

THE BIOTECH GROWTH TRUST PLC

ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010



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 2015, further opportunities to vote on the continuation of the Company shall be given to shareholders every five years thereafter.

GEARING

The Company's borrowing requirements (limited to £15m by the Board) are met through the utilisation of a loan facility, repayable on demand, provided by Goldman Sachs & Co. New York. As at 31 March 2010 £8.5m was 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 Friday, 16 July 2010 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 2010	Year ended 31 March 2009	% change
Shareholders' funds (£'000)	120,417	70,208	+71.5
Net asset value per share	182.6p	136.9p	+33.4
Share price	175.8p	130.5p	+34.7
Discount of share price to net asset value per share	3.7%	4.7%	–
NASDAQ Biotechnology Index (sterling adjusted)	618.1	477.5	+29.4
Total expense ratio*	1.1%	1.6%	–

*Based on the average amount of shareholders' funds during the year – excludes performance fee accrued/written back – see note 3 on page 31. However, this includes the VAT repayment received during the year ended 31 March 2010.

PERFORMANCE FOR THE YEAR TO 31 MARCH 2010



Figures have been rebased to 100 as at 31 March 2009.

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.

The Company may 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 8.

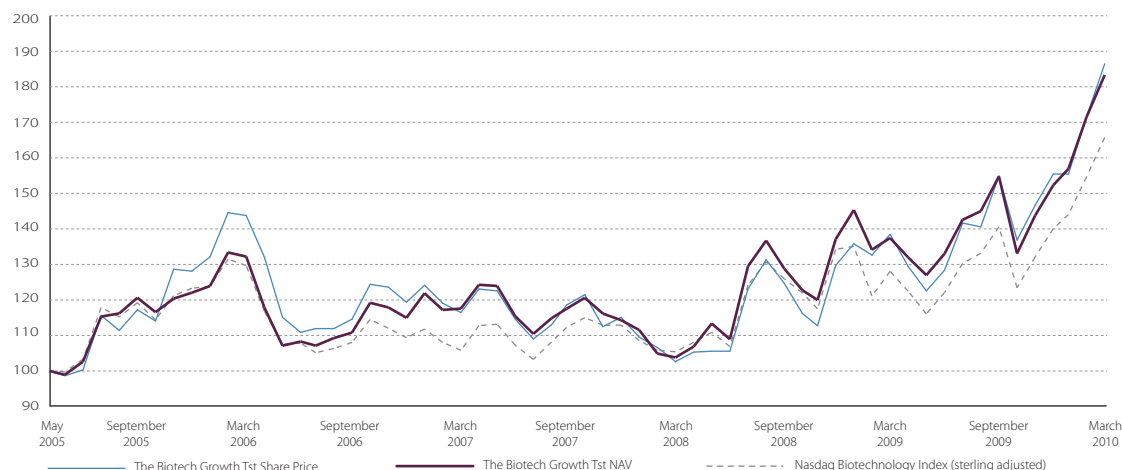
CAPITAL STRUCTURE

As at 31 March 2010, the Company had 65,959,861 shares in issue. During the year, 16,006,227 new shares were issued, following a Placing and Offer for Subscription, and 1,342,779 shares were bought back for cancellation. No further shares were bought back subsequent to the year end to 7 June 2010.

DIVIDEND

No dividend is recommended in respect of the year ended 31 March 2010 (2009: Nil).

PERFORMANCE SINCE THE DATE OF APPOINTMENT OF ORBIMED CAPITAL LLC AS INVESTMENT MANAGER



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

Source: Bloomberg

YEAR ENDED 31 MARCH FIVE YEAR PERFORMANCE RECORD

	2005	2006	2007	2008	2009	2010
Net asset value per share	101.2p*	131.8p	117.1p	103.4p	136.9p	182.6p
Share price	91.3p	135.5p	109.8p	96.8p	130.5p	175.8p
Discount/(premium) of share price to net asset value per share	9.8%	(2.8)%	6.2%	6.4%	4.7%	3.7%
NASDAQ Biotechnology Index (sterling adjusted)	344.3	483.7	394.7	393.1	477.5	618.1

*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 the Company continued to deliver good returns during the second half of its financial year. During the full year ended 31 March 2010, the Company's net asset value per share rose by 33.4% compared to a rise of 29.4% in the Company's benchmark during the same period. The Company's share price also outperformed the benchmark, rising by 34.7%, as the discount of share price to net asset value per share narrowed slightly from 4.7% at 31 March 2009 to 3.7% at the year-end.

This outperformance was achieved, in part, due to positive news flow concerning drugs being developed by companies held in the portfolio such as Curis, Dendreon, InterMune, Celgene and BioMarin Pharmaceutical and, in part, from continued high levels of merger acquisition activity in the biotechnology sector. Three of the Company's holdings (Tepnel Life Sciences, Genentech and Cougar Biotechnology) were the subject of take over activity during the year. The Company's fine performance in sterling terms was achieved in spite of the headwind from the appreciation of sterling against the U.S. dollar.

Further information on the Company's investments can be found in the Review of Investments on page 6.

PLACING AND OFFER FOR SUBSCRIPTION

I am pleased to report that a total of 16,006,227 new shares was issued on 4 December 2009 at a price of 149.18p per share, raising £23.9m of additional funds for the Company. I would like to welcome our new shareholders and to add that I hope they, and indeed all our shareholders, will be delighted at the 7.6% increase in the Company's share price since the date of our new issue. The funds raised were invested quickly by our Investment Manager to take advantage of rising markets.

