

Regulatory Announcement

[Go to market news section](#)



Company	Intl. Biotechnology Trust PLC
TIDM	IBT
Headline	Interim Results
Released	07:01 15-Apr-08
Number	3250S

RNS Number:3250S
Intl. Biotechnology Trust PLC
15 April 2008

INTERNATIONAL BIOTECHNOLOGY TRUST PLC

Half-Yearly Report

Six months ended 29 February 2008

INVESTMENT OBJECTIVE AND POLICY

The Company's investment objective is to achieve long term capital growth by investing in high growth, development stage biotechnology companies that are either quoted or unquoted. IBT invests in companies whose shares are considered to be good value, with experienced management and strong potential upside through the development and/or commercialisation of a product, device or enabling technology.

INVESTMENT STRATEGY

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

The majority of the Company's assets is generally invested in small and mid capitalisation quoted companies. The Manager seeks to invest up to 30% of the Company's assets in unquoted companies with a current guideline of no more than

40% unquoted company exposure (after allowing for valuation write-ups and further follow-on investments).

For unquoted investments, the Manager seeks to generate gains that represent multiples of invested cost primarily through the sale of these unquoted companies to strategic buyers including major pharmaceutical companies or, in some cases, through a flotation. Quoted holdings are made with an expectation that these companies may benefit from a significant re-rating when they achieve clinical trial success and/or receive regulatory approvals in the US for their products.

The Manager usually makes the majority of its investments in the US, which is the most mature and established market for drugs. However, the best investments worldwide are sought so the Company will usually have some investments in Western Europe and occasionally elsewhere such as Australia or Asia.

The biotechnology sector has matured significantly since the first companies were started in the United States in the 1970s. More than half the drugs under review by the U.S. Food and Drugs Administration (FDA) continue to be derived and/or licensed from biotechnology companies. There are increasing levels of dependency between the pharmaceutical and biotechnology industries, driven by the large increase in patent expiries and pharmaceutical companies' need for new medicines and growth. As a result the biotechnology industry has experienced a dramatic increase of merger and acquisition (M&A) activity as pharma companies buy biotechnology companies in order to replenish their pipelines.

In addition to the increased appetite by pharmaceutical companies to acquire biotechnology companies, the underlying trends in the life sciences markets are also encouraging. US Healthcare spending is predicted to grow to 18% of GDP, or \$3.4 trillion, by 2013 driven by the ageing population, unmet medical needs and technology advances.

The biotechnology sector is also becoming broader from a geographical perspective. While the historical centres remain the West and East Coasts of the U.S., viable industry centres now exist in Europe, Australia and Canada. Emerging biotechnology markets have also been developing in Japan, China and India.

The rewards for commercially successful biotechnology companies are great, with

highly profitable drugs meeting previously unmet clinical needs; the sector today combines the defensive characteristics of the pharmaceutical industry with the high growth dynamics of the technology sector.

However, the biotechnology industry is higher risk than the pharmaceutical sector since biotechnology companies typically have more limited pipelines and cash resources, so that product successes or failures have a significant, often binary, effect on prospects for the companies. Overall industry statistics for successful drug development remain challenging, with 90% of drugs tested in man failing to get approved for sale.

PORTFOLIO APPROACH TO INVESTMENT

Given the extreme volatility in the biotechnology sector, access to a specialist team is an important aspect of the decision to invest in biotechnology. Investing in biotechnology is difficult for investors who are not dedicated to the sector and do not have the resources to monitor and evaluate new drugs. The Board of IBT has appointed SV Life Sciences as Investment Manager to the Company. SV Life Sciences is a dedicated life sciences team of professionals based in Boston, London and San Francisco. In addition to IBT, SV Life Sciences manages or advises four life sciences focused venture capital funds with total commitments of \$1.4 billion.

IBT offers investors access to the team at SV Life Sciences and the portfolio aims to capture the best chances of clinical, regulatory and commercial success from a diversified portfolio of public and private biotechnology investments.

Directors and Advisers

ADVISERS

Investment Manager

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

Company Secretary and Registered Office

Schroder Investment Management Limited 31 Gresham Street, London EC2V 7QA

Telephone 020 7658 6501

Bankers

Schroder & Co. Limited
31 Gresham Street, London EC2V 7QA

JPMorgan Chase Bank
125 London Wall, London EC1 5AJ

Custodian

JPMorgan Chase
125 London Wall, London EC1 5AJ

Solicitors

Slaughter and May
One Bunhill Row, London EC1Y 8YY

Auditors

PricewaterhouseCoopers LLP
Hay's Galleria, Hay's Lane, London SE1 2RD

Stockbroker

Cenkos Securities Limited
6.7.8 Tokenhouse Yard London EC2R 7AS

Registrars

Equiniti Limited
PO Box 28448, Finance House Orchard Brae, Edinburgh EH4 1WQ

Shareholder Helpline: 0871 384 2624*

Website: www.shareview.co.uk

*Calls to this number are charged at 8p per minute from a BT Landline. Other telephone providers' costs may vary.

