

Company Intl. Biotechnology Trust PLC
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INTERNATIONAL BIOTECHNOLOGY TRUST PLC (the "Company")

Annual Financial Report Announcement of Audited Results for the year ended 31 August 2009

This announcement contains regulated information.

The information contained in this Annual Financial Report Announcement, including the 31 August 2008 comparatives, has been prepared in accordance with the applicable UK Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (issued in January 2009 and adopted early). The results for the year ended 31 August 2009, are audited but do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The statutory accounts have not yet been delivered to the Registrar of Companies. Full statutory accounts for the year ended 31 August 2008 included an unqualified audit report and have been filed with the Registrar of Companies.

Financial Summary

	31 August 2009	31 August 2008	%
			Change
Group Performance			
Shareholders' funds (£'000)	98,255	113,517	(13.4)%
Shares in issue ('000)	64,833*	70,593	(8.2)%
Net asset value ("NAV") per share	151.55p	160.81p	(5.8)%
Share price	120.75p	138.25p	(12.7)%
Share price discount	(20.32)%	(14.03)%	
Total expense ratio ("TER")*	2.07%	1.98%	
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Index Returns			
NASDAQ Biotechnology Index ("NBI") (Sterling-adjusted)	496.12	485.75	2.1%
Russell 2000 Growth Biotechnology Research and Production Industry ("Russell Small Cap Biotech Index" or "R2GBIOR") (Sterling-adjusted)	45.97	44.74	2.7%

* Calculated in accordance with the Association of Investment Companies ("the AIC") guidance. Based on total expenses excluding finance costs, performance fees and VAT recovered on management fees, and expressed as a percentage of average monthly net assets.

* Excludes those held in treasury (31 August 2009: 5,760,000)

Chairman's Statement

Summary

Last year was arguably one of the most difficult years for investors. It gives me no satisfaction to report a fall in net asset value (the "NAV") per share after increases in each of the previous six years. The NAV fell from 160.8p to 151.6p including a currency benefit of 14.1p. We do not compare our returns with those of any single benchmark because there is no individual index matching the structure of our portfolio, which includes quoted and unquoted companies. However, by comparison, the Russell Small Cap Biotech Index rose by 2.7%, Sterling-adjusted. We have emphasised over the years that investing in biotechnology companies is a long term undertaking; we believe our longer-term record remains competitive, as you will read below.

Volatility in markets during the period was high, and consequently so was the Company's performance. While the decrease in the NAV in the Company's first half was disappointing, performance in the second half, particularly from the quoted investments, was very encouraging. In the first half the NAV fell by 14.2% but rose by 9.8% in the second half including an 23.2% increase in the quoted portfolio which more than offset some write downs in the unquoted portfolio.

The unquoted portfolio, which differentiates the Company from other biotechnology funds, had a quiet period with only one new investment made. The unquoted portfolio is relatively immature, with the majority of its long-term venture capital investments having been made during the past two years. However, the acquisition of portfolio company ESBATech by Alcon for a potential 6.8 fold return on invested capital immediately post period-end demonstrates the potential for value creation in this portfolio.

In the meantime, the quoted portfolio is now performing well. The Investment Manager has improved the risk-return profile of this portfolio by diversifying the portfolio in a more balanced manner. The Investment Manager has recently taken advantage of market weakness to invest in a number of smaller-cap companies at what it regards as compelling valuations, and has within months achieved two to three times returns on cost in a number of cases as you will read in the Investment Manager's Review.

Longer-term Results

Over the past five years the NAV per share has increased by 31.4% compared to an increase of 29.4% in the NBI and a decrease of 1.3% in the Russell Small Cap Biotech Index, both Sterling-adjusted. The Company's share price has increased by 27.1%.

Share Buy Backs and the Discount

In the Company's prospectus relating to the C share issue published in January 2007, the Board set out its policy to maintain the discount of share price to NAV at less than 8.0% in normal and stable market conditions. This policy has been reiterated in Annual and Half Yearly Reports.

During the year to 31 August 2009, the Company repurchased a total of 5,760,000 Ordinary shares into treasury at a cost of £6.9m and at an average discount to the share price of 18.5%, resulting in an enhancement to NAV per share of approximately 2.6p. Despite these repurchases, the discount widened from 14.0% to 20.3% during the financial year.

The extreme market environment over the past twelve months and ongoing negotiations related to material transactions among unquoted portfolio companies have limited the flexibility of the Board in addressing the discount further. The Board continues to monitor the position and will take appropriate action, mindful of the interests of all shareholders, the needs of our investee companies and the opportunities in the market. Suffice to say, the Board is of the strong view that the current level of discount fails to reflect the fair value and risk-return profile associated with both the quoted and unquoted portfolios.

Board Appointment

We are delighted that Dr Véronique Bouchet, Director of Corporate Strategy and Head of Venture Capital Relations at AstraZeneca PLC, has joined the Board. She was appointed a Director on 1 September 2009 and, as with all newly appointed directors, she will be seeking election at the forthcoming AGM. Her biographical details appear on page 5 of the Annual Report. Dr Bouchet has great knowledge and experience of the pharmaceutical, biotech and healthcare sectors and I am sure she will make a valuable contribution to the success of the Company.

Administration, Company Secretary and Custody

As reported in the Company's Half Yearly Report for the six months ended 28 February 2009, the Board agreed and implemented a change to the company secretarial function and consequently BNP Paribas Secretarial Services

Limited was appointed on 1 March 2009. Furthermore, HSBC Bank PLC became custodian as of 17 February 2009 and administrator as of 1 April 2009. The changes reflect a focus on streamlining the administrative processes of the Company.

Continuation Vote

The Articles of Association of the Company contain provisions requiring the Directors to put a proposal for the continuation of the Company to shareholders at two yearly intervals. The next continuation vote will be put to shareholders at the forthcoming AGM.

In considering whether to recommend to shareholders that the Company should continue in business as an investment trust, the Board of Directors has reviewed five particular aspects of its business:

- The prospects for the biotechnology sector;
- The prospects for the portfolio;
- The strength and depth of our management;
- The appropriateness of the investment trust structure; and
- The number of investment vehicles offering investors liquid biotechnology exposure.

We consider the fundamentals of the biotechnology sector to be compelling and these are highlighted in The Biotechnology Sector on the inside cover of the Annual Report and the Investment Manager's Review on pages 8 to 13 of the Annual Report. Our Investment Manager continues to manage a portfolio of public and private biotechnology investments which we judge are well positioned to benefit from an increase in valuations within the sector. We believe that your Company has as its Investment Manager a leading team in the biotechnology field with considerable skill, diligence and resources to apply to the management of the portfolio. Investment trusts are one of the few investment vehicles that can provide investors a liquid investment in a portfolio of private and illiquid quoted investments; furthermore their management is overseen by an active, but non-executive, independent Board of Directors.

