

THE BIOTECH GROWTH TRUST PLC

ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2009



OrbiMed
Healthcare Fund Management

THE BIOTECH GROWTH TRUST PLC

CONTINUATION VOTE

The next continuation vote of the Company shall be held at the Annual General Meeting in 2010, and further opportunities to vote on the continuation of the Company shall be given to shareholders every five years thereafter.

GEARING

The Company has a £10 million committed multicurrency revolving credit facility with Allied Irish Banks p.l.c.. As at the date of this report no funds had been drawn down from this facility.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at the Barber-Surgeons' Hall, Monkwell Square, Wood Street, London EC2Y 5BL on Thursday, 23 July 2009 at 12 noon.

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The Association of
Investment Companies

The Company is a member of the Association of Investment Companies.

KEY STATISTICS

	Year ended 31 March 2009	Year ended 31 March 2008	% change
Shareholders' funds (£'000)	70,208	64,497	8.9
Net asset value per share	136.9p	103.4p	32.4
Share price	130.5p	96.8p	34.8
Discount of share price to net asset value per share	4.7%	6.4%	N/A
NASDAQ Biotechnology Index (sterling adjusted)	477.5	393.1	21.5
Total expense ratio*	1.6%	1.5%	N/A

*Based on the average amount of shareholders' funds during the year – excludes performance fee accrued/written back – see note 3 on page 33.

PERFORMANCE FOR THE YEAR TO 31 MARCH 2009



Figures have been rebased to 100 as at 31 March 2008.
Source: Bloomberg

INVESTMENT OBJECTIVE AND POLICY

The Biotech Growth Trust PLC seeks capital appreciation through investment in the worldwide biotechnology industry, principally by investing in emerging biotechnology companies. Performance is measured against the NASDAQ Biotechnology Index (sterling adjusted).

The majority of the emerging biotechnology companies that the Company will invest in are likely to be companies with a market capitalisation of less than U.S.\$3 billion that have undergone an IPO (Initial Public Offering) but as yet are unprofitable. They will typically be focused on drug research and development, with their valuations driven by profitable developments, clinical trial results and partnerships.

At the Annual General Meeting held in July 2008 the Company obtained permission from shareholders to invest or commit for investment a maximum of U.S.\$15 million, after the deduction of proceeds of disposal and other returns of capital, in private equity funds managed by

OrbiMed Capital, LLC the Company's Investment Manager, or an affiliate thereof. Further details of the Company's investment policy are set out in the Report of the Directors on page 9.

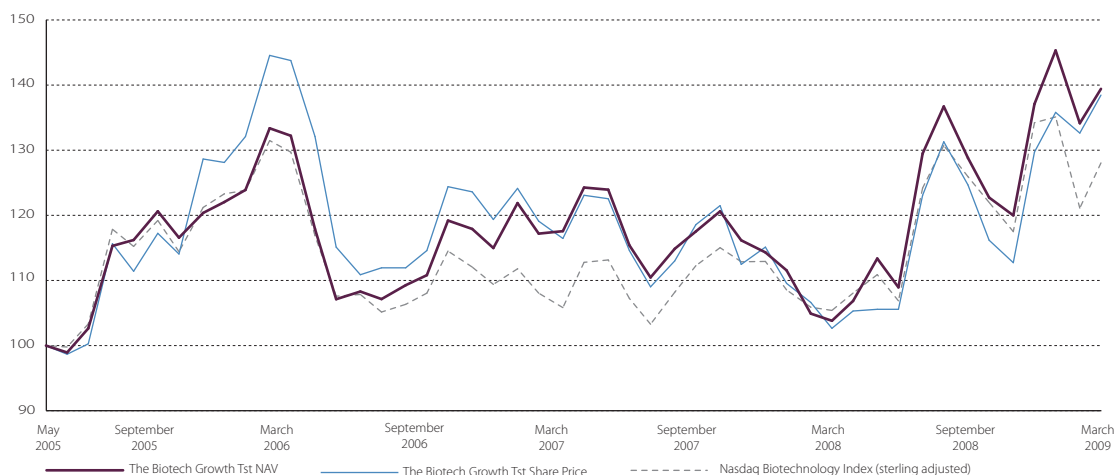
CAPITAL STRUCTURE

As at 31 March 2009, the Company had 51,296,413 shares in issue. During the year, 11,089,550 shares were bought back for cancellation. Subsequent to the year end, to 8 June 2009, a further 799,500 shares were bought back for cancellation. As at 8 June 2009, the Company has 50,496,913 shares in issue.

DIVIDEND

No dividend is recommended in respect of the year ended 31 March 2009 (2008: Nil).

PERFORMANCE GRAPH SINCE ORBIMED CAPITAL LLC WAS APPOINTED AS INVESTMENT MANAGER



Figures have been rebased to 100 as at 19 May 2005.
Source: Bloomberg

YEAR ENDED 31 MARCH
FIVE YEAR PERFORMANCE RECORD

	2004	2005	2006	2007	2008	2009
Net asset value per share	111.7p	101.2p*	131.8p	117.1p	103.4p	136.9p
Share price	92.0p	91.3p	135.5p	109.8p	96.8p	130.5p
Discount/(premium) of share price to net asset value per share	17.6%	9.8%	(2.8)%	6.2%	6.4%	4.7%
NASDAQ Biotechnology Index (sterling adjusted)	423.4	344.3	483.7	394.7	393.1	477.5

*Restated to reflect policy changes arising out of the adoption of IFRS.

PERFORMANCE

Following the strong performance reported at the interim stage, I am delighted to report that, despite an extremely challenging period for financial markets, the Company continued to deliver strong returns during the second half of its financial year. During the year ended 31 March 2009, the Company's net asset value per share rose by 32.4% compared to a rise of 21.5% in the Company's benchmark during the same period. This compares to a fall in the MSCI World index over the same period of 22.2% in sterling terms. The Company's share price also outperformed the benchmark, rising by 34.8%, as the discount of share price to net asset value per share narrowed slightly from 6.4% at 31 March 2008 to 4.7% at the year end.

This outperformance was achieved, in part, from continued high levels of merger and acquisition activity in the biotechnology sector as larger pharmaceutical companies sought to enhance their internal research through additional products obtained through acquisitions. The Company's total return was also aided by the significant weakening of sterling during the year.

We are delighted that, during the calendar year to 31 December 2008, the Company's share price performance, measured on a total return basis, was ranked third out of approximately 250 UK listed investment companies (source: Winterflood Securities Limited). In addition, the Company won the Specialist Category at the 2008 Investment Week, Investment Trust of the Year Awards and OrbiMed Capital LLC, the Company's Investment Manager, won the techMARK Technology Fund Manager of the Year Award for its management of the Company's portfolio.

RETURN PER SHARE AND DIVIDEND

The total return per share amounted to 32.0p for the year (2008: loss of 13.8p), comprising a revenue deficit of 0.7p per share (2008: deficit of 0.4p) and a capital gain of 32.7p (2008: loss of 13.4p). No dividend is recommended in respect of the year ended 31 March 2009 (2008: Nil).

DISCOUNT MANAGEMENT POLICY AND BUY-BACK AUTHORITY

The Board continued to implement its policy of active discount management and to buy back shares in the event of the market price being at a discount greater than 6% to the net asset value per share. During the year, a total of 11,089,550 shares was bought back for cancellation, at an average discount to net asset value per share of 8.4%, costing £12,265,000 (including expenses). The execution and timing of any share buy-back will continue to be at the absolute discretion of the Board.

Shareholder approval to renew the authority to buy back shares will be sought at the Annual General Meeting.

OUTLOOK

The economic outlook remains uncertain and stock market conditions will continue to be volatile and difficult. But we expect that healthcare companies will be well positioned to maintain their growth rates in the medium term as their products are non-discretionary and often funded by government expenditure.

In the light of the difficult market conditions our Investment Manager has continued to adopt a cautious stance with regard to the make-up of the portfolio, the majority of which is invested in liquid stocks. Merger and acquisition activity will again be a key driver for the sector and we believe that in this regard the Company is well positioned as a number of our holdings are in small to mid-sized companies with products that are expected to be attractive to larger strategic buyers.

Against this background, our outlook remains in line with that expressed at the interim stage. We are cautiously optimistic in the medium term but are nervous of continued volatility in the short term.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at the Barber-Surgeons' Hall, Monkwell Square, Wood Street, London EC2Y 5BL on Thursday, 23 July 2009 at 12 noon, and we hope as many shareholders as possible will attend. This will be an opportunity to meet the Board and to receive a presentation from our Investment Manager.

JOHN SCLATER CVO
CHAIRMAN
8 JUNE 2009

JOHN SCLATER CVO (CHAIRMAN)

John Sclater, aged 68, has served on the Board as Chairman since the launch of the Company in June 1997; he is also Chairman of the Nominations Committee. He was formerly a Trustee of The Grosvenor Estate, Chairman of Hill Samuel Bank Limited, Chairman of Foreign & Colonial Investment Trust PLC, Chairman of Graphite Enterprise Trust PLC, First Church Estates Commissioner, President of The Equitable Life Assurance Society and a Director of other public companies. He remains a self-employed farmer and Chairman of Argent Group (Europe) Ltd and of Burner, Nicol & Co. Limited.

SVEN BORHO

Sven Borho, aged 42, joined the Board in March 2006. He is a founding General Partner of OrbiMed Capital LLC, the Company's Investment Manager, where he acts as a portfolio manager for OrbiMed's public equity funds and heads the firm's trading activities. He started his career in 1991 when he joined Mehta and Isaly as a Senior Analyst covering European pharmaceutical firms and biotechnology companies worldwide. Sven studied business administration at Bayreuth University in Germany and received an M.Sc (Econ.) from The London School of Economics.

PAUL GAUNT

Paul Gaunt, aged 60, joined the Board in June 1997. Paul is self-employed and has over 30 years' experience in the investment industry. He was formerly Senior Investment Manager and an Assistant General Manager of The Equitable Life Assurance Society and a Director of Brit Insurance Holdings PLC and of Oasis Healthcare plc. Paul is a Director of RCM Technology Trust PLC and also of Finsbury Worldwide Pharmaceutical Trust PLC; OrbiMed Capital LLC, the Company's Investment Manager, also acts as investment Manager for Finsbury Worldwide Pharmaceutical Trust PLC.

DR JOHN GORDON

Dr John Gordon, aged 64, joined the Board in June 1997 and has been designated as the Senior Independent Director; he is also Chairman of the Remuneration Committee. Dr Gordon is Chairman of, and employed by, Quercus Management Limited and has previously acted as Director of several biotechnology companies, as well as working at Beecham Research Laboratories, Cambridge University and the Medical Research Council.

PETER KEEN

Peter Keen, aged 51, has served on the Board as a Director since the launch of the Company in June 1997 and is Chairman of the Audit and Management Engagement Committee. A chartered accountant, he has over 25 years' experience in the management and financing of biotechnology businesses and is Corporate Development and Finance Director of the privately held biopharmaceutical company Serentis Limited. He has served as a Director of a number of biotechnology businesses and is currently a Director of Ark Therapeutics Group plc and the Senior Independent Director of Abcam plc; he was previously UK Managing Director of, and consultant to, Merlin Biosciences Limited.

THE RT HON LORD WALDEGRAVE OF NORTH HILL

Lord Waldegrave of North Hill, aged 62, joined the Board in June 1998. He is Provost of Eton College and acts as a consultant to investment bank UBS, where he was formerly Vice-Chairman of their Investment Banking Department. He is a Director of Fleming Family Partners and was previously Chairman of the Global Financial Institutions Group at Dresdner Kleinwort Wasserstein. From 1979 to 1997, he was MP for Bristol West holding a number of Cabinet posts including Secretary of State for Health. Lord Waldegrave of North Hill is Chairman of the National Museum of Science and Technology.

All of the Directors are members of the Audit and Management Engagement, Nominations and Remuneration Committees.

All members of the Board are non-executive. None of the Directors has any other connections with the Investment Manager and is not employed by any of the companies in which the Company holds an investment.

OrbiMed Capital LLC, based in New York, is an investment manager focused exclusively on the healthcare sector, with approximately U.S.\$4 billion in assets under management as at 31 March 2009 across a range of funds, including investment trusts, hedge funds and private equity funds. OrbiMed's investment management activities were founded in 1989 by Samuel D Isaly.

INVESTMENT STRATEGY

The Biotech Growth Trust's objective is to seek capital appreciation through investment in the worldwide biotechnology industry principally by investing in emerging biotechnology companies.

Consistent with this mandate, OrbiMed has invested the majority of the Company's assets in emerging biotechnology companies with the remainder invested in major biotechnology companies. The portfolio comprised 29 holdings as at 31 March 2009.

OrbiMed makes investments worldwide – in North America, Europe, and the Far East. Geographic allocation is in line with the geographic distribution of investment opportunities, with a majority of the Company's investments in companies based in North America.

OrbiMed takes a bottom-up approach to stock selection based on intensive proprietary research. Stock selection is based on rigorous financial analysis, exhaustive scientific review, frequent meetings with company management and consultations with physicians and other industry experts.

OrbiMed seeks to invest in emerging biotechnology companies with strong management teams, innovative products in development, and sufficient financial resources to develop those products. For major biotechnology companies, OrbiMed looks for strong management teams, healthy organic growth from current products and deep pipelines to fuel future growth.

The attainment of profitability frequently acts as a significant catalyst for biotech share price appreciation. As a result, OrbiMed believes superior returns can be achieved by investing in emerging biotechnology companies 2 to 3 years prior to sustainable profitability. Companies that become profitable benefit from greater analyst research coverage, a wider institutional investor base and reduced clinical development risk (since profitability typically coincides with a product approval and launch). OrbiMed generally seeks to exit its investments when the wider investor community starts to value the newly profitable biotechnology company in excess of its anticipated future growth.

Risk management is conducted via position size limits, geographic diversification and an appropriate weighting between major and emerging biotechnology. OrbiMed maintains adequate portfolio liquidity by limiting the Company's ownership to 15% of an individual company's equity (at the time of investment) and by strictly limiting the Company's exposure to direct unquoted companies to 10% of the portfolio at the time of acquisition.

THE ORBIMED TEAM

OrbiMed's investment professionals possess a combination of extensive scientific, medical, and financial expertise. The following five individuals represent the portfolio management team for the Company:

Samuel D Isaly, is a founder and the Managing Partner of OrbiMed. Sam has been active in global healthcare investing and analysis since 1968 when he joined Chase Manhattan Bank in New York. During his career, Sam has been a pharmaceutical analyst with Merrill Lynch, Legg Mason and SocGen Swiss International. Sam created OrbiMed's asset management business in 1989 through OrbiMed's predecessor organisation, Mehta and Isaly. Sam has a BA in Economics from Princeton University and a M.Sc. (Econ.) from The London School of Economics.

