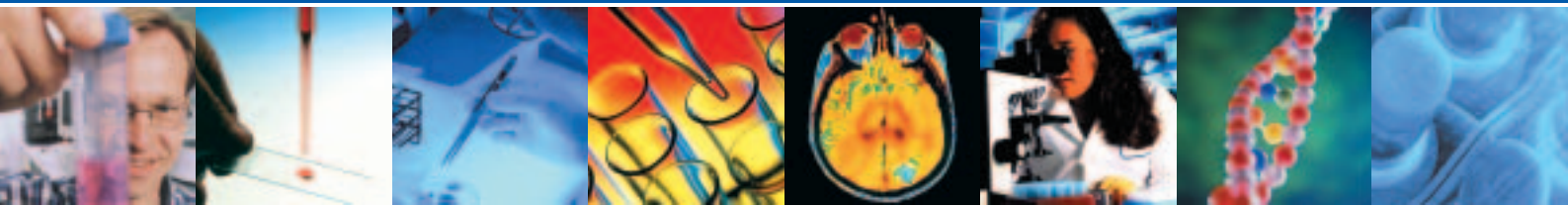


INTERNATIONAL BIOTECHNOLOGY TRUST PLC

Interim Report

Six months ended 28 February 2005



The investment objective of the Company 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 that are undervalued, with experienced management and strong potential upside through the development and/or commercialisation of a product, device or enabling technology.

Administration, Contents and Directors



ADMINISTRATION

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(Registered Number 2892872, England).

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1

DIRECTORS

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

Financial Highlights

Six months to 28 February 2005



	28 February 2005 unaudited	31 August 2004 audited	%
			Change
Shareholders' funds (£'000)	57,854	55,154	4.9
Shares in issue ('000)	47,815	47,815	
Net Asset Value per share	120.99p	115.35p	4.9
Share price	104.50p	95.00p	10.0
Discount to Net Asset Value	(13.63)%	(17.64)%	

Index performance

NASDAQ Biotech Index (£ adjusted)	(6.3)
*Merrill Lynch Small Cap Biotech Index (£ adjusted)	(1.8)
Bloomberg UK Biotechnology Index (£)	15.7

* Source: Merrill Lynch (see note 7 on page 17 for details)

Chairman's Statement



PERFORMANCE

I am pleased to report an increase in the net asset value (NAV) per share of International Biotechnology Trust plc (IBT) of 4.9% from 115.4p to 121.0p during the six months to 28 February 2005.

Over the same period the share price of IBT rose 10.0%, the NASDAQ Biotech Index (NBI) fell by 6.3%, the Merrill Lynch Small Cap Biotech Index (MLSCI) fell by 1.8% and the Bloomberg UK Biotechnology Index (BUKBI), rose by 15.7%, all in sterling terms.

Over the six months under review the discount of the share price to NAV narrowed from 17.6% to 13.6% and at 26 April 2005, the date of the most recently published NAV, the discount was 11.5%.

Net assets rose by £2.7m during the reporting period. The major contributors to the rise were Eyetech Pharmaceuticals (+£3.9m), Progenics Pharmaceuticals (+£1.0m) and Encysive Pharmaceuticals (+£0.9m). The larger negative impacts were a writedown of the holding in Affibody (−£1.4m) and a fall in the share price of Inspire Pharmaceuticals (−£0.9m). These movements include the impact of currency changes which reduced net assets by a total of £2.6m during the six months under review.

The performance of IBT's quoted portfolio calculated on a time-weighted return basis (assuming mid-month cash flows) showed an increase of 11.3%. On an unweighted basis (ignoring the timing of transactions) the return was 10.1%. Excluding the returns from the investment in Eyetech, the time-weighted return was 0.7% and the unweighted return was −0.6%.

During the reporting period the net effect of the change in the Director's valuations of unquoted companies was a rise in net assets of £0.1m. At 28 February 2005 23% of net assets were invested in unquoted companies. At 26 April 2005, the date of the most recently published NAV, a further £0.4m had been invested in unquoted companies. Subject to future milestones, a further £0.9m will be invested in currently held unquoted portfolio companies. In addition the Investment Manager has approved milestone-based investments of up to a total of £4.2m in two new unquoted companies. As a guideline, up to approximately 40% of net assets may be invested in unquoted companies, although this figure will vary over time.

During the period under review IBT completed the sale of shares in Eyetech. IBT made an initial unquoted investment in

the company in 2001 when its lead clinical candidate Macugen had completed Phase II trials for the treatment of wet age-related macular degeneration (AMD), a leading cause of severe vision loss and blindness. A second investment was made in 2002 increasing the amount invested to £3.4m. In 2003 positive results were announced from the first year of pivotal clinical trials and in 2004 the company completed an initial public offering (IPO) and Macugen was approved in the U.S.A. IBT's investment in Eyetech generated a total capital gain of £13.8m, equivalent to a five times multiple on cash invested in sterling terms. The return on this investment illustrates how a concentrated portfolio approach can add significant value to shareholders' funds.

At 28 February 2005 the level of cash, money market instruments and other net current assets was £17.3m or 30% of net assets. This is higher than usual, largely due to the receipt of proceeds of the sale of the remaining Eyetech shares which raised £11.3m during the six months under review. At 26 April 2005, the date of the most recently published NAV, the cash position was £13.9m, or 27% of net assets. Future milestone-based commitments to invest in unquoted portfolio companies, two new unquoted investments and further investments in two quoted portfolio companies approved by the Investment Manager and an agreement to invest in a new quoted company are outlined in the Investment Manager's Review (total of up to £7.5m or 14% of the most recently published NAV).

INVESTMENT MANAGER

On 1 January 2005, SV Life Sciences Managers LLP (SVLSM) became Investment Manager of IBT. Prior to 31 December 2004, the previous Investment Manager, Schroder Investment Management Ltd (SIM), was advised by Schroder Ventures Life Sciences Advisers (UK) Ltd, a sister company of SVLSM.