For these reasons, the Board unanimously recommends that the Company continues as an investment trust and the Directors will be voting their 237,197 shares in favour of the ordinary resolution as proposed in the Notice of Meeting.

AGM

Your Board welcomes your attendance at the forthcoming AGM as it provides an excellent opportunity for shareholders to put questions to the Directors and Investment Manager. For those unable to attend, the Board would encourage you to submit your proxy votes.

Prospects

In the near-term the early-stage biotechnology industry appears to be facing multiple challenges, particularly gaining access to risk-tolerant capital. However, the majority of the Company's portfolio companies are well capitalised, being either already profitable or having the cash required to develop drug candidates or prospects to raise and/or technologies to important value-creating milestones.

The Investment Manager believes some investor concerns regarding the threats to the growth prospects and profitability of the biotechnology industry may be overdone. The combination of weak stock markets and concerns over President Obama's plans to reform the US healthcare system have suppressed biotechnology company valuations, creating a compelling opportunity for new investment into one of the most innovative global growth industries.

While recent stock market volatility has reduced the risk appetite of many investors, the Investment Manager is seeing a significant number of opportunities to invest in the securities of high quality biotechnology companies priced at attractive valuations. Healthcare fundamentals remain strong with ageing populations, the rising incidence of chronic disease and many new drugs expected to increase life expectancy. Innovative new drugs and medical devices increasingly have their origin in smaller companies. The leading pharmaceutical companies also have the cash balances and strong cash flow to acquire the smaller biotechnological companies, which is another important factor.

Andrew Barker

Chairman

22 October 2009

Investment Manager's Review**Summary**

The twelve months ended 31 August 2009 saw the Company's share price decrease by 12.7%. The NAV per share decreased by 5.8%, which includes a currency gain of approximately 5.8%. By comparison, the NBI increased by 2.1%, and the Russell Small Cap Biotech Index increased by 2.7%. The FTSE 100 decreased by 12.9%, and the S&P 500 decreased by 11.0%. All figures are Sterling-adjusted.

Performance summary

	Six months to 28 February 2009	Six months to 31 August 2009	Twelve months to 31 August 2009
Share Price	(11.6)%	(1.2)%	(12.7)%
£ NAV			
Quoted portfolio	(22.3)%	23.2%	(3.5)%
Unquoted portfolio	15.0%	(22.1)%	(12.1)%
Total Portfolio	(14.2)%	9.8%	(5.8)%
NBI £	(7.0)%	9.7%	2.1%
R2GBIOR £	(21.5)%	30.9%	2.7%

The Company's NAV exhibited significant volatility during the period. In the Company's first half, the NAV decreased by 14.2%, subsequently increasing by 9.8% in the second half. There was also marked volatility within the portfolio. In the first half, a decrease in the value of the quoted portfolio was offset by an increase in the value of the unquoted portfolio, and vice versa in the second half. In the first half the NAV of the quoted portfolio decreased by 22.3% while the unquoted portfolio NAV increased by 15.0%. In the second half the roles reversed, as the quoted portfolio NAV increased by 23.2% while the unquoted portfolio NAV decreased by 22.1%.

The Company's NAV performed better than the broader market over the period. The full year NAV performance of the Company compared against the NBI and R2GBIOR was less favourable due to dramatically positive moves in the share prices of two large index constituents towards the very end of the Company's period. The companies involved were, disappointingly, not Company investments, but nevertheless demonstrate the potentially dramatic impact on both relative and absolute performance from unexpected M&A and clinical data.

The Company's quoted portfolio remains positioned more defensively than has historically been the case, but retains a majority weighting towards small and mid-cap companies where higher long-term returns are typically found. Several small-cap investments made at the March 2009 market lows have already generated returns of two to three times the amounts invested. While it was a quiet period for the unquoted portfolio, the majority of the investments are relatively recent, and the Investment Manager looks forward to building significant value in this portfolio over the coming years.

Valuations still look attractive, and continuing investor concerns over the challenges facing the industry are creating compelling investment opportunities. While access to more risk-tolerant capital is tight, the highest quality companies and venture capital firms are proving able to access capital for continued investment in research and development. Healthcare reform in the US may be much less of a threat to the long-term growth and profitability of the sector than investors fear. The key theme of pharma licensing and acquisitions remains intact.

Portfolio Summary

At 31 August 2009, the Company held investments in 60 companies: 38 quoted companies (representing 75.9% of the NAV) and 22 unquoted companies (representing 19.8% of the NAV). The remaining 4.3% comprised cash, money market instruments and other net assets. At the end of the period 1.8% of the NAV is contractually committed to further investments in unquoted companies, while 10.1% is reserved for further investment in unquoted companies.

By subsector, 63% of the NAV was invested in the biopharmaceutical sector, 15% of the NAV in the medical device sector, 10% in specialty pharmaceuticals and 8% in the life sciences tools, diagnostics and services sector, emphasising the diversified nature of the Company's investments.

Representatives of the Investment Manager sat on the boards of 23 portfolio companies (20 unquoted and 3 quoted) at the end of the period. An active board seat on private companies remains central to the Investment Manager's investing activities in early-stage unquoted biotechnology companies.

Portfolio Highlights

New investment Insulet proved to be the highlight of the period. Previously an SV Life Sciences venture-backed company, the Investment Manager identified an opportunity to invest in March 2009 as the medical device company's valuation reached unreasonably low levels as the broader market touched its low. With the technology (a continuous insulin infusion device to treat patients with diabetes) and management team well known to the Investment Manager, the valuation anomaly was exploited quickly. By the end of the period, the value of the Company's investment had increased by £1.2m or 108%.

Micromet proved to be another highlight of the period, for the second consecutive year. Over the period the value of the Company's investment increased by £1.1m. In June 2008 - towards the end of the Company's previous fiscal year - Micromet announced exciting clinical results for its lead drug candidate for the treatment of an incurable form of late-stage haematological cancer. After performing strongly into the previous year end, the stock sold off heavily through the Company's first fiscal half period as enthusiasm over the clinical data calmed, the global market crisis deepened, and the prospect of a fundraising came into focus.

The company raised finance, not just once, but twice over the period under review. The first financing, in late September 2008, was successfully accomplished on one of the worst days for stock markets during the crisis, with the company raising \$40m. The second came in August 2009, when the company raised \$80m in an enlarged public offering that was significantly oversubscribed.