RETURN PER SHARE AND DIVIDEND

The total return per share amounted to 51.8p for the year (2009: return of 32.0p), comprising a revenue deficit of 0.6p per share (2009: deficit of 0.7p) and a capital gain of 52.4p (2009: gain of 32.7p). No dividend is recommended in respect of the year ended 31 March 2010 (2009: Nil).

GEARING

Following a change in the Company's custodian in December 2009, the Company's borrowing requirements are met through a loan facility, which is repayable on demand, provided by the new custodian, Goldman Sachs & Co New York. At 31 March 2010 a total of £8.5m from this facility was drawn down.

CAPITAL

The Board has 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 1,342,779 shares was bought back for cancellation, at an average discount to net asset value per share of 8%,

costing £1,779,000 (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 in shares will be sought at the Annual General Meeting.

ALTERNATIVE INVESTMENT FUND MANAGER ('AIFM') DIRECTIVE

Our trade association, the Association of Investment Companies, continues to work towards ensuring that the AIFM Directive, the draft legislation being considered in Europe which will regulate 'alternative investment funds' including investment trusts, will accommodate the UK investment company structure. The Association appears to be making progress with this and your Board will continue to keep shareholders informed of major developments concerning the Directive as they arise.

OUTLOOK

2009 was an exceptional year in terms of a recovery in the fortunes of markets, with fears of a return to a global recession, not seen for a generation, giving way to signs of a developing recovery thanks to radical and unprecedented stimulus packages from central governments. With the uncertainty surrounding healthcare reform in the U.S. having abated, our Investment Manager believes strongly that the sector, and biotechnology companies in particular, will continue to benefit from this. In addition, continued merger and acquisition activity, a benign environment for initial public offerings ("IPOs") and a number of expected high profile product approvals will all be key drivers for the sector. Your Board believes that the Company is well positioned to take advantage of this bright outlook.

Our focus continues to be on the selection of stocks with strong prospects for capital enhancement and we continue to believe that the long term investor in our sector will be well rewarded.

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 Friday, 16 July 2010 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
7 JUNE 2010

JOHN SCLATER, CVO (CHAIRMAN)

John Sclater, aged 69, 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 43, 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 61, 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 65, 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 52, has served on the Board as a Director since the launch of the Company in June 1997 and is Chairman of the Audit & Management Engagement Committee. A chartered accountant, he has over 25 years' experience in the management and financing of biotechnology businesses and up until March 2010 was the Corporate Development and Finance Director of the privately held biopharmaceutical company Serentis Limited. He has served as a Director of a number of technology businesses and is currently the Senior Independent Director of Abcam plc and a Director of Ark Therapeutics Group plc and Exosect Ltd; 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 63, 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 Limited 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 and the Rhodes Trust.

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.\$5 billion in assets under management as at 31 March 2010 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 43 holdings as at 31 March 2010.

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 two to three 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.

Geoffrey C Hsu, CFA, is a General Partner of OrbiMed, having joined 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.

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.

PERFORMANCE REVIEW

The Company's net asset value per share increased by 33.4% during the year. The Company also outperformed our benchmark index, the NASDAQ Biotechnology Index (measured on a sterling adjusted basis), which rose 29.4% during this period.

The top contributors to performance in the portfolio were Curis, Dendreon, InterMune, Celgene, and BioMarin Pharmaceutical. Curis' shares have increased as its promising anti-cancer drug partnered with Roche progressed through mid-stage trials. Dendreon reported positive phase III trial results for Provenge, its prostate cancer treatment, which drove the shares up over 700% during the financial year. Celgene was the top-performing major biotechnology stock due to successful clinical trial results for its drug Revlimid, used to treat first-line myeloma. InterMune received a positive vote for approval from a U.S. Food and Drug Administration ("FDA") advisory panel for its lead drug pirfenidone for idiopathic pulmonary fibrosis. BioMarin rebounded from a difficult prior year as investors turned their focus to two new product opportunities currently in clinical trials for rare genetic diseases: GALNS for MPS IV and PEG-PAL for phenylketonuria.

The biggest losses were from positions in Medivation and Genmab, which both reported negative phase III trial data. Medivation's Dimebon failed to show a benefit in Alzheimer's disease despite prior positive data. Genmab's Arzerra showed a lower than expected response rate in the treatment of non-Hodgkin's lymphoma.

The Company's financial year began a few weeks after the general markets reached a bottom in March 2009. At the time, there were legitimate concerns that many of the smaller unprofitable biotechnology companies would be unable to finance, which negatively affected their share prices. As the markets recovered and these concerns abated, the emerging biotechnology sector tended to outperform the major biotechnology sector during the financial year. Furthermore, concerns about the impact of healthcare reform in the United States on major biotechnology companies dampened interest from generalist investors and created an overhang for these stocks. Although the overall NASDAQ Biotechnology Index increased some 29%, the major capitalisation components of the index increased approximately 8% while the smaller capitalisation components of the index increased 37%.

HEALTHCARE REFORM IN THE U.S.

President Obama made healthcare reform one of the key initiatives of his new administration. This started a year-long process to craft acceptable legislation. In addition to significant political debates, this process created uncertainty for healthcare investors about the future profitability of the industry. In March 2010, the United States congress passed the final reform bill into law. We believe that the changes to the healthcare system are manageable for the biotechnology industry and will be positive in the long term. Fortunately the most potentially damaging options that were contemplated, such as the creation of a public insurance plan, were omitted from the final legislation. In the short term there are relatively small changes that adversely impact biotechnology and pharmaceutical companies such as a reduction in the rate of payment for drugs under Medicaid (which covers the poor) and the creation of a small industry tax for drug makers. Over the longer term the reform will increase the number of insured individuals by about 30 million, which we believe could create volume growth of drug sales of three to five per cent.