DIRECTORS

Andrew Barker (Chairman)
Alan Clifton
David Clough
Peter Collacott
Alex Hammond-Chambers

Ian Macgregor

Further information on the Company may be found on the internet at:
www.internationalbiotrust.com

Financial Highlights

Six months to 29 February 2008

	29 February 2008	31 August 2007
%	(Unaudited)	(Audited)
Change Company Performance		
Net assets (£'000) (10.4)	91,679	102,360
Shares in issue ('000) -	70,593	70,593
Net asset value per share (10.4)	129.87p	145.00p
Share price (13.1)	121.25p	139.50p
Share price discount Index return	(6.64)%	(3.79)%
Nasdaq Biotech Index (£-adjusted) (2.3)	394.1	403.4
Merill Lynch Small-Cap Biotech Index (£-adjusted)* 0.5	104.4	103.9
Russell 2000 Biotech Growth Index (£-adjusted) (13.4)	35.0	40.5

* Source: Merrill Lynch (rebased to 100 from 28/02/03)

Chairman's Statement

PERFORMANCE

During the six months to 29 February 2008, the net asset value (NAV) per Ordinary share of International Biotechnology Trust plc (IBT) fell by 10.4% from 145.0p to 129.9p. Over the same period the ordinary share price of IBT fell by 13.0% from 139.5p to 121.3p. This compares to a fall in the Nasdaq Biotech Index (NBI) of 2.3% and a fall in the Russell 2000 Growth Biotech Index (ticker:

R2GBIOR) of 13.4% all in sterling terms.

Over the six months under review the discount of the share price to NAV at which the Ordinary shares trade widened from 3.8% to 6.6%.

The performance of IBT's quoted portfolio, which represented 66.0% of NAV at period end, calculated on a time-weighted return basis (assuming mid month cash flows) showed a decrease of 13.4% during the six months under review. On an unweighted basis (ignoring the timing of transactions) the quoted portfolio return was (10.0)%.

As at 29 February 2008 the level of cash, money market instruments and other net current assets was £19.1 million or 20.8% of net assets. This relatively large cash position was created to protect the downside of the portfolio as the markets have sunk and to capitalise on a market correction which could provide cheaper entry points into exciting development stage companies at a future date.

The credit crisis, including the sub-prime mortgage crisis, and the fall in the general equity markets have impacted the smaller, early stage, biotechnology companies to a greater extent than the later stage, profitable, biotechnology companies as investors moved away from the riskiest, most volatile stocks.

This indiscriminate selling of the biotech stocks is not related to any change in the fundamentals of these companies. However, the severe negative sentiment towards the biotech stocks with small stockmarket capitalisation ("small cap") explains the significant outperformance of the NBI (which reflects large cap biotech company performance) versus the Russell 2000 Growth Biotech Index which represents the smaller cap biotech stocks. IBT has a large percentage of its holdings in smaller cap companies which has affected performance over the period under review.

Although there have been no exits from the unquoted portfolio during the last six months, there have been two portfolio companies, Oxagen and Dynogen that have announced positive Phase 2 clinical data that give us confidence that we may achieve attractive M&A exits or public listings for these two companies in the next six to twelve months.

During the six months under review, the Board has written up the value of its investment in Oxagen by £0.5 and written off the remaining investment (£0.3) million in Trine on the failure of its dIBS drug crofelemer in Phase 2b clinical trials. The net valuation change of the unquoted portfolio over the period, which represented 13% of NAV at period end, was £0.5 million including foreign exchange movements. Further commitments and reserves to the private portfolio total £9.0 million (9.9.% of NAV) at the end of the period.

SHARE BUY BACKS

During the period since 31 August 2007, the Company did not buy-back any shares either for cancellation or for retention in Treasury.

VAT ON MANAGEMENT FEES

As the result of a legal action brought against HM Revenue & Customs (HMRC), the European Court of Justice has ruled that investment management fees paid to investment managers by investment trust companies should be exempt from VAT, thereby bringing them into line with unit trusts, open ended investment companies (OEICs) and similar investment funds.

Following HMRC's recent acceptance of this decision, new UK legislation is expected to be introduced specifically exempting UK investment trusts from paying VAT on management fees and allowing the Company to reclaim VAT previously paid to its Investment Managers. The Board is presently quantifying the likely impact on the Company.

ELECTRONIC COMMUNICATIONS

At the Annual General Meeting held in November, revised Articles of Association which allow the Company to send certain information relating to it (for example notices and accounts) by electronic means or by placing this information on a website, were adopted by the Company. Shareholders will receive a letter with a printed copy of the Half-Yearly Report, offering them three options:

1. to view shareholder communications on the Company's Website; or
2. to have notifications sent by email by registering online at

www.shareview.co.uk/ or,

3. to continue to receive hard copies of shareholder communications by post. To receive shareholder communications in this way, you must complete and return the form by 5 p.m. on 31 May 2008.

We believe that this approach to communication with shareholders will help to reduce both paper utilisation and costs.

EXTRAORDINARY GENERAL MEETING (EGM)

An EGM is being convened for later in the year at which a number of amendments will be proposed to the Articles of Association to reflect the provisions of the Companies Act 2006, in particular the provisions that come into effect on 1 October 2008. An explanation of the changes will be included with the notice of the EGM, which will be sent to shareholders in due course.

PROSPECTS

The IBT portfolio provides shareholders with exposure to global biotechnology and medical technology through investments in development stage biotechnology companies that are both quoted and unquoted.

IBT is primarily focused on quoted small and mid cap companies which have had a difficult time in recent months, as well as unquoted companies which the Manager believes have potential to offer performance that is uncorrelated with the public biotech or equity markets.