Sven H Borho, CFA, is a founding General Partner of OrbiMed. Sven is a portfolio manager for OrbiMed's public equity funds and he heads the firm's trading team. He started his career in 1991 when he joined Mehta and Isaly as a Senior Analyst covering European pharmaceutical firms and biotechnology companies worldwide. Sven studied business administration at Bayreuth University in Germany and received a M.Sc. (Econ.) from The London School of Economics; he is a citizen of both Germany and Sweden.

Carl L Gordon, Ph.D, CFA, is a founding General Partner of OrbiMed and co-Head of Private Equity. Carl is active in both private equity and small-capitalisation public equity investments. He was a senior biotechnology analyst at Mehta and Isaly from 1995 to 1997. He was a Fellow at The Rockefeller University from 1993 to 1995. Carl received a Ph.D. in Molecular Biology from the Massachusetts Institute of Technology. His doctoral work involved studies of protein folding and assembly. He received a Bachelors degree from Harvard College.

Richard D Klemm, Ph.D, CFA, joined OrbiMed in 2000 as a public biotechnology company analyst. He completed a Ph.D. from the Massachusetts Institute of Technology in Molecular Biology in 2000. Richard has published scientific articles in the fields of DNA replication and transcription. He received a BA from the University of California, Berkeley in 1994 with majors in molecular and cell biology and economics.

Geoffrey C Hsu, CFA, joined OrbiMed in 2002 as a public biotechnology analyst. Prior to joining OrbiMed, he worked as a financial analyst in the healthcare investment banking group at Lehman Brothers. Geoffrey received his AB degree summa cum laude from Harvard University and holds an MBA from Harvard Business School. Prior to business school, he spent two years studying medicine at Harvard Medical School.

We present with pleasure our annual review of investments for The Biotech Growth Trust PLC, which was launched June 1997, and for which OrbiMed became the Investment Manager in May 2005.

PERFORMANCE REVIEW

The Company's net asset value per share increased by 32.4% during the year. We were pleased to deliver this performance during a very challenging market environment as evidenced by the 32.2% decline in the FTSE All-Share index during the year. The Company also outperformed our benchmark index, the NASDAQ Biotechnology Index (measured on a sterling adjusted basis), which rose 21.5% during this period. According to Winterflood Securities, the Company's broker, the Company's share price performance, measured on a total return basis, was ranked third out of approximately 250 UK listed investment companies during the calendar year to 31 December 2008.

The top contributors to performance in the portfolio were ImClone Systems, Tepnel Life Sciences, Amgen, Genentech, and Kosan Biosciences. Four of these companies were targets of announced acquisitions. As we have discussed in a number of the Company's published fact sheets, acquisition activity in the biotechnology sector has been strong as larger pharmaceutical companies seek to bolster their internal research efforts with additional products obtained through acquisitions. As these transactions often occur at a substantial premium to the current share price, investors have an opportunity to earn handsome returns by investing in companies which are subsequently acquired. Among our top winners, ImClone Systems was acquired at a 50% premium by Eli Lilly for \$6.5 billion, Tepnel Life Sciences was acquired at a 125% premium by Gen-Probe for approximately \$100 million, Roche acquired the remainder of Genentech it did not already own at a 20% premium for \$47 billion and Kosan Biosciences was acquired at a 233% premium by Bristol-Myers Squibb for \$190 million.

The biggest losses were from positions in BioMarin, Life Technologies, formerly known as Invitrogen and Xoma. Xoma has lost value because the psoriasis product Raptiva, upon which it receives royalties, was withdrawn from the market in the U.S. and EU due to a rare side effect. BioMarin has declined because they issued long-term earnings guidance that was below consensus expectations.

HEALTHCARE IN THE EYE OF THE FINANCIAL MARKET STORM

Amidst the worst financial market collapse in over a generation, the healthcare sector validated its reputation as a defensive sector, providing something of a safe haven and largely preserving investor capital. Underpinning the strong relative performance of the sector has been a combination of reasonably stable earnings for the larger companies, resurgent mergers and acquisition ("M&A") activity and a rotation of investor capital into the healthcare sector away from more cyclical and consumer-discretionary related sectors. This rotation into healthcare stocks is reminiscent of the 1990/1991 economic slowdown, a period with many parallels to today's declining housing markets, financial markets stresses, rising corporate and individual default rates and poor economic growth. The biotechnology sector posted extraordinary gains during this period, with the Amex Biotechnology Index increasing 46% in 1990 and over 190% in 1991.

Looking forward over the next five years, the global economy will clearly have to contend with the ramifications of the deleveraging of the U.S. consumer. As of last year, the U.S. economy represented approximately a quarter of the global economy, and of this figure nearly 70% was accounted for by consumer spending, compared to 50% to 60% for many European countries. At its nadir last year, the U.S. savings rate actually turned negative, meaning U.S. consumers spent more than 100% of their disposable income. As the U.S. retrenches from this consumer-driven growth bubble, many sectors of the global economy which are tied to discretionary spending (and the U.S. consumer in particular) will face significant headwinds over the coming years. We expect healthcare companies will be well-positioned to maintain their growth rates during this period, as their products are largely non-discretionary and often funded by government expenditures. We believe investors should maintain a larger-than-normal allocation to healthcare investments, such as the Company, over the coming years.

HEALTHCARE MEETS OBAMANOMICS

In February, President Obama unveiled his plans for healthcare reform as part of the release of his \$3.6 trillion 2010 budget proposal. The broad outline of the plan called for a combination of tax increases and spending cuts to free up \$630 billion over the next ten years to expand dramatically healthcare coverage. Obama appears determined to deliver on his campaign promise to expand access to the U.S. healthcare system for the nearly 50 million uninsured Americans without implementing a UK style single payor system. The healthcare sector experienced a dramatic sell-off in the days following publication of this plan as investors began to fear implementation of a radical healthcare overhaul dominated by the federal government. During March, however, the sell-off abated and investor sentiment turned more neutral as investors began to examine the proposals and recognise that there were no incremental negative industry implications in the budget plans.

Looking ahead, the broad push to reform the U.S. healthcare system will drive changes and growth that we expect to be largely beneficial to the generic pharmaceutical, hospital and healthcare technology sectors, while creating headwinds for traditional large pharmaceutical companies, managed care providers and selected large biotechnology companies at risk of generic competition. An additional \$6 billion of proposed funding to the National Institutes of Health ("NIH") will stimulate new basic research, particularly in oncology, while an additional \$1 billion of funding for the U.S. Food and Drug Administration ("FDA") will help to expedite decision-making and hopefully improve efficiency and morale after a period of lacklustre effectiveness by the agency. President Obama's pick to run the FDA, Dr. Margaret Hamburg, is viewed as a reasonable, pragmatic leader for the agency, able to draw on her past experience as the former Health Commissioner of New York City and previous work at the NIH.

MERGERS AND ACQUISITIONS

As mentioned earlier in this report our investment theme focused on M&A targets which yielded strong results during the year. The recent surge in acquisitions coupled with high premiums paid for the acquired companies demonstrate continued strong demand from large pharmaceutical companies as they look to smaller discovery companies to offset their generally low research productivity. As shown in the table below, the past year has seen over a score of acquisitions of smaller discovery companies. Fortunately for the investors in these acquired companies, the premium paid for these companies has averaged upwards of 50%.

BIOTECHNOLOGY ACQUISITION ANNOUNCEMENTS

Announcement Date	Target	Acquiror	Deal Size	Premium Paid
12/03/09	CV Therapeutics	Gilead Sciences	\$1.4 billion	25%
27/02/09	Arana Therapeutics	Cephalon	\$210 million	69%
30/01/09	Tepnel Life Sciences	Gen-Probe	\$132 million	126%
12/01/09	Targanta	Medicines Co.	\$50 million	72%
05/01/09	Indevus	Endo Pharmaceuticals	\$370 million	45%
24/11/08	Omrix	Johnson & Johnson	\$465 million	18%
30/10/08	Genelabs	GlaxoSmithKline	\$57 million	430%
06/10/08	Imclone Systems	Eli Lilly	\$6.5 billion	51%
25/07/08	Acambis	Sanofi Aventis	£275 million	65%
15/07/08	Lev Pharmaceuticals	ViroPharma	\$443 million	49%
10/07/08	Speedel	Novartis	\$880 million	94%
08/07/08	SGX Pharmaceuticals	Eli Lilly	\$64 million	119%
03/07/08	Jerini	Shire	\$521 million	73%
23/06/08	Barrier Therapeutics	Stiefel Labs	\$148 million	136%
09/06/08	Third Wave Tech.	Hologic	\$580 million	7%
05/06/08	Tercica	Ipsen	\$665 million	104%
29/05/08	Kosan Biosciences	Bristol-Myers Squibb	\$190 million	233%
12/05/08	Iomai	Intercell	\$189 million	128%
22/04/08	Sirtris	GlaxoSmithKline	\$720 million	84%
11/04/08	Millennium	Takeda	\$8.8 billion	53%

In addition to these smaller deals, there have been several blockbuster announcements over the past year, such as Pfizer's \$68 billion bid for Wyeth, Merck's \$41 billion bid for Schering-Plough, and Roche's \$44 billion bid for the balance of Genentech. We have been adept at positioning the Company advantageously to profit from M&A activity, as a number of our holdings are invested in small and mid-sized companies with products that would be attractive to numerous larger strategic buyers.

A PROMISING START TO FISCAL 2010

Fiscal 2010 has begun on an auspicious note with the announcement, in April, by the biotechnology company Dendreon that their prostate cancer treatment Provenge had meaningfully extended survival for patients in a phase 3 clinical trial. Dendreon's stock price increased over 130% on the day of that news. Provenge comes from a very advanced class of therapies known as "immunotherapies", which essentially are vaccines against cancer. We typically have a bias against these treatments as they have historically failed to demonstrate efficacy. However our research on Provenge, including many conversations with clinical investigators and biostatisticians, provided evidence that Provenge was showing meaningful efficacy, and given the significant market pessimism surrounding this trial the stock presented a compelling risk/reward profile.

Dendreon is a fine example of our belief that the coming years promise to be an exciting time for investors in the healthcare sector thanks to a continued flurry of M&A activity, the successful development of several "blockbuster" new products such as Provenge, improved regulatory efficiency particularly in the U.S., and a broad push towards expanded healthcare coverage for consumers in many large markets such as the U.S. and China. We are intensely focused on finding investment opportunities that will benefit from these trends.

At the Annual General Meeting held on 23 July 2008, shareholders granted approval to invest up to \$15 million in private equity funds managed by OrbiMed. The Company has committed to a \$5 million investment in Caduceus Asia Partners L.P., a fund dedicated to making private investments in Asian healthcare companies. We believe that this fund is well positioned to capitalise on the rapid growth in emerging markets and pressures to lower pharmaceutical development costs through outsourcing. The fund has made its first investment in a life science tools company with significant operations in mainland China.

As always, we appreciate and thank you for your support.

SVEN BORHO
ORBIMED CAPITAL LLC
INVESTMENT MANAGER
8 JUNE 2009

AS AT 31 MARCH 2009

Security	Country	Fair Value £'000	% of Investments
Gilead Sciences	United States	10,082	14.1
Celgene	United States	6,962	9.8
Amgen	United States	6,575	9.2
Genzyme	United States	5,673	8.0
Tepnel Life Sciences [†]	United Kingdom	5,106	7.1
Curis *	United States	4,176	5.9
Vertex Pharmaceuticals	United States	3,267	4.6
Allos Therapeutics	United States	3,147	4.4
Biogen Idec	United States	3,103	4.4
Alexion Pharmaceuticals	United States	2,965	4.2
Top 10 Investments		51,056	71.7
United Therapeutics	United States	2,856	4.0
Onyx Pharmaceuticals	United States	2,298	3.2
BioMarin Pharmaceutical	United States	2,140	3.0
Shire	United Kingdom	2,107	3.0
Life Technologies	United States	1,844	2.6
OSI Pharmaceuticals	United States	1,788	2.5
Medivir	Sweden	1,364	1.9
Cephalon	United States	1,130	1.6
Intermune Inc	United States	912	1.3
Gen-Probe	United States	811	1.1
Top 20 Investments		68,306	95.9
Cytokinetics	United States	787	1.1
Dendreon	United States	516	0.7
Caduceus Asia Partners L.P. (<i>Unquoted</i>)	United States	419	0.6
Xoma	United States	384	0.5
PDL Biopharma	United States	344	0.5
Biowisdom (<i>Unquoted</i>)	United Kingdom	300	0.4
Reneuron Group Plc	United Kingdom	87	0.1
Pharmasset Inc	United States	69	0.1
Ligand Pharmaceuticals Inc Wts 10/13/11*	United States	44	0.1
Total Investments		71,256	100.0

All of the above investments are equities unless otherwise stated.

[†]Valued at price of acquisition by Gen-Probe which was settled post year end.

*Includes warrants.

PORTFOLIO BREAKDOWN

Investments	Fair Value £'000	% of Investments
Equities	70,952	99.6
Warrants	304	0.4
Total Investments	71,256	100.0

The Directors present their report and the audited financial statements for the year ended 31 March 2009.

STATUS OF THE COMPANY

During the year under review the Company has continued to conduct its affairs so as to qualify as an investment company, as defined under Section 833 of the Companies Act 2006, and an investment trust within the meaning of Section 842 of the Income and Corporation Taxes Act 1988. HM Revenue & Customs approval of the Company's status as an investment trust has been received for all years up to and including the year ended 31 March 2008. This is however subject to review should there be any enquiry under Corporation Tax Self Assessment. The Directors are of the opinion that the Company has subsequently directed its affairs so as to enable it to continue to obtain HM Revenue & Customs approval as an investment trust.

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

The Company's shares are eligible for inclusion in the stocks and shares component of an Individual Savings Account.

CONTINUATION OF THE COMPANY

In accordance with the Company's Articles of Association, shareholders will have an opportunity to vote on the continuation of the Company at the Annual General Meeting in 2010 and every five years thereafter.

INVESTMENT OBJECTIVE AND BENCHMARK

The Company seeks capital appreciation through investment in the worldwide biotechnology industry, principally by investing in emerging biotechnology companies. Performance is measured against the NASDAQ Biotechnology Index (sterling adjusted).

INVESTMENT POLICY

In order to achieve its investment objective, the Company invests in a diversified portfolio of biotechnology (including emerging biotechnology companies) and related securities on a worldwide basis.