The change in the Investment Manager fulfils a commitment by SV Life Sciences to the Board of IBT to become Investment Manager as soon as an entity could be authorised by the Financial Services Authority. A new agreement has been signed between IBT, SVLSM and SIM, which mirrors the terms and conditions previously agreed in 2000 for the management and administration of the Trust.

On 1 January 2005, the Schroder Ventures Life Sciences group announced a name change to SV Life Sciences. This reflects the independence in ownership and identity from Schrodgers plc since 2001.

Chairman's Statement continued



VALUATIONS

In the last annual report we outlined the basis of valuation of our investments. We continue to use this policy in the interim report, applying the Association of Investment Trust Companies' Statement of Recommended Practice and the British Venture Capital Association (BVCA) Valuation Guidelines to the NAV released weekly. Valuations are considered on an ongoing basis and information that impacts the valuation of an unquoted company or the discount applied to an investment in a quoted company is incorporated into the valuation and, if there is a material impact on NAV, then a new NAV is released to the market. The discounts on quoted investments range in size between 10% and 25% and the effect of the discounts was to reduce the NAV by £0.6m at 28 February 2005.

SHARE BUY BACK

During the period ended 28 February 2005, IBT did not purchase any shares for cancellation and has not utilised the authority given to it at the Annual General Meeting held on 19 November 2004. When shares are available in reasonable volumes and at a high discount to net assets, we will continue to consider purchases while maintaining sufficient liquidity for existing commitments and making new investments.

PROSPECTS

The IBT portfolio gives shareholders an exposure to both quoted and unquoted companies within the biotechnology sector where share prices are volatile and the fundamentals remain strong. We remain optimistic about the prospects for the IBT portfolio although I stress, as I have in the past, that a long term investment view is recommended.

Handwritten signature of Andrew C Barker

Andrew Barker

Chairman

29 April 2005

Investment Manager's Review



MARKET REVIEW

Newsflow from the biotech sector was largely positive in 2004, with a number of high profile launches of new potential blockbuster drugs, positive clinical trial data and multiple new drug approvals. However 2004 was a bad year for drug safety with heavy criticism of the U.S. regulator, the Food and Drug Administration (FDA). In September 2004 Merck withdrew the painkiller Vioxx from the market due to concerns about the increased risk of cardiovascular events. In February 2005, Biogen Idec and Elan suspended sales of the multiple sclerosis drug, TYSABRI, following the observation of serious side effects. TYSABRI was one of the biotech success stories of 2004 with analysts expecting peak sales in the billions of dollars. Withdrawal of the drug from the market came only three months after FDA approval.

The NBI rose from a low in August 2004 to peak towards the end of the year. However at 26 April 2005, the date of the most recently published NAV, the index had fallen 13% in sterling terms since the start of 2005. The suspension of sales of TYSABRI has increased the perception of industry risk and investors are concerned about the effect on drug development timelines if the FDA tightens the criteria required for marketing approval. This has been compounded by an oversupply of new biotech paper and lower risk tolerance in the overall market with a backdrop of rising oil prices and interest rates. Smaller biotech companies have been hit particularly hard in 2005 following an outperformance of their larger peers during the latter part of 2004.

The BUKBI significantly outperformed the NBI during the reporting period driven both by the good performance of Shire Pharmaceuticals which has a heavy weighting in the BUKBI, and due to the weakness of the U.S. dollar which depressed U.S. investment returns to sterling-based investors during the period.

The current financing window has been open since the second quarter of 2003 and 2004 was the best financing year for biotech since 2000 with a total of \$23bn raised (Source: BioCentury). Approximately 30 biotech companies completed IPOs in the U.S.A. in 2004 including portfolio companies Eyetech Pharmaceuticals and Auxilium Pharmaceuticals. European IPOs have been more limited in number and in valuation. Public market investors have become very valuation sensitive making biotech IPOs challenging. In general, biotech companies have had to take significant cuts on proposed offering prices and subsequent share price performances have been mixed. In recent months there have been a number of acquisitions of unquoted biotech companies by pharmaceutical and larger biotech companies with the relatively tough IPO market making trade sales a more attractive option in these cases.

OUTLOOK

IBT's portfolio companies are making good overall progress and are generally well funded. Key milestones are approaching for a number of these companies. Barrier Therapeutics is expected to report Phase III data for Hyphanox for vaginal candidiasis and a response is expected from the U.S. regulator regarding Zimycan for diaper dermatitis. Encysive is expected to file for U.S. regulatory approval of Thelin for pulmonary arterial hypertension and the FDA is expected to consider approval of Adolor's Entereg for postoperative ileus and QLT's Aczone for acne. Progenics is expected to release results from a second pivotal trial with methylnaltrexone for the treatment of opioid-induced constipation in patients with advanced medical illness.

Despite the recent drug safety issues the fundamentals of the biotech sector remain solid. Companies remain relatively well financed with a greater number of drug candidates in development than ever before. That said, any trend regarding regulatory decisions will be key for the performance of biotech stocks going forward. The recent falls in the biotech indices mean that there are more interesting opportunities available for investment although, as always, a long term investment view is recommended given the inherent volatility of the sector.

SUMMARY PORTFOLIO COMPANY NEWS

QUOTED COMPANIES

During the period under review both **Eyetech** and **OSI Pharmaceuticals** announced U.S. approvals for their lead compounds, Macugen and Tarceva, for the treatment of wet AMD and advanced non small-cell lung cancer (NSCLC) respectively. Both products have been launched in the U.S.A. Partners **Shire Pharmaceuticals** and **AnorMED** received FDA approval of FOSRENOL for the treatment of high phosphate levels in the blood.

Nektar Therapeutics develops and provides the inhalers and the powdered insulin for a version of inhaled insulin called Exubera, in development for patients with diabetes through a collaboration between Pfizer and Sanofi-Aventis. The FDA has accepted for filing a new drug application for Exubera.