Long term prospects for the biotech sector remain attractive. Chronic diseases are becoming more prevalent and the costs of managing these diseases are increasing as new ways of treating these diseases are found and people live longer. As a consequence, biotechnology companies, together with the pharma industry, are actively trying to discover and develop new drugs that actually cure disease or at least further alleviate the symptoms and extend survival. This has spurred a flurry of M&A activity and in-licensing deals with numerous biotechnology companies over the years. The Manager believes this trend will continue well into the next decade.

The Board and Manager believes that despite this volatility, the growth

prospects for the small to mid cap quoted biotech sector, which is trading at five-year lows and the successful unquoted companies, should outperform the larger biotech companies and the NBI over the longer term and generate significant returns.

IBT is currently well positioned for a recovery in the biotech sector. IBT is ready to invest its cash position in companies with excellent fundamentals, but depressed valuations that have been brought on by this recent market correction, and looks forward to sentiment returning to small and mid cap companies over the course of 2008.

Andrew Barker
Chairman
15 April 2008

Investment Manager's Review

MARKET REVIEW

Throughout the period under review large cap biotechnology stocks significantly outperformed the small caps. During September 2007, the Nasdaq biotech index rose nearly 6% driven by Amgen and Genzyme. Both companies are major constituents of the index and, together make up approximately 15% of the Nasdaq Biotech Index.

The large caps continued to rally in October 2007, driven by Genzyme increasing their expected future earnings growth and the announcement that its leukaemia drug Campath has shown a positive effect in the treatment of patients with Multiple Sclerosis.

During November and December 2007 there was a run of bad news. Amgen shares reversed their upward trend after reporting they may have to revise the safety label associated with its 'erythropoietin stimulating agent' (ESA) product franchise. Following on from this, Biogen announced that it was no longer up for sale, which suggests a lack of interest at a sufficiently high price for continued Board support for a sale.

In January and February 2008 the general markets sold off sharply and market volatility reached levels not seen since 2002. Not surprisingly the small and

mid cap stocks suffered the most, falling 17% in sterling terms.

Interestingly

the large cap biotechnology stocks reacted relatively well, outperforming the wider indices by 3%. There were a number of reasons for this large cap outperformance. First, in light of the global downturn, investors turned to companies with economically insensitive earnings growth, which is a characteristic of this group. Secondly, larger cap biotech companies have little

need for debt financing and therefore should not be impacted by the 'credit crunch'. Finally, the large cap biotechnology stocks are relatively immune to the potential introduction of Medicare drug price negotiations that may be initiated by the election of a Democrat president. All these factors have underpinned the large cap biotech stock prices over the reporting period.

The share prices of small cap biotechnology stocks tumbled during the period.

Regulatory concerns dogged the biotech sector during the last six months. The rate of drug approvals by the FDA has been disappointing despite the huge ramp-up in R&D spend across the industry. The number of 'New Drug Approvals' fell by 34% in 2007 over 2006, reaching an all time low. Regulatory concerns were compounded by the announcement that an FDA director had given his staff discretion to delay approval decisions by up to three months.

M&A activity of public biotech companies by pharma has proved unpredictable. This is despite the continued erosion of pharma's sales driven by patent expiries and the universal acceptance that M&A of biotech companies and their products as an attractive source of innovative drugs for pharma to boost future sales.

For the small cap biotechs, these M&A deals have been lumpy and irregular. In the second half of 2007 there were only four public biotech company deals of significance including the purchases of MGI Pharma (a portfolio holding), Pharmion, Encysive and Coley. However, this is far from the M&A frenzy investors had been hoping for.

Both M&A activity and drug approvals traditionally drive performance of quoted biotechnology stocks. As news flow in both areas was lacking, share prices suffered. This has particularly hit the small cap arena due to concerns over liquidity and weak balance sheets further compounding the issues outlined above.

During 2007, \$1.3 billion was raised through Initial Public Offerings (IPOs) in the US biotech sector. This was marginally higher than 2006 but the actual number of IPOs fell in 2007 from 2006. European IPOs raised just over \$1bn in 2007, a similar amount to their US peers. However, the US biotech sector raised

\$3.9 billion through follow-on financings, which dwarfed the \$388 million raised in Europe.

Unlike the quoted biotech sector, 2007 was a record setting year for M&A of venture-backed healthcare companies (Venture One) and a very strong Q4 bodes well for continued momentum in 2008. The mean amount paid per deal has doubled in 2007 from previously strong years in 2005 and 2006.

Unquoted deal flow generated by SVLS has remained strong throughout the year and IBT has had a broad range of investment opportunities from which to choose. This deal flow continues to look strong and IBT will continue to invest in the most attractive private opportunities.

In the US, SVLS has seen particular strength in new medical device opportunities (and IBT invested in Cadent and TransEnterix) and in earlier technology platform companies with the potential to transform the biological therapeutics industry such as Fundamental Applied Biology ('Fab') and Itero. In Europe, deal flow has ranged from pharmaceutical company spin-offs (eg Vantia spun off from Ferring in March 2008) to earlier stage discovery companies addressing huge markets with unmet clinical needs (eg RespiVert).

Venture capital investment into US healthcare companies was at an all time high in 2007, raising \$10 billion (Source: Dow Jones VentureSource) As a result, strong private healthcare companies are generally able to raise funds at attractive prices to fund their clinical development pipelines. Median pre-money valuations have remained stable for the last several years, demonstrating the discipline in the venture industry following the 2000 bubble.

OUTLOOK

It has been a very difficult start to the calendar year for the equities markets which looks to continue into 2008 despite the fact that the underlying fundamentals of the biotech industry have not changed.