Between these two events, Micromet announced further positive clinical data on the first drug candidates to emerge from the company's therapeutic protein platform, and regained full rights to the lead program from larger partner AstraZeneca. Business development and the two financings have positioned the company to generate significant value for investors over the medium-term.

The strong stock performance of Micromet through the period has positioned it as the Company's largest investment by some margin at 9.3% of the NAV. For most of the period the Investment Manager was restricted from trading in Micromet's stock as an affiliate of the Investment Manager occupies a Board seat at the company. The Investment Manager is mindful of the NAV weighting while at the same time noting that it believes potentially significant value is still to be created from Micromet's lead drug candidates and technology platform in the mid to long-term, and has yet to be fully reflected in the share price.

The one acquisition of a portfolio company during the period came in early May 2009 when VNUS Medical Technologies - a small-cap US vascular surgery company - announced it was to be acquired by the larger diversified healthcare company Covidien for \$440m, which represented a premium of 36% to the previous day's closing share price. The Company's investment in VNUS Medical Technologies was only made in February 2009, but represented 1.7% of the Company's NAV. The effect was to increase the NAV by 0.9p per share or 0.6%.

Elsewhere, in September 2008 portfolio company Amgen announced positive detailed late stage data for its potential blockbuster drug, Prolia, for the treatment of postmenopausal osteoporosis, and then again in July 2009 positive clinical data for the use of the drug in the treatment of bone-related side effects of breast and bone marrow cancer. In August 2009 an expert panel recommended approval of the drug for the treatment of postmenopausal osteoporosis. A decision on FDA approval and further clinical data are expected over the coming months.

Quoted Investments

At 31 August 2009 the quoted portfolio represented 75.9% of the NAV at £74.6m. The most significant positive contributions during the period came from investments in Insulet, Micromet, ProStrakan, Poniard and Affymax. The most significant negative contributions came from Hansen Medical, Xenoport, Celera, BioMarin and Wright Medical.

Performance of the Company's quoted investments was disappointing in the first fiscal half year, largely driven by difficult market conditions and the weakness in the Company's largest holding Micromet. Performance in the second fiscal half year was stronger as markets recovered, small-cap investments made in March 2009 produced excellent returns, and Micromet's share price staged a strong recovery.

Seventeen new quoted investments were made, mostly in the Company's second fiscal half year, as the Investment Manager sought to exploit market weakness and the compelling valuations among smaller-cap companies. Several of these investments have already returned low single digit multiples on cost (Insulet 3x; Poniard 2x; Rigel 2x), and a small number have already been divested from the portfolio after reaching a near term target value.

During the period under review, the combined effect of gains and losses on quoted investments, including currency movements, was to reduce the Company's NAV by £4.3m or 6.6p per share. The return for the quoted portfolio over the period was a decrease of 3.5%, after taking a currency gain of 6.4% into account.

Throughout the preceding period, the Investment Manager shifted the Company's quoted investments to lower risk, more liquid assets where appropriate, which served to protect the Company's capital through the market volatility. Investments made into earlier-stage quoted companies in March 2009 served to capture some of the market recovery (particularly a strong small-cap biotech rally), but the quoted portfolio remains positioned more defensively than in previous years.

Unquoted Investments

At 31 August 2009, the unquoted portfolio represented 19.8% of the NAV at £19.5m. The return for the unquoted portfolio only over the period was a decrease of 12.1%, after taking a currency gain of 5.5% into account.

The investment thesis for unquoted investing remains intact. Highly creative and efficient small biotech companies continue to provide the novel products for the pharma industry. As an example, shortly after period-end, Alcon acquired the Swiss biotech company ESBATech for its ophthalmic products and related antibody-fragment platform. This acquisition of ESBATech returned £1.9m to the Company and promises a further £6.4m (valued at £0.2m) if certain product development milestones are delivered over the next several years.

While pure acquisitions have been slow over the period, strategic alliances between biotech and pharma companies continue to increase, with a record near \$30bn worth of deals being signed in 2008.

The pace of investing into new private companies has slowed as companies are focusing their resources on those programmes most likely to generate value over the near-term. One new investment of £1.2m was made into ReShape, which is developing an endoscopically placed device for the treatment of obesity. A further £3.2m was invested in twelve existing holdings. Commitments to unquoted companies based on milestones total £1.7m and £1.9m are estimated as possible reserves for these companies in the medium to long-term.

As previously communicated during the period under review, two investments were written down to zero: Affibody and Dynogen, though the investment in Affibody was later sold for a small amount. A further ten investments were partially written down: Archemix, Entellus, Genosis, Intranasal, Itero, Lux, Oxagen, Ricerca, Spinal Kinetics and TransEnterix. Two investments were written up: Cadent, and ESBATech.

The majority of the Company's unquoted investments have been made over the past two years and therefore the unquoted portfolio remains relatively immature, and we expect these investments to begin to generate strong positive returns uncorrelated to the market over the coming years as positive clinical data on innovative new drugs are generated.

Biotech Market Overview

The start of the Company's financial year marked the beginning of one of the largest global financial crises in memory. In September 2008 the implosion of the sub-prime mortgage lending market in the US led to unprecedented drama unfolding in global equity markets. The quoted biotechnology sector was unavoidably caught in the downdraft as broader markets fell 30% in just a few weeks as investors feared for the stability of the global financial system, and further, contemplated the prospect of a major global recession.

After the panic selling subsided, global equities recovered off their November 2008 lows into the early part of 2009 only to weaken again through a period of relentlessly bleak economic data, reaching a nadir in early March 2009. However, from early March through to the Company's year end equities staged a strong rally as investors began to price in the positive near-term effects of the dramatic multi-billion dollar bail-out packages and economic stimulus efforts of central banks and governments.

The NBI and R2GBIOR fell 30% and 40% through September 2008 to the lows in November before recovering in line with the market. However, while the late 2008 market rally ran out of steam, the biotechnology sector continued to perform well as investors began to appreciate the growth qualities of the larger-cap companies, and the deeply discounted valuations among the smaller-cap companies.

However, the outperformance of the biotech sector proved unsustainable as the interim period drew to a close. The sector was already beginning to look vulnerable against a backdrop of deteriorating economic newsflow and increasingly nervous stock markets, and the first details of President Obama's proposals for reform of the US healthcare system announced in late February 2009 alarmed generalist investors invested in the sector.