Encysive Pharmaceuticals and **Progenics Pharmaceuticals** both released positive pivotal trial data. Encysive's Thelin is in development for pulmonary arterial hypertension and Progenics' methylnaltrexone is for the relief of opioid-induced constipation in patients with advanced medical illness.

Following the announcement of the discontinuation of **Kosan Biosciences'** lead compound in NSCLC, the company announced that a Phase II trial in metastatic breast cancer

Investment Manager's Review

continued



would proceed to full enrollment following the successful completion of an interim analysis.

AtheroGenics' lead compound is being evaluated in a Phase III trial for the treatment of atherosclerosis. Amendments to the trial protocol mean that the company now expects the trial to complete in Q1 2006. Final results from a Phase IIb trial showed a statistically significant reduction in plaque volume but this reduction was not significantly larger than that seen in the standard of care group.

Warner Chilcott was acquired by a consortium of investors and **Epimmune** announced plans to merge with the unquoted French company Immuno-Designed Molecules (IDM). **Aradigm** and Novo Nordisk restructured their licensing agreement for the AERx insulin diabetes management system, with Novo Nordisk assuming all further responsibilities for development and funding.

Trials of **Adolor's** Entereg have reported mixed results. A Phase III postoperative ileus study conducted by partner GlaxoSmithKline (GSK) to support a European marketing application did not report statistically significant results. The FDA has requested information from this trial and has extended the Prescription Drug User Fee Act (PDUFA) action date for Entereg until July 2005. A Phase IIb trial in opioid-induced bowel dysfunction reported positive results whilst a PIIa study in chronic idiopathic constipation did not show efficacy.

Inspire Pharmaceuticals reported that a Phase III study of diquafasol for the treatment of dry eye did not demonstrate a statistically significant improvement in the primary endpoint of the trial although this was achieved for a number of secondary endpoints. The company plans to file an amendment to the U.S. regulatory filing for diquafasol in 2005.

CancerVax announced plans to discontinue the Phase III trial of Canvaxin in patients with Stage IV melanoma based upon a recommendation of the Data and Safety Monitoring Board following completion of an interim analysis of the data from this study. The Phase III trial in Stage III melanoma will continue. In late 2004 CancerVax and Serono announced a global development and commercialisation agreement for Canvaxin.

Cambridge Antibody Technology (CAT) has terminated development of Trabio following a failure to meet the primary endpoint in two pivotal trials in glaucoma patients. CAT prevailed in the High Court against Abbott Labs over the royalty rate owed to CAT for rheumatoid arthritis drug Humira although Abbott has been granted permission to appeal. In

addition, CAT and AstraZeneca announced a strategic alliance to jointly discover and develop antibodies for the treatment of inflammatory disorders.

Inflazyme announced the departure of its CEO and plans to reinstate an asthma programme following the failure of its lead compound to meet the primary endpoint in a Phase IIa trial in 2004. The company is looking for partners and is considering M&A.

UNQUOTED COMPANIES

Aderis Pharmaceuticals continues to explore M&A options. Partner Schwarz Pharma announced that the FDA had accepted the New Drug Application (NDA) for Neupro, a patch formulation of rotigotine for the treatment of Parkinson's disease. The European Medical Agency has also accepted the submission. Phase III trials with rotigotine for the treatment of Restless Legs Syndrome are expected to start in Q2 2005. A pivotal Phase III programme with binodenoson for cardiac pharmacologic stress testing is underway with partner King Pharmaceuticals. At 28 February 2005 the holding in Aderis was valued at £2.0m.

The valuation of **Affibody** was written down by £1.5m to £1.5m during the period under review to reflect the European fundraising environment. Affibody uses protein engineering technologies to create novel small, robust protein ligands called affibodies that mimic antibodies. The company is developing a HER2 affibody for breast cancer imaging in order to demonstrate the concept of use of affibodies as imaging agents and a HER2 therapeutic affibody is in very early stage preclinical development. The company is planning a financing round in 2005. At 28 February 2005 the holding in Affibody was valued at £1.5m.

Archemix's mission is to develop aptamers as a class of directed therapeutics. A Phase I trial is underway with partner Nuvelo of an anti-thrombin aptamer that is being developed as an anticoagulant/anti-thrombotic for potential use in coronary artery bypass graft surgery. A second preclinical development candidate has been selected which triggered the second of three financing tranches. At 28 February 2005 the holding in Archemix was valued at £0.6m. IBT has committed to invest a further £0.3m in the company subject to milestones.

The holding in **Axxima Pharmaceuticals** was written down to zero during the previous financial year due to lack of progress in the company's programmes. Axxima filed for insolvency in December 2004 and the assets were transferred to a newly formed holding company which was acquired in March 2005 by another German company. As IBT was not a shareholder

Investment Manager's Review

continued



in the holding company it did not receive any consideration from the transaction.

Dynogen Pharmaceuticals is developing drugs for genitourinary and gastrointestinal (GI) disorders, including constipation, irritable bowel syndrome and overactive bladder (OAB). Dynogen has in-licensed a clinical stage compound, DDP 733, from Mitsubishi and plans to start Phase II trials in the GI area in 2005. The company has now in-licensed three clinical stage compounds. DDP225 has successfully completed Phase I and proof of concept trials are planned to start in 2005. Outlicensing discussions are ongoing for DDP200 for the treatment of OAB. At 28 February 2005 the holding in Dynogen was valued at £0.6m. IBT has committed to invest a further £0.4m in Dynogen subject to milestones.

Genosis remains in negotiations with a major UK distributor regarding a product launch of its diagnostic tests for screening male and female infertility. The company may need to raise more money in 2005. At 28 February 2005 the holding in Genosis was valued at £1.1m. Following an additional investment of £0.4m by IBT, the holding in Genosis was valued at £1.5m at 26 April 2005, the date of the most recently published NAV.