In this risk-averse environment, higher risk investments, such as biotechnology and especially the small cap sub sector have tended to suffer the most.

IBT's portfolio has historically been dominated by high growth potential early stage biotechnology companies which are predominantly small cap public companies. This will remain the Trust's primary focus. However, the Manager has recently adjusted the Trust's public market exposure in order to protect IBT's NAV during these difficult times. This has involved increasing the Trust's exposure to high quality larger cap stocks (for example Gilead and Celgene), increasing positions in high growth potential but less volatile subsectors such as clinical diagnostics and managing the Trust's cash position prudently. At the end of February IBT had a large cash position of 21% which will be reinvested into unquoted, small and mid cap stocks with excellent prospects at a point at which the Manager believes investors will begin to focus on company fundamentals once more.

The enterprise valuations of the small cap biotech companies are nearing their all time lows and so entry prices of selected target stocks currently look attractive.

The prospects for IBT's unquoted portfolio appear strong. Several portfolio companies have reported positive clinical and preclinical data over the period. M&A and lucrative licensing deals are typically triggered in response to positive clinical data.

The financing environment for successful private companies is robust and these companies can generally raise more funds than ever before to enable them to fund larger clinical trials to build value in their product pipeline. Successful internationally focused venture capitalist firms are raising increasingly larger funds (including the Manager SVLS), so their private biotech portfolio companies are no longer dependent on the public markets for substantial capital.

In the longer term, the biotechnology sector fundamentals look very strong. As the population ages so does incidence of both chronic and acute diseases such as cancer and cardiovascular disease. For example, the prevalence of diabetes is expected to double from 2000 to 2030. Despite this, the population is expected to live longer and will drive demand for innovative targeted therapies,

currently being developed by hundreds of biotechnology companies. Moreover, the pharmaceuticals industry is in desperate need of new patented drugs as their top line sales are significantly eroded through patent expirations.

There is huge growth in the sales of biologics and a marked increase in M&A of biologics companies, so IBT will continue to seek innovative investments which are focused on improving biological drugs and processes to make them.

IBT is well positioned to take advantage of both the recovery of the biotech sector as a whole, as well continuing to find attractive high growth private companies whose value is less exposed to the swings of the public market sentiment.

SUMMARY OF PORTFOLIO COMPANY NEWS

QUOTED COMPANIES

Despite a relatively quiet six months with regards to M&A activity, IBT benefited from two acquisition announcements of public portfolio holdings, both of which were top ten holdings at the time of their announcement.

In November, portfolio holding Gyrus was acquired by Olympus (the world's largest maker of surgical cameras) for \$1.9 billion, a 58% premium to the previous day's closing share price and an uplift to cost of £1.6 million. Celgene, also a portfolio holding, then announced the acquisition of Pharmion for \$2.9 billion which was a strategic move in order to become a global leader in haematology and oncology.

In December, Eisai and MGI Pharma (portfolio holding) entered into a definitive merger agreement. MGI Pharma was a biopharmaceutical company focused in the areas of oncology and acute care with two marketed products and one late stage pipeline product. Eisai acquired the company for \$3.9 billion which was at a 39% premium to the share price when MGI first announced that the company was considering strategic options in November 2007, and a £1.7 million uplift to cost.

Also in December, Morphosys, another top ten holding, rose to a four year high after announcing that the Swiss based Pharmaceuticals Company Novartis agreed to

pay up to \$1 billion in a new strategic co-operation. Novartis will now be the preferred partner for Morphosys' HuCal-technology. £0.7 million was added to the NAV from the performance of this portfolio company in the period.

Performance was helped by the Trust's holding in Australian-company CSL Limited which boosted IBT's NAV £0.4 million NAV gain in the period after a faster than expected rollout of their HPV vaccine in the latter half of 2007 and 2008 to date, which drove the share price up. Finally, portfolio holding GTx Inc announced positive Phase 3 clinical data in February 2008 from their late stage clinical trial testing of Acapodene in Adrogen Deprivation Therapy and a result, the share price rallied, at which point IBT sold realising a profit for the period of £0.5 million.

On the negative side, three quoted portfolio companies suffered unusually large losses during the period. In September, Sonus announced that their late-stage trial of the lead experimental drug for metastatic breast cancer failed to meet the trial's primary endpoint. This was an unexpected disappointment, causing the share price to fall considerably. Another disappointment for the Trust came in November, when the FDA rejected Momenta's application for a biogeneric blood-thinner drug, M-Enoxaparin. Finally, Genosis' US launch of its OTC fertility diagnostics tests - Fertell - through CVS and Longs Pharmacy chain proved disappointing as the sales levels were insufficient to enable the company to reach break-even. As a result, Genosis' share price collapsed in September and strategic alternatives are being pursued.

Despite the positive impact of M&A and the organic growth within the quoted portfolio, the net effect of these news items and the poor small-cap biotech sector performance overall collectively reduced IBT's NAV during the period under review.

UNQUOTED COMPANIES

In the last six months new unquoted investments have been made in Cadent, FAB, Itero and TransEnterix, totaling £2.0 million Follow on fundings have been made in to ESBATech, Lux and Oxagen totaling £2.2 million. Across all unquoted companies at period end, legal commitments to further fundings subject to pre-determined milestones and Investment Committee approved investments total £3.9 million. Within this number the Manager has made follow-on commitments of £1.5

million to EUSA Pharma and TransEnterix, which have not yet drawn down but which are likely to be invested by September 2008. In addition, the Manager has identified that reserves of £5.1 million that are likely to be necessary to continue funding existing portfolio companies in future financing rounds.