SECTOR UPDATE

An encouraging driver of sector growth over the coming years is the resurgent level of new biotechnology product launches. The following table lists the major recent and prospective launches by companies listed in the portfolio. The biotechnology industry continues to deliver impressive research and development productivity (in contrast to most traditional large pharmaceutical companies) and now routinely accounts for over half of new product introductions in the U.S. Furthermore the products from biotechnology companies tend to be innovative, rather than "me-too" drugs. For example, Provenge, from Dendreon, is the first "cancer vaccine" which treats prostate cancer by sensitising the patient's immune system to fight cancer with limited additional side effects. Also, Benlysta, from Human Genome Sciences, takes a unique approach to down-regulating B-cells in lupus, and is expected to be the first drug approved for that condition in 40 years.

Product	Company	Indication	Launch Year	Revenue Potential
Folotyn	Allos Therapeutics	T-cell Lymphoma	2009	\$500 million
Arzerra	Genmab/Glaxo	CLL	2009	\$500 million
Denosumab	Amgen	Osteoporosis	2010	\$5 billion
Ampyra	Acorda Therapeutics	Multiple Sclerosis	2010	\$500 million
Krystexxa	Savient Pharmaceuticals	Gout	2010	\$500 million
Benlysta	Human Genome Sciences/Glaxo	Lupus	2010	\$2 billion
Provenge	Dendreon	Prostate cancer	2010	\$2 billion
Telaprevir	Vertex Pharmaceuticals	Hepatitis C	2011	\$5 billion

As we have noted in prior reports, merger and acquisition activity is a key theme for biotechnology sector investing. During the financial year, the Company benefited from the acquisition of portfolio holding Cougar Biotechnology by Johnson and Johnson at a 16% premium, and the announced hostile offer for OSI Pharmaceuticals by Astellas at a 40% premium. Acquisition candidates within the portfolio that have late stage assets include Allos Therapeutics, Dendreon, Human Genome Sciences, and Savient Pharmaceuticals.

With the removal of the overhang of healthcare reform, the low current valuation of biotechnology companies and the strong fundamentals in terms of pipeline progress and financial results, we believe the biotechnology sector is poised for outperformance.

SVEN BORHO
ORBIMED CAPITAL LLC
INVESTMENT MANAGER
7 JUNE 2010

AS AT 31 MARCH 2010

Investments	Country	Fair value £'000	% of Investments
Celgene	United States	10,720	8.1
Amgen	United States	10,243	7.7
Gilead Sciences	United States	9,840	7.4
Genzyme	United States	7,025	5.3
Shire	United Kingdom	6,396	4.8
Curis	United States	5,612	4.2
Biogen Idec	United States	4,796	3.6
Allos Therapeutics	United States	4,567	3.5
Clinical Data	United States	4,355	3.3
BioMarin Pharmaceutical	United States	3,997	3.0
Top 10 Investments		67,551	50.9
Thermo Fisher Scientific	United States	3,908	2.9
Pharmacyclis	United States	3,845	2.9
Actelion	Switzerland	3,815	2.9
Santarus	United States	3,779	2.9
Cubist Pharmaceuticals	United States	3,685	2.8
Illumina	United States	3,515	2.7
Vertex Pharmaceuticals	United States	3,232	2.4
OSI Pharmaceuticals	United States	2,511	1.9
Endo Pharmaceuticals	United States	2,511	1.9
Savient Pharmaceuticals	United States	2,427	1.8
Top 20 Investments		100,779	76.0
Human Genome Sciences	United States	2,403	1.8
Intermune	United States	2,344	1.8
Alexza Pharmaceuticals*	United States	2,236	1.7
Momenta Pharmaceuticals	United States	2,203	1.7
Lexicon Genetics	United States	2,180	1.6
Incyte Genomics	United States	1,989	1.5
Myriad Genetics	United States	1,981	1.5
Cephalon	United States	1,868	1.4
Transcept	United States	1,787	1.3
Medivir	Sweden	1,745	1.3
Top 30 Investments		121,515	91.6
Medicines Co	United States	1,550	1.2
Dendreon	United States	1,516	1.1
Affymetrix	United States	1,402	1.1
Affymax	United States	1,368	1.0
Pharmasset	United States	1,147	0.9
Acorda Therapeutics	United States	969	0.7
Anadys Pharmaceuticals*	United States	956	0.7
Caduceus Asia Partners L.P. (Unquoted)	Far East	677	0.5
Genmab	Denmark	627	0.5
Cytokinetics	United States	515	0.4
Top 40 Investments		132,242	99.7
Somaxon Pharmaceuticals	United States	361	0.3
Biowisdom (Unquoted)	United Kingdom	15	0.0
Ligand Pharmaceuticals Inc Wts 10/13/11*	United States	0	0.0
Total Investments		132,618	100.0

All of the above investments are equities unless otherwise stated.

*Includes warrants.

PORTFOLIO BREAKDOWN

Investments	Fair value £'000	% of Investments
Equities	132,234	99.7
Warrants	384	0.3
Total Investments	132,618	100.0

The Directors present their report and the audited financial statements for the year ended 31 March 2010.

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 & 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 2009. 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 Company's shares are eligible for inclusion in the stocks and shares component of an Individual Savings Account.