Investment Limitations and Guidelines

The Board seeks to manage the Company's risk by imposing various investment limits and restrictions:

- The Company will not invest more than 15% of its gross assets in other UK listed investment companies
- The Company will not invest more than 15% of the portfolio in any one individual stock at the time of acquisition
- The largest 30 quoted stocks will normally represent at least 50% of the quoted portfolio
- The Company will not invest more than 10% of the portfolio in direct unquoted investments at the time of acquisition
- Shareholder approval was obtained at the Annual General Meeting held in July 2008 for the Company to invest or commit for investment a maximum of U.S.\$15 million, after the deduction of proceeds of disposal and other returns of capital, in private equity funds managed by OrbiMed Capital LLC, the Company's Investment Manager, or an affiliate thereof
- The Company's gearing policy is to borrow up to a maximum of £15 million which can be used, *inter alia*, to finance any short term borrowing requirements. The Company currently has a £10 million committed multicurrency revolving credit facility provided by Allied Irish Banks p.l.c.. This facility can be drawn down at the discretion of the Investment Manager

Compliance with the Board's investment limitations and guidelines is monitored continuously by Frostrow Capital LLP ("Frostrow" or the "Manager") and OrbiMed Capital LLC ("OrbiMed" or the "Investment Manager") and is reported to the Board on a monthly basis.

DIVIDENDS

The Company invests with the objective of achieving capital growth and it is expected that dividends, if any, are likely to be small. The Board intends only to pay dividends on the Company's shares to the extent required in order to maintain the Company's investment trust status.

PERFORMANCE

In the year to 31 March 2009, the Company's net asset value per share increased by 32.4% compared to a rise of 21.5% in the NASDAQ Biotechnology Index (sterling adjusted). The Company's share price rose by 34.8% in the same period.

The Review of Investments on pages 6 and 7 includes a review of the principal developments during the year, together with information on investment activity within the Company's portfolio.

TOP AND BOTTOM FIVE CONTRIBUTORS TO NET ASSET VALUE PERFORMANCE FOR THE YEAR TO 31 MARCH 2009

	Contribution for the year to 31 March 2009 £'000	Contribution per share (pence)*
Top Five Contributors		
Imclone Systems	3,668	6.5
Tepnel Life Sciences	3,297	5.9
Amgen	3,251	5.8
Genentech	1,931	3.4
Kosan Biosciences	1,714	3.1
		24.7
Bottom Five Contributors		
BioMarin	(1,689)	(3.0)
Life Technologies (formerly known as Invitrogen)	(795)	(1.4)
Xoma	(662)	(1.2)
Celgene	(619)	(1.1)
Medivir	(598)	(1.1)
		(7.8)

*based on 56,196,626 ordinary shares being the weighted average number of shares in issue for the year ended 31 March 2009.

Source: Frostrow Capital LLP

RESULTS AND DIVIDENDS

The results attributable to shareholders for the year and the transfer to reserves are shown on page 27. No dividend is proposed in respect of the year ended 31 March 2009 (2008: nil).

KEY PERFORMANCE INDICATORS ("KPIs")

The Board assesses its performance in meeting the Company's objective against the following Key Performance Indicators:

- Net asset value return (see page 1)
- Share price return (see pages 1 and 24)
- Stock contribution analysis (see above)
- Share price premium/discount to net asset value per share (see pages 1 and 2)
- Total expense ratio (see page 1)
- Benchmark and peer group performance (see pages 1, 2 and 24)
- Repurchase of own shares (see pages 1 and 12)

As indicated, the management of the portfolio has been delegated to the Investment Manager and management, administration, company secretarial and marketing services have been delegated to the Manager. Each provider is responsible to the Board which is ultimately responsible to the shareholders for performing against, *inter alia*, the above KPIs within the terms of their respective agreements by utilising the capabilities of the experienced professionals within each firm.

PRINCIPAL RISKS AND THEIR MITIGATION

The Company's assets consist principally of listed equities; its main area of risk is therefore market-related. The specific key risks faced by the Company, together with the Board's mitigation approach, are as follows:

- i) **Objective and Strategy** – The Company becomes unattractive to investors.
The Board reviews regularly the Company's investment objective and investment guidelines in the light of investor sentiment monitoring closely whether the Company should continue in its present form. The Board also considers the size of the Company to ensure that it has sufficient critical mass. The Board, through the Manager and the Investment Manager, hold regular discussions with major shareholders. A continuation vote is to be held at the Annual General Meeting in 2010 and every five years thereafter. Each month the Board receives a report which monitors the investments held in the portfolio compared against the Benchmark Index and the investment guidelines. Additional reports and presentations are regularly presented to investors by the Company's Manager, Investment Manager and Corporate Stockbroker.
- ii) **Level of discount/premium** – The level of discount/premium can fluctuate.
The Board undertakes a regular review of the level of discount/premium and consideration is given to ways in which share price performance may be enhanced, including the effectiveness of marketing and share buy-backs, if considered appropriate. The Board has implemented an active discount management policy, buying back the Company's shares for cancellation or to be held as treasury shares if the market price is at a discount greater than 6% to the net asset value per share. Shareholders should note that it remains possible for the share price discount to net asset value per share to be greater than 6% on any one day and is due to the fact that the share price continues to be influenced by overall supply and demand for the Company's shares in the secondary market. The average month end share price discount during the year was 7.9%, a level that has been broadly maintained since the year end. The making and timing of any share buy-backs is at the absolute discretion of the Board.
- iii) **Portfolio Performance** – Investment performance may not be meeting shareholder requirements.
The Board reviews regularly investment performance against the Benchmark and against the Company's peer group. The Board also receives regular reports that show an analysis of performance compared to other relevant indices. The Investment Manager provides an explanation of significant stock selection decisions and an overall rationale for the make-up of the portfolio. The Investment Manager discusses current and potential investment holdings with the Board on a regular basis.
- iv) **Operational and Regulatory** – A breach of Section 842 of the Income and Corporation Taxes Act 1988 could lead to the Company being subject to capital gains tax on the sale of its investments, whilst serious breach of other regulatory rules may lead to suspension from the Stock Exchange or to a qualified Audit Report. Other control failures, either by the Manager, the Investment Manager or any other of the Company's service providers, may result in operational and/or reputational problems, erroneous disclosures or loss of assets through fraud, as well as breaches of regulations.
All transactions and income and expenditure forecasts are reported to the Board. The Board considers regularly all major risks, the measures in place to control them and the possibility of any other risks that could arise. The Board also ensures that satisfactory assurances are received from service providers. The Compliance Officer of the Manager and Investment Manager produce regular reports for review at the Company's Audit and Management Engagement Committee meetings and are available to attend such meetings in person if required.
- v) **Market Price Risks** – Uncertainty about future prices of financial instruments held.
The Board meets on a quarterly basis during the year and on an ad hoc basis if necessary. At each meeting the Directors consider the asset allocation of the portfolio in order to minimise the risk associated with particular countries or instruments. The Investment Manager has responsibility for selecting investments in accordance with the Company's investment objective and seeks to ensure that investment in individual stocks falls within acceptable risk levels.
- vi) **Liquidity Risk** – Ability to meet funding requirements when they arise. The Investment Manager has constructed the portfolio so that funds can be raised at short notice if required.
- vii) **Shareholder Profile** – Activist shareholders whose interests are not consistent with the long-term objectives of the Company may be attracted onto the shareholder register.
The Manager provides a shareholder analysis to every Board Meeting for Board consideration of action required in addition to regular reporting by the Company's stockbroker. The Board has implemented an active discount management policy as mentioned in (ii) above.
- viii) **Currency Risk** – Movements in exchange rates could adversely affect the performance of the portfolio.
A significant proportion of the Company's assets is, and will continue to be, invested in securities denominated in foreign currencies, in particular U.S. dollars. As the Company's shares are denominated and trade in sterling, the return to shareholders will be affected by changes in the value of sterling relative to those foreign currencies. The Board has made clear the Company's position with regard to currency fluctuations which is that it does not currently hedge against currency exposure.
- ix) **Loan Facility** – The provider of the Company's loan facility may no longer be prepared to lend to the Company.
Copies of the monthly loan covenant compliance certificates, provided for the lender, are circulated to the Board. Both the Board and the Investment Manager are kept fully informed of any likelihood of the withdrawal of the loan facility so that repayment can be effected in an orderly fashion.
Further information on financial instruments and risk, as required by IFRS 7, can be found in note 13 to the financial statements beginning on page 36.

SHARE CAPITAL

As part of the package of measures adopted in 2005 by the Board to improve the attraction of the Company's shares to new investors and also to provide the prospect of a sustained improvement in the rating of the Company's shares, an active discount management policy was implemented to buy back shares if the market price is at a discount greater than 6% to net asset value per share. The making and timing of any share buy-back remain at the absolute discretion of the Board. Authority to buy back up to 14.99% of the Company's issued share capital is sought at each Annual General Meeting and, as at 23 July 2008, authority was obtained to buy back up to 8,568,129 shares. During the year a total of 11,089,550 shares was bought back for cancellation representing 17.8% of the issued share capital at the beginning of the year. Of this figure a total of 5,227,000 shares was bought back under the authority granted by shareholders at the Annual General Meeting held on 25 July 2007 and 5,862,550 shares were bought back under the authority granted on 23 July 2008. The purchases were made at prices ranging between £0.9606 and £1.3499 per share at a cost of £12,265,000 (including expenses) and at an average discount of 8.4% to net asset value per share. Subsequent to the year end, to 8 June 2009, a further 799,500 shares were bought back for cancellation at an average discount of 8.0% to the net asset value per share, at a cost of £981,000 (including expenses).

PROSPECTS

Looking forward over the next five years, the global economy will clearly have to contend with the ramifications of the deleveraging of the U.S. consumer. During 2009 the U.S. economy represented approximately a quarter of the global economy, and of this figure nearly 70% was accounted for by consumer spending, compared to 50% to 60% for many European countries. At its nadir last year, the U.S. savings rate actually turned negative, meaning U.S. consumers spent more than 100% of their disposable income. As the U.S. retrenches from this consumer-driven growth bubble, many sectors of the global economy which are tied to discretionary spending will face significant headwinds. However, the Investment Manager expects that healthcare companies will be well-positioned to maintain their growth rates during this period, as their products are largely non-discretionary and often funded by government expenditures.

Further information can be found in the Review of Investments, provided by the Company's Investment Manager, that begins on page 6.

MANAGEMENT

Management, Administrative and Secretarial Services Agreement: Management, Administrative, Secretarial and other services are provided to the Company by the Manager. The Manager is authorised and regulated by the Financial Services Authority.

Frostrow Capital LLP, as the Manager, receives a periodic fee equal to 0.30% per annum of the Company's market capitalisation, plus a fixed amount equal to £50,000 per annum. The notice period on the Management, Administration and Company Secretarial Agreement with the Manager is not less than 12 months. Termination can be at the instigation of either party.

The Manager, under the terms of the Agreement provides, *inter alia*, the following services:

- marketing and shareholder services;
- administrative services;
- advice and guidance in respect of corporate governance requirements;
- maintaining adequate accounting records in respect of Company dealing, investments, transactions, dividends and other income, the income account, balance sheet and cash books and statements;
- preparation and despatch of the audited annual, and the unaudited interim, report and financial statements and interim management statements; and
- attending to general tax affairs where necessary.

Investment Management Agreement: Investment Management Services are provided by the Investment Manager. The Investment Manager is authorised and regulated by the U.S. Securities and Exchange Commission. The Investment Manager receives a periodic fee equal to 0.65% p.a. of the Company's net asset value. The Investment Management Agreement may be terminated by either party giving notice of not less than 12 months. The Investment Manager under the terms of the Agreement provides, *inter alia*, the following services:

- seeking out and evaluating investment opportunities;
- recommending the manner by which monies should be invested, disinvested, retained or realised;
- advising on how rights conferred by the investments should be exercised;
- analysing the performance of investments made; and
- advising the Company in relation to trends, market movements and other matters which may affect the investment policy of the Company.

The proportion of the Company's assets committed for investment in Caduceus Asia Partners L.P., a limited partnership managed by OrbiMed Asia G.P., L.P., an affiliate of the Company's Investment Manager, is excluded from the Investment Management fee calculation as described above.

Performance Fee: Dependent on the level of performance achieved, the Manager and Investment Manager are also entitled to the payment of a performance fee. The performance fee is calculated by reference to the amount by which the Company's portfolio has outperformed the benchmark index.

The fee is calculated quarterly by comparing the cumulative performance of the Company's portfolio with the cumulative performance of the benchmark index since 30 June 2005. The performance fee amounts to 16.5% of any outperformance of the net asset value over the benchmark index, the Investment Manager receiving 15% and the Manager receiving 1.5% of the outperformance.

At each quarterly calculation date any performance fee payable is based on the lower of:

- (i) the cumulative outperformance of the portfolio over the benchmark index as at the quarter end date; and
- (ii) the cumulative outperformance of the portfolio over the benchmark as at the corresponding quarter end date in the previous year.

As at each quarterly calculation date, and on a daily basis, provision is made within the Company's net asset value for all performance fees that could crystallise over the ensuing four performance fee calculation dates, assuming that any outperformance arising is maintained in full for a twelve month period from the quarterly calculation date. In the event that outperformance is not maintained then the provision is adjusted accordingly within the Company's net asset value. In accordance with this arrangement, a performance fee of £224,000 has been accrued as at 31 March 2009. No performance fee was paid during the year (2008: £169,000).

The proportion of the Company's assets committed for investment in Caduceus Asia Partners L.P., a limited partnership managed by OrbiMed Asia G.P., L.P., an affiliate of the Company's Investment Manager, is excluded from the Investment Manager's share of the performance fee calculation.

MANAGER AND INVESTMENT MANAGER EVALUATION AND RE-APPOINTMENT

The review of the performance of the Manager and the Investment Manager is a continuous process carried out by the Audit and Management Engagement Committee with a formal evaluation being undertaken each year. As part of this process, the Committee monitors the services provided by the Manager and the Investment Manager and receives regular reports and views from them. The Committee also receives comprehensive performance measurement reports to enable it to determine whether or not the performance objectives set by the Board have been met. In addition the Committee reviewed the appropriateness of the appointment of the Manager and the Investment Manager in May 2009 with a recommendation being made to the full Board.

The Board believes the continuing appointment of the Manager and the Investment Manager, under the terms described above, is in the interests of shareholders as a whole. In coming to this decision, it also took into consideration the following additional reasons:

- the quality and depth of experience of the management, administrative, company secretarial and marketing team that the Manager allocates to the management of the Company; and
- the quality and depth of experience allocated by the Investment Manager to the management of the portfolio and the level of performance of the portfolio in absolute terms and also by reference to the benchmark index.