Following the period end, two further unquoted investments have been made totaling £0.4 million in to a new company -Vantia Therapeutics and an existing portfolio company TransEnterix.

In addition, there are several companies within SVLS's venture capital portfolio that are coming up for financing rounds over the next few months where IBT has an opportunity to invest, subject to acceptable terms and conditions.

Positive clinical and preclinical progress has been reported by several of IBT's private companies.

Dynogen announced that DDP225 met its endpoints in a dIBS Phase 2 trial, and DDP733 too in nGERD and cIBS - which are all gastrointestinal diseases which are poorly treated.

Oxagen has continued to generate encouraging data with its lead oral asthma drug and discussions are now underway regarding licensing, M&A and other strategic options.

In February 2008, ESBATech announced that its antibody fragments reach therapeutic levels in the front but also back of the eye when administered with eye drops. This therapeutically-effective penetration has not been seen before with antibodies which reinforces the potential breadth of ESBATech's platform. As a result of these exciting results, the lead ophthalmic drugs will be taken into human clinical testing in the next few months.

In March 2008 Affinium started its first-time-in man clinical trials for its novel antibiotic AFN-1252, one of its lead clinical candidates from its novel class of fatty acid biosynthesis inhibitors. Affinium believes that AFN-1252 will provide patients and their doctors a potent, oral and IV treatment for susceptible and resistant staphylococcal infections both in and out of hospitals. Phase 2 trials will follow-on rapidly after the successful completion

of the Phase 1 trials and if successful the company will be sold on the back of the positive Phase 2 data package and strong IP.

Intranasal, a US-based specialty pharmaceutical company, has successfully completed two Phase 2 studies for hydromorphone in an inhaled small molecule treatment for acute, moderate-to-severe pain as well as a second phase 1 study for Midazolam in the treatment of epilepsy.

On the other hand, Trine's Phase2b trial on crofelemer for dIBS failed to meet its clinical endpoint in February 2008 and the company is now being wound up. IBT has written off the remaining investment of £0.3 million to nil.

In March 2008, the Oxford-based speciality pharmaceutical company EUSA Pharma announced its intent to acquire Nasdaq-listed Cytogen Corporation. EUSA Pharma is a rapidly growing transatlantic specialty pharmaceutical company focused on in-licensing, developing and marketing late-stage oncology, pain control and critical care products. The company currently has six products on the market, including the antibiotic surgical implant Collatamp(R) G, Erwinase(R) and Kidrolase(R) for the treatment of acute lymphoblastic leukemia, and Rapydan(R), a rapid-onset anesthetic patch which recently received Europe-wide approval. The acquisition of Cytogen brings to the enlarged EUSA group an established US commercial organization with a 40-strong specialist oncology sales force and three marketed products. This merger remains subject to Cytogen shareholder approval among other things.

The net valuation increase of the unquoted portfolio over the period was £0.5 million.

PORTFOLIO SUMMARY AT 29 FEBRUARY 2008

At the end of the Trust's interim period, IBT had investments in 52 companies: 35 quoted (representing 66.0% NAV) and 17 unquoted companies (representing 13.2% of NAV). The remaining 20.8% comprised cash, money market instruments and other net assets (£19.1 million), of which 4.3% of NAV or £3.9 million was legally committed or Investment Committee approved to further investments in unquoted companies. In addition to these commitments, the Manager has identified 5.6% of NAV or £5.1 million of likely future reserves that may be needed for follow-on financing rounds in the near future 2008-2010.

By subsector, 65.3% was invested in the biopharma/therapeutic sector and 13.1% in medical devices and healthcare services, which tend to be more stable than the biotech stocks of the rest of the portfolio, a higher proportion than at the Trust's year end in August 2007.

Representatives of the Manager sat on the Board of eighteen portfolio companies at the end of the period, which were the four quoted companies - Achillion Pharma, Micromet, Pharmacoepia Drug Discovery and Santarus, and the fourteen unquoted companies, Affinium Pharma, Archemix, Cadent, Dynogen Pharma, ESBATech, Fundamental Applied Biology, Intranasal Therapeutics, Itero, Lux Biosciences, Oxagen, RespiVert, Ricerca, Spinal Kinetics and TransEnterix.

In terms of geographical split, the majority of holdings were North American based companies totalling 55.3% of the portfolio. IBT had one Australian investment, CSL, (5.3% of NAV) and one holding in Given Imaging, which is located in Israel (1.1% of the NAV). The remaining 17.6% were continental European (3.4%) and the UK (14.1%) based companies.

86.9% of the portfolio had greater than twelve months of cash. Those that have less than twelve months include Affinium, Dynogen Pharma, FAB, Intranasal Therapeutics, Itero, RespiVert and TransEnterix, which have milestone or other legally based commitments, so that if conditions are met then further cash will be invested.

VALUATIONS

At 29 February 2008, the IBT unquoted portfolio, value £12.2 million represented 13.3% of net assets, compared to 7.4% at 31 August 2007. Four new investments and three follow on investments were made in the reporting period as described above.

In this period under review, the net effect of the change in the Directors' valuations of unquoted companies and taking in to account foreign exchange movements, was a net increase in NAV of £0.5 million representing 0.6% of net assets at the start of the period.

