juno, shortly followed by the acquisition of Impact BioSciences, both of which are oncology companies.

Regeneron shares fell in value over the year due to slower than expected sales growth of its newly launched asthma drug Dupixent and disappointing clinical data from a mid-stage ophthalmology trial testing a new combination of drugs for wet Age-related Macular Degeneration. The company reported positive results for its lipid-lowering drug, Praluent, in March 2018, which Regeneron hopes will turn around its fortunes in 2018.

Following a positive start to 2017, Incyte shares declined in value during the year, as investors' excitement for its experimental "IDO" drug tempered. These fears were confirmed when data from the IDO clinical trial showed a lack of efficacy in April. However, with IDO now behind the company, the Fund Manager believes the company is undervalued and may even be an M&A target for larger pharmaceuticals companies.

Exelixis shares declined during the year under review. Its marketed drug Cabo, used to treat renal cell carcinoma, faced competition from newer immune-oncology drugs which investors feared may capture market share off their drug. We think these fears are over blown and the stock should recover over the next twelve months.

FX losses negatively impacted the quoted portfolio by £4.2m, or 11.3p per share.

Unquoted Portfolio

The return for the unquoted portfolio over the year ended 31 August 2018 was a gain of 25.5%. The combined effect of gains and losses on the unquoted investments crystallised a performance fee of £93,000.

As at 31 August 2018, the Company held investments in nine unquoted portfolio companies, one investment in a venture fund, SV Fund VI, and interests in five 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 sold. The Company also holds investments in three previously unquoted companies that are now listed, but which, as described above, are still reported for performance purposes within the unquoted portfolio.

Summary of unquoted investments

	Number of investments as at 31 August 2018	Fair value at 31 August 2018 (£'m)	Percentage of NAV
Unquoted	9	6.6	1.9%
Exited with contingent milestones	5	5.1	2.5%
SV Fund VI	21*	20.7	7.9%
Total unquoted	35	32.4	12.3%
Previously unquoted, now listed	3	8.2	3.1%
Total unquoted for performance measurement	38	40.6	15.5%

*The number of investments listed within SV Fund VI represents the number of investments into underlying individual portfolio companies.

Fair value of unquoted investments for performance measurement as at 31 August 2017 was £27.6m.

Following the approval of the change to the investment policy at the General Meeting on 29 September 2016, a new investment was made into SV Fund VI. The draw down on the commitment of \$30.0m to date is \$19.65m, with further amounts due to be drawn down over the fund investment period. Our current valuation of our \$19.65m investment is £20.7m, representing a 1.3x unrealised return when currency losses are taken into account. SV Fund VI's investee companies continue to be diversified between biotechnology, healthcare services & IT and medical devices similar to our existing unquoted investments, but with smaller allocations to each individual company, allowing for greater diversification.

The majority of the unquoted movements were caused by the listed stocks in the unquoted portfolio.

During the year, Entellus was acquired by Stryker for \$24 per share, crystallising a gain of £2.0m.

Transenterix's Senhance system received FDA approval in October 2017 with the system making its first sales in November 2017, followed by further FDA approvals in 2018, leading to a valuation increase of £3.4m in the year under review.

Kalvista announced a collaboration deal with Merck worth \$715m in future milestones and a \$37m upfront payment. As part of the deal, Merck took a 9.9% stake in the company which resulted in the share price responding positively leading to a valuation uplift. The company initiated phase I and phase II trials for two separate candidates, with a goal to advance at least one additional candidate to clinic before the end of 2018. The positive outlook for these candidates has resulted in the share price continually increasing throughout the second half of the year, resulting in a £2.6m gain in the year.

FX also made a small negative contribution to performance in the year, with an FX loss of £0.5m, or 1.2p per share.

Outlook

The Q&A on pages 3 and 4 of the Annual Report details the majority of our views on the outlook for the sector.

We continue to believe that scientific advancements and increasing innovation paint a very exciting picture for the sector as a whole. It is our firm belief that we've positioned the Company to be at the very forefront of this picture as we seek to generate the very best returns for our Shareholders.

SV Health Managers LLP

Fund Manager
30 October 2018

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. The Directors have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. A full analysis of the Directors' review of internal control is set out in the Corporate Governance Statement on pages 27 and 28 of the Annual Report.