CONTINUATION OF THE COMPANY

A resolution was passed at a General Meeting of the Company held on 4 December 2009, that the Company continue as an investment trust for a further five year period (from the Annual General Meeting held in 2010). 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 2015 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 10% of its gross assets in other closed ended investment companies (including investment trusts) listed on the London Stock Exchange, except where the investment companies themselves have stated investment policies to invest no more than 15% of their gross assets in other closed ended investment companies (including investment trusts) listed on the London Stock Exchange
- The Company will not invest more than 15%, in aggregate, of the value of the gross assets of the Company in other closed ended investment companies (including investment trusts) listed on the London Stock Exchange
- 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 majority of the emerging biotechnology companies that the Company will invest in are likely to be companies with a market capitalisation of less than US\$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
- The Company will not invest more than 10% of the portfolio in direct unquoted investments at the time of acquisition. This limit does not include any investment in private equity funds managed by the Investment Manager or any affiliates of such entity
- The Company may 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. The Company's borrowing requirements are met through the utilisation of a loan facility, repayable on demand, provided by Goldman Sachs & Co. New York. 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.

REPORT OF THE DIRECTORS (continued)

INCORPORATING THE BUSINESS REVIEW

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PERFORMANCE

In the year to 31 March 2010, the Company's net asset value per share increased by 33.4% compared to a rise of 29.4% in the NASDAQ Biotechnology Index (sterling adjusted). The Company's share price rose by 34.7% in the same period.

The Review of Investments on page 6 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 2010

	Contribution for the year to 31 March 2010 £'000	Contribution per share (pence)*
Top Five Contributors		
Curis	3,421	6.2
Dendreon	3,041	5.5
Intermune	2,795	5.0
Celegene	2,507	4.5
BioMarin Pharmaceutical	1,760	3.2
		24.4
Bottom Five Contributors		
Medivation	(1,328)	(2.4)
Genmab	(1,176)	(2.1)
Genzyme	(932)	(1.7)
Antisoma	(867)	(1.6)
Gilead Sciences	(692)	(1.2)
		(9.0)

*Based on 55,422,574 ordinary shares, being the weighted average number of shares in issue during year ended 31 March 2010.

Source: Frostrow Capital LLP

RESULTS AND DIVIDENDS

The results attributable to shareholders for the year and the transfer to reserves are shown on page 25. No dividend is proposed in respect of the year ended 31 March 2010 (2009: 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 23)
- 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 23)
- Repurchase of own shares (see pages 1 and 11)

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 2015 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. However, the average month end share price discount during the year was 5.7%, 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 1158 of the Corporation Taxes Act 2010 (formerly 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 a 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 reviewed by the Board at each Board Meeting. 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, sectors, 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 at every Board Meeting so that the Board can give consideration as to any action required; this is 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.
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.
- x) **Credit Risk** – The Company's assets can be held by Goldman Sachs & Co. New York as collateral for the loan provided by them to the Company. Such assets taken as collateral may be used, loaned, sold, rehypothecated or transferred by Goldman Sachs & Co. New York, although the Company maintains the economic benefits from ownership of those assets. Goldman Sachs & Co. New York may take up to 140% of the value of the

outstanding loan as collateral. The Company is fully protected, such protection being equal to the net assets held by Goldman Sachs & Co. New York, by SEC rules and U.S. legislation.

Assets held by Goldman Sachs & Co. New York, as custodian, that are not used as collateral, are held in segregated client accounts. At the year end no assets were taken as collateral by Goldman Sachs & Co. New York. (Also see Glossary on page 45).

Further information on financial instruments and risk, as required by IAS 7, can be found in note 13 to the financial statements beginning on page 34.

LOAN FACILITY

With effect from December 2009, the Company's borrowing requirements are now met through the utilisation of a loan facility, repayable on demand, provided by Goldman Sachs & Co. New York.

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. At a General Meeting of the Company held on 4 December 2009 authority was obtained to buy back up to 9,913,440 shares. During the year a total of 1,342,779 shares was bought back for cancellation representing 2.6% of the issued share capital at the beginning of the year. The purchases were made at prices ranging between £1.1715 and £1.7559 per share at a cost of £1,779,000 (including expenses) and at an average discount of 8% to net asset value per share. No further shares were repurchased subsequent to the year end.

A total of 16,006,227 new shares were issued by the Company on 4 December 2009 at £1.4918 per share following a Placing and Offer for Subscription.

PROSPECTS

Following a general and developing recovery in global markets and the removal of uncertainty surrounding healthcare reform in the U.S., the Company's Investment Manager believes strongly that the sector, and biotechnology companies in particular, will benefit from this. In addition, continued merger and acquisition activity, a benign environment for IPO's and a number of expected high profile product approvals will all be key drivers for the healthcare sector.

The Association of Investment Companies continues to work towards ensuring that the AIFM Directive is drafted to accommodate the UK investment company structure. The Board will continue to keep this situation under close review.

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 fixed amount payable to Frostrow Capital LLP has been increased to £60,000 per annum, with effect from 1 April 2010, and has been fixed for a period of three years.

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.

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 £798,000 has been accrued as at 31 March 2010. No performance fee was paid during the year (2009: Nil).

The proportion of the Company's assets invested 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 performance fee calculation.

MANAGER AND INVESTMENT MANAGER EVALUATION AND RE-APPOINTMENT

The performance of the Manager and the Investment Manager is reviewed continuously 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. The Committee reviewed the appropriateness of the appointment of the Manager and the Investment Manager in May 2010 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 and on the previous page, 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 (2009: 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.