The valuation of Oxagen was increased by £0.5 million in December 2007 following positive clinical results. The remaining investment in Trine of £0.24 million was written off in February 2008 following clinical trial failure.

SV Life Sciences Managers
15 April 2008

Ten Largest Investments
as at 29 February 2008

Investment activity	Country	Sector	Market value of holding £'000	% of net assets	Business
1 Celgene biopharmaceutical with focus of three	United States	Pharmaceuticals & Biotech	5,119	5.6	Celgene is a company which markets novel therapeutics a primary in the treatment hematologic cancers. The company has marketed products, Revlimid, Thalomid and Vidaza and a further ten products in clinical development.
2 CSL manufactures pharmaceuticals diagnostics The	Australia	Pharmaceuticals & Biotech	4,825	5.3	CSL and markets and derived from human plasma. company also markets a seasonal influenza vaccine and receives

the						royalties on
cancer						sale of the cervical vaccine, Gardasil.
3	Gilead Sciences	United States	Pharmaceuticals & Biotech	4,625	5.0	Gilead is a
biopharmaceutical						company with
a						significant
HIV						franchise
that						has
established						itself as the market leader in
this						area. The
company						recently diversified
its						product
portfolio						into two new disease areas, COPD
and						resistant hypertension,
by						acquiring two companies, Myogen and
Corus.						
4	Applera-Celera Genomics	United States	Pharmaceuticals & Biotech	3,327	3.6	Celera is a diagnostics business delivering personalized disease management solutions through a combination
of						tests and services
based						

proprietary

on

genetics
discovery
platforms.

5 Oxagen Ltd Pref United
focused Kingdom
discovery

Pharmaceuticals 3,065 3.3
& Biotech

Oxagen is
on the
and
development

of
for

novel drugs
inflammation
against

molecular
(mostly

targets

genetic

GPCRs) which
have been
validated in
humans by
analysis.

6 Barr United
Pharmaceuticals States
pharmaceutical

Pharmaceuticals 2,927 3.2
& Biotech

A speciality
company that
develops,
manufactures

and

markets both
generic
and

proprietary

prescription

pharmaceuticals.

7 Shire United
focused Kingdom
and
commercialising

Pharmaceuticals 2,722 3.0
& Biotech

Shire is
on developing

tackle

drugs that
attention

deficit

and

hyperactivity

disorder,

human

genetic

gastrointestinal

8 Medicines
Company
markets

which

in

The

other

cardiovascular

which

stage

9 Alexion
Pharmaceuticals
biopharmaceutical

and

immunoregulatory

the

cardiovascular

lead

Soliris

the

therapies,

and renal
diseases.

The Medicines
Company

Angiomax

has become a
dominant
anticoagulant

percutaneous
coronary
intervention.

company
have two

compounds,
Cleviprex and
Cangrelor,

are in late

clinical
development.

A

company that
researches

develops
proprietary

compounds for
treatment of

diseases. The
company's

product,

is
approved in

Europe.						US and
10	Acambis	United Kingdom	Pharmaceuticals & Biotech	2,275	2.5	A vaccine discovery and development company. Acambis has a smallpox vaccine approved by the FDA and others in development to prevent dengue fever, influenza and West Nile virus infection.

Consolidated Income Statement

			(Unaudited)		
			For the six months ended		For
			29 February 2008		28
			Group	Group	
Group	Group		Revenue	Capital	Group
Revenue	Capital	Group	Return	Return	Total
Return	Return	Total			
£'000	£'000	£'000	Note	£'000	£'000
(Losses)/gains on investments held at fair value				-	(9,791)
-	7,032	7,032			
Exchange losses on currency balances				-	(43)
-	(13)	(13)			
Income			2	200	-
118	-	118			200
Expenses					
Performance fee				-	-
-	(400)	(400)			
Management fees			3	(692)	-
(481)	-	(481)			(692)

Administrative expenses			(328)	-	(328)	
(351)	-	(351)				

Net (loss)/return before finance costs and taxation			(820)	(9,834)	(10,654)	
(714)	6,619	5,905				
Finance costs						
Interest payable			3	(22)	-	(22)
-	-	-				

Net (loss)/return on ordinary activities before taxation			(842)	(9,834)	(10,676)	
(714)	6,619	5,905				
Taxation on ordinary activities						
-	-	-				

Net (loss)/return after taxation attributable to equity shareholders			(842)	(9,834)	(10,676)	
(714)	6,619	5,905				

Net (loss)/return per Ordinary share			4	(1.19)p	(13.93)p	(15.12)p
(1.41)p	15.80p	14.39p				
Net (loss)/return per C share			4	-	-	-
(0.20)p	(3.31)p	(3.51)p				

		(Audited)	
		For the year ended	
		31 August 2007	
		Group	Group
		Revenue	Capital
		Return	Return
		£'000	£'000
		Note	Note
		-----	-----
Group			
Total			
£'000			

--			
(Losses)/gains on investments			

held at fair value		-	(774)	
(774)				
Exchange losses on currency				
balances		-	(54)	
(54)				
Income	2	580	-	
580				
Expenses				
Performance fee		-	-	
-				
Management fees	3	(1,248)	-	
(1,248)				
Administrative expenses		(623)	-	
(623)				
-----	---	-----	---	-----
--				
Net (loss)/return before finance				
costs and taxation		(1,291)	(828)	
(2,119)				
Finance costs				
Interest payable	3	(43)	-	
(43)				
-----	---	-----	---	-----
--				
Net (loss)/return on ordinary				
activities before taxation		(1,334)	(828)	
(2,162)				
Taxation on ordinary activities		-	-	
-				
-----	---	---	---	---
--				
Net (loss)/return after taxation				
attributable to equity shareholders		(1,334)	(828)	
(2,162)				
-----	---	-----	-----	-----
--				
Net (loss)/return per				
Ordinary share	4	(2.24)p	(1.39)p	
(3.63)p				
Net (loss)/return per C share	4	-	-	
-				
-----	---	---	---	---
--				

The total column of this statement represents the Group's Income Statement prepared in accordance with IFRS.