During the period under review the valuation of **KuDOS Pharmaceuticals** was written up in total by £0.7m to £1.4m to reflect the liquidation seniority of IBT's investment. KuDOS currently has two drugs in clinical trials: Patrin, which is being developed for the treatment of cancers resistant to alkylating agents, and AQ4N, which targets hypoxic regions of tumours. Research continues on other DNA repair inhibitors, with a candidate for PARP inhibition in preclinical assessment. The company is planning an internal financing round in which IBT is likely to participate. At 28 February 2005 the holding in KuDOS was valued at £1.4m.

Micromet and Serono have signed an agreement for the development and commercialisation of Micromet's drug candidate MT201, which is currently being tested in Phase II trials for the treatment of prostate and metastatic breast cancer. The company received an initial license fee of \$10m and may receive further conditional milestone payments and royalties. The company's first bispecific antibody-derived molecule, MT103, is in Phase I trials. The company is planning an internal financing round in which IBT is likely to participate. The valuation of Micromet was written up by £0.7m during the period under review to £1.2m and a further investment of £0.9m was made in the company. At 28 February 2005 the holding in Micromet was valued at £2.1m.

PowderMed announced positive results from a Phase I study of a proprietary prophylactic DNA influenza vaccine. Rolf Stahel, the former CEO of Shire Pharmaceuticals was appointed non-executive Chairman. Phase I trials are ongoing for the treatment of genital herpes, cancer and HIV/AIDS. At 28 February 2005 the holding in PowderMed was valued at £0.2m. IBT has committed to invest a further £0.2m in PowderMed subject to milestones.

In December 2004 **Sunesis Pharmaceuticals** filed a registration statement relating to a proposed IPO in the U.S.A. In October 2004 Sunesis started the second Phase I study of a cell cycle modulator that kills proliferating cancer cells by inducing programmed cell death. The investment in Sunesis was valued at £2.6m at 28 February 2005.

Trine Pharmaceuticals in-licenses clinical stage compounds for development and commercialisation in the areas of renal, gastrointestinal and metabolic diseases. A Phase II trial in irritable bowel syndrome patients is underway and negotiations are ongoing regarding potential in-licensing opportunities. The company is planning an internal financing round in which IBT is likely to participate. At 28 February 2005 the holding in Trine was valued at £1.0m.

Other portfolio company news is covered in the outlook and investment activity sections.

PORTFOLIO SUMMARY AT 28 FEBRUARY 2005

IBT has investments in 36 companies – 25 quoted companies (representing 47% of NAV) and 11 unquoted companies (comprising 23% of NAV). The remaining 30% is made up of cash, money market instruments and other net current assets (£17.3m) and has been boosted by proceeds from the sale of the remainder of the Eyetechn holding which raised £11.3m in the reporting period.

Members of SVLSM sat on the Boards of eight portfolio companies at the end of the period under review – Affibody, Archemix, CancerVax, Dynogen, KuDOS, Micromet, PowderMed, and Trine.

In terms of the geographical split of the portfolio, at 28 February 2005, 53% of NAV was invested in the US, 5% in Canada, 6% in the UK/Ireland and 6% in Continental Europe. By sub-sector, 57% of NAV was invested in biopharmaceuticals, 4% in drug delivery, 4% in medical devices and 5% in other areas. The remaining 30% is made up of cash, money market instruments and other net current assets.

Investment Manager's Review

continued



Analysing the investments by the stage of their most advanced product in drug development; eleven companies have a product on the market, two have filed for regulatory approval, seven are in Phase III trials, six are in Phase II or Phase I/II, four are in Phase I and two are at a preclinical stage. The remaining four are classified as other.

The portfolio gives investors exposure to varying stages of clinical development across a number of different clinical areas including cancer, infectious disease, diabetes, central nervous system disorders, fertility, urology, cardiovascular complications, dermatology, rheumatoid arthritis, ophthalmology and management of the side effects of opioids for pain relief.

In terms of the cash positions of the portfolio companies, it is estimated that at 28 February 2005, eight have two or more years of cash remaining, 18 have more than one but less than two years of cash remaining and ten have less than a year of cash remaining (27%, 41% and 32% respectively of net assets less cash, money market instruments and other net current assets).

SVLSM estimates that the following companies have less than a year of cash remaining at 28 February 2005; Affibody, Axxima, Dynogen, Encysive, Epimmune, Genosis, KuDOS, PowderMed, Sunesis and Trine. Of these Affibody, KuDOS and Trine are planning financings, Genosis may need to raise money in 2005 and further milestone-based tranches are expected to be invested in Dynogen and PowderMed. Sunesis filed a registration statement in December 2004 relating to a proposed IPO, Axxima has been written down to zero, Encysive has subsequently raised money and Epimmune has announced plans for a merger and estimates that the combined company will have more than a year of cash.

VALUATION

At 28 February 2005 IBT's unquoted portfolio (value £13.1m) represented 23% of net assets, up from 22% at 31 August 2004 (value £11.9m).

No new unquoted investments were made during the period under review. Follow-on investments in Archemix, Genosis, Micromet and PowderMed added £1.5m to unquoted investments during the reporting period.

During the period under review the net effect of the change in the Directors' valuations of unquoted companies was an increase in NAV for the period of £0.1m. This represents 0.2% of the net assets at the start of the reporting period.

The valuation of Micromet was written up by £0.7m during the period under review (carrying value at 31 August 2004 £0.5m

and cost £3.2m). At 28 February 2005 the investment was valued at £2.1m which includes an investment of £0.9m during the period under review (total cost £4.1m). The valuation of KuDOS was written up in total by £0.7m (carrying value at 31 August 2004 £0.7m and cost £1.4m). This returned the holding to cost. At 28 February 2005 the investment was valued at £1.4m. The valuation of Affibody was written down by £1.5m (carrying value at 31 August 2004 £3.0m and cost £2.7m). At 28 February 2005 the investment was valued at £1.5m. The valuation of Trine was written up by £0.2m during the period under review (carrying value at 31 August 2004 £0.8m and cost £5.3m). At 28 February 2005 the investment was valued at £1.0m.