For specialist healthcare investors there was nothing unexpected in the proposals as healthcare reform has long been expected of a new Democrat Administration. A combination of lack of detail, uncertainty as to how far the Administration intends to control drug pricing within government-supported healthcare plans, and incrementally more aggressive language on the Administration's enthusiasm for biosimilars legislation, led to a dramatic sell-off across the broader healthcare sector in the last few days of the interim period.

As broader markets recovered strongly from the March 2009 lows into the Company's year-end in August, larger-cap biotechnology companies underperformed the broader market as healthcare reform concerns kept a lid on investor enthusiasm and less defensive, more cyclical sectors became the focus of attention. Smaller-cap biotechnology companies performed more strongly than their larger-cap peers as investors sought out higher risk investments in the market rally.

Unsurprisingly, biotech capital markets were effectively closed during the market turmoil from September 2008 through to February 2009. A few of the higher quality companies were able to attract financings, typically from small syndicates of specialist healthcare investors keen to take advantage of financing needs and attractive valuations. While the level of Private Investment in Public Company ("PIPE") and other secondary fundraisings was severely depressed during the first fiscal half, it did recover during the second fiscal half, although the amounts raised per deal were much reduced and existing investors suffered significant dilution on aggressive deal structures.

There were no biotechnology company initial public offerings ("IPOs") in either the US or Europe during the period, though the late-stage US specialty pharmaceutical company Cumberland Pharmaceuticals did manage to raise \$85m in mid-August. While an increase in secondary financings is traditionally held to preface the opening of a biotech "IPO window", we remain cautious on the prospects for higher risk early development stage companies accessing the public markets in the near future.

The venture capital funding environment has weakened during the market turmoil as might be expected. Although the level of biotech venture capital financing remained robust in 2008 at approximately \$5bn (similar to the levels seen from 2004 to 2006), 2009 is looking like a softer year for venture investment. While the larger and more established life-science venture capital firms still have funds to commit to early-stage investment, it is proving harder for venture firms to access the amount of capital previously expected during new fundraisings. Venture capital has become rationed as firms seek to keep their "powder dry" to support their highest quality existing investments. Constructing strong syndicates for earlier stage venture deals has become more challenging, and investors are having to accept lower valuations on subsequent financing rounds for companies in which they are already invested.

After a burst of activity through the middle of 2008, the level of deal flow in the sector unsurprisingly slowed dramatically during the period of market turbulence. However, product and technology licensing deals and M&A picked up again in early 2009, supporting one of the long-term core investment themes for the sector. Notable M&A transactions during the period included: Lilly's \$6.5bn acquisition of ImClone in September; Pfizer's \$68bn acquisition of Wyeth in January; Roche's \$100bn acquisition of the world's largest biotech company Genentech in March; Merck's \$41bn acquisition of Schering-Plough also in March; Johnson & Johnson's \$1.0bn acquisition of Cougar Biotech in May; and Bristol Myers Squibb's \$2.4bn acquisition of Medarex in July.

Clinical data during the period were, as usual, mixed, though on balance more positive than previous years. Although Genentech's Avastin failed to show significant clinical activity for the multi-billion dollar opportunity in the treatment of colorectal cancer (after Roche had completed the acquisition of the company), that was really the only major negative late-stage clinical data announcement during the period.

Amgen's Prolia demonstrated positive late-stage clinical data for the treatment of osteoporosis in September and then further positive data in cancer patients in July; OSI Pharmaceuticals' Tarceva showed positive data for the treatment of lung cancer in November; Merck-Serono's oral cladribine demonstrated positive efficacy in the treatment of multiple sclerosis in January; Dendreon's prostate cancer treatment Provenge showed positive data in May; and Vivus' Qnexa demonstrated positive data for the treatment of obesity just post period-end in September 2009.

However, the unexpected highlight was positive late-stage clinical data for Human Genome Sciences' drug Benlysta for the treatment of the autoimmune disorder lupus, announced in August. Should the positive data be replicated in a confirmatory study whose results are due later this year, Benlysta could be the first new drug for the treatment of this disease in 50 years. Given previously disappointing data, investor expectations were low and the company's share price responded strongly, driving the NBI and R2GBIOR indices dramatically higher towards the very end of the period.

As we anticipated last year the period under review has seen some signs of an improving situation at the FDA. For the past few years companies have struggled to receive timely or straightforward approvals from a seemingly dysfunctional agency averse to approving any drug application. However the recent investment in infrastructure and staffing, as well as new leadership in the appointment of a new FDA Commissioner, Margaret Hamburg, appears in the eyes of the Investment Manager to be producing an improvement in FDA responsiveness, and attitudes relating to risk-benefit assessments in new drug applications.

US Healthcare Reform

The debate over the potential impact of healthcare reform in the US has been a major focus for investors. Lingering investor cautiousness descended into panic-selling of the biotech sector in late February 2009 as President Obama sketched the first outline plans of healthcare reform as part of his Democrat Administration's 2010 budget proposal. As the political debate intensified over the summer, President Obama sought to take control of the issue in an address to Congress in early September.

The President's rousing speech was heavy on politics but light on practical details. While the healthcare insurance industry emerged as a key target for reform, there were few - if any - suggestions on how the costs of expanding healthcare coverage are to be borne by the pharmaceutical and biotechnology industries. Those hard details are being battered out behind the scenes in Congress by multiple committees in both the Senate and the House of Representatives and are expected to be formalised before the end of the year. For investors in biotechnology companies, the key issues relate to pricing and competition.

Biotechnology drugs are more expensive than most, but higher prices come in many cases with outstanding efficacy, typically in relatively rare life-threatening diseases where there are limited treatment options, so that the overall burden on the healthcare system is relatively minimal. Reform of the way in which the government runs the Medicaid and Medicare systems (healthcare provision for those on low incomes and retired, respectively) to pay for prescription drugs is one key investor concern. The details are complex, but the proposed initiatives to increase industry rebates to government and reduce out of pocket prescription drug expenses to individuals are likely to reduce the value of biotechnology drug sales by less than \$10bn over the next ten years according to industry estimates.

The issue of increased competition for biotechnology companies through the introduction of generic versions of their products - biosimilars - has been another concern for investors. Part of the sector's attraction over the past three decades has been the lack of competition for multi-billion dollar biotechnology products raising the possibility of continued growth for the largest, most successful biotech companies even after key patents expire. Healthcare reform proposals include plans to introduce a regulatory approval pathway for biosimilars, combined with limits on how long the makers of original versions of biotech products could enjoy exclusivity from competition should their basic intellectual property rights expire before commercialisation.