GOING CONCERN

The Directors believe that it is appropriate to adopt the going concern basis in preparing the accounts as the assets of the Company consist mainly of securities that are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

CREDITORS PAYMENT POLICY

Terms of payment are negotiated with suppliers when agreeing settlement details for transactions. While the Company does not follow a formal code, it is the Company's continuing policy to pay amounts due to creditors as and when they become due. There were no creditors in respect of goods or services supplied at the year end (2008: nil).

SOCIAL, ENVIRONMENTAL AND ETHICAL POLICY

The Company's primary objective is to achieve long term capital growth through investing in emerging biotechnology companies. The Board, however, recognises that this should be done in an environmentally responsible way. The Directors believe, however, that the Company would be in breach of its fiduciary duties to shareholders if investment decisions were based solely on social, ethical or environmental considerations and as such has no policies in these areas.

CHARITABLE AND POLITICAL DONATIONS

The Company has not in the past and does not intend in the future to make any charitable or political donations.

DIRECTORS

Directors of the Company, all of whom served throughout the year, are as follows:

John Sclater CVO (*Chairman*)
 Sven Borho
 Paul Gaunt
 Dr John Gordon
 Peter Keen
 Lord Waldegrave of North Hill

DIRECTORS' INTERESTS

The beneficial interests of the Directors and their families in the Company were as set out below:

	Shares of 25p each	
	31 March 2009	31 March 2008
John Sclater	9,410	9,410
Sven Borho	221,218	221,218
Paul Gaunt	–	–
Dr John Gordon	50,000	50,000
Peter Keen	32,585	32,585
Lord Waldegrave of North Hill	51,066	51,066

As at 8 June 2009, there had been no changes in the above details.

None of the Directors was granted or exercised rights over shares during the year. Sven Borho is a partner at OrbiMed, the Company's Investment Manager, which is party to the Investment Management Agreement with the Company and receives fees as described on pages 12 and 13. A number of the partners at OrbiMed have a minority financial interest amounting in total to 20% in Frostrow, the Company's Manager.

DIRECTORS' FEES

A report on Directors' Remuneration is set out on pages 23 and 24.

DIRECTORS' & OFFICERS' LIABILITY INSURANCE COVER

Directors' & officers' liability insurance cover was maintained by the Board during the year ended 31 March 2009. It is intended that this policy will continue for the year ended 31 March 2010 and subsequent years.

SUBSTANTIAL SHAREHOLDINGS

As at 20 May 2009 the Company was aware of the following interests in the shares of the Company, which exceeded 3% of the issued share capital.

Shareholder	Registered holder	No. of shares	% of Issued share capital
East Riding of Yorkshire Council	Nortrust Nominees	7,500,000	14.85
JP Morgan Asset Management	Chase Nominees/Bank of New York Nominees	6,176,829	12.23
M&G Investment Management	Various Nominees	4,738,415	9.38
Reliance Mutual Insurance Society	HSBC Global Custody Nominee (UK)	4,070,732	8.06
Baillie Gifford & Co.	BNY (OCS) Nominees	3,273,781	6.48
Hansa Capital	Mellon Nominees (UK)/State Street Nominees	2,806,098	5.56
Insight Investment	Nortrust Nominees	2,248,415	4.45
Premier Peninsular	Barfield Nominees	2,000,000	3.96

AUDITORS

Grant Thornton UK LLP have indicated their willingness to continue to act as Auditors to the Company and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

DIRECTORS' INDEMNITIES

As at the date of this report, indemnities are in force between the Company and each of its Directors under which the Company has agreed to indemnify each Director, to the extent permitted by law, in respect of certain liabilities incurred as a result of carrying out his role as a Director of the Company. The Directors are also indemnified against the costs of defending any criminal or civil proceedings or any claim by the Company or a regulator as they are incurred provided that where the defence is unsuccessful the Director must repay those defence costs to the Company. The indemnities are qualifying third party indemnity provisions for the purposes of the Companies Act 2006.

A copy of each deed of indemnity is available for inspection at the Company's registered office during normal business hours and will be available for inspection at the Annual General Meeting.

AWARENESS OF RELEVANT AUDIT INFORMATION

So far as the Directors are aware, there is no relevant audit information of which the Auditors are unaware. The Directors have taken all steps they ought to have to make themselves aware of any relevant audit information and to establish that the Auditors are aware of that information.

CORPORATE GOVERNANCE

A formal statement on Corporate Governance is set out on pages 19 to 22.

BENEFICIAL OWNERS OF SHARES – INFORMATION RIGHTS

Beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's registrar, Capita Registrars, or to the Company directly.

ARTICLES OF ASSOCIATION

Due to a technical irregularity in the manner in which notice of the special resolution proposing the adoption of new Articles of Association was given at last year's Annual General Meeting, the resolution was ineffective and therefore the proposed new Articles of Association were not adopted by the Company. It is therefore proposed that in order to reflect certain of the provisions of the Companies Act 2006 which have or will come into force, that a number of alterations be made to the Company's Articles of Association. Details of the principal changes are set out on pages 40 and 41. Shareholders should be mindful that the 2006 Act is being implemented over a period of time, with the final stage taking effect in October 2009.

NOTICE PERIOD FOR GENERAL MEETINGS

The proposed amendments to the Company's Articles of Association include a provision allowing General Meetings of the Company to be called on the minimum notice period provided for in the Companies Act 2006. For meetings other than Annual General Meetings this is currently a period of 14 clear days.

The provisions in the Companies Act 2006 relating to meetings are due to be amended with effect from 3 August 2009 as a result of the implementation of the EU Shareholder Rights Directive (2007/36/EC) (the 'Directive') in the UK.

The government has still to finalise the detail of the amendments that are to be made and is not expected to publish the final draft of the amendments until later in the year. One of the amendments to be made will, in accordance with the Directive, be to increase the minimum notice period for listed company General Meetings to 21 clear days, but with an ability for companies to reduce this period back to 14 clear days (other than for Annual General Meetings), provided that two conditions are met:

- i) that the Company offers facilities for shareholders to vote by electronic means. It is not yet clear what this will require and the details will be set out in the final regulations when published; and
- ii) that there is an annual resolution of shareholders approving the reduction in the minimum period for notice of General Meetings (other than Annual General Meetings) from 21 clear days to 14 clear days.

Although the final form of the regulations is unlikely to be known before the publication of this annual report, the Board believes that it should ensure that the minimum period for notice of General Meetings of the Company (other than Annual General Meetings) remains at 14 clear days after August 2009. The Board is therefore proposing Resolution 14 as a special resolution to approve 14 clear days as the minimum period of notice for all General Meetings of the Company other than Annual General Meetings. The notice period for Annual General Meetings will remain 21 clear days.

ELECTRONIC COMMUNICATION AND VOTING

Shareholders now have the option to receive their communications electronically. Electronic communications has a number of benefits to the Company and to shareholders by reducing costs and increasing the speed of communication. Further details can be obtained from the Company's registrars whose details can be found on page 46.

ANNUAL GENERAL MEETING

The formal Notice of Annual General Meeting is set out on pages 42 to 45 of this Annual Report. Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting:

(a) Authority to allot shares

Resolution 10 gives the Directors authority to allot new shares, otherwise than by a pro rata issue to existing shareholders, up to an aggregate nominal amount of £1,262,422 such amount being equivalent to 10% of the issued share capital at 8 June 2009 and representing 5,049,691 shares of 25p each. Such issues would only be made at prices greater than the prevailing net asset value per share ("NAV") thereby increasing the assets underlying each share and spread administrative expenses, other than those charged as a percentage of assets, over a greater number of shares.

(b) Disapplication of pre-emption rights

Resolution 11 seeks shareholder approval for the disapplication of pre-emption rights in respect of a) the allotment of shares or the sale by the Company of shares held by it in treasury ("treasury shares"), pursuant to a rights issue or a sale equivalent to a rights issue, and b) the allotment (other than as part of a rights issue) of shares or the sale of treasury shares for cash up to an aggregate nominal value of £1,262,422. No such allotment will be made at less than the prevailing NAV per share (as determined in the absolute discretion of the Directors). Shares held in treasury may also be resold by the Company at a price greater than the net asset value per share prevailing at the time of sale.

(c) Authority to repurchase shares

Resolution 12 seeks shareholder approval for the Company to have the power to repurchase its own shares. The Board believes that the ability of the Company to purchase its own shares in the market will potentially benefit all shareholders of the Company. The repurchase of shares at a discount to the underlying NAV would enhance the NAV of the remaining shares.

At the Annual General Meeting the Company will seek shareholder approval to repurchase up to 7,569,487 shares, representing approximately 14.99% of the Company's issued share capital (the maximum permitted under the Listing Rules) at a price that is not less than 25p a share (the nominal value of each share) and not more than the higher of (a) 105% of the average of the middle market quotations for the five business days preceding the day of purchase; and (b) the higher of the price of the last independent trade in shares and the highest then current independent bid for shares on the London Stock Exchange. The decision as to whether to repurchase any shares will be at the absolute discretion of the Board. Shares repurchased under this authority may either be held by the Company in treasury for resale up to a maximum of 10% of the issued share capital or cancelled.

(d) Adoption of new Articles of Association

Resolution 13 seeks shareholder approval that new Articles of Association be adopted in substitution for, and to the exclusion of, the existing Articles of Association.

(e) General meetings

Resolution 14 seeks Shareholder approval to hold General Meetings (other than Annual General Meetings) at 14 clear days' notice.

The authorities being sought under resolutions 11, 12, 13 and 14 will last until the conclusion of the next Annual General Meeting or, if less, a period of 15 months.

BY ORDER OF THE BOARD
FROSTROW CAPITAL LLP
COMPANY SECRETARY

8 JUNE 2009

Company law in the United Kingdom requires the Directors to prepare financial statements for each financial year. The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations. In preparing these financial statements, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable international accounting standards; and
- prepared the financial statements on a going concern basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985 and the Companies Act 2006 as in force from time to time. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Report of the Directors and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Services Authority.

The financial statements are published on the Company's website (website address: www.biotechgt.com) and on the Manager's website (website address: www.frostrow.com). The maintenance and integrity of these websites, so far as it relates to the Company, is the responsibility of the Manager. The work carried out by the Auditors does not involve consideration of the maintenance and integrity of these websites and, accordingly, the Auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on these websites. Visitors to the websites need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

The Directors confirm that to the best of their knowledge the financial statements, within the Annual Report, have been prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and the return for the year ended 31 March 2009, and that the Chairman's Statement, Investment Manager's Review and the Report of the Directors include a fair review of the information required by 4.1.8R to 4.2.11R of the FSA's Disclosure and Transparency Rules.

ON BEHALF OF THE BOARD
JOHN SCLATER CVO
CHAIRMAN

8 JUNE 2009

COMPLIANCE

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to The Biotech Growth Trust PLC.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code), will provide better information to shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code throughout the year ended 31 March 2009 and up to the date of this report, except with regard to the composition of its committees and as set out below.

The Combined Code includes provisions relating to:

- The role of the chief executive;
- Executive directors' remuneration; and
- The need for an internal audit function.

For the reasons set out in the AIC Guide, and in the preamble to the AIC Code, the Board considers these provisions are not relevant to the position of The Biotech Growth Trust PLC, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

BOARD INDEPENDENCE, COMPOSITION AND TENURE

The Board, chaired by John Sclater CVO, currently consists of six non-executive Directors. The Directors' biographical details, set out on page 4, demonstrate a breadth of investment, commercial and professional experience. Dr John Gordon has been designated as the Senior Independent Director. The Directors review their independence annually. The Directors retire by rotation at every third Annual General Meeting and any Directors appointed to the Board since the previous Annual General Meeting also retire and stand for election. Any Director who has served on the Board for more than nine years is subject to annual re-election. Paul Gaunt is a Director of Finsbury Worldwide Pharmaceutical Trust PLC for which OrbiMed also acts as Investment Manager; he has also served on the Board for over nine years, he is therefore not considered by the Board to be an Independent Director. Sven Borho is a Founding General Partner of OrbiMed, the Company's Investment Manager, and is also not considered to be an Independent Director. Mr Sclater, Dr Gordon, Lord Waldegrave of North Hill and Mr Keen have all served on the Board for over nine years. The Board, however, considers them to be independent in character and judgement and, in accordance with the AIC Code, does not believe that the criterion of length of service should preclude them from being considered independent; they have no other links to the Investment Manager and have a wide range of other interests. The Board has considered the position of Mr Sclater, Dr Gordon, Lord Waldegrave of North Hill and Messrs Borho, Gaunt and Keen as part of the evaluation process, and believes that it would be in the Company's best interests to propose them for re-election at the forthcoming Annual General Meeting.

None of the Directors has a service contract with the Company. New Directors are appointed with the expectation that they will serve for a minimum period of three years. Any Director may resign in writing to the Board at any time. The terms of their appointment are detailed in a letter sent to them when they join the Board. These letters are available for inspection at the offices of the Company's Manager and will be available at the Annual General Meeting. When a new Director is appointed to the Board, they are provided with all relevant information regarding the Company and their duties and responsibilities as a Director. In addition, a new Director will also spend time with representatives of the Manager and Investment Manager in order to learn more about their processes and procedures. The Board also receives regular briefings from, amongst others, the Auditors and the Company Secretary regarding any proposed developments or changes in laws or regulations that could affect the Company and/or the Directors.

THE BOARD'S RESPONSIBILITIES

The Board is responsible for efficient and effective leadership of the Company and has reviewed the schedule of matters reserved for its decision. The Board meets at least on a quarterly basis and at other times as necessary. The Board is responsible for all aspects of the Company's affairs, including the setting of parameters for and the monitoring of the investment strategy, the review of investment performance and investment policy. It also has responsibility for all corporate strategy issues, dividend policy, share buy-back policy, gearing, share price and discount/premium monitoring and corporate governance matters. To enable them to discharge their responsibilities, prior to each meeting the Directors are provided, in a timely manner, with a comprehensive set of papers giving detailed information on the Company's transactions, financial position and performance. Representatives of the Manager and Investment Manager attend each Board meeting, enabling the Directors to seek clarification on specific issues or to probe further on matters of concern; a full written report is also received from the Investment Manager at each quarterly meeting. In light of these reports, the Board gives direction to the Investment Manager with regard to the Company's investment objectives and guidelines. Within these established guidelines, the Investment Manager takes decisions as to the purchase and sale of individual investments.

There is an agreed procedure for Directors, in the furtherance of their duties, to take independent professional advice if necessary at the Company's expense. The Directors have access to the advice and services of the Company Secretary, through its appointed representative, who is responsible to the Board for ensuring that Board procedures are followed.