Currency movements decreased the valuation of the unquoted portfolio by £0.4m during the period under review.

At 28 February 2005 the holdings in Archemix, Dynogen, Genosis, KuDOS, PowderMed and Sunesis were held at cost (total value £6.5m), the investments in Aderis, Affibody, Micromet and Trine were written down from cost (total value £6.6m) and the holding in Axxima was held at zero. Calculated by value, 50% of the unquoted portfolio is held at cost and 50% has been written down. At 28 February 2005 the unquoted portfolio was valued at 53% of original cost (including the initial costs of Axxima and Trine).

Of the quoted investments, CancerVax, Epimmune, and LION Bioscience were held at a discount to their mid-market or last traded prices at 28 February 2005 due to disposal restrictions such as SVLSM membership on the Board of the company and limited liquidity. The discounts ranged in size between 10% and 25% and the effect of these discounts was to reduce the NAV by £0.6m at 28 February 2005. The discount on LION Bioscience has subsequently been removed.

INVESTMENT ACTIVITY

UNQUOTED COMPANIES

No new unquoted investments were made during the period under review.

During the period under review IBT invested a further £0.9m into Micromet (total cost £4.1m) and a further £0.2m into Genosis, with a further £0.4m invested in Genosis subsequent to the end of the reporting period (total cost £1.6m). Two companies achieved pre-specified milestones triggering further investments. A further £0.1m out of a planned total investment of £0.5m was made in PowderMed (total cost £0.2m), and a further £0.3m was invested in Archemix, (total cost £0.6m) out of a planned total investment of £0.9m.

Investment Manager's Review

continued



The Investment Manager has approved a milestone-based investment of up to \$3m (£1.6m) in a U.S. unquoted anti-infectives company. It is currently anticipated that the first tranche of this investment will be invested by mid 2005. In addition the Investment Manager has approved a milestone-based investment of \$5m (£2.6m) in a new U.K. based unquoted company, **Oxagen**. Oxagen is a preclinical stage company focused on the discovery and development of drug candidates for the treatment of inflammatory disease. Oxagen's lead compound is an oral drug candidate for the treatment of asthma which is expected to enter the clinic in 2005 with early proof of concept data in asthma next year. It is currently anticipated that the first tranche of this investment will be invested in May 2005.

As at 28 February 2005, IBT had committed to invest a further total of £0.9m in milestone-based tranches in Archemix, Dynogen and PowderMed. The commitments for Archemix and Dynogen are in dollars (total \$1.3m) so the future costs of these investments in sterling will vary with the exchange rate.

There were no sales of unquoted companies during the six months under review.

QUOTED COMPANIES

During the period under review IBT invested £0.6m in a new portfolio company **Barrier Therapeutics**. Barrier is a specialty pharmaceutical company with a focus on the dermatology market. Barrier's portfolio includes marketed compounds as well as drug candidates in clinical development. Barrier is developing a novel class of molecules known as retinoic acid metabolising blocking agents. Two of these compounds, Liarozole and Rambazole, are expected to enter Phase II/III and Phase IIIb trials for congenital ichthyosis and psoriasis respectively in 2005. At 26 April 2005, the date of the most recently published NAV, a further £0.3m had been invested (total cost £0.9m).

During the period under review IBT invested £1.3m in a new portfolio company **Oscient Pharmaceuticals**. Oscient markets FACTIVE, a tablet approved by the FDA for the treatment of acute bacterial exacerbations of chronic bronchitis and community-acquired pneumonia and is developing an intravenous formulation for use in hospitalised patients. In addition the company is developing a novel antibiotic candidate, Ramoplanin, for the treatment of Clostridium difficile-associated diarrhoea.

During the reporting period IBT invested a further £0.5m in CancerVax (total cost £3.0m), £1.0m in Inspire (total cost £1.6m), £1.4m in Phase Forward (total cost £1.8m) and £0.9m in Progenics (total cost £1.2m).

Subsequent to the end of the reporting period IBT has made two new quoted investments. £1.4m was invested in **Critical Therapeutics** which is focused on the discovery, development and commercialisation of products for respiratory, inflammatory and critical care diseases. A supplemental NDA has been submitted to the FDA for in-licensed investigational asthma drug ZYFLO and the company anticipates a launch in the second half of 2005, contingent upon regulatory approval. The FDA approved ZYFLO in 1996 for the prevention and chronic treatment of asthma but it has been commercially unavailable since early 2004.

At 26 April 2005, the date of the most recently published NAV, £0.4m had been invested in **Exelixis**, a genomics-based drug discovery company with a development pipeline in the areas of cancer and metabolism. Lead compound XL119 is in a Phase III trial in patients with bile duct tumors, XL784 has completed a Phase I trial and is being developed as a treatment for renal disease, and three anticancer compounds are currently in Phase I trials. Exelixis has a product development and commercialisation agreement with GSK which gives GSK the option to elect to develop a certain number of compounds after completion of Phase IIa clinical trials.

IBT has entered into a definitive agreement to invest \$2.0m (£1.1m) in **Solexa** as part of a \$32.5m private financing announced in April 2005. The investment by IBT would be as part of the second closing of the financing which remains subject to a Solexa shareholder vote. Solexa is developing and preparing to commercialise a new platform for genetic analysis and anticipates an initial product launch by the end of 2005. Solexa's long-term goal is to reduce the cost of human re-sequencing to a few thousand dollars for use in a wide range of applications from basic research through clinical diagnostics.

At 26 April 2005, the date of the most recently published NAV, the Investment Manager had approved further investments of up to approximately £1.3m in two quoted portfolio companies.

The remaining investment in Eyetech was sold raising £11.3m. Atrix Labs merged with the Canadian company QLT and as a result IBT received a mixture of cash and QLT shares. Warner Chilcott was acquired by a consortium of investors and IBT received cash.