Substantial investor concern over the issue of biosimilars and exclusivity is probably misplaced. Various estimates, including those from the US Congressional Budget Office responsible for calculating the figures involved in

healthcare reform, suggest that the introduction of a biosimilars approval pathway and a restriction of marketing exclusivity for innovators to twelve years would cost the biotechnology industry an additional \$10bn over the next decade. Interestingly, the Federal Trade Commission issued a report in June on the issue of biosimilars competition that appeared to suggest that the costs and challenges of biosimilars manufacture and commercialisation were so onerous that no formal period of exclusivity was really needed.

From what has been proposed so far, investors in biotechnology companies should have less to fear from potential changes to the way in which drugs are paid for under government programmes, or on new initiatives to increase competition within the biotechnology industry. Judging by the level of apparent political discord and debate not just across parties, but also within them, it could take time for Congress to come to agreement on what is acceptable for healthcare reform. It is almost certain that "ObamaCare" when it comes is likely to be a watered down compromise, rather than being a dramatic industry-threatening overhaul of the entire system.

Outlook

The Investment Manager believes that the combination of weak equity markets and excessive sector-specific concerns over US healthcare reform create a compelling opportunity to be investing in the biotechnology sector. In the US, the provision of high quality healthcare to a greater proportion of the population is probably one of the great challenges of the next decade and is being driven by the relentless force of demography. While other industries of the economy could well stagnate under a sustained period of suppressed economic growth through a necessary period of deleveraging, innovative solutions to the problem of healthcare provision will command a premium over the long-term.

The principal near-term challenge to the industry is the limited availability of risk capital that threatens to starve the industry of investment in early-stage research and development. However, the Investment Manager believes the adverse conditions create hugely compelling opportunities for investment into the sector for experienced specialist investors with stable capital, using a diversified portfolio of the highest quality biotech companies, and importantly a long-term investment view.

Closed capital markets will initiate natural selection, leading to evolution of the biotechnology sector. We expect the sector to emerge stronger as weaker companies fail. Ultimately, restriction of capital will result in much more efficient allocation of what remains. With only the highest quality companies, R&D and management teams remaining, this will be good for investors and ultimately patients.

Despite the strong recovery in markets since March, we believe valuations across the market cap spectrum within the biotechnology sector are compelling, particularly towards the larger-cap end of the spectrum. Valuations among smaller-cap emerging medical technology, life sciences tools and diagnostics companies, while potentially up with events in the near-term, also look attractive from a long-term perspective. Clinical data and regulatory approvals will continue to drive value creation in the near-term, irrespective of the direction of the broader market.

In early 2008 the Investment Manager moved the portfolio towards a more defensive asset allocation within biotechnology, investing in established, self sustaining biotechnology companies with highly visible revenue and earnings growth rates above the market average. The dramatic market correction during the period afforded the Investment Manager the opportunity of investing in a number of very high quality smaller-cap companies at keen valuations. The unquoted portfolio has been built out over the past two years with investments in early stage companies, that we believe to be developing some of the most innovative and exciting technologies in life sciences. We are confident of the outstanding prospects of the overall portfolio.

SV Life Sciences Managers LLP

Investment Manager
22 October 2009

Principal Risks and Uncertainties

The Board has adopted a matrix of key risks which affect its business, and a robust framework of internal control which is designed to monitor those risks and to provide a monitoring system to enable the Directors to take steps to mitigate these risks as far as possible. A full analysis of the Directors' system of internal control and its monitoring system is set out in the Corporate Governance Statement on page 33 of the Annual Report.

The Company's key risks include:

Market Risk

The Company's returns are affected by changes in economic, financial and corporate conditions which can cause market fluctuations; a significant fall in equity markets is likely to affect adversely the value of the Company's portfolio. The Investment Manager provides the Board with information on the market at each Board meeting and the Board discusses appropriate strategies to manage the impact of any significant change in circumstances.

The biotechnology sector has its own specific risks leading to higher volatility than broad equity market indices. While the Company seeks to maintain a diversified portfolio within the confines of the current investment policy, biotechnology sector-specific or equity market risks cannot be eliminated by a diversified exposure to global biotechnology.

Investment and Strategy

Alignment of the investment strategy with the Company's Investment Objective is essential and an inappropriate approach by the Investment Manager towards stock selection and asset allocation may lead to 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 the Investment Manager's adherence to the agreed investment strategy.

As mentioned above, SVLS provides regular reports to the Board on portfolio activity, strategy and performance, as well as risk monitoring. The reports are discussed in detail at Board meetings, which are all attended by the Investment Manager, to allow the Board to monitor the implementation of investment strategy and process. The Investment Manager operates in a collegial manner, with no one individual having overall control over the Company's investments.

Currency Risk

The Financial Statements and performance of the Company are denominated in Sterling. 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 Company's policy to hedge against foreign currency risk, although the position is kept under review.

Discount to the NAV

Failure to meet investment objectives and/or poor sector-specific, or general equity sentiment can affect the Company's share price, resulting in shares trading at a 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, seeking to maintain the discount at no more than 8%, in normal market conditions and subject to circumstances as described in the Business Review section of the Directors' Report in the Annual Report and in the Chairman's Statement on pages 6 and 7 of the Annual Report.

Accounting, Legal and Regulatory

To qualify for the status of an investment trust, the Company must comply with Section 842 of the Income & Corporation Taxes Act 1988 ("Section 842"). Further details of the Company's approval under Section 842 are set out in the Annual Report on page 20. A breach of Section 842 could result in the Company being subject to Capital Gains Tax on the sale of investments. Consequently, pre-trade compliance checks are imbedded into the investment procedures of the Investment Manager. Reports confirming the Company's compliance with the provisions of Section 842 are submitted by the Investment Manager to each Board meeting together with relevant portfolio and financial information.

The Company is also subject to compliance with other laws and regulations, including the Companies Act 2006 and the FSA's Listing, Prospectus and, Disclosure and Transparency Rules. Breaches of these laws and regulations could lead to criminal action being taken against Directors or suspension of the Company's shares from trading. The Investment Manager and 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.

Corporate Governance and Shareholder Relations

Failure to follow good practice guidelines or maintain good relations with shareholders could adversely affect the Company's reputation. Details of the Company's compliance with corporate governance best practice guidelines, including compliance with the Combined Code 2008 and the maintenance of good communication with shareholders, are set out in the Corporate Governance Statement on pages 30 to 33 of the Annual Report.

Operational

As the Company's main functions are delegated to third party service providers, operational risk arises from insufficient processes of internal control which would include compliance with statutes and regulations governing the functions of the Company.

Such risks are assessed by the Board, which receives quarterly reports from its main service providers as to the internal control processes in place within those organisations. These serve to minimise the Company's risk exposure. The Board and Audit Committee annually review the internal control reports of the Company's main service providers produced in accordance with AAF01/06 and SAS 70 guidance.