REPORT OF THE DIRECTORS (continued)

INCORPORATING THE BUSINESS REVIEW

13

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 2010	31 March 2009
John Sclater	25,000	9,410
Sven Borho	221,218	221,218
Paul Gaunt	–	–
Dr John Gordon	70,000	50,000
Peter Keen	45,000	32,585
Lord Waldegrave of North Hill	58,716	51,066

As at 7 June 2010, 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 11 and 12. A number of the partners at OrbiMed have a minority financial interest amounting in total to 20% in Frostrow Capital LLP, the Company's Manager.

DIRECTORS' FEES

A report on Directors' Remuneration is set out on pages 22 and 23.

DIRECTORS' & OFFICERS' LIABILITY INSURANCE COVER

Directors' & officers' liability insurance cover was maintained by the Board during the year ended 31 March 2010. It is intended that this policy will continue for the year ended 31 March 2011 and subsequent years.

SUBSTANTIAL SHAREHOLDINGS

As at 30 April 2010 the Company was aware of the following interests in the shares of the Company, which exceeded 3% of the issued share capital.

Beneficial shareholder	Registered holder	No. of shares	% of Issued share capital
Newton Investment Management	Various Nominees	9,927,878	15.05
Baillie Gifford & Co.	BNY (OCS) Nominees/Sec Services Nominees	8,180,699	12.40
East Riding of Yorkshire Council	Nortrust Nominees	7,500,000	11.37
Reliance Mutual Insurance Society	HSBC Global Custody Nominee (UK)/		
	State Street Nominees	4,741,063	7.19
M&G Investment Management	Various Nominees	4,738,415	7.18
JP Morgan Asset Management	Chase Nominees/Bank of New York Nominees	4,676,829	7.09
Hansa Capital	Mellon Nominees (UK)/State Street Nominees/		
	Lynchwood Nominees	3,106,098	4.71

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 17 to 21 and forms part of this Report of the Directors.

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.

COMPANY SHARE INFORMATION

The following disclosures are made in accordance with paragraph 13 of Schedule 7 to the Large and Medium Sized Companies and Group (Accounts and Reports) Regulations 2008:

Capital Structure

The Company's capital structure is summarised on page 1.

Voting Rights in the Company's shares

Details of the voting rights in the Company's shares at the date of this Annual Report are given in note 9 to the Notice of Annual General Meeting on page 41.

NOTICE PERIOD FOR GENERAL MEETINGS

Recent amendments made to the Company's Articles of Association included a provision allowing 14 clear days as the minimum period of notice for all General Meetings of the Company, other than Annual General Meetings, where the notice period remains 21 clear days. A Special Resolution was passed at last year's Annual General Meeting approving this. The Board is proposing Resolution 14 as a Special Resolution to renew this approval for a further year.

ELECTRONIC COMMUNICATION

Included with notice of the Annual General Meeting is a letter to shareholders asking for their individual consent to receive documents, notices and information either electronically or via the Company's website. Ordinary Resolution 13 also requests the consent of shareholders to send or supply documents by electronic means.

The passing of Ordinary Resolution 13 and your individual consent will give the Company more flexibility to supply notices, documents or information in electronic form and by means of a website pursuant to the FSA's Disclosure Rules and Transparency Rules. The Company's Articles of Association were updated at last year's Annual General Meeting to enable the Company to send all documents and notices electronically rather than just notices

of meetings, proxies, and copies of annual reports and accounts and summary financial statements and to permit the Company to send documents by means of a website and to ensure the Articles of Association are consistent with the provisions of the Companies Act 2006.

Shareholders should note that even if Ordinary Resolution 13 is passed no action will be taken and no documents will be sent electronically until the consent of shareholders in general meeting has been obtained and until the Company receives individual consent to electronic communication. However, provided that Ordinary Resolution 13 is passed at the Annual General Meeting and provided we have not received a response from you by 19 July 2010 the Companies Act 2006 allows us to assume that you have agreed that the documents and information referred to in the consent letter can be sent to you by posting them on the Company's website.

A shareholder may, if he or she wishes, continue to receive all company communications in hard copy form. Moreover, a shareholder may, in relation to a particular communication, request a hard copy form of that communication or, at any time, revoke his or her general agreement to be provided documentation in electronic form or by means of a website by delivering written notice or such revocation to the Company.

ANNUAL GENERAL MEETING

The formal Notice of Annual General Meeting is set out on pages 39 to 42 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

Ordinary 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 £1,648,996 such amount being equivalent to 10% of the issued share capital at 7 June 2010 and representing 6,595,986 shares of 25p each. Such issues would only be made at prices greater than the prevailing net asset value ("NAV") per share 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

Special 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 £1,648,996. 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

Special 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 9,887,383 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 a maximum of 10% of the issued share capital or cancelled.

(d) Electronic communications

Ordinary Resolution 13 seeks shareholder approval for the Company to send them documents, notices and information either electronically or via the Company's website.

(e) General meetings

Special 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 10, 11, 12 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

7 JUNE 2010

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 adequate 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 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, whose details can be found on page 4, 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 2010, 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

7 JUNE 2010

This Corporate Governance Statement forms part of the Report of the Directors

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 2010 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.

INTERNAL AUDIT

As the Company delegates to third parties its day-to-day operations and has no employees, the Board has determined that there are no requirements for an internal audit function. The Board reviews annually whether a function equivalent to an internal audit is needed and it will continue to monitor its systems of internal controls in order to provide assurance that they operate as intended.

BOARD INDEPENDENCE, COMPOSITION AND TENURE

The Board, chaired by John Sclater, 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. As a result, despite being considered by the Board to be independent in character and judgement, Mr Gaunt is 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, also 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 and 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 and the 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 2010, 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.