PERFORMANCE EVALUATION

The Board has carried out an evaluation process for the year ended 31 March 2009, independently managed by Dr Gordon, the Senior Independent Director. This took the form of a questionnaire followed by discussions to identify how the effectiveness of its activities, including its committees, policies and processes might be improved. The results of the evaluation process were presented to and discussed by the Board and, as a result, it was agreed that the current Directors contributed effectively and that all have the skills and experience which are relevant to the leadership and direction of the Company.

COMMITTEES OF THE BOARD

During the year the Board delegated certain responsibilities and functions to committees. Copies of the full terms of reference, which clearly define the responsibilities of each committee, can be obtained from the Company Secretary, will be available for inspection at the Annual General Meeting and can be found at the Company's website at www.biotechgt.com. Following a review by the Board in 2007, it was agreed, that, due to the Board's size, the membership of the Remuneration and Nominations Committees should comprise the whole Board (provided that a majority of the Directors present are independent). The Remuneration Committee is chaired by Dr John Gordon and the Nominations Committee is chaired by the Chairman of the Company, John Sclater CVO.

The Audit and Management Engagement Committee, under the chairmanship of Peter Keen, also comprises the whole Board (provided that a majority of the Directors present are independent). This decision was taken to utilise fully the broad experience of the Board whilst ensuring that a majority of independent Directors formed the quorum for its meetings. Details of the membership of the committees as at 31 March 2009 are shown with the Directors' biographies on page 4.

The table below details the number of Board and Committee meetings attended by each Director. During the year there were six Board meetings, two Audit and Management Engagement Committee meetings, two meetings of the Nominations Committee and one meeting of the Remuneration Committee.

	Board	Audit and Management Engagement Committee	Nominations Committee	Remuneration Committee
Number of meetings held in 2008/9:	(6)	(2)	(2)	(1)
John Sclater	6	2	2	1
Sven Borho	4	1	2	1
Paul Gaunt	4	1	1	1
Dr John Gordon	6	2	2	1
Peter Keen	6	2	2	1
Lord Waldegrave of North Hill	6	2	2	1

All of the Directors attended the Annual General Meeting held on 23 July 2008.

NOMINATIONS COMMITTEE

The Nominations Committee is responsible for the Board appraisal process and for making recommendations to the Board on the appointment of new Directors. Where appropriate, each Director is invited to submit nominations and external advisers may be used to identify potential candidates.

REMUNERATION COMMITTEE

The level of Directors' fees is reviewed on a regular basis relative to other comparable investment companies and in the light of Directors' responsibilities. Details of the fees paid to the Directors in the year under review are detailed in the Directors' Remuneration Report on pages 23 and 24.

AUDIT AND MANAGEMENT ENGAGEMENT COMMITTEE

The Audit and Management Engagement Committee meets at least twice a year and is responsible for the review of the interim and annual financial statements, the nature and scope of the external audit and the findings therefrom and the terms of appointment of the Auditors, including their remuneration and the provision of any non-audit services by them. In addition, the Committee is responsible for the review of the Company's financial

controls and of the Management and Investment Management agreements and of the services provided by the Manager and the Investment Manager.

The Audit and Management Engagement Committee meets representatives of the Manager and Investment Manager and their Compliance Officers who report as to the proper conduct of business in accordance with the regulatory environment in which the Company, Manager and Investment Manager operate. The Company's external Auditors also attend meetings of this Committee at its request and report on their work procedures and their findings in relation to the Company's statutory audit. They also have the opportunity to meet with the Committee without representatives of the Manager or the Investment Manager being present. The Audit and Management Engagement Committee reviews the need for non-audit services and authorises such fees on a case by case basis, having consideration to the cost effectiveness of the services and the independence and objectivity of the Auditors. Non audit fees of £3,000 were paid to Grant Thornton UK LLP for their review of the Company's interim accounts and review of the performance fee calculation as at 30 September 2008. In addition, the sum of £2,000 was paid to Grant Thornton UK LLP in respect of their review of the tax implications for the Company in investing in Caduceus Asia Partners L.P. (see note 4 on page 33). The Board has concluded, on the recommendation of the Audit and Management Engagement Committee, that the Auditors continue to be independent and that their reappointment be proposed at the Annual General Meeting.

INTERNAL CONTROLS

The Combined Code requires the Directors, at least annually, to review the effectiveness of the Company's system of internal control and to report to shareholders that they have done so. This encompasses a review of all controls, which the Board has identified as including business, financial, operational, compliance and risk management. This accords with the FRC's Internal Control Guidance for Directors.

The Directors are responsible for the Company's system of internal control which is designed to safeguard the Company's assets, maintain proper accounting records and ensure that financial information used within the business, or published, is reliable. Such a system, however, is designed to manage rather than eliminate the risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Unlike the boards of most other listed companies, the boards of investment trust companies obtain the majority of their evidence as to whether internal controls are operating effectively from third party suppliers to whom investment management, custody, administration, accounting and secretarial matters have been delegated. This means that an understanding of the internal controls for an investment trust company requires Directors to consider information from a number of independent sources, rather than from a consolidated single source covering a typical listed company's system of internal control.

The Company does not have an internal audit function. The Audit and Management Engagement Committee considers annually whether there is any need for an internal audit function. As most of the Company's functions are delegated to third parties, it has been agreed that it is inappropriate for the Company to have its own internal audit function.

The Directors, through the procedures outlined below, have kept the effectiveness of the Company's internal controls under review throughout the period covered by these financial statements and up to the date of their approval.

The Manager and the Investment Manager have established an internal control framework to provide reasonable assurance on the effectiveness of the internal controls operated on behalf of their clients. Their compliance monitoring programmes assess the effectiveness of and provide the Board with regular reports on all aspects of internal control (including financial, operational and compliance control, risk management and relationships with external service providers including the Company's custodian). Business risks have been analysed and recorded in a Risk Register, which is reviewed at each meeting of the Audit and Management Engagement Committee and at other times as necessary.

RELATIONS WITH SHAREHOLDERS

The Board reviews the shareholder register at each Board meeting. The Company has regular contact with its institutional shareholders particularly through the Manager. The Board supports the principle that the Annual General Meeting be used to communicate with private investors. The full Board attends the Annual General Meeting under the Chairmanship of the Chairman of the Board. Details of proxy votes received in respect of each resolution are made available to shareholders at the meeting and are also published on the Company's website at www.biotechgt.com. Representatives from the Investment Manager attend the Annual General Meeting and give a presentation on investment matters to those present. The Company has adopted a nominee share code which is set out below.

The Board receives marketing and public relations reports from the Manager to whom the marketing function has been delegated. The Board reviews and considers the marketing plans of the Manager on a regular basis.

The annual and interim financial reports, the interim management statements and a monthly fact sheet are available to all shareholders. The Board considers the format of the annual and interim financial reports so as to ensure they are useful to all shareholders and others taking an interest in the Company. In accordance with best practice, the annual report, including the Notice of the Annual General Meeting, is sent to shareholders at least 20 working days before the Meeting. Separate resolutions are proposed for substantive issues.

EXERCISE OF VOTING POWERS

The Board has delegated authority to the Investment Manager to vote the shares held by the Company through its nominee, The Bank of New York (Nominees) Limited, which accords with current best practice whilst maintaining a primary focus on financial returns. The Investment Manager may refer to the Board on any matters of a contentious nature.

ACCOUNTABILITY AND AUDIT

The Statement of Directors' Responsibilities in respect of the financial statements is set out on page 18. The report of the Auditor is set out on pages 25 and 26. The Board has delegated contractually to external agencies, including the Manager and the Investment Manager, the management of the portfolio, custodial services (which includes the safeguarding of the Company's assets), the day to day marketing, accounting administration, company secretarial requirements and registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company. The Board receives and considers regular reports from the Manager and ad hoc reports and information are supplied to the Board as required.

NOMINEE SHARE CODE

Where shares are held in a nominee company name and where the beneficial owner of the shares is unable to vote in person, the Company nevertheless undertakes:

- to provide the nominee company with multiple copies of shareholder communications, so long as an indication of quantities has been provided in advance;
- to allow investors holding shares through a nominee company to attend General Meetings, provided the correct authority from the nominee company is available; and
- that investors in the Alliance Trust Savings Scheme or ISA are automatically sent shareholder communications, including details of General Meetings, together with a form of direction to facilitate voting and to seek authority to attend.

Nominee companies are encouraged to provide the necessary authority to underlying shareholders to attend the Company's General Meetings.

SHAREHOLDER ANALYSIS

as at 31 March

	2009 number of shares	2009 % of issued share capital	2008 number of shares	2008 % of issued share capital
Nominee Companies*	46,129,612	89.9	54,639,384	87.6
Other Institutions, Investment Funds and Companies	2,675,160	5.2	3,412,077	5.5
Private Individuals	797,489	1.6	680,987	1.1
Bank and Bank Nominees	1,694,152	3.3	3,653,515	5.8
Total shares in issue	51,296,413	100.0	62,385,963	100.0
*includes Alliance Trust Savings Scheme and ISA clients	1,446,435	2.8	1,533,622	2.5

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 31 MARCH 2009

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The Board has prepared this report in accordance with the requirements of Schedule 7A to the Companies Act 1985. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires your Company's Auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditors' opinion is included in their report on pages 25 and 26.

REMUNERATION COMMITTEE

The Company has six non-executive Directors. The Board as a whole fulfils the function of a Remuneration Committee. The Board has appointed Dr John Gordon as Chairman, and the Board may utilise the services of the Company Secretary, Frostrow Capital LLP, or external advisers when they consider the level of Directors' fees.

POLICY ON DIRECTORS' FEES

The Board's policy is that the remuneration of Directors should reflect the responsibilities and experience of the Board as a whole. Regard will be given to fees paid by other investment trusts that are similar in size, have a similar capital structure, and have a similar investment objective. It is intended that this policy will continue for the year ending 31 March 2010 and subsequent years.

The fees for the Directors are determined within the limits set out in the Company's Articles of Association, the maximum aggregate amount currently being £150,000.

At a Remuneration Committee meeting held on 24 February 2009, the following changes to the level of fees paid to Directors were agreed as set out below.

	For the year ended 31 March 2009	With effect from 1 April 2009
John Sclater (<i>Chairman</i>)	£25,000 p.a.	£29,000 p.a.
Sven Borho	£18,000 p.a.	£20,000 p.a.
Dr John Gordon*	£20,000 p.a.	£22,000 p.a.
Peter Keen**	£20,000 p.a.	£22,000 p.a.
Paul Gaunt	£18,000 p.a.	£20,000 p.a.
Lord Waldegrave of North Hill	£18,000 p.a.	£20,000 p.a.

*Senior Independent Director.

**Chairman of the Audit and Management Engagement Committee.

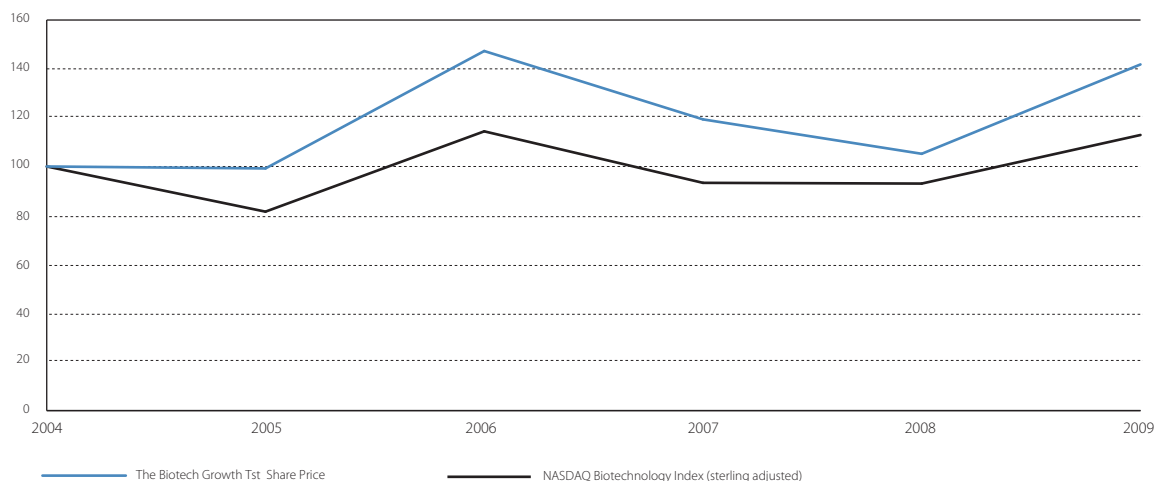
DIRECTORS' SERVICE CONTRACTS

It is the Board's policy that none of the Directors has a service contract. The terms of their appointment provide that Directors shall retire and be subject to election at the first Annual General Meeting after their appointment and to re-election at least every three years thereafter. The terms also provide that a Director may resign by giving one month's notice in writing to the Board at any time and may be removed without notice and that compensation will not be due on leaving office. The Company's policy is for the Directors to be remunerated in the form of fees payable quarterly in arrears.

YOUR COMPANY'S PERFORMANCE

The law requires a line graph be included in the Directors' Remuneration Report comparing, for a period of five years, on a cumulative basis, the total return (assuming all dividends are reinvested) to shareholders and the total shareholder return on a notional investment made up of shares of the same kind and number as those by reference to which the NASDAQ Biotechnology Index (sterling adjusted) is calculated.

FIVE YEAR TOTAL RETURN PERFORMANCE TO 31 MARCH 2009



Rebased to 100 as at 31 March 2004.
Source: Bloomberg

DIRECTORS' EMOLUMENTS FOR THE YEAR (AUDITED)

The Directors who served in the year (unless where stated) received the following emoluments in the form of fees:

	Fees 2009 £'000	Fees 2008 £'000
John Sclater (<i>Chairman of the Board</i>)	25	25
Sven Borho	18	–
Paul Gaunt	18	18
Dr John Gordon (<i>Senior Independent Director</i>)	20	20
Peter Keen (<i>Chairman of the Audit and Management Engagement Committee</i>)	20	20
Anthony Townsend†	–	11
Lord Waldegrave of North Hill	18	18
	119	112

†Anthony Townsend retired from the Board on 8 November 2007.