Financial

The financial risks faced by the Company are set out in note 24 to the Financial Statements on pages 53 to 60 of the Annual Report.

Related Party Transactions

Details of the management fee arrangement are given in the Directors' Report on page 25 of the Annual Report.

The total fee payable under this agreement to SVLS for the year ended 31 August 2009 was £1,309,000 (2008: £1,228,000) of which £nil (2008: £nil) was outstanding at the year end.

The Directors of the Company are key management personnel. The total remuneration payable to Directors in respect of the year ended 31 August 2009 was £173,000 (2008: £152,000) of which £40,000 (2008: £6,000) was outstanding at the year end.

As Investment Manager, SVLS will often take seats on boards of companies in which the Company holds an investment. These positions help to monitor the investee companies and in many cases add to the strength and depth of management. They sometimes provide an economic benefit to the individual who takes the position - often in the form of a director's fee or share awards. SVLS has agreed with the Board a set of guidelines on how any economic interest will be divided between the Company and SVLS. The Board is informed of both the position held and any economic benefits as they arise and a summary of all the positions, benefits and allocations is presented for review at each Board meeting for formal approval. During the year ended 31 August 2009 £2,000 (2008: £18,000) was received by the Company. During the year a Venture Partner from SV Life Sciences became CEO of a portfolio company and left SV Life Sciences. This set of circumstances was disclosed to the Board and they waived their right to be paid any proportion of his remuneration because his appointment was independent of the Company's investment. **Directors' Responsibility Statement**

The Directors are responsible for preparing the Annual Report and the Group and parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company Financial Statements for each financial year. Under that law they are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected to prepare the parent Company Financial Statements on the same basis. Furthermore, under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the parent Company and of the net return of the Group and the parent Company for that period.

The Group and parent Company Financial Statements are required by law and IFRS, as adopted by the EU, to present fairly the financial position of the Group and the parent Company and the performance for that period; the Companies Act 2006 provides in relation to such Financial Statements that references in the relevant part of that Act to Financial Statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and parent Company Financial Statements, the Directors are required to:

Net (loss)/profit on ordinary activities before taxation		(1,190)	(7,145)	(8,335)	(1,507)	12,669	11,162
Taxation on ordinary activities		-	-	-	-	-	-
		-----	-----	-----	-----	-----	-----
Net (loss)/profit after taxation attributable to equity shareholders		(1,190)	(7,145)	(8,335)	(1,507)	12,669	11,162
		-----	-----	-----	-----	-----	-----
Net (loss)/profit per Ordinary share	4	(1.80)p	(10.78)p	(12.58)p	(2.13)p	17.94p	15.81p
		=====	=====	=====	=====	=====	=====

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

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

The accompanying notes, along with those found in the Annual Report, form part of the Financial Statements.

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY

	Group						
	For the year ended 31 August 2009						
	Share capital	Share premium account	Capital redemption reserve	Share purchase reserve	Capital reserves	Revenue reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 August 2008	17,648	18,746	24,169	65,564	1,897	(14,507)	113,517
Net loss for the year	-	-	-	-	(7,145)	(1,190)	(8,335)
Shares bought back and held in treasury	-	-	-	(6,927)	-	-	(6,927)
	-----	-----	-----	-----	-----	-----	-----
Balance at 31 August 2009	17,648	18,746	24,169	58,637	(5,248)	(15,697)	98,255
	=====	=====	=====	=====	=====	=====	=====

	Group						
	For the year ended 31 August 2008						
	Share capital	Share premium account	Capital redemption reserve	Share purchase reserve	Capital reserves	Revenue reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 August 2007	17,648	18,751	24,169	65,564	(10,772)	(13,000)	102,360
Net profit for the year	-	-	-	-	12,669	(1,507)	11,162
Share issue expenses	-	(5)	-	-	-	-	(5)
	-----	-----	-----	-----	-----	-----	-----
Balance at 31 August 2008	17,648	18,746	24,169	65,564	1,897	(14,507)	113,517
	=====	=====	=====	=====	=====	=====	=====

Company

	For the year ended 31 August 2009						Total £'000
	Share capital	Share premium account	Capital redemption reserve	Share purchase reserve	Capital reserves	Revenue reserve	
	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 31 August 2008	17,648	18,746	24,169	65,564	1,386	(14,507)	113,006
Net loss for the year	-	-	-	-	(7,145)	(1,190)	(8,335)
Shares bought back and held in treasury	-	-	-	(6,927)	-	-	(6,927)
Balance at 31 August 2009	17,648	18,746	24,169	58,637	(5,759)	(15,697)	97,744

	Company For the year ended 31 August 2008						Total £'000
	Share capital	Share premium account	Capital redemption reserve	Share purchase reserve	Capital reserves	Revenue reserve	
	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 31 August 2007	17,648	18,751	24,169	65,564	(11,283)	(13,000)	101,849
Net profit for the year	-	-	-	-	12,669	(1,507)	11,162
Share issue expenses	-	(5)	-	-	-	-	(5)
Balance at 31 August 2008	17,648	18,746	24,169	65,564	1,386	(14,507)	113,006

The accompanying notes, along with those found in the Annual Report, form part of the Financial Statements.

CONSOLIDATED AND COMPANY BALANCE SHEET

Note	At 31 August 2009	At 31 August 2009	At 31 August 2008	At 31 August 2008
	Group £'000	Company £'000	Group £'000	Company £'000
Non-current assets				
Investments held at fair value through profit or loss	94,049	94,049	102,816	102,816
	94,049	94,049	102,816	102,816
Current assets				
Other receivables	584	584	31	31
Current asset investments	3,512	3,512	11,838	11,838
Cash and cash equivalents	574	574	1	1
	4,670	4,670	11,870	11,870
Total assets	98,719	98,719	114,686	114,686
Current liabilities				
Other payables	(464)	(975)	(1,169)	(1,680)
Net assets	98,255	97,744	113,517	113,006

Equity attributable to equity holders				
Called up share capital	17,648	17,648	17,648	17,648
Share premium account	18,746	18,746	18,746	18,746
Capital redemption reserve	24,169	24,169	24,169	24,169
Share purchase reserve	58,637	58,637	65,564	65,564
Capital reserves	(5,248)	(5,759)	1,897	1,386
Revenue reserve	(15,697)	(15,697)	(14,507)	(14,507)
Equity shareholders' funds	98,255	97,744	113,517	113,006
Net asset value per Ordinary share	5	151.55p	160.81p	160.08p

The Consolidated and Company Balance Sheets were approved by the Board of Directors on 22 October 2009 and signed on its behalf by Andrew Barker, Chairman and Peter Collacott, Director.