CONFLICT OF INTEREST

On 1 October 2008 it became a statutory requirement that a Director must avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests (a "situational conflict"). The Company's Articles of Association were amended at the last Annual General Meeting to give the Directors authority to approve such situations, where appropriate.

It is the responsibility of each individual Director to avoid an unauthorised conflict situation arising. He or she must request authorisation from the Board as soon as he or she becomes aware of the possibility of a situational conflict arising.

The Board is responsible for considering Directors' requests for authorisation of situational conflicts and for deciding whether they should be authorised. The factors to be considered will include whether the situational conflict could prevent the Director from performing his or her duties, whether it has, or could have, any impact on the Company and whether it could be regarded as likely to affect the judgment and/or actions of the Director in question. When the Board is deciding whether to authorise a conflict or potential conflict, only Directors who have no interest in the matter being considered are able to take the relevant decision, and 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 are able to impose limits or conditions when giving authorisation if they think this is appropriate in the circumstances.

A register of conflicts is maintained by the Company Secretary and is reviewed at quarterly Board meetings, to ensure that any authorised conflicts remain appropriate. Directors are required to confirm at these meetings whether there has been any change to their position.

The Directors must also comply with the statutory rules requiring company directors to declare any interest in an actual or proposed transaction or arrangement with the Company.

COMMITTEES OF THE BOARD

The Board has 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.

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.

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

	Board	Board Committee	Strategy	Audit and Management Engagement Committee	Nominations Committee	Remuneration Committee
Number of meetings held in 2009/10:	(4)	(2)	(1)	(2)	(2)	(1)
John Sclater	4	2	1	2	2	1
Sven Borho	4	–	1	2	2	1
Paul Gaunt	4	1	1	1	2	1
Dr John Gordon	4	1	1	2	2	1
Peter Keen	4	2	1	2	2	1
Lord Waldegrave of North Hill	4	1	1	2	2	1

All of the Directors attended the Annual General Meeting held on 23 July 2009.

Mr Sclater and Mr Keen attended the General Meeting of the Company held on 4 December 2009.

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 22 and 23.

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 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 their review of the performance fee calculation as at 30 September 2009. In addition, non audit fees of £6,000 were paid to them in connection with the Placing and Offer for Subscription that took place in December 2009; these formed part of the costs of the issue. 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

Risk assessment and the review of internal controls are undertaken by the Board in the context of the Company's overall investment objective. The review covers the key business, operational, compliance and financial risks facing the Company. In arriving at its judgement of what risks the Company faces, the Board has considered the Company's operations in the light of the following factors:

- the nature and extent of risks which it regards as acceptable for the Company to bear within its overall business objective;
- the threat of such risks becoming a reality; and
- the Company's ability to reduce the incidence and impact of risk on its performance.

Against this background, the Board has split the review of risk and associated controls into five sections reflecting the nature of the risks being addressed. These sections are as follows:

- corporate strategy;
- investment activity;
- published information, compliance with laws and regulations;
- service providers; and
- financial activity.

The Company has appointed agents to provide administrative services to the Company. The Company has obtained from its various service providers assurances and information relating to their internal systems and controls to enable the Board to make an appropriate risk and control assessment, including the following:

- details of the control environment in operation;
- identification and evaluation of risks and control objectives;
- review of communication methods and procedures; and
- assessment of the control procedures.

The key procedures which have been established to provide internal financial controls are as follows:

- investment management is provided by OrbiMed Capital LLC who provide regular updates and reports to the Board. The Board is responsible for setting the overall investment policy and monitors the actions of the Investment Manager at regular Board meetings;
- administration, company secretarial and marketing duties for the Company are performed by Frostrow Capital LLP;
- custody of assets is undertaken by Goldman Sachs & Co. New York;
- the Board clearly defines the duties and responsibilities of their agents and advisers. The appointment of agents and advisers to the Company is conducted by the Board after consideration of the quality of the parties involved; the Board monitors their ongoing performance and contractual arrangements;
- mandates for authorisation of investment transactions and expense payments are set by the Board; and
- the Board reviews financial information produced by the Investment Manager and the Manager in detail on a regular basis.

All of the Company's management functions are performed by third parties whose internal controls are reviewed by the Board or on its behalf by Frostrow Capital LLP.

In accordance with guidance issued to directors of listed companies, the Directors confirm that they have carried out a review of the effectiveness of the system of internal financial control during the year, as set out above.

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 overleaf.

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 owned by the Company that are held on its behalf by its custodian, Goldman Sachs & Co. New York. The Board has instructed that the Investment Manager submit votes for such shares wherever possible. This 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. The Company does not retain voting rights on any shares that are subject to rehypothecation in connection with the loan facility provided by Goldman Sachs & Co. New York.

ACCOUNTABILITY AND AUDIT

The Statement of Directors' Responsibilities in respect of the financial statements is set out on page 16. The report of the Auditor is set out on page 24. The Board has delegated contractually to external agencies, including the Manager, the Investment Manager and Goldman Sachs & Co. New York, 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

	2010 number of shares	2010 % of issued share capital	2009 number of shares	2009 % of issued share capital
Nominee Companies*	61,604,955	93.4	46,129,612	89.9
Other Institutions, Investment Funds and Companies	2,860,223	4.3	2,675,160	5.2
Private Individuals	814,372	1.2	797,489	1.6
Bank and Bank Nominees	680,311	1.1	1,694,152	3.3
Total shares in issue	65,959,861	100.0	51,296,413	100.0
*includes Alliance Trust Savings Scheme and ISA clients	1,422,888	2.2	1,446,435	2.8

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 31 MARCH 2010

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The Board has prepared this report in accordance with the requirements of Section 420 to 422 of the Companies Act 2006. 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 page 24.