APPROVAL

The Directors' Remuneration Report on pages 23 and 24 was approved by the Board of Directors on 8 June 2009 and signed on its behalf by John Sclater CVO, Chairman.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF THE BIOTECH GROWTH TRUST PLC

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We have audited the financial statements of The Biotech Growth Trust PLC for the year ended 31 March 2009 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement, and notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information given in the Report of the Directors includes that specific information presented in the Review of Investments that is cross referred from the Business Review section of the Report of the Directors.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the financial statements. The other information comprises only the Company Summary, the Performance Summary, the Chairman's Statement, the Review of Investments, the Portfolio, the Report of the Directors incorporating the Business Review, the Statement of Directors' Responsibilities, the Corporate Governance Statement and the unaudited part of the Directors' Remuneration Report.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

REPORT OF THE INDEPENDENT AUDITOR (continued) TO THE MEMBERS OF THE BIOTECH GROWTH TRUST PLC

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OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Company's affairs as at 31 March 2009 and its profit for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

GRANT THORNTON UK LLP
REGISTERED AUDITOR & CHARTERED ACCOUNTANTS
LONDON
8 JUNE 2009

for the year ended 31 March

	Notes	Revenue £'000	2009 Capital £'000	Total £'000	Revenue £'000	2008 Capital £'000	Total £'000
Investment income							
Investment income	2	39	–	39	116	–	116
Other income	2	–	–	–	6	–	6
Total income		39	–	39	122	–	122
Gains and losses on investments							
Gains/(losses) on investments held at fair value through profit or loss	8	–	19,774	19,774	–	(9,156)	(9,156)
Exchange losses on currency balances		–	(469)	(469)	–	(4)	(4)
Expenses							
Investment management, management and performance fees	3	–	(871)	(871)	–	514	514
Other expenses	4	(408)	(7)	(415)	(366)	–	(366)
Profit/(loss) before finance costs and taxation		(369)	18,427	18,058	(244)	(8,646)	(8,890)
Finance costs	5	(7)	(75)	(82)	(26)	(12)	(38)
Profit/(loss) before taxation		(376)	18,352	17,976	(270)	(8,658)	(8,928)
Taxation	6	–	–	–	–	–	–
Profit/(loss) for the year		(376)	18,352	17,976	(270)	(8,658)	(8,928)
Earnings/(loss) per share	7	(0.7)p	32.7p	32.0p	(0.4)p	(13.4)p	(13.8)p

The "Total" column of this statement represents the Company's Income Statement, prepared in accordance with International Financial Reporting Standards (IFRS). The "Revenue" and "Capital" columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

All items in the above statement derive from continuing operations.

The accompanying notes are an integral part of this statement.

STATEMENT OF CHANGES IN EQUITY

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For the year ended 31 March 2009

	Share capital £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
At 31 March 2008	15,596	46,065	1,535	3,574	(2,273)	64,497
Net profit/(loss) for the year	–	–	–	18,352	(376)	17,976
Buy-back of shares	(2,772)	(12,265)	2,772	–	–	(12,265)
At 31 March 2009	12,824	33,800	4,307	21,926	(2,649)	70,208

For the year ended 31 March 2008

	Share capital £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
At 31 March 2007	16,394	49,443	737	12,232	(2,003)	76,803
Net loss for the year	–	–	–	(8,658)	(270)	(8,928)
Buy-back of shares	(798)	(3,378)	798	–	–	(3,378)
At 31 March 2008	15,596	46,065	1,535	3,574	(2,273)	64,497

as at 31 March

	Notes	2009 £'000	2008 £'000
Non current assets			
Investments held at fair value through profit or loss	8	71,256	64,806
Current assets			
Other receivables	9	1,066	850
Cash and cash equivalents		2,161	811
		3,227	1,661
Total assets		74,483	66,467
Current liabilities			
Other payables	10	1,136	1,970
Bank loan		3,139	–
		4,275	1,970
Net assets		70,208	64,497
Equity attributable to equity holders			
Ordinary share capital	11	12,824	15,596
Special reserve		33,800	46,065
Capital redemption reserve		4,307	1,535
Capital reserve	16	21,926	3,574
Retained earnings		(2,649)	(2,273)
Total equity		70,208	64,497
Net asset value per share	12	136.9p	103.4p

The financial statements on pages 27 to 39 were approved by the Board on 8 June 2009 and were signed on its behalf by:

JOHN SCLATER CVO
CHAIRMAN

The accompanying notes are an integral part of this statement.

for the year ended 31 March

	2009 £'000	2008 £'000
Operating activities		
Profit/(loss) before tax	17,976	(8,928)
Add back interest paid	82	38
Less: (gain)/loss on investments held at fair value through profit or loss	(19,774)	9,156
Less: exchange losses on currency balances	469	4
Purchases of investments held at fair value through profit or loss	(55,870)	(79,383)
Sales of investments held at fair value through profit or loss	67,658	85,477
Increase in other receivables	(9)	(21)
Increase/(decrease) in other payables	229	(1,359)
Net cash inflow from operating activities before interest and taxation	10,761	4,984
Interest paid	(82)	(38)
Net cash inflow from operating activities	10,679	4,946
Financing activities		
Buy-back of shares	(11,999)	(3,038)
Draw down of bank loan	3,139	–
Net cash outflow from financing	(8,860)	(3,038)
Increase in cash and cash equivalents	1,819	1,908
Cash and cash equivalents at start of year	811	(1,093)
Effect of foreign exchange rate changes	(469)	(4)
Cash and cash equivalents at end of year	2,161	811

1. ACCOUNTING POLICIES

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), together with interpretations of the International Accounting Standards and Standing Interpretations Committee approved by the International Accounting Standards Committee ("IASC") that remain in effect, to the extent that IFRS have been adopted by the European Union.

(a) Accounting Convention

The financial statements have been prepared under the historical cost convention, except for the measurement at fair value of investments. Where presentational guidance set out in the revised Statement of Recommended Practice ("the SORP") for Investment Trust Companies produced by the Association of Investment Companies ("AIC") dated 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.

(b) Investments

Investments are recognised and de-recognised on the trade date.

As the entity's business is investing in financial assets with a view to profiting from their total return in the form of interest, dividends or increases in fair value, investments are designated as fair value through profit or loss and are initially recognised at fair value. The entity manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy, and information about the investments is provided internally on this basis to the Board.

Investments designated as at fair value through profit or loss, which are quoted investments, are measured at subsequent reporting dates at fair value, which is either the bid or the last trade price, depending on the convention of the exchange on which it is quoted.

In respect of unquoted investments, or where the market for a financial instrument is not active, fair value is established by using valuation techniques, which may include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. 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.

Gains and losses on disposal are also recognised in the Income Statement.

The total transaction costs for the year were £239,000 (31 March 2008: £350,000) broken down as follows: purchase transaction costs for the year to 31 March 2009 were £112,000, (31 March 2008: £170,000), sale transaction costs were £127,000 (31 March 2008: £180,000). These costs consist mainly of commission.

(c) Presentation of Income Statement

In order to reflect better 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 Companies Act 2006, the capital reserves may not be distributed by way of dividend, although may be utilised for the purposes of share buy backs. Additionally, the net revenue is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in section 842 of the Income and Corporation Taxes Act 1988.

(d) Income

Dividends receivable on equity shares are recognised on the ex-dividend date. Where no ex-dividend date is quoted, dividends are recognised when the Company's right to receive payment is established.

Dividends and interest on investments in unquoted shares and securities are recognised when they become receivable.

(e) Expenses and Finance Costs

All expenses are accounted for on an accruals basis. Expenses are charged through the Income Statement except as follows:

- expenses which are incidental to the acquisition or disposal of an investment are charged to the capital column of the Income Statement;
- expenses are charged to the capital column of the Income Statement where a connection with the maintenance or enhancement of the value of the investment can be demonstrated, and accordingly;
- investment management and management fees and related irrecoverable VAT are charged to the capital column of the Income Statement as the Directors expect that in the long term virtually all of the Company's returns will come from capital, and
- loan interest is charged to the Income Statement and allocated to capital as the Directors expect that in the long term virtually all of the Company's returns will come from capital.

(f) Taxation

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in 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.

Investment trusts which have approval under Section 842 Income and Corporation Taxes Act 1988 are not liable for taxation on capital gains.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the Balance Sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(g) Foreign Currencies

The currency of the primary economic environment in which the Company operates (the functional currency) is pounds sterling ("sterling"), which is also the presentational currency of the Company. Transactions involving currencies other than sterling are recorded at the exchange rate ruling on the transaction date. At each Balance Sheet date, monetary items and non-monetary assets and liabilities that are fair valued, which are denominated in foreign currencies, are retranslated at the closing rates of exchange.

Exchange differences arising on settlements of monetary items and from retranslating at the Balance Sheet date including investments and other financial instruments measured as fair value through profit or loss and other monetary items are included in the Income Statement and allocated as capital if they are of a capital nature, or as revenue if they are of a revenue nature.

(h) Reserves

Capital reserves

The following are credited or charged to the capital column of the Income Statement and then transferred to the Capital Reserve:

- gains or losses on disposal of investments
- exchange differences of a capital nature
- expenses allocated to this reserve in accordance with the above referred policies
- increases and decreases in the valuation of investments held at year end.

Capital Redemption Reserve

- a transfer will be made to this reserve on cancellation of the Company's own shares purchased.

Special Reserve

During the financial year ended 31 March 2004 a Special Reserve was created, following the cancellation of the Share Premium account, in order to provide an increased distributable reserve out of which to purchase the Company's own shares.

2. INCOME

	2009 £'000	2008 £'000
Income from listed investments		
Money market dividends	20	70
Overseas income	17	–
Unfranked interest	2	46
	39	116
Other operating income		
Interest receivable	–	6
Total income	39	122

3. INVESTMENT MANAGEMENT, MANAGEMENT AND PERFORMANCE FEES

	Revenue 2009 £'000	Capital 2009 £'000	Total 2009 £'000	Revenue 2008 £'000	Capital 2008 £'000	Total 2008 £'000
Investment management periodic fee	–	449	449	–	471	471
Management fee	–	198	198	–	218	218
Performance fee paid	–	–	–	–	169	169
Performance fee accrued	–	224	224	–	–	–
Performance fee accrual written back	–	–	–	–	(1,351)	(1,351)
Irrecoverable VAT thereon	–	–	–	–	(21)	(21)
	–	871	871	–	(514)	(514)

During the year ended 31 March 2008 a performance fee of £169,000 crystallised and became payable and also during that year the £1,351,000 accrual that had been made as at 31 March 2007 was reversed in accordance with the performance fee arrangements described on page 13 of this report. In addition, a fee of £224,000 was accrued as at 31 March 2009.

4. OTHER EXPENSES

	Revenue 2009 £'000	Capital 2009 £'000	Total 2009 £'000	Revenue 2008 £'000	Capital 2008 £'000	Total 2008 £'000
Directors' emoluments	119	–	119	112	–	112
Administration fee	50	–	50	50	–	50
Auditors' remuneration for the audit of the Company's financial statements	22	–	22	22	–	22
Auditors' remuneration for review of the interim accounts and performance fee calculation	3	–	3	3	–	3
Auditors' remuneration – taxation*	–	2	2	–	–	–
Broker retainer	25	–	25	25	–	25
Other including irrecoverable VAT	189	5	194	154	–	154
	408	7	415	366	–	366

*During the year a fee of £2,000 was paid to the Company's Auditors in relation to taxation advice in respect of the investment in the Caduceus Asia Partners L.P. Fund.

Details of the amounts paid to Directors are included in the Directors' Remuneration Report on pages 23 and 24.

5. FINANCE COSTS

	Revenue 2009 £'000	Capital 2009 £'000	Total 2009 £'000	Revenue 2008 £'000	Capital 2008 £'000	Total 2008 £'000
Bank overdraft	7	–	7	26	–	26
Bank loan interest	–	67	67	–	12	12
Loan arrangement fee	–	8	8	–	–	–
	7	75	82	26	12	38

6. TAXATION

(a) Factors affecting current tax charge for year

Approved investment trusts are exempt from tax on capital gains made within the Company.

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 28% (2008: 30%). The differences are explained below:

	2009 £'000	2008 £'000
Profit/(loss) on ordinary activities before tax	17,976	(8,928)
Corporation tax at 28% (2008: 30%)	5,033	(2,678)
Effects of:		
Non taxable (gains)/losses on investments held at fair value through profit or loss	(5,405)	2,748
Excess expenses unused	373	(79)
Disallowed expenses	(1)	9
Current tax charge	–	–

(b) Provision for deferred tax

No provision for deferred taxation has been made in the current or prior year.

The Company has not recognised a deferred tax asset of £3,626,000 (2008: £3,484,000) arising as a result of excess management expenses. These excess management expenses will only be utilised if the Company generates sufficient taxable income in the future.

7. EARNINGS/(LOSS) PER SHARE

	Revenue 2009 £'000	Capital 2009 £'000	Total 2009 £'000	Revenue 2008 £'000	Capital 2008 £'000	Total 2008 £'000
Earnings/(loss) per share	(0.7p)	32.7p	32.0p	(0.4p)	(13.4p)	(13.8p)

The total gain per share of 32.0p (2008: loss 13.8p) is based on the total gain attributable to equity shareholders of £17,976,000 (2008: loss £8,928,000).

The revenue loss per share 0.7p (2008: 0.4p) is based on the revenue loss attributable to equity shareholders of £376,000 (2008: £270,000).

The capital gain per share of 32.7p (2008: loss 13.4p) is based on the capital gain attributable to equity shareholders of £18,352,000 (2008: loss £8,658,000).

The total gain, revenue loss and capital gain/(loss) per share are based on the weighted average number of shares in issue during the year of 56,196,626 (2008: 64,473,752).

8. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

	Listed		2009			2008
	Equity £'000	Non-equity £'000	AIM £'000	Unquoted £'000	Total £'000	Total £'000
Cost at 1 April 2008	66,914	–	711	3,809	71,434	78,161
Investment holding (losses)/gains at 1 April 2008	(4,211)	–	189	(2,606)	(6,628)	(73)
Valuation at 1 April 2008	62,703	–	900	1,203	64,806	78,088
Movement in the year						
*Reclassification of investments	3,072	–	–	(3,072)	–	–
Purchases at cost	52,283	1,284	617	357	54,541	79,737
Sales – proceeds	(66,579)	(1,286)	–	–	(67,865)	(83,863)
– gains/(losses) on disposal	5,672	2	–	–	5,674	(2,601)
Net movement in Investment holding gains	7,976	–	3,589	2,535	14,100	(6,555)
Valuation at 31 March 2009	65,127	–	5,106	1,023	71,256	64,806
Closing book cost at 31 March 2009	61,362	–	1,328	1,094	63,784	71,434
Investment holding gains at 31 March 2009	3,765	–	3,778	(71)	7,472	(6,628)
Valuation at 31 March 2009	65,127	–	5,106	1,023	71,256	64,806

	2009 £'000	2008 £'000
Gains/(losses) on investments:		
Gains/(losses) on disposal based on historical cost	5,674	(2,601)
Amounts recognised as investment holding gains/(loss) in previous year	4,275	(464)
Gains/(losses) on disposal based on carrying value at previous balance sheet date	9,949	(3,065)
Net movement in investment holding gains in the year	9,825	(6,091)
Gains/(losses) on investments	19,774	(9,156)

*During the year the Jersey Limited Partnership, Merlin Fund L.P., was terminated in accordance with the partnership agreement and 2,168,917 shares in ReNeuron were received as part of the final distribution.