The accompanying notes, along with those found in the Annual Report, form part of the Financial Statements.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

	For the year ended 31 August 2009 Group £'000	For the year ended 31 August 2009 Company £'000	For the year ended 31 August 2008 Group £'000	For the year ended 31 August 2008 Company £'000
Cash flows from operating activities				
Net (loss)/profit before finance costs and taxation	(8,326)	(8,326)	11,187	11,187
Exchange losses on currency balances	196	196	35	35
Adjustments for:				
Decrease/(increase) in investments	8,767	8,767	(1,042)	(1,042)
Decrease/(increase) in current asset investments	8,326	8,326	(11,319)	(11,319)
(Increase)/decrease in receivables	(553)	(553)	1,781	1,781
Decrease in payables	(705)	(705)	(578)	(578)
Net cash flows from operating activities	7,705	7,705	64	64
Cash flows from financing activities				
Share repurchase costs	(6,927)	(6,927)	-	-
Share issue costs	-	-	(5)	(5)
Interest paid on bank overdrafts	(9)	(9)	(25)	(25)
Net cash used in financing activities	(6,936)	(6,936)	(30)	(30)
Net increase in cash and cash equivalents	769	769	34	34
Effect of foreign exchange losses	(196)	(196)	(35)	(35)
Cash and cash equivalents brought forward	1	1	2	2
Cash and cash equivalents at 31 August	574	574	1	1

The accompanying notes, along with those found in the Annual Report, form part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 2009

1. Accounting Policies

The Group comprises International Biotechnology Trust plc (the "Company") and its wholly owned subsidiary, IBT (2004) Limited (the "Subsidiary").

The nature of the Group's operations and its principal activities are set out in the Directors' Report on page 19 of the Annual Report.

Consolidated and parent Company Financial Statements have been prepared in accordance with IFRS and those parts of the Companies Act 2006 (the "2006 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.

These Financial Statements are presented in pounds Sterling, as this is the principal currency in which the Group's transactions are undertaken and is therefore considered to be the functional currency of the Group.

The principal accounting policies followed are set out below:

(a) Basis of preparation

The Consolidated and Company Financial Statements have been prepared on a going concern basis and under the historical cost convention, except for the revaluation of certain financial instruments.

Where presentational guidance set out in the Statement of Recommended Practice (the "SORP") for investment trusts issued by the AIC in January 2009 is consistent with the requirements of IFRS, the Directors have sought to prepare the Financial Statements on a basis compliant with the recommendations of the SORP. The new SORP (adopted early) has not resulted in any changes to the accounting policies.

(b) Basis of consolidation

The Consolidated Financial Statements incorporate the audited Financial Statements of the Company and the Subsidiary made up to 31 August each year. Control is achieved where the Company has power to govern the financial and operating policies of an investee entity so as to obtain all the benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The Income Statement is only presented in consolidated form, as provided by Section 408 of the 2006 Act.

(c) Presentation of Income Statement

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 Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement.

In accordance with the Company's status as a UK investment company under Section 833 of the 2006 Act, net capital returns may not be distributed by way of a dividend. Additionally, the net profit 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 842.

(d) Income

Dividends receivable on equity shares are recognised as revenue for the year on an ex-dividend basis. Income from current asset investments is included in the revenue for the year on an accruals basis. Where the Group has elected to receive its dividends in the form of additional shares rather than cash, the amount of cash dividend foregone is recognised as income in the revenue column of the Income Statement. 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 Income Statement.

Deposit and other interest receivable are accounted for on an accruals basis.

(e) Expenses and interest payable

Administrative expenses including the management fee, performance fee and interest payable are accounted for on an accruals basis.

All expenses have been presented as revenue items except as follows:

- any performance fee payable is allocated wholly to capital, as it is primarily attributable to the capital performance of the Company's assets; and
- transaction costs incurred on the acquisition or disposal of investments are expensed and included in the costs of acquisition or deducted from the proceeds of sale as appropriate.

(f) Taxation

Deferred tax is provided 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, without discounting, 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 the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented in the capital column of the Income Statement 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 Income Statement, then no tax relief is transferred to the capital column.

Due to the Company's status as an investment trust company, and the intention to continue to meet the conditions required by Section 842 to obtain approval in the foreseeable future, the Company has not provided for deferred tax on any capital gains and losses arising on the revaluation of investments, or current tax on any capital gains on the disposal of investments.

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

Investments are recognised or derecognised on the trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned. On initial recognition all non-current asset investments are designated as held at fair value through profit or loss as defined by IFRS.

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

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

In respect of unquoted investments, or where the market for a financial instrument is not active, fair value is established by using various valuation techniques, in accordance with the 2006 International Private Equity and Venture Capital ("IPEVC") Valuation Guidelines. 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. Where there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique is utilised.

Any gains and losses realised on disposal are recognised in the capital column of the income statement and are not distributable by way of dividend.

(h) Current asset investments

Current asset investments are measured at fair value with gains and losses arising from their changes in fair value being included in the Income Statement as a revenue item.

(i) Transaction costs

Transaction costs incurred in the acquisition or disposal of investments are expensed and included in the capital column of the Income Statement.

(j) Investment in the Subsidiary

The parent company's investment in the Subsidiary, is valued at fair value in the parent company's Balance Sheet. Fair value is considered to be the cost of the Subsidiary.

(k) 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 into Sterling at the closing rates of exchange. Foreign currency exchange differences arising on translation are recognised in the Income Statement. Exchange gains and losses on investments held at fair value through profit or loss are included within "losses/(gains) on instruments held at fair value".

(l) Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The critical estimates and assumptions relate, in particular, to the valuation of unquoted investments, as summarised in (g), below.

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.

(m) Cash and cash equivalents

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

These are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purpose.

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

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

(o) Capital reserves

The following are accounted for in this reserve:

- gains and losses on the realisation of investments;
- unrealised investment holding gains and losses;
- foreign exchange gains and losses; and
- performance fee.

(p) Standards, amendments and interpretations becoming effective in the year ended 31 August 2009

These are not currently relevant to the Group or Company:

- FRIC 11,
IFRS 2 -

- Group and treasury share transactions';
- FRIC 12, 'Service concession arrangements'; and
- FRIC 14, 'IAS 19 - the limit on a defined benefit asset, minimum funding requirements and their interaction'.