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 2011 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 £200,000.

At a Remuneration Committee meeting held on 24 February 2010, it was agreed that the remuneration of the Directors should remain unchanged for the forthcoming year. The level of fees paid to the Directors is as follows:

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 2010 £'000	Fees 2009 £'000
John Sclater (<i>Chairman of the Board</i>)	29	25
Sven Borho	20	18
Paul Gaunt	20	18
Dr John Gordon (<i>Senior Independent Director</i>)	22	20
Peter Keen (<i>Chairman of the Audit and Management Engagement Committee</i>)	22	20
Lord Waldegrave of North Hill	20	18
	133	119

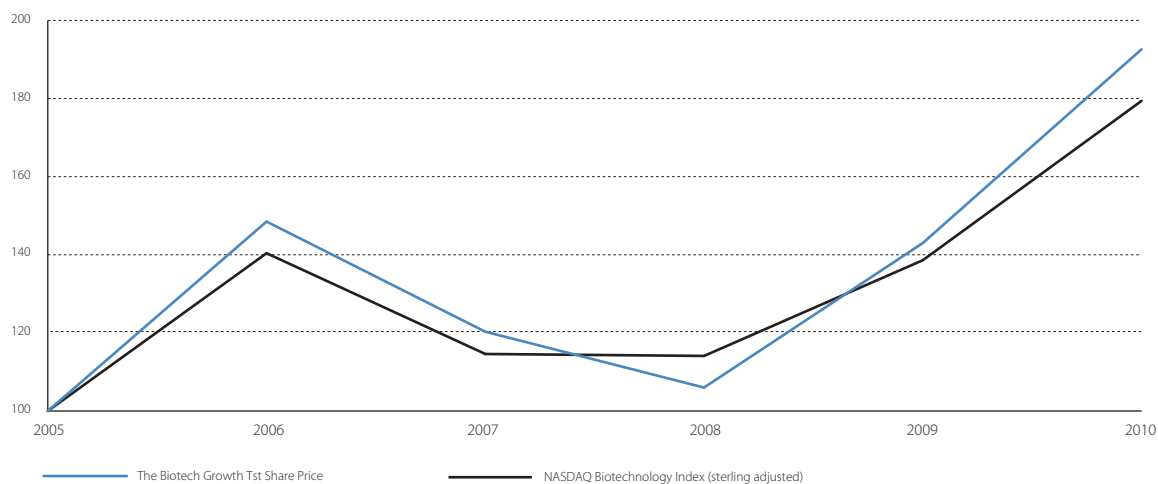
DIRECTORS' SERVICE CONTRACTS

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 2010



Rebased to 100 as at 31 March 2005.
Source: Bloomberg

APPROVAL

The Directors' Remuneration Report on pages 22 and 23 was approved by the Board of Directors on 7 June 2010 and signed on its behalf by John Sclater, CVO, Chairman.

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

We have audited the financial statements of The Biotech Growth Trust PLC for the year ended 31 March 2010 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Cashflow Statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Statement of Directors' Responsibilities set out on page 16, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKP.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns;
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules, we are required to review:

- the Directors' statement, set out on page 12, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

JULIAN BARTLETT
SENIOR STATUTORY AUDITOR
FOR AND ON BEHALF OF
GRANT THORNTON UK LLP
STATUTORY AUDITOR, CHARTERED ACCOUNTANTS
LONDON
7 JUNE 2010

for the year ended 31 March

	Notes	Revenue £'000	2010 Capital £'000	Total £'000	Revenue £'000	2009 Capital £'000	Total £'000
Income							
Investment income	2	31	–	31	39	–	39
Other income	2	34	–	34	–	–	–
Total income		65	–	65	39	–	39
Gains and losses on investments							
Gains on investments held at fair value through profit or loss	8	–	30,979	30,979	–	19,774	19,774
Exchange losses on currency balances		–	(725)	(725)	–	(469)	(469)
Expenses							
Investment management, management and performance fees	3	–	(1,365)	(1,365)	–	(871)	(871)
Refund of VAT previously paid on management fees		–	168	168	–	–	–
Other expenses	4	(417)	–	(417)	(408)	(7)	(415)
Profit/(loss) before finance costs and taxation		(352)	29,057	28,705	(369)	18,427	18,058
Finance costs	5	(3)	(13)	(16)	(7)	(75)	(82)
Profit/(loss) before taxation		(355)	29,044	28,689	(376)	18,352	17,976
Taxation	6	–	–	–	–	–	–
Profit/(loss) for the year		(355)	29,044	28,689	(376)	18,352	17,976
Earnings/(loss) per share	7	(0.6)p	52.4p	51.8p	(0.7)p	32.7p	32.0p

The Company does not have any income or expenses which are not included in the profit for the year. Accordingly the “profit for the year” is also the “total comprehensive income for the period”, as defined in IAS 1 (revised) and no separate Statement of Comprehensive Income has been presented.

All of the profit and total comprehensive income for the period is attributable to the owners of the Company.

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 2010

	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
At 31 March 2009	12,824	–	33,800	4,307	21,926	(2,649)	70,208
Net profit/(loss) for the year	–	–	–	–	29,044	(355)	28,689
Issue of shares	4,001	19,877	–	–	–	–	23,878
Issue costs	–	(579)	–	–	–	–	(579)
Buy-back of shares	(335)	–	(1,779)	335	–	–	(1,779)
At 31 March 2010	16,490	19,298	32,021	4,642	50,970	(3,004)	120,417

For the year ended 31 March 2009

	Share capital £'000	Share premium account £'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

The accompanying notes are an integral part of this statement.