SV Life Sciences

29 April 2005

Ten largest Equity Holdings

at 28 February 2005



Company	Value of Holdings £'000	% of Group Shareholders' Funds	Country	Business Activity
1 Encysive Pharmaceuticals	3,803	6.57	USA	Argatroban, Encysive's FDA-approved product, is marketed by GlaxoSmithKline for heparin-induced thrombocytopenia. Encysive has completed final Phase III trials of Thelin for the treatment of pulmonary arterial hypertension.
2 OSI Pharmaceuticals	3,192	5.52	USA	OSI is focused on the discovery, development and commercialisation of products that extend life or improve the quality of life for cancer and diabetes patients. Tarceva, OSI's flagship product, has demonstrated the ability to improve survival in non-small cell lung cancer and pancreatic cancer.
3 Sunesis Pharmaceuticals*	2,596	4.49	USA	Sunesis is a clinical stage biopharmaceutical company focused on the discovery, development and commercialisation of small molecule therapeutics for oncology, inflammatory diseases, and unmet medical needs. The company's lead product candidate is a cell cycle inhibitor intended for the treatment of cancer.
4 Progenics Pharmaceuticals	2,368	4.09	USA	Progenics focuses on the development and commercialisation of products to treat patients with debilitating conditions and life threatening diseases. The company is developing methylnaltrexone to treat the constipation associated with opioid-based pain relievers without interfering with the pain relief.
5 Micromet*	2,108	3.64	Germany	Micromet is building a pipeline of drug candidates for the treatment of cancer, inflammation and autoimmune disease. Two drug candidates are currently in clinical trials. The company has established a drug development platform based on its BITE (Bispecific T cell engagers) technology, a drug format that leverages the cytotoxic potential of T cells.
6 Aderis Pharmaceuticals*	1,947	3.37	USA	Aderis is engaged in small molecule drug development to treat central nervous system, cardiovascular and inflammatory disorders. The company has a strategic alliance with Schwarz Pharma for the development of Neupro, a patch formulation of rotigotine for the treatment of Parkinson's disease. Submissions for regulatory approval of Neupro have been made in the U.S. and Europe.
7 Nektar Therapeutics	1,801	3.11	USA	Nektar provides drug delivery technologies, expertise and manufacturing to enable the development of high-value, differentiated therapeutics. Nektar develops and provides the inhalers and the powdered insulin for the Exubera product for which Pfizer and Sanofi-Aventis are seeking approval to market for patients with type 1 and type 2 diabetes.
8 Alexion Pharmaceuticals	1,736	3.00	USA	Alexion is engaged in the discovery and development of therapeutic products aimed at treating patients with severe disease states, including hematologic and cardiovascular disorders, autoimmune diseases and cancer. Alexion's two lead product candidates are currently undergoing evaluation in Phase III clinical trials.

Ten largest Equity Holdings continued

at 28 February 2005



Company	Value of Holdings £'000	% of Group Shareholders' Funds	Country	Business Activity
9 AnorMED	1,635	2.83	Canada	AnorMED is a chemistry-based biopharmaceutical company focused on the discovery, development and commercialisation of new therapeutics in the areas of hematology, HIV and oncology. The company has four drug candidates in clinical development.
10 Affibody *	1,522	2.63	Sweden	Affibody uses protein engineering technologies to create novel small, robust protein ligands called affibodies that mimic antibodies. The company is developing a HER2 affibody for breast cancer imaging in order to demonstrate the concept of use of affibodies as imaging agents and a HER2 therapeutic affibody is in very early stage preclinical development.
	22,708	39.25		

*Unquoted investments.

Group Statement of Total Return



	For the six months ended 28 February 2005 (unaudited)		
	Group Revenue £'000	Group Capital £'000	Group Total £'000
Gains on investments	–	3,344	3,344
Exchange losses on currency balances	–	(285)	(285)
Income	289	–	289
	289	3,059	3,348
Administrative expenses (note 2)	(648)	–	(648)
(Deficit)/return before taxation	(359)	3,059	2,700
Taxation	–	–	–
(Deficit)/return on ordinary activities after taxation	(359)	3,059	2,700
(Deficit)/return per ordinary share (note 3)	(0.75)p	6.40p	5.65p

The revenue column of this statement is the profit and loss account of the Group.

All revenue and capital items in the above statement derive from continuing activities.

The notes on pages 16 and 17 form an integral part of these financial statements.

Group Statement of Total Return

continued



For the six months ended 29 February 2004 (unaudited)			For the year ended 31 August 2004 (audited)		
Group Revenue £'000	Group Capital £'000	Group Total £'000	Group Revenue £'000	Group Capital £'000	Group Total £'000
–	8,029	8,029	–	2,641	2,641
–	(333)	(333)	–	(226)	(226)
72	–	72	204	–	204
72	7,696	7,768	204	2,415	2,619
(635)	–	(635)	(1,396)	–	(1,396)
(563)	7,696	7,133	(1,192)	2,415	1,223
–	–	–	–	–	–
(563)	7,696	7,133	(1,192)	2,415	1,223
(1.18)p	16.10p	14.92p	(2.49)p	5.05p	2.56p

Balance Sheets



	As at 28 February (unaudited) 2005		As at 29 February (unaudited) 2004		As at 31 August (audited) 2004	
	2005 Group £'000	2005 Company £'000	2004 Group £'000	2004 Company £'000	2004 Group £'000	2004 Company £'000
Fixed assets						
Investments	40,541	40,541	53,432	52,033	43,242	42,211
Investment in subsidiary undertaking	–	–	–	–	–	–
	40,541	40,541	53,432	52,033	43,242	42,211
Current assets						
Debtors	100	100	57	1,456	1,935	3,035
Investments (note 4)	14,901	14,901	5,896	5,896	6,018	6,018
Cash at bank	2,475	2,475	2,028	2,028	4,337	4,337
	17,476	17,476	7,981	9,380	12,290	13,390
Current liabilities						
Creditors: amounts falling due within one year	(163)	(674)	(349)	(349)	(378)	(378)
Net current assets	17,313	16,802	7,632	9,031	11,912	13,012
Net assets	57,854	57,343	61,064	61,064	55,154	55,223
Capital and reserves						
Called up share capital	11,954	11,954	11,954	11,954	11,954	11,954
Capital redemption reserve	11,043	11,043	11,043	11,043	11,043	11,043
Share purchase reserve	66,467	66,467	66,467	66,467	66,467	66,467
Capital reserve	(21,038)	(21,549)	(18,816)	(18,816)	(24,097)	(24,028)
Revenue reserve	(10,572)	(10,572)	(9,584)	(9,584)	(10,213)	(10,213)
Equity shareholders' funds	57,854	57,343	61,064	61,064	55,154	55,223
Net asset value per share (note 5)	120.99p		127.71p		115.35p	

The financial statements were approved by the Board of Directors on 13 May 2005.