The Company's principal risks include:

Strategic/Performance risk

The Company's returns are affected by changes in economic, financial and corporate conditions, including fluctuations in exchange rates, which can cause market fluctuations; a significant fall in equity markets is likely to affect adversely the value of the Company's portfolio. SV Health Managers LLP 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.

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

Discount to 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.

Investment related risks

Alignment of the investment strategy with the Company's investment objective is essential and an inappropriate approach by SV Health Managers LLP 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 SV Health Managers LLP's adherence to the agreed investment strategy.

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

Operational risks

In common with most other investment trusts, the Company has no executive directors, no executive management and no employees. Its main functions are delegated to third party service providers which are specialists in their fields. Operational risk arises from insufficient processes of internal control which would include compliance with statutes and regulations governing the functions of the Company, however, the Board reviews the performance of these third party service providers and their risk control procedures on a regular basis as well as the terms on which they provide services to the Company.

Tax, legal and regulatory risks

To qualify as an investment trust, the Company must comply with Section 1158 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 SV Health Managers LLP. Reports confirming the Company's compliance with the provisions of Section 1158 CTA are submitted by SV Health Managers LLP to each Board meeting together with relevant portfolio and financial information.

The Company is also subject to other laws and regulations, including the Act, Financial Conduct Authority (FCA) Listing, Prospectus and Disclosure Guidance and Transparency Rules and the Alternative Investment Fund Manager's Directive (AIFMD). Breaches of these laws and regulations could lead to criminal action being taken against Directors or suspension of the Company's shares from trading. SV Health Managers LLP 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.

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 2018 was £141,000 (2017: £159,000) of which £33,250 (2017: £79,500) was outstanding at the year end.

Management report

Listed companies are required by the FCA's Disclosure Guidance and Transparency Rules (the Rules) to include a management report in their Financial Statements. The information required to be in the management report for the purposes of the Rules is included in the Strategic Report on pages 5 to 17 inclusive (together with the sections of the Annual Report incorporated by reference) and the Directors' Report on pages 19 to 28 of 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 Financial Statements in accordance with International Financial Reporting Standards (IFRS) 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 Company and of the profit or loss of the Company 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 IFRS as adopted by the EU have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Prepare Financial Statements on the going concern basis unless it is inappropriate to presume the Company will continue in business.

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

The Annual Report is published on the following website: www.ibtplc.com which is a website maintained by SV Health Managers LLP. The maintenance and integrity of the website is, so far as it relates to the Company, the responsibility of SV Health Managers LLP. The work carried out by the 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.

Having taken advice from the Audit Committee, 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 position, performance, business model and strategy.

Pursuant to Rule 4.1.12 of the Rules, each of the Directors, whose names and functions are listed on page 18 of the Annual Report, confirms that, to the best of his or her knowledge:

- The Financial Statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces; and
- As outlined on page 22 of the Annual Report, the Directors have undertaken all necessary reviews to provide a going concern recommendation.

On behalf of the Board

John Aston, OBE
Chairman
30 October 2018

Statement of Comprehensive Income

For the year ended 31 August 2018

		For the year ended 31 August 2018			For the year ended 31 August 2017		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments held at fair value	2	—	21,591	21,591	—	48,532	48,532
Exchange gains/(losses) on currency balances	2	—	1,049	1,049	—	(4)	(4)
Income	3	380	—	380	505	—	505
Expenses							
Management fee		(1,605)	—	(1,605)	(1,105)	—	(1,105)

Performance fee	—	(93)	(93)	—	(1,374)	(1,374)
Administrative expenses	(1,096)	—	(1,096)	(1,029)	—	(1,029)
Profit/(loss) before finance costs						
Finance costs	(2,321)	22,547	20,226	(1,629)	47,154	45,525
Interest payable	(218)	—	(218)	(204)	—	(204)
Profit/(loss) on ordinary activities before tax	(2,539)	22,547	20,008	(1,833)	47,154	45,321
Taxation	(48)	—	(48)	(69)	—	(69)
Profit/(loss) for the year attributable to Shareholders	(2,587)	22,547	19,960	(1,902)	47,154	45,252
Basic and diluted earnings/(loss) per Ordinary share	4	(6.89)p	60.05p	53.16p	(5.07)p	125.58p
					125.58p	120.51p

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

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

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

The accompanying notes form part of these Financial Statements.