(q) Standards, amendments and interpretations to existing standards that become effective in future accounting periods and have not been adopted early by the Group or Company

At the date of authorisation of these Financial Statements, the following applicable standards were in issue but not yet effective:

- AS 1 (Revised), 'Presentation of Financial Statements' (effective for financial years beginning on or after 1 January 2009, subject to endorsement by the EU). Introduces financial statement name changes for the purposes of accounting standards. The new names are not mandatory for financial reporting and the Group does not currently expect to apply the new statement names;
- AS 23 (Amendment), 'Borrowing costs' (effective for financial years beginning on or after 1 January 2009). It requires an

entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The Group has no qualifying assets but expects to apply the standard from 1

September 2009;

- FRS 3 (Revised), 'Business combinations' (effective for financial periods beginning on or after 1 July 2009). Changes elements of the acquisition method for business combinations, including that all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt, subsequently re-measured through the Income Statement. The Group will apply IFRS 3 (Revised) to all business combinations from 1 September 2009;
- AS 27 (Revised), 'Consolidated and Separate Financial Statements' (Consequential

amendments arising from IFRS 3 'Business Combinations') (effective for financial years beginning on or after 1 July 2009). It is unlikely to have any significant impact on the Financial Statements. The Group expects to apply IAS 27 (Revised) from 1 September 2009;

- IFRS 8, 'Operating Segments' (effective for financial years beginning on or after 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, Disclosures about segments of an enterprise and related information. The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group expects to apply IFRS 8 from 1 September 2009. It is not expected to have a significant effect

- on the Financial Statements; and
- AS 39 (Amendment), 'Financial Instruments: Recognition and Measurement'. The amendment permits an entity to reclassify particular financial assets in some circumstances. The Group will apply the IAS 39 (Amendment) from 1 September 2009. It is not expected to have an impact on the Financial Statements.

There are also a number of minor amendments to the following standards, which are part of the IASB's annual improvements project published in May 2008. These amendments are subject to endorsement by the EU and they are unlikely to have any significant impact on the Group or Company's Financial Statements:

- AS 8, 'Accounting policies, changes in accounting estimates and errors';
- AS 10, 'Events after the reporting period';
- AS 18, 'Revenue';
- AS 29 (Amendment), 'Investments in associates';
- AS 32, 'Financial Instruments: Presentation';
- AS 34, 'Interim financial reporting';
- AS 36 (Amendment), 'Impairment of assets'; and
- FRS 7, 'Financial

instruments:
disclosures'.

(r) Standards, amendments and interpretations to existing standards that become effective in future accounting periods but are not relevant for the Group's operations:

- AS 16
(Amendment),
'Property, plant
and equipment'
(and
consequential
amendment to
IAS 7,
'Statement of
cash flows');
- AS 29
(Amendment),
'Financial
reporting in
hyperinflationary
economies';
- AS 31
(Amendment),
'Interests in joint
ventures' (and
consequential
amendments to
IAS 32 and
IFRS 7);
- IAS 32
(Amendment),
'Financial
instruments:
presentation'
and IAS 1,
'Presentation of
financial
statements -
Puttable
financial
instruments and
obligations
arising on
liquidation';
- AS 38
(Amendment),
'Intangible
assets';
- AS 40
(Amendment),
'Investment
property' (and
consequential
amendments to
IAS 16);
- IAS 41
(Amendment),
'Agriculture';
- AS 20
(Amendment),

- 'Accounting for government grants and disclosure of government assistance';
- FRIC 13 'Customer loyalty programmes'; and
- FRIC 15, 'Agreements for construction of real estates'.

2 (Losses)/Gains on investments held at fair value

	For the year ended 31 August 2009 £'000	For the Year ended 31 August 2008 £'000
Net loss on disposal of investments at historic cost	(5,412)	(5,166)
Less fair value adjustments in earlier years	1,971	5,911
	-----	-----
(Losses)/gains based on carrying value at previous balance sheet date		
	(3,441)	745
Investment holding (losses)/gains during the year	(3,508)	12,925
	-----	-----
	(6,949)	13,670
	=====	=====
Attributable to:		
Listed investments	(4,271)	14,725
Unquoted investments	(2,678)	(1,055)
	-----	-----
	(6,949)	13,670
	=====	=====

3. Income

	For the year ended 31 August 2009 £'000	For the year ended 31 August 2008 £'000
Income from investments held at fair value through profit or loss:		
Franked dividends	-	21
Unfranked dividends	41	50
	-----	-----
	41	71
Other income:		
Income from current asset investments	131	370
Interest on deposits	3	47
VAT reclaim interest	114	-

Other income	2	-
	-----	-----
	291	488
	=====	=====

4. (Loss)/Profit per Ordinary Share

	For the year ended 31 August 2009 £'000	For the year ended 31 August 2008 £'000
Net revenue loss	(1,190)	(1,507)
Net capital (loss)/profit	(7,145)	12,669
	-----	-----
	(8,335)	11,162
	=====	=====
Weighted average number of Ordinary shares in issue during the year	66,280,828	70,592,664
	Pence	Pence
	-----	-----
Revenue loss per Ordinary share	(1.80)	(2.13)
Capital (loss)/profit per Ordinary share	(10.78)	17.94
	-----	-----
Total (loss)/profit per Ordinary share	(12.58)	15.81
	=====	=====

5. Net Asset Value per Ordinary Share

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

	At 31 August 2009 Group	At 31 August 2009 Company	At 31 August 2008 Group	At 31 August 2008 Company
NAV (£'000)	98,255	97,744	113,517	113,006
Number of Ordinary shares in issue excluding those held in treasury	64,832,664	64,832,664	70,592,664	70,592,664
Basic NAV per Ordinary share	151.55p	150.76p	160.81p	160.08p

6. The figures and financial information for the year ended 31 August 2008 have been extracted from the latest published Financial Statements and do not constitute the statutory accounts for that year as defined in Section 240 of the Companies Act 1985. 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 either under Section 237(2) or (3) of the Companies Act 1985.

This Annual Financial Report announcement does not constitute statutory accounts for the year ended 31 August 2009 as defined in Section 434 of the Companies Act 2006.

7. The Annual Report for the year ended 31 August 2009 will be posted to shareholders in October 2009 and thereafter copies will be available upon request at the Company's registered office: 55 Moorgate, London EC2R 6PA. The Annual Report will also be available on the Company's website, www.internationalbiotrust.com, from today. The Company's AGM will be held at 12 noon on Tuesday, 1 December 2009 at the offices of Cenkos Securities plc, 6.7.8 Tokenhouse Yard, London EC2R 7AS.

For further information, please contact:

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