The notes on pages 16 and 17 form an integral part of these financial statements.

Group Cash Flow Statement



	For the six months ended 28 February 2005 (unaudited) Group £'000	For the six months ended 29 February 2004 (unaudited) Group £'000	For the year ended 31 August 2004 (audited) Group £'000
Operating Activities			
Income	150	19	25
Management fee paid	(591)	(359)	(785)
Other cash payments	(276)	(320)	(657)
Net cash outflow from operating activities	(717)	(660)	(1,417)
Capital expenditure and financial investment			
Purchase of investments	(5,252)	(1,845)	(3,776)
Sale of investments	13,142	6,352	11,241
Net cash inflow from capital expenditure and financial investment	7,890	4,507	7,465
Net cash inflow before management of liquid resources and financing	7,173	3,847	6,048
Management of liquid resources	(8,750)	(3,100)	(3,100)
Net cash (outflow)/inflow	(1,577)	747	2,948

The notes on pages 16 and 17 form an integral part of these financial statements.

Notes to the Financial Statements



1. The Group accounts consolidate the accounts of the Company and its wholly-owned subsidiary, IBT 2004 Limited. These financial statements have been prepared using accounting policies consistent with those used for the audited financial statements as at 31 August 2004. All Group operations are of a continuing nature.

The valuation policies of the Company are consistent with the current guidelines issued by the British Venture Capital Association ("BVCA") and the Statement of Recommended Practice ("SORP") issued by the Association of Investment Trust Companies.

Quoted investments are valued at mid-market price or last traded price according to the recognised conventions of the relevant market at the balance sheet date. If an investment is subject to restrictions affecting its disposal or liquidity constraints a discount of generally between 10% and 25% to that price will be applied.

Unquoted investments are included at Directors' valuation, which will generally be at fair value. If the Company has concluded a significant financing round with a new investor (excluding strategic investors) at a higher valuation, the investment may be written-up. A provision will be taken if the performance of the Company is significantly below the expectations on which the investment was based.

2. Administrative expenses

	For the six months to 28 February 2005 £'000	For the six months to 29 February 2004 £'000	For the year ended 31 August 2004 £'000
Management fees	403	380	788
Other administrative expenses	245	255	608
	648	635	1,396

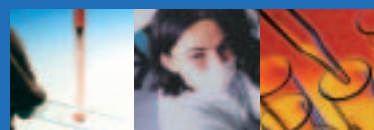
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3. (Deficit)/return per share

	For the six months to 28 February 2005	For the six months to 29 February 2004	For the year ended 31 August 2004
Revenue deficit on ordinary activities after taxation (£'000)	(359)	(563)	(1,192)
Weighted average number of shares			
– Basic	47,815,467	47,815,467	47,815,467
Revenue deficit per share	(0.75)p	(1.18)p	(2.49)p
Capital return on ordinary activities after taxation (£'000)	3,059	7,696	2,415
Weighted average number of shares	47,815,467	47,815,467	47,815,467
Capital return per share	6.40p	16.10p	5.05p

Notes to the Financial Statements

continued



4. Current asset investments

	28 February 2005 £'000	29 February 2004 £'000	31 August 2004 £'000
Liberty International Money Fund	7,451	5,896	6,018
Investec Asset Management Money Fund	7,450	–	–
	14,901	5,896	6,018

5. Net asset value per share

	As at 28 February 2005	As at 29 February 2004	As at 31 August 2004
Net assets (£'000)	57,854	61,064	55,154
Number of shares	47,815,467	47,815,467	47,815,467
Net asset value per share	120.99p	127.71p	115.35p

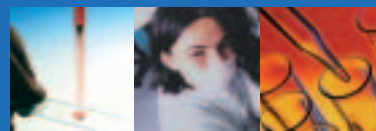
6. The results for the six months to 28 February 2005 and 29 February 2004, which are unaudited, constitute non-statutory accounts within the meaning of Section 240 of the Companies Act 1985. The latest audited accounts which have been delivered to the Registrar of Companies are for the year ended 31 August 2004. The report of the auditors thereon was unqualified and did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985. The abridged financial statements shown above for the year ended 31 August 2004 are an extract from the published accounts.

7. Note on Merrill Lynch Small-Cap Biotech Index (MLSCI) (£ adjusted)

The MLSCI represents Biotech stocks with market capitalisation of under US\$1 billion. The movement in the MLSCI from 31 August 2004 to 28 February 2005 in \$ terms, based on the data received from Merrill Lynch is 5.1%. The movement in Sterling terms has been calculated using the prevailing exchange rates at the start and end of the reporting period, sourced from Factset and Bloomberg.

The data underlying the MLSCI changes regularly in line with changes in index constituents, price adjustments and corporate actions. The historic data is then retrospectively adjusted. As a result the performance for the reporting period, calculated at a future date, is likely to be different from the previously published index movement.

Independent Review Report by KPMG Audit Plc



TO THE MEMBERS OF INTERNATIONAL BIOTECHNOLOGY TRUST PLC

INTRODUCTION

We have been engaged by the company to review the financial information for the six months ended 28 February 2005 which comprises the Consolidated Statement of Total Return, Group and Company Balance sheets, and Group Cash Flow Statement, and related notes 1 to 7. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with guidance contained in Bulletin 1999/4 Review of Interim 'financial information' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

REVIEW CONCLUSION

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 28 February 2005.