Statement of Changes in Equity

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
For the year ended 31 August 2018						
Balance at 1 September 2017	10,335	18,805	31,482	226,085	(34,056)	252,651
Total Comprehensive Income:						
Profit/(loss) for the year	—	—	—	22,547	(2,587)	19,960
Dividends paid in the year	—	—	—	(10,138)	—	(10,138)
Balance at 31 August 2018	10,335	18,805	31,482	238,494	(36,643)	262,473
	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
For the year ended 31 August 2017						
Balance at 1 September 2016						
Total Comprehensive Income:	10,409	18,805	31,408	188,183	(32,154)	216,651
Profit/(loss) for the year	—	—	—	47,154	(1,902)	45,252
Dividends paid in the year	—	—	—	(8,636)	—	(8,636)

Transactions with owners, recorded directly to equity:

Shares bought back and held in treasury	—	—	—	(616)	—	(616)
Shares cancelled from treasury	(74)	—	74	—	—	—
Balance at 31 August 2017	10,335	18,805	31,482	226,085	(34,056)	252,651

The accompanying notes form part of these Financial Statements.

Balance Sheet

	Notes	At 31 August 2018 £'000	At 31 August 2017 £'000
Non-current assets			
Investments held at fair value through profit or loss		263,025	269,373
		263,025	269,373
Current assets			
Receivables		50	2,836
Cash and cash equivalents		142	128
		192	2,964
Total assets		263,217	272,337
Current liabilities			
Borrowings		(374)	(6,392)
Payables		(370)	(13,294)
		(744)	(19,686)
Net assets		262,473	252,651
Equity attributable to equity holders			
Called up share capital		10,335	10,335
Share premium account		18,805	18,805
Capital redemption reserve		31,482	31,482
Capital reserves		238,494	226,085
Revenue reserve		(36,643)	(34,056)
Total equity		262,473	252,651
NAV per Ordinary share	5	699.04p	672.88p

The Financial Statements as contained within the Annual Report were approved by the Board on 30 October 2018 and signed on its behalf by John Aston, Chairman and Caroline Gulliver, Chair of the Audit Committee.

The accompanying notes form part of these Financial Statements.

Cash Flow Statement

For the year ended 31 August 2018	For the year ended 31 August 2017
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	£'000	£'000
Cash flows from operating activities		
Profit before tax	20,008	45,321
Adjustments for:		
Decrease/(increase) in investments	6,348	(47,585)
Decrease in receivables	2,786	6,406
(Decrease)/increase in payables	(12,924)	10,638
Taxation	(48)	(69)
Net cash flows generated from operating activities	16,170	14,711
Cash flows used in financing activities		
Share repurchase costs	—	(616)
Dividends paid	(10,138)	(8,636)
Net cash used in financing activities	(10,138)	(9,252)
Net increase in cash and cash equivalents	6,032	5,459
Cash and cash equivalents at 1 September	(6,264)	(11,723)
Cash and cash equivalents at 31 August	(232)	(6,264)

The accompanying notes form part of these Financial Statements.

Notes to the Financial Statements

1. Accounting policies

The nature of the Company's operations and its principal activities are set out in the Strategic Report and Director's Report.

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

For the purposes of the Financial Statements, the results and financial position of the Company is expressed in pounds sterling, which is the functional currency and the presentational currency of the Company. Sterling is the functional currency because it is the currency which is most relevant to the majority of the Company's Shareholders and creditors and the currency in which the majority of the Company's operating expenses are paid.

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

(a) Basis of preparation

The Company Financial Statements have been prepared on a going concern basis 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 AIC in November 2014 and updated in February 2018 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) Presentation of Statement of Comprehensive Income

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income.

The net loss after taxation in the revenue column is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 1158 CTA.

(c) Income

Dividends receivable on equity shares are recognised as revenue for the year on an ex-dividend basis. Special dividends are treated as revenue return or as capital return, depending on the facts of each individual case. Income from current asset investments is included in the revenue for the year on an accruals basis and is recognised on a time apportionment basis. Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of cash dividend foregone is recognised as income in the revenue column of the Statement of Comprehensive Income. Any excess in the value of shares over the amount of cash dividend foregone is recognised as a gain in the capital column of the Statement of Comprehensive Income.

Interest from fixed income securities is recognised on a time-apportionment basis so as to reflect the effective yield on the fixed income securities.