The Revenue Return and Capital Return columns are supplementary to this and are prepared under guidance published by The Association of Investment Companies. The Group has no recognised gains and losses other than those disclosed in the Consolidated Income Statement and the Consolidated Statement of Changes in Equity.

All income is attributable to the equity holders of the parent company. There are no minority interests.

All items in the above statement derive from continuing operations.

Notes 1-7 below form part of these financial statements.

Consolidated Balance Sheet

(Unaudited)	(Audited)	(Unaudited)
At 28 February	At 31 August	At 29 February
2007	2007	2008
Group	Group	Group
£'000	£'000	£'000
-----	-----	-----
Non-current assets		
Investments held at fair value through profit or loss		
89,755	101,774	72,624

89,755	101,774	72,624
Current assets		
Other receivables		
2,928	1,812	2,652
Investments held for trading		
22,016	519	11,189
Cash and cash equivalents		
679	2	6,705

25,623	2,333	20,546

Total assets		
115,378	104,107	93,170
Current liabilities		
Other payables		
(6,345)	(1,747)	(1,491)

Net assets				91,679
109,033	102,360			-----
-----	-----			
Equity attributable to equity holders				
Called up share capital				
- Ordinary shares				17,648
11,766	17,648			
- C shares				-
18,583	-			
Share premium account				18,746
17,594	18,751			
Capital redemption reserve				24,169
11,231	24,169			
Share purchase reserve				65,564
65,564	65,564			
Capital reserves				(20,606)
(3,325)	(10,772)			
Revenue reserve				(13,842)
(12,380)	(13,000)			-----
-----	-----			
Equity shareholders' funds				91,679
109,033	102,360			-----
-----	-----			
Net asset value per				
Ordinary share		5		129.87p
156.64p	145.00p			-----
-----	-----			
Net asset value per C		5		-
share				-----
142.50p	-			-----
-----	-----			

Notes 1-7 below form part of these financial statements.

Consolidated Statement of Changes in Equity

Group

For

the six

months ended 28

February 2007

(Unaudited)

Capital	Capital	Called up	Share	Capital	Share
---------	---------	-----------	-------	---------	-------

Group
the six
ended 29
February 2008

For
months

(Unaudited)

Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000	Called up Share capital Total £'000	Share premium account £'000	Capital redemption reserve £'000	Share purchase reserve £'000	
-----	-----	-----	-----	-----	-----	-----	---
Balance at 31 August 2007			17,648	18,751	24,169	65,564	
12,184	(22,956)	(13,000)	102,360				
Net loss for the period (5,711)	(4,123)	(842)	(10,676)	-	-	-	
Share issue costs -	-	-	(5)	(5)	-	-	
-----	-----	-----	-----	-----	-----	-----	---
Balance at 29 February 2008			17,648	18,746	24,169	65,564	
6,473	(27,079)	(13,842)	91,679				
-----	-----	-----	-----	-----	-----	-----	---

Notes 1-7 below form part of these financial statements.

Consolidated Cash Flow Statement

(Unaudited)	(Audited)	(Unaudited)	(Unaudited)
six ended February 2007	For the year ended 31 August 2007	For the six months ended 29 February 2008	For the months ended 28 February 2008
Group	Group	Group	Group

£'000	£'000	£'000	
---	-----	-----	----
Cash flows from operating activities			
Net (loss)/return			
before finance costs			
and taxation			
5,905	(2,119)	(10,654)	
Exchange losses on			
currency balances			
13	54	43	
Adjustments for:			
Decrease/(increase) in			
investments			
(31,733)	(43,752)	29,150	
(Increase)/decrease in			
current asset			
investments			
(15,147)	6,350	(10,670)	
(Increase)/decrease in			
receivables			
(928)	188	(840)	
(Decrease)/increase in			
payables			
6,178	1,580	(248)	

Net cash flows from			
operating activities			
(35,712)	(37,699)	6,781	

Cash flows from financing activities			
Issue of shares			
36,177	37,571	(5)	
Interest paid on bank			
overdrafts			
-	(43)	(30)	

Net cash (used in)/from			
financing activities			
36,177	37,528	(35)	

Net increase/(decrease)			
in cash and cash			
equivalents			
465	(171)	6,746	
Effect of foreign			
exchange losses			
(13)	(54)	(43)	
Cash and cash			
equivalents at			
beginning of period			
227	227	2	

-----		-----	---
Cash and cash			
equivalents at end of			
period		6,705	
679	2		
-----		-----	---

Notes 1-7 below form part of these financial statements.

Notes to the Financial Statements

1. Accounting policies and responsibility statement

Directors confirm that, to the best of their knowledge, this set of condensed financial statements has been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and International Standards Committee (IASC) as adopted by the European Union as effective as at 29 February 2008 and the Interim Management Report in the form of the Chairman's Statement and the Investment Manager's Review include a fair review of the information required by DTR 4.2.7 and 4.2.8 of the FSA's Disclosure and Transparency Rules.