KPMG Audit plc
Chartered Accountants
Registered Auditor
London

13 May 2005

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DIRECTORS' RESPONSIBILITIES

The Interim Report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report in accordance with the Listing Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are to be disclosed.

REVIEW WORK PERFORMED

We conducted our review in accordance with guidance contained in Bulletin 1999/4: "Review of interim financial information" issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Classification of Investments by Sector

at 28 February 2005



	£'000	%
Equities – USA		
Biopharmaceuticals	22,868	56.4
Drug delivery	2,478	6.1
Medical Devices	2,559	6.3
Other	2,597	6.4
Equities – Canada		
Biopharmaceuticals	2,770	6.8
Equities – UK		
Biopharmaceuticals	3,557	8.8
Equities – Continental Europe		
Biopharmaceuticals	3,712	9.2
Total	40,541	100.0

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Classification of Investments by Geographical Region

at 28 February 2005

	£'000	%
Equities – USA		
Quoted	22,855	56.4
Unquoted	7,647	18.8
Equities – Canada		
Quoted	2,770	6.8
Equities – UK		
Quoted	1,752	4.3
Unquoted	1,805	4.5
Equities – Continental Europe		
Quoted	82	0.2
Unquoted	3,630	9.0
Total	40,541	100.0

Company Summary



THE COMPANY

International Biotechnology Trust plc is an investment trust listed on the London Stock Exchange. It is an independent investment trust managed by SV Life Sciences Managers LLP and administered by Schroders.

Investment trust companies are able to switch investments without liability for capital gains tax. This, together with the advantages of professional management and spread of risk, makes investment trusts a valuable investment medium.

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 the Company's Annual General meeting every two years from 2003. The next continuation vote will be proposed at the Annual General Meeting in 2005.

PRICE INFORMATION AND INTERNET

The Company's shares are listed on the London Stock Exchange. The price of the shares is quoted daily in the Financial Times, The Daily Telegraph and The Times.

The Company maintains a Web Site, which is located at www.internationalbiotrust.com. The Site includes details of investee companies, copies of recent Press Releases, information on the Board of Directors, the latest factsheet, net asset value and share price information and copies of the Annual Report and Interim Report.

The factsheet is updated monthly and is available to shareholders, in printed form, on request from the Secretary of the Company.

The Company releases its net asset value to the London Stock Exchange on a weekly basis.

SCHRODER INVESTMENT TRUST DEALING SERVICE

The Schroder Investment Trust Dealing Service provides a convenient and cost effective means of investing in the ordinary shares of the Company. The Service offers investors:

- a regular investment option from a minimum of £50 per month
- a lump sum investment option from a minimum of £1,000
- daily dealing
- competitive charges
- the option to reinvest income.

Other investment trusts which are available through this service are Schroder AsiaPacific Fund plc, Schroder Income Growth Fund plc, Schroder Japan Growth Fund plc, Schroder Split investment Fund plc, Schroder Split ZDP plc, Schroder UK Growth Fund plc, Schroder UK Mid & Small Cap Fund plc and SVG Capital plc.

INDIVIDUAL SAVINGS ACCOUNT – SCHRODER MAXI ISA PLAN

Schroders are providing a non CAT standard investment trust ISA, which includes International Biotechnology Trust plc. The investment trust ISA is designed as a maxi account, made up entirely of a stocks and shares component; a cash or insurance component is not offered. The Schroder ISA offers investors:

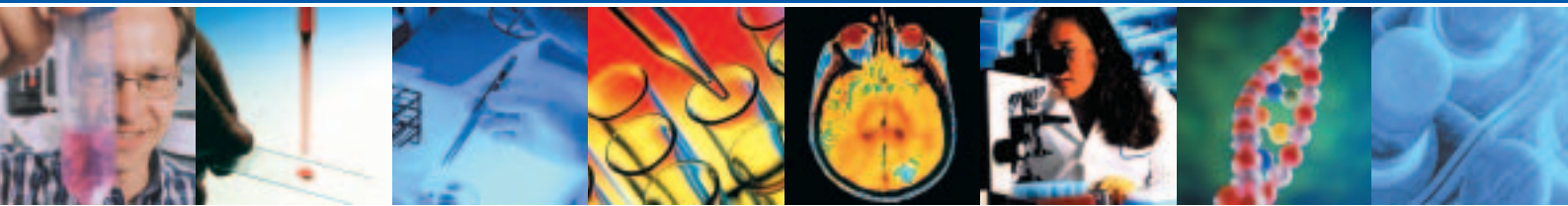
- lump sum investments in the ordinary shares of the Company from a minimum of £1,000 to a maximum of £7,000 in the current tax year
- a regular investment option from a minimum of £50 per month
- competitive charges
- the option to reinvest income
- the option to include other trusts.

If you would like further information about the Schroder Investment Trust Dealing Service or the Schroder Maxi ISA, please contact the Secretary of the Company at 31 Gresham Street, London EC2V 7QA or call Schroder Investor Services on freephone 0800 718 777.

REGISTRAR SERVICES

Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to registered shareholdings, including a change of address or other amendment should be directed to Lloyds TSB Registrars Scotland at PO Box 28448, Finance House, Orchard Brae, Edinburgh EH4 1WQ. The Helpline telephone number of Lloyds TSB Registrars is 0870 601 5366.

Lloyds TSB Registrars Scotland maintain a web-based enquiry service for shareholders. Currently the "Shareview" site (address below) contains information available on public registers. Shareholders will be invited to enter their name, shareholder reference (account number) and post code and will be able to view information on their own holding. Visit www.shareview.co.uk for more details.



For further information contact:

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31 Gresham Street

London EC2V 7QA

Telephone 020 7658 3206

www.internationalbiotrust.com