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

(d) Expenses and interest payable

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

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

- Any performance fee payable is allocated wholly to capital, as it is primarily attributable to the capital performance of the Company's assets; 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.

(e) Taxation

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

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

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

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

The Company holds three types of investments: investments in funds, direct investment in unquoted companies, and direct investment in quoted companies.

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

On initial recognition all non-current asset investments are designated as held at fair value through profit or loss as defined by IFRS. They are further categorised into the following fair value hierarchy:

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	Having inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
Level 3:	Having inputs for the asset or liability that are not based on observable market data.

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

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

Quoted investments

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

Unquoted investments

In respect of unquoted investments, or where the market for a financial instrument is not active, fair value is established by using various valuation techniques, in accordance with the International Private Equity and Venture Capital (IPEVC) Valuation Guidelines (December 2015). 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.

Investment in funds

The Company receives formal quarterly reports from each of the private equity funds in which SV Fund VI holds an investment. The value of SV Fund VI's investment in these funds is reported in these quarterly reports. The reports typically arrive within 60 days of the end of the quarter (90 days at year end). As soon as a quarterly report is received by the Company, the reported value of the SV Fund VI's investment in that fund is reflected in the NAV on the next NAV date.

During the period between quarterly reports, the Company may be advised of a sale of a portfolio company (or its securities) held within one of the funds at a different price from the last reported value in that quarterly report. As soon as the Company is informed of the completion of any such transaction establishing a new value for the investment, the new NAV of that investment to SV Fund VI is reflected in the NAV on the next NAV date. With respect to any investments within SV Fund VI for which there is a listed price, the Company revalues its investment in SV Fund VI to take account of market movements in the underlying security. The listed price of these underlying securities is monitored on a daily basis. Any price move in SV Fund VI's underlying investments that materially impacts the Company's holding in SV Fund VI is immediately reflected in the NAV on the next NAV date. If there are no material movements, these underlying securities are revalued on a monthly basis and immediately reflected in the NAV on the next NAV date.

The Company does not change the valuation of fund investments based on anticipated transactions that are not yet completed, changes in company performance or any other factors unless and until such changes are reflected in a quarterly report received from the manager of the fund.

The value of a fund investment used by the Company in determining the NAV is always based on the most current information known to the Company on the NAV date.

(g) Foreign currencies

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

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

(h) 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, assumptions and judgements relate, in particular, to the valuation of unquoted investments. The critical judgements are summarised in (f) above and the impact of estimates and assumptions are summarised in note 23 on page 70 of the Annual Report.

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.

(i) Cash and cash equivalents

In the Cash Flow Statement, cash and cash equivalents includes cash in hand, short-term deposits and bank overdrafts. These are held for the purpose of meeting short-term cash commitments rather than for investment or other purpose and cash balances are held at their fair value (translated to sterling at the Balance Sheet date where appropriate.)

(j) Receivables

Other receivables do not carry any right to interest and are short-term in nature. Accordingly they are stated at their nominal value (amortised cost) reduced by appropriate allowances for estimated irrecoverable amounts.

(k) Other payables

Other payables are not interest-bearing and are stated at their nominal amount (amortised cost). Where there are any long-term borrowings, finance costs are calculated over the term of the debt on the effective interest basis.

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

The costs of repurchasing Ordinary shares including related stamp duty and transaction costs are taken directly to equity and reported through the Statement of Changes in Equity as a charge on the capital reserves. Share purchase transactions are accounted for on a trade date basis. The nominal value of Ordinary share capital repurchased and cancelled is transferred out of called up share capital and into the capital redemption reserve. Where shares are repurchased and held in treasury, the transfer to capital redemption reserve is made if and when such shares are subsequently cancelled.

(m) 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) Capital reserves

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

- Gains and losses on the realisation of investments;
- Unrealised investment holding gains and losses;
- Foreign exchange gains and losses;
- Performance fee;
- Repurchase of shares in issue; and
- Dividends paid to Shareholders;

Note: Unrealised unquoted holding gains are not distributable.

(iv) Revenue reserve

Comprises accumulated undistributed revenue profits and losses.

(n) New and revised accounting Standards

There were no new IFRSs or amendments to IFRSs applicable to the current year which had any significant impact on the Company's Financial Statements..

At the date of authorisation of these Financial Statements, the following new and amended IFRSs are in issue but are not yet effective and have not been applied to these Financial Statements:

- IFRS 9 (2014) Financial Instruments, effective for periods beginning on or after 1 January 2018.