9. OTHER RECEIVABLES

	2009 £'000	2008 £'000
Future settlements – sales	1,023	816
Other debtors	14	9
Prepayments and accrued income	29	25
	1,066	850

10. OTHER PAYABLES

	2009 £'000	2008 £'000
Future settlements – purchases	16	1,345
Future settlements – purchase of own shares	608	342
Other creditors and accruals	512	283
	1,136	1,970

11. SHARE CAPITAL

	2009 £'000	2008 £'000
Allotted, called up, issued and fully paid: 51,296,413 shares of 25p (2008: 62,385,963)	12,824	15,596
Authorised: 100,000,000 shares of 25p each	25,000	25,000

At the date of this report the Company had 50,496,913 shares of 25p in issue. During the year 11,089,550 shares were repurchased for cancellation at a cost of £12,265,000 (including expenses). Subsequent to the year end, to 8 June 2009, a further 799,500 shares were bought back for cancellation at a cost of £981,000 (including expenses).

12. NET ASSET VALUE PER SHARE

	2009 £'000	2008 £'000
Net asset value per share	136.9p	103.4p

The net asset value per share is based on the net assets attributable to equity shareholders of £70,208,000 (2008: £64,497,000) and on 51,296,413 (2008: 62,385,963) shares in issue at 31 March 2009.

13. RISK MANAGEMENT POLICIES AND PROCEDURES

As an investment trust, the Company invests in equities and other investments for the long term so as to secure its investment objective as stated on page 9. In pursuing its investment objective, the Company is exposed to a variety of risks that could result in either a reduction in the Company's net assets or a reduction in the profits available.

The Company's financial instruments comprise securities and other investments, cash balances and debtors and creditors that arise directly from its operations (for example, in respect of sales and purchases awaiting settlement).

The main risks the Company faces from its financial instruments are (i) market price risk (comprising currency risk, interest rate risk and other price risk (i.e. changes in market prices other than those arising from interest rate or currency risk)), (ii) liquidity risk and (iii) credit risk.

The Board reviews regularly and agrees policies for managing each of these risks.

1. Market Price risk:

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk.

The Company's portfolio is exposed to market price fluctuations which are monitored by the Investment Manager in pursuance of the investment objective. Further information on the composition of the portfolio is set out on page 8.

No derivatives or hedging instruments are utilised to specifically manage market price risk.

(a) Currency risk:

A significant proportion of the Company's portfolio is denominated in currencies other than sterling (the Company's functional currency, and in which it reports its results). As a result, movements in exchange rates can significantly affect the sterling value of those items.

Management of risk

The Investment Manager and Manager monitor the Company's exposure to foreign currencies on a continuous basis and report to the Board regularly. The Investment Manager does not hedge against foreign currency movements, but takes account of the risk when making investment decisions.

Income denominated in foreign currencies is converted into sterling on receipt. The Company does not use financial instruments to mitigate the currency exposure in the period between the time that the income is included in the financial statements and its receipt.

Foreign currency exposure

At the Balance Sheet date the Company held £64,399,000 (2008: £61,028,000) of investments denominated in U.S. dollars and £6,857,000 (2008: £3,778,000) in other currencies.

13. RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

Currency sensitivity

The following table details the sensitivity of the Company's profit or loss after taxation for the year to a 30% increase and decrease in sterling against U.S. dollars (2008: 5% increase and decrease).

The above percentages have been determined based on market volatility in exchange rates over the previous twelve months. The analysis is based on the Company's foreign currency financial instruments held at each balance sheet date, after adjusting for an increase/decrease in management fees.

If sterling had weakened against U.S. dollars as stated below, this would have had the following effect:

	2009 USD £'000	2008 USD £'000
Impact on revenue return	–	–
Impact on capital return	27,420	3,191
Total return after tax/effect on shareholders' funds	27,420	3,191

If sterling had strengthened against U.S. dollars as stated below, this would have had the following effect:

	2009 USD £'000	2008 USD £'000
Impact on revenue return	–	–
Impact on capital return	(14,765)	(2,887)
Total return after tax/effect on shareholders' funds	(14,765)	(2,887)

(b) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Management of the risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions.

The Company, generally, does not hold significant cash balances, with short term borrowing being used when required and therefore deems this risk to be immaterial.

Interest rate exposure

The Company has a £10m committed multicurrency revolving credit facility provided by Allied Irish Banks p.l.c.. At the year end £3,139,000 of the facility was utilised (2008: not utilised). At the year end the Company held £2,161,000 (2008: £811,000) cash at Bank of New York Mellon.

Interest payable on borrowings under the committed multicurrency revolving credit facility was charged at an average rate of 3.1% over the year.

At the date of writing, the loan has been repaid in full.

(c) Other price risk

Other price risk may affect the value of the quoted investments.

If market prices at the Balance Sheet date had been 20% higher or lower (2008: 10% higher or lower) while all other variables had remained constant, the return and net assets attributable to shareholders for the year ended 31 March 2009 would have increased/decreased by £14,159,000 (2008: £6,438,000), after adjusting for an increase or decrease in management fees. The calculations are based on the portfolio valuations as at the respective Balance Sheet dates.

2. Liquidity risk:

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Management of the risk

Liquidity risk is not significant as the majority of the Company's assets are investments in quoted equities and other quoted securities that are readily realisable. The Company has a £10m committed multicurrency revolving credit facility with Allied Irish Banks p.l.c..

The Board gives guidance to the Investment Manager as to the maximum amount of the Company's resources that should be invested in any one company.

Liquidity exposure

Contractual maturities of the financial liabilities as at 31 March 2009, based on the earliest date on which payment can be required, are as follows:

Amounts due to brokers and accruals £1,136,000 (2008: £1,970,000).

13. RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

3. Credit risk:

The failure of the counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss.

Management of the risk

The risk is not significant and is managed as follows:

- by only dealing with brokers which have been approved by OrbiMed Capital LLC and banks with high credit ratings; and
- by setting limits to the maximum exposure to any one counterparty at any time.

At the reporting date, the Company's financial assets exposed to credit risk amounted to £2,161,000 cash at bank and on deposit (2008: £811,000) and £1,066,000 other receivables, such as amounts due from brokers, dividends and interest receivable (2008: £850,000).

Fair value of financial assets and financial liabilities:

Financial assets and financial liabilities are either carried in the Balance Sheet at their fair value or at a reasonable approximation of fair value.

Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that it will be able to continue as a going concern; and
- to maximise the income and capital return to its equity shareholders through an appropriate balance of equity capital and debt.

The Company's capital is disclosed in the Balance Sheet on page 29 and is managed on a basis consistent with its investment objectives and policies as discussed in the Report of the Directors on page 9. The Company currently has a £10m committed multicurrency revolving credit facility, provided by Allied Irish Banks p.l.c., which can be used to finance any short term borrowing requirements.

The Board, with the assistance of the Manager and the Investment Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the planned level of gearing, which takes into account the Investment Manager's view of the market;
- the need to buy back equity shares, either for cancellation or to hold in treasury, which takes account of the difference between the net asset value per share and the share price (i.e. the level of share price discount or premium);
- the possible need for new issues of equity shares; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital are unchanged from the preceding accounting period.

The Company is also subject to several externally imposed capital requirements:

- borrowings under the committed multicurrency revolving credit facility are not to exceed 20% of the portfolio;
- as a public company, the Company has a minimum share capital of £50,000; and
- in order to be able to pay dividends out of profits available for distribution, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by company law.

These requirements are unchanged since last year and the Company has complied with them at all times.

14. RELATED PARTIES

Details of the relationship between the Company, Frostrow Capital LLP and OrbiMed Capital LLC are disclosed in the Report of Directors on pages 12 and 13. Sven Borho is a Director of the Company, as well as a Partner of the Company's Investment Manager, OrbiMed Capital LLC. During the year ended 31 March 2009, OrbiMed Capital LLC received £449,000 in respect of Investment Management fees, of which £111,000 was outstanding at the year end.

15. SUBSTANTIAL INTERESTS

The Company holds an interest of 3% or more of any class of capital in the following:

Company	Shares held	% of issued share capital	Fair value £'000
Curis	4,127,311	6.5%	3,916

This investment is not considered significant in the context of these financial statements.

16. CAPITAL RESERVE

	Capital reserve – other £'000	Capital reserve – investment holdings gains/ (losses) £'000	Total £'000
At 31 March 2008	10,202	(6,628)	3,574
Transfer on disposal of investments	(4,275)	4,275	–
Net gains on investments	9,949	9,825	19,774
Exchange losses	(469)	–	(469)
Expenses charged to capital	(953)	–	(953)
At 31 March 2009	14,454	7,472	21,926

The Institute of Chartered Accountants in England and Wales has issued guidance (TECH 01/08) stating that profits arising out of a change in fair value of assets, recognised in accordance with Accounting Standards, may be distributed provided the relevant assets can be readily convertible into cash. Securities listed on a recognised stock exchange are generally regarded as being readily convertible into cash. However, under the terms of the Company's Articles of Association, sums with "Other capital reserves" are available for distribution only by way of redemption or purchase of any of the Company's own shares. In addition, in order to maintain investment trust status, the Company may only distribute by way of dividend accumulated revenue profits.

17. CONTINGENT ASSETS

On 5 November 2007, the European Court of Justice ruled that management fees should be exempt from VAT. HMRC has announced its intention not to appeal against this case to the UK VAT Tribunal. The Company's previous Investment Manager is in the process of quantifying the potential repayment that should be due and, as the time scale for receipt is uncertain, the Company has made no provision in these financial statements for any such receipt.

1. GENERAL

As described in the Report of the Directors on page 15 of this Annual Report, it is proposed that a number of alterations be made to the Company's Articles of Association. The principal changes are set out below.

As announced on 28 July 2008 the resolution proposed at the Annual General Meeting held on 23 July 2008, to adopt new Articles of Association was ineffective. As then indicated, a resolution is being proposed at this year's Annual General Meeting to adopt new Articles of Association (the "New Articles") in substantially the same form as was proposed to be adopted last year. Most of the changes proposed to be made compared to the current Articles of Association of the Company (the "Current Articles") are being proposed to reflect changes made by the Companies Act 2006, and to clarify that certain provisions of the New Articles apply subject to any relevant provisions of the Companies Act 2006. Additional changes have been made to bring the New Articles into line with changes being made to English company law pursuant to the EU Shareholder Rights Directive.

2. DEFINITIONS

Certain definitions and terms used in the Current Articles are being amended to align them with definitions used in the Companies Act 2006.

3. SHARE TRANSFERS

Under the Companies Act 2006, a company is now required, if it refuses to register a transfer of shares, to give the transferee notice of such refusal together with reasons for the refusal. It is proposed that the New Articles be amended to reflect this change.

4. REFERENCES TO EXTRAORDINARY RESOLUTIONS AND MEETINGS

The Current Articles contain references to extraordinary resolutions and meetings. These provisions are being removed as the concept of extraordinary resolutions and meetings has not been retained under the Companies Act 2006. Instead, meetings are either Annual General Meetings or General Meetings.

The Current Articles enable members to act by written resolution. Under the Companies Act 2006, public companies can no longer pass written resolutions. It is proposed that these provisions be removed in the New Articles.

5. CONVENING GENERAL MEETINGS

The provisions in the Current Articles dealing with the convening of General Meetings and the length of notice required to convene General Meetings are being amended to conform to new provisions in the Companies Act 2006. A General Meeting to consider a special resolution can now be convened on 14 days' notice whereas previously 21 days' notice was required. Notice of an Annual General Meeting, however, still requires 21 days' notice.

6. VOTES OF MEMBERS

Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. The New Articles reflect these provisions.

7. CASTING VOTE

The Chairman's casting vote at General Meetings has been abolished by the Companies Act 2006. The relevant provision of the New Articles has been removed to reflect this.

8. AGE OF DIRECTORS

The Current Articles include provisions relating to Directors attaining the age of 70 or more. These include a requirement that a Director's age is disclosed if he has attained the age of 70 years or more in the notice convening a meeting at which the Director is proposed to be elected or re-elected. These provisions have been removed in the Current Articles to reflect the fact that there is no longer a maximum age limit for Directors.

9. CONFLICTS OF INTEREST

The Companies Act 2006 sets out Directors' general duties which largely codify the existing law but with some changes. Under the Companies Act 2006, a Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a Director becomes a Director of another company or a trustee of another organisation. The Companies Act 2006 allows Directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the Articles of Association contain a provision to this effect. The Companies Act 2006 also allows the Articles of Association to contain other provisions for dealing with Directors' conflicts of interest to avoid a breach of duty. The New Articles give the Directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when Directors decide whether to authorise a conflict or potential conflict. First, only Directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the New Articles should contain provisions relating to confidential information, attendance at Board meetings and availability of Board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the Directors. It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers to authorise conflicts are operated effectively.

10. RECORDS TO BE KEPT

The provision in the Current Articles requiring the Board to keep accounting records has been removed as this requirement is contained in the Companies Act 2006.

11. DIRECTORS' FEES

The New Articles fix the aggregate of fees that may be payable to the Directors for their services at £200,000. This limit is in line with market practice and provides flexibility for the future.

12. NOTICES

This section has been amended in order to enable the Company to provide notices, documents and other communications in electronic form in accordance with the Companies Act 2006 and amendments being made pursuant to the EU Shareholder Rights Directive.