The Group's functional currency and the currency used for the presentation of these financial statements is pounds sterling, as that is the currency of the primary economic environment in which the Group operates.

The financial information for each of the six month periods ended 29 February 2008 and 28 February 2007 comprises non-statutory accounts within the meaning of Section 240 of the Companies Act 1985. The financial information for the year ended 31 August 2007 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. The interim accounts have been prepared on the same basis as the annual accounts.

The Group's accounting policies have not varied from those described in the Report and Accounts for the year to 31 August 2007.

2. Income

(Audited)	(Unaudited)	(Unaudited)	
the	For the six	For the six	For
ended	months ended	months ended	year
2007	29 February	28 February	31 August
£'000	2008 £'000	2007 £'000	
---	-----	-----	----
Income from investments:			
54 Dividend income	32	2	
422 Income from current asset	132	112	
investments			
104 Interest on deposits	36	4	
-----	-----	-----	--

580	200	118	
---	-----	-----	--

3. Management fees and interest payable

The investment management fee and any finance costs on borrowings for investment purposes are apportioned 100% to the revenue return.

4. (Loss)/return per share

(Audited)	(Unaudited)	(Unaudited)
For the	For the six	For the six
year ended	months ended	months ended
31 August 2007	29 February	28 February
£'000	2008 £'000	2007 £'000
-----	-----	-----
Revenue loss		
attributable to		
Ordinary shares (£'000)	(842)	(664)
(1,334)		
Revenue loss		

attributable to C shares (£'000)	-	(50)
-		
Capital (loss)/return attributable to Ordinary shares (£'000) (828)	(9,834)	7,438
Capital loss attributable to C shares (£'000)	-	(819)
-		
-----	-----	-----
Total (£'000) (2,162)	(10,676)	5,905
-----	-----	-----

Weighted average number of ordinary shares in issue	70,592,664	47,065,467
59,631,129		
Weighted average number of C shares in issue	-	24,777,433
-		
Per Ordinary share:		
Revenue loss (2.24)p	(1.19)p	(1.41)p
Capital (loss)/return (1.39)p	(13.93)p	15.80 p
-----	-----	-----

Total (loss)/return (3.63)p	(15.12)p	14.39 p
-----	-----	-----

Per C share:		
Revenue loss	-	(0.20)p
-		
Capital loss	-	(3.31)p
-		
-----	-----	-----

Total loss	-	(3.51)p
-		
-----	-----	-----

5. Net asset value per share

	(Unaudited)	(Unaudited)	
(Audited)			
	At 29 February	At 28 February	At 31
August			
	2008	2007	
2007			

Net assets attributable to	91,679	73,725
102,360		
ordinary shareholders (£'000)		
Ordinary shares in issue at end	70,592,664	47,065,467
70,592,664		
of period		
Net asset value per ordinary	129.87p	156.64p
145.00p		
share		
Net assets attributable to C	-	35,308
-		
shareholders (£'000)		
C shares in issue at end of	-	24,777,433
-		
period		
Net asset value per C share	-	142.50p
-		

6. Contingent asset

HM Revenue and Customs (HMRC) has declared its acceptance that fund management services to investment trusts are exempt from VAT. The Manager has confirmed that claims have been lodged with HMRC to recover VAT paid from January 2001 and the Board is exploring the potential to recover VAT paid to the previous Manager for the prior period.

Until uncertainties surrounding the mechanisms of the reclaim process have been cleared and an exact recovery amount is certain there will be no recognition of an asset in the financial statements.

7. Related party transactions

There have been no related party transactions that have materially affected the financial position or the performance of the Group.

Company Summary and Shareholder Information

COMPANY STATUS

The Company was established in 1994 as an independent investment trust whose shares are listed on the London Stock Exchange (Ordinary Shares: ISIN No GB0004559349; EPIC Code IBT). The Company is managed by SV Life Sciences

Managers LLP and administered by Schroder Investment Management Limited.

BENCHMARK

The Company's investment performance is compared to the Nasdaq Biotech Index, the Merrill Lynch Small-Cap Biotech Index and the Russell 2000 Biotech Growth Index (each Sterling adjusted).

DURATION

The Company's Articles of Association provide for Directors to put forward proposals for the continuation of the Company at the Company's Annual General Meeting at two-yearly intervals. Accordingly, such proposals will be put forward at the Annual General Meeting, which is expected to be held in 2009.

SHARE PRICE AND NET ASSET VALUE INFORMATION

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

The Company releases its net asset value per share to the market on a daily basis.

The Company maintains a website, which is located at www.internationalbiotrust.com. The site provides share price and net asset value information as well as details of the Board of Directors and Investment Manager, information on investee companies, monthly fact sheets, the latest published Annual and Interim Reports and access to recent market announcements.

SHARES IN ISSUE AND VOTING RIGHTS

As at 14 April 2008, the Company had 70,592,664 ordinary shares of 25p each in issue. Each share carries one voting right.

ASSOCIATION OF INVESTMENT COMPANIES

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

For further information contact:

Schroder Investment Management Limited 31 Gresham Street London EC2V 7QA
Telephone 020 7658 6501 Fax 020 7658 3538

SV Life Sciences Managers LLP 71 Kingsway London WC2B 6ST
Telephone 020 7421 7070 Fax 020 7421 7077

www.internationalbiotrust.com

This information is provided by RNS
The company news service from the London Stock Exchange

END