The requirement of IFRS 9 and its application to the investments held by the Company were considered ahead of its adoption on 1 January 2018. Investments held by the Company are currently recorded as fair value through profit and loss. The classification of investments remains unchanged under IFRS9 and all figures will be directly comparable to the existing basis of valuation.

- IFRS 15, Revenue with Contracts with Customers, (effective on or after 1 January 2018).

Given the nature of the Company's revenue streams from financial instruments, the provisions of this standard are not expected to have a material impact.

- IFRS 2 (amended) Classification and Measurement of Share-based payment transactions, (effective on or after 1 January 2018).
- IFRIC 22 Foreign currency transactions and advance consideration, (effective on or after 1 January 2018).
- Annual Improvement Cycles 2015-2017, (effective on or after 1 January 2018).
- IFRS 16 Leases, (effective on or after 1 January 2019).
- IFRIC 23 Uncertainty over Income Tax Treatments (effective on or after 1 January 2019).
- IAS 19 (amended) Employee Benefits (effective on or after 1 January 2019).
- IAS 28 (amended) Investments in Associates and Joint Ventures (effective on or after 1 January 2019).

The Directors expect that the adoption of the standards listed above will have either no impact or that any impact will not be material to the Financial Statements of the Company in future years.

2. Gains/(losses) on Investments Held at Fair Value

	For the year ended 31 August 2018 £'000	For the year ended 31 August 2017 £'000
Gains on investments held at fair value		
Net gains on disposal of investments at historic cost	9,145	48,824
Less fair value adjustments in earlier years	(13,092)	(17,454)
(Losses)/gains based on carrying value at previous Balance Sheet date	(3,947)	31,370
Investment holding gains during the year	25,538	17,162
	21,591	48,532
Attributable to:		
Quoted investments	15,047	51,823
Unquoted investments	6,544	(3,291)
	21,591	48,532
Exchange gain/(losses) on currency balances	1,049	(4)

Exchange gains/(losses) on currency balances arise on the retranslation of foreign currency balances held by the Company.

3. Income

	For the year ended 31 August 2018 £'000	For the year ended 31 August 2017 £'000
Income from investments held at fair value through profit or		

loss:		
Unfranked dividends	379	505
Other income:		
Bank interest	1	—
	380	505

4. Net Earning/(loss) per Ordinary share

	For the year ended 31 August 2018	For the year ended 31 August 2017
	£'000	£'000
Net revenue loss	(2,587)	(1,902)
Net capital profit	22,547	47,154
	19,960	45,252
Weighted average number of Ordinary shares in issue during the year *	37,547,663	37,548,348
	Pence	Pence
Revenue loss per Ordinary share	(6.89)	(5.07)
Capital profit per Ordinary share	60.05	125.58
Total earning per Ordinary share	53.16	120.51

*Excluding those held in treasury.

5. Basic NAV per Ordinary share

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

	At 31 August 2018	At 31 August 2017
NAV (£'000)	262,473	252,651
Number of Ordinary shares in issue	37,547,663	37,547,663
Basic NAV per Ordinary share (pence)	699.04	672.88

The increase in the NAV per share from 672.88p (31 August 2017) to 699.04p (31 August 2018) includes the total earnings per share as disclosed above and the effect of the Company, of any repurchase of shares during the year, at a discount to the prevailing NAV per share.

6. The figures and financial information for the year ended 31 August 2017 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 Report Announcement does not constitute statutory accounts for the year ended 31 August 2018 as defined in Section 434 of the Act.

7. The Annual Report for the year ended 31 August 2018 will be posted to Shareholders in November 2018 and thereafter copies will be available upon request at the Company's Registered Office: 10 Harewood Avenue, London NW1 6AA. The Annual Report will also be available on the Company's website, www.ibtplc.com, shortly. A copy of the Annual Report for the year ended 31 August 2018 has been submitted to the National Storage Mechanism of the UK Listing Authority and will shortly be available for inspection at: <http://www.morningstar.co.uk/uk/nsm>. The Company's AGM will be held at 3.00 pm on Wednesday, 12 December 2018 at the offices of BNP Paribas Securities Services S.C.A, 10 Harewood Avenue, London NW1 6AA.

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Company Secretary

30 OCTOBER 2018