Notice is hereby given that the Annual General Meeting of The Biotech Growth Trust PLC will be held at the Barber-Surgeons' Hall, Monkwell Square, Wood Street, London, EC2Y 5BL on Thursday, 23 July 2009 at 12 noon for the following purposes:

ORDINARY BUSINESS

1. To receive and, if thought fit, to accept the Audited Accounts and the Report of the Directors for the year ended 31 March 2009
2. To re-elect Paul Gaunt as a Director of the Company
3. To re-elect Dr John Gordon as a Director of the Company
4. To re-elect John Sclater as a Director of the Company
5. To re-elect Peter Keen as a Director of the Company
6. To re-elect Sven Borho as a Director of the Company
7. To re-elect Lord Waldegrave of North Hill as a Director of the Company
8. To approve the Directors' Remuneration Report for the year ended 31 March 2009
9. To re-appoint Grant Thornton UK LLP as Auditors of the Company and to authorise the Directors to determine their remuneration

SPECIAL BUSINESS

To consider, and if thought fit, pass the following resolutions of which resolutions 11, 12, 13 and 14 will be proposed as special resolutions:

Authority to Allot Shares

10. THAT in substitution for all existing authorities the Directors be and are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "Act") to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Act) up to a maximum aggregate nominal amount of £1,262,422 (being 10% of the issued share capital of the Company at the date of the notice convening the meeting at which this resolution is proposed) and representing 5,049,691 shares of 25 pence each (or, if less, the number representing 10% of the issued share capital of the Company at the date at which this resolution is passed), provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2010 or 15 months from the date of passing this resolution, whichever is the earlier, unless previously revoked, varied or renewed, by the Company in General Meeting and provided that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to such offer or agreement as if the authority conferred hereby had not expired.

Disapplication of Pre-emption Rights

11. THAT in substitution of all existing powers the Directors be and are hereby generally empowered pursuant to section 95 of the Companies Act 1985 (the "Act") to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority conferred on them by resolution 10 set out in the notice convening the Annual General Meeting at which this resolution is proposed or otherwise as if section 89(1) of the Act did not apply to any such allotment and to sell relevant shares (within the meaning of section 94 of the Act) if, immediately before the sale, such shares are held by the Company as treasury shares (as defined in section 162A of the Act ("treasury shares")), for cash as if section 89(1) of the Act did not apply to any such sale, provided that this power shall be limited to the allotment of equity securities and the sale of treasury shares pursuant to:
 - (a) an offer of equity securities open for acceptance for a period fixed by the Directors where the equity securities respectively attributable to the interests of holders of shares of 25 pence each in the Company ("Shares") are proportionate (as nearly as may be) to the respective numbers of Shares held by them but subject to such exclusions or other arrangements in connection with the issue as the Directors may consider necessary, appropriate, or expedient to deal with equity securities representing fractional entitlements or to deal with legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange, or any other matter whatsoever; and
 - (b) (otherwise than pursuant to sub-paragraph (a) above) up to an aggregate nominal value of £1,262,422 or, if less, the number representing 10% of the issued share capital of the Company at the date of the meeting at which this resolution is passed,

and expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or 15 months from the date of passing this resolution, whichever is the earlier, unless previously revoked, varied or renewed by the Company in General Meeting and provided that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might require equity securities to be allotted or treasury shares to be sold after such expiry and the Directors may allot equity securities or sell treasury shares pursuant to such offer or agreement as if the power conferred hereby had not expired.

Authority to Repurchase Ordinary Shares

12. THAT the Company be and is hereby generally and unconditionally authorised in accordance with section 166 of the Companies Act 1985 (the "Act") to make one or more market purchases (within the meaning of section 163(3) of the Act) of ordinary shares of 25 pence each in the capital of the Company ("Shares") provided that:
- (a) the maximum aggregate number of Shares authorised to be purchased is 7,569,487 (representing approximately 14.99% of the issued share capital of the Company at the date of the notice convening the meeting at which this resolution is proposed);
 - (b) the minimum price (exclusive of expenses) which may be paid for a Share is 25 pence;
 - (c) the maximum price (exclusive of expenses) which may be paid for a Share is an amount equal to the greater of (i) 105% of the average of the middle market quotations for a Share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which that Share is purchased and (ii) the higher of the price of the last independent trade in shares and the highest then current independent bid for shares on the London Stock Exchange as stipulated in Article 5(1) of Regulation No. 2233/2003 of the European Commission (Commission Regulation of 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buyback programmes and stabilisation of financial instruments);
 - (d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2010 or, if earlier, on the expiry of 15 months from the date of the passing of this resolution unless such authority is renewed prior to such time; and
 - (e) the Company may make a contract to purchase Shares under this authority before the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority, and may make a purchase of Shares in pursuance of any such contract.

Adoption of new Articles of Association

13. THAT the Articles of Association produced to the meeting and signed or initialled by the Chairman of the meeting for identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

General Meetings

14. THAT the Directors be authorised to call General Meetings (other than Annual General Meetings) on not less than 14 clear days' notice, such authority to expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, until expiry of 15 months from the date of the passing of this resolution.

BY ORDER OF THE BOARD

FROSTROW CAPITAL LLP
COMPANY SECRETARY
8 JUNE 2009

REGISTERED OFFICE:
ONE WOOD STREET
LONDON EC2V 7WS

Notes

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice.
2. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolutions. If no voting indication is given, a proxy may vote or abstain from voting at his/her discretion. A proxy may vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
3. To be valid any proxy form or other instrument appointing a proxy must be completed and signed and received by post or (during normal business hours only) by hand at Capita Registrars (Proxies), 34 Beckenham Road, Beckenham, Kent BR3 4BR no later than 12 noon on 21 July 2009.
4. In the case of a member which is a company, the instrument appointing a proxy must be executed under its seal or signed on its behalf by a duly authorised officer or attorney or other person authorised to sign. Any power of attorney or other authority under which the instrument is signed (or a certified copy of it) must be included with the instrument.
5. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described below) will not prevent a shareholder attending the meeting and voting in person if he/she wishes to do so.
6. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
7. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
8. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered on the register of members of the Company (the "Register of Members") at 5.30 p.m. on 21 July 2009 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting) will be entitled to attend and vote or be represented at the meeting in respect of shares registered in their name at that time. Changes to the Register of Members after that time will be disregarded in determining the rights of any person to attend and vote at the meeting.
9. As at 8 June 2009 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 50,496,913 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 8 June 2009 are 50,496,913.
10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
11. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with the specifications of Euroclear UK and Ireland Limited ("CRESTCo"), and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) no later than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
12. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
13. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
14. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Register of Members in respect of the joint holding (the first named being the most senior).
15. Members who wish to change their proxy instructions should submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.
16. Members who have appointed a proxy using the hard-copy proxy form and who wish to change the instructions using another hard-copy form, should contact Capita Registrars on 0871 664 0300 (calls cost 10p per minute plus network extras).
17. If a member submits more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
18. In order to revoke a proxy instruction, members will need to inform the Company. Members should send a signed hard copy notice clearly stating their intention to revoke a proxy appointment to Capita Registrars (Proxies), 34 Beckenham Road, Beckenham, Kent BR3 4BR.

In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified

copy of such power of attorney) must be included with the revocation notice. If a member attempts to revoke their proxy appointment but the revocation is received after the time for receipt of proxy appointments (see above) then, subject to paragraph 4, the proxy appointment will remain valid.

19. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (i) above.

LOCATION OF THE ANNUAL GENERAL MEETING



DIRECTORS

John Sclater CVO, Chairman
 Sven Borho
 Paul Gaunt
 Dr John Gordon
 Peter Keen
 Lord Waldegrave of North Hill

COMPANY REGISTRATION NUMBER

3376377 (Registered in England)

The Company is an investment company as defined under Section 833 of the Companies Act 2006.

WEBSITE

www.biotechgt.com

REGISTERED OFFICE

One Wood Street
 London EC2V 7WS

MANAGER, ADMINISTRATOR AND COMPANY SECRETARY

Frostrow Capital LLP
 25 Southampton Buildings
 London WC2A 1AL
 Telephone: 0203 008 4910
 E-Mail: info@frostrow.com
 Website: www.frostrow.com

Authorised and regulated by the Financial Services Authority.

If you have an enquiry about the Company or if you would like to receive a copy of the Company's monthly fact sheet by e-mail, please contact Frostrow Capital using the above e-mail address.

INVESTMENT MANAGER

OrbiMed Capital LLC
 767 Third Avenue, 30th Floor
 New York
 New York NY10017 – 2023
 USA
 Website: www.orbimed.com

Registered under the US Securities and Exchange Commission.

AUDITORS

Grant Thornton UK LLP
 30 Finsbury Square
 London EC2P 2YU

STOCKBROKER

Winterflood Securities Limited
 The Atrium Building
 Cannon Bridge
 25 Dow Gate Hill
 London EC4R 2GA

REGISTRARS

Capita Registrars
 Northern House, Woodsome Park
 Fenay Bridge, Huddersfield
 West Yorkshire HD8 0LA
 Telephone (in UK): 0871 664 0300†
 Telephone (from overseas): +44 20 8639 3399
 Facsimile: +44 (0) 1484 600911
 E-Mail: ssd@capitaregistrars.com
 Website: www.capitaregistrars.com

Please contact the Registrars if you have a query about a certificated holding in the Company's shares.

†calls cost 10p per minute plus network charges and may be recorded for training purposes.

ALLIANCE TRUST SAVINGS LIMITED

PO Box 164, Meadow House
 64 Reform Street
 Dundee DD1 9YP

Customer Services: 01382 573737*
 E-Mail: contact@alliancetrust.co.uk

Please contact Alliance Trust Savings Limited if you have a query concerning an Alliance Trust Savings Scheme, First Steps Plan or ISA account.

*calls to this number are recorded for monitoring purposes and will be charged at local rates, non-BT line charges may vary.

SHARE PRICE LISTINGS

The price of your shares can be found in various publications including the Financial Times, The Daily Telegraph, The Times, The Scotsman and The Herald.

The Company's net asset value per share is announced daily and is available, together with the share price, on the TrustNet website at www.trustnet.com

IDENTIFICATION CODES

Shares	SEDOL	: 0038551
	ISIN	: GB0000385517
	BLOOMBERG	: BIOG LN
	EPIC	: BIOG

Disability Act

Copies of this annual report and other documents issued by the Company are available from the Company Secretary. If needed, copies can be made available in a variety of formats, including braille, audio tape or larger type as appropriate. You can contact the Registrar to the Company, Capita Registrars, which has installed telephones to allow speech and hearing impaired people who have their own telephone to contact them directly, without the need for an intermediate operator, for this service please call 0800 731 1888. Specially trained operators are available during normal business hours to answer queries via this service. Alternatively, if you prefer to go through a 'typetalk' operator (provided by RNID) you should dial 18001 from your textphone followed by the number you wish to dial.

SAVINGS PLAN

The Company participates in the Alliance Trust Savings Limited Investment Trust Savings Plan, which facilitates both regular monthly investments and occasional lump sum investments in the Company's shares. Shareholders who would like information on the Savings Plan should call Alliance Trust Savings Limited on 01382 573737. Calls to this number are recorded for monitoring purposes and are charged at local rates, non-BT line charges may vary.

INDIVIDUAL SAVINGS ACCOUNTS ("ISA") AND PERSONAL EQUITY PLAN ("PEP")

ISAs are a tax-efficient method of investment, introduced by the Government. A number of changes to the structure of ISAs and PEPs have been introduced with the aim of removing the complexities associated with the existing PEP and ISA schemes and to provide savers with more certainty and flexibility.

The principal changes to ISAs and PEPs are:

- The distinction between Mini and Maxi ISAs has been removed.
- All ISAs have been reclassified as either a Cash ISA or a Stocks and Shares ISA, and both types of ISA are available indefinitely with no set end date.
- The annual subscription limit has been raised from £7,000 to £7,200. Investors may use their entire allowance to invest in the Stocks and Shares ISA. Alternatively, investors are able to save up to £3,600 of their allowance in a Cash ISA with one provider. The remainder of the £7,200 can be invested in a Stocks and Shares ISA with either the same or a different provider.
- All PEPs have been reclassified as Stocks and Shares ISAs and have become subject to the ISA rules.

Under the new rules, investors can transfer some or all of the money invested in Cash ISAs over previous years into a Stocks and Shares ISA without affecting the annual subscription limit, but not vice versa.

Investors may also invest in one Cash ISA and one Stocks and Shares ISA, subject to the annual subscription limits, each April to April tax year. A Cash ISA and a Stocks and Shares ISA can be with the same or different providers.

CAPITA REGISTRARS – SHARE DEALING SERVICE

A quick and easy share dealing service is available to existing shareholders through the Company's Registrar, Capita Registrars, to either buy or sell shares. An online and telephone dealing facility provides an easy to access and simple to use service.

Type of trade	Online	Telephone
Share certificates	1% of the value of the deal (Minimum £20, max £52.50)	1.5% of the value of the deal (Minimum £25, max £102.50)

There is no need to pre-register and there are no complicated forms to fill in. The online and telephone dealing service allows you to trade 'real time' at a known price which will be given to you at the time you give your instruction.

To deal online or by telephone all you need is your surname, shareholder reference number, full postcode and your date of birth. Your shareholder reference number can be found on your latest statement or certificate where it will appear as either a 'folio number' or 'investor code'. Please have the appropriate documents to hand when you log on or call, as this information will be needed before you can buy or sell shares.

For further information on this service please contact:

www.capitadeal.com (online dealing) or 0870 458 4577† (telephone dealing).

†Calls cost 10p per minute plus network extras and may be recorded for training purposes.

INVESTMENT TRUST TERMS

Discount or Premium

A description of the situation when the share price is lower or higher than the net asset value ("NAV") per share. The size of the discount or premium is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage (%) of the NAV per share. If the share price is higher than the NAV per share, this situation is called a premium.

Gearing

Also known as leverage, particularly in the USA. The term used to describe the process of borrowing money for investment purposes in the expectation that the returns on the investments purchased using the borrowings exceed the costs of these borrowings.

Initial Public Offering (IPO)

The initial offer by a company of shares to be quoted on a stock exchange. Often known as a flotation.

Net Asset Value (NAV)

The value of the Company's assets, principally investments made in other companies and cash being held, minus any liabilities for which the Company is responsible, e.g. money owed to other people. The NAV is also described as 'shareholders' funds'. The NAV is often expressed in pence per share after being divided by the number of shares which have been issued. The NAV per share is unlikely to be the same as the share price which is the price at which the Company's shares can be bought or sold by an investor. The share price is determined by the relationship between the demand and supply for the shares.

Total Assets

Total assets less current liabilities before deducting prior charges. Prior charges includes all loans for investment purposes.

Total Expense Ratio

The total expense ratio is calculated by taking the Company's expenses, excluding performance fees and exceptional items, and dividing by the average net asset value of the Company over the year.

Treasury Shares

Shares previously issued by a company that has been bought back from shareholders to be held by the company for potential sale or cancellation at a later date.

This report is printed on Revive 75 Silk. The paper consists of 50% de-inked post consumer waste, 25% pre-consumer waste and 25% virgin wood fibre. The pulp used is a combination of Elemental Chlorine Free (ECF) and Totally Chlorine Free (TCF). The mill is certified to environmental management standard ISO 14001. This product has been awarded the NAPM 75% Recycled Mark. This report has been printed using vegetable based inks.