BALANCE SHEET

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as at 31 March

	Notes	2010 £'000	2009 £'000
Non current assets			
Investments held at fair value through profit or loss	8	132,618	71,256
Current assets			
Other receivables	9	304	1,066
Cash and cash equivalents		–	2,161
		304	3,227
Total assets		132,922	74,483
Current liabilities			
Other payables	10	4,016	1,136
Bank loan		8,489	3,139
		12,505	4,275
Net assets		120,417	70,208
Equity attributable to equity holders			
Ordinary share capital	11	16,490	12,824
Share premium account		19,298	–
Special reserve		32,021	33,800
Capital redemption reserve		4,642	4,307
Capital reserve	16	50,970	21,926
Retained earnings		(3,004)	(2,649)
Total equity		120,417	70,208
Net asset value per share	12	182.6p	136.9p

The financial statements on pages 25 to 38 were approved by the Board on 7 June 2010 and were signed on its behalf by:

JOHN SCLATER, CVO
CHAIRMAN

The accompanying notes are an integral part of this statement.

The Biotech Growth Trust PLC – Company Registration Number 3376377 (Registered in England).

CASH FLOW STATEMENT

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for the year ended 31 March

	2010 £'000	2009 £'000
Operating activities		
Profit before tax	28,689	17,976
Add back interest paid	16	82
Less: gain on investments held at fair value through profit or loss	(30,979)	(19,774)
Add: exchange losses on currency balances	725	469
Purchases of investments held at fair value through profit or loss	(109,571)	(55,870)
Sales of investments held at fair value through profit or loss	82,788	67,658
Increase in other receivables	(17)	(9)
Increase in other payables	667	229
Net cash (outflow)/inflow from operating activities before interest and taxation	(27,682)	10,761
Interest paid	(16)	(82)
Net cash (outflow)/inflow from operating activities	(27,698)	10,679
Financing activities		
Issue of shares	23,299	–
Buy-back of shares	(2,387)	(11,999)
Draw down of bank loan	5,350	3,139
Net cash inflow/(outflow) from financing	26,262	(8,860)
(Decrease)/increase in cash and cash equivalents	(1,436)	1,819
Cash and cash equivalents at start of year	2,161	811
Effect of foreign exchange rate changes	(725)	(469)
Cash and cash equivalents at end of year	–	2,161

The accompanying notes are an integral part of this statement.

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 and Venture Capital Trusts ("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 £415,000 (31 March 2009: £239,000) broken down as follows: purchase transaction costs for the year to 31 March 2010 were £246,000, (31 March 2009: £112,000), sale transaction costs were £169,000 (31 March 2009: £127,000). These costs consist mainly of commission and stamp duty.

(c) Presentation of Income Statement

In order to better reflect the activities of an investment trust company, and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. In accordance with the Company's status as a UK investment company under section 833 of the Companies Act 2006, capital reserves may not be distributed by way of dividend, although may be utilised for the purposes of share buy-backs. Additionally, net revenue is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in section 1158 of the Corporation Taxes Act 2010.

(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 1158 Corporation Taxes Act 2010 (formerly Section 842 of the 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

	2010 £'000	2009 £'000
Investment income		
Money market dividends	2	20
Overseas income	29	17
Unfranked interest	–	2
	31	39
Other operating income		
Interest receivable (including interest on VAT repayment from HMRC)	34	–
Total income	65	39

3. INVESTMENT MANAGEMENT, MANAGEMENT AND PERFORMANCE FEES

	Revenue 2010 £'000	Capital 2010 £'000	Total 2010 £'000	Revenue 2009 £'000	Capital 2009 £'000	Total 2009 £'000
Investment management periodic fee	–	544	544	–	449	449
Management fee	–	247	247	–	198	198
Performance fee accrued	–	574	574	–	224	224
	–	1,365	1,365	–	871	871

In accordance with the performance fee arrangements described on page 12 of this report, a performance fee of £574,000 was accrued at the year end. In addition, the performance fee of £224,000, accrued at 31 March 2009, crystallised and become payable.

4. OTHER EXPENSES

	Revenue 2010 £'000	Capital 2010 £'000	Total 2010 £'000	Revenue 2009 £'000	Capital 2009 £'000	Total 2009 £'000
Directors' emoluments	133	–	133	119	–	119
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	184	–	184	189	5	194
	417	–	417	408	7	415

*During the year ended 31 March 2009 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 22 and 23.

5. FINANCE COSTS

	Revenue 2010 £'000	Capital 2010 £'000	Total 2010 £'000	Revenue 2009 £'000	Capital 2009 £'000	Total 2009 £'000
Bank overdraft	3	–	3	7	–	7
Bank loan interest	–	13	13	–	67	67
Loan arrangement fee	–	–	–	–	8	8
	3	13	16	7	75	82

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% (2009: 28%). The differences are explained below:

	Revenue 2010 £'000	Capital 2010 £'000	Total 2010 £'000	Revenue 2009 £'000	Capital 2009 £'000	Total 2009 £'000
Net profit/(loss) on ordinary activities before taxation	(355)	29,044	28,689	(376)	18,352	17,976
Corporation tax at 28% (2009: 28%)	(99)	8,132	8,033	(105)	5,138	5,033
Effects of:						
Non-taxable gains on investments held at fair value through profit or loss	–	(8,518)	(8,518)	–	(5,405)	(5,405)
Non-taxable overseas dividends	(8)	–	(8)	–	–	–
Income taxable in different years	4	–	4	(4)	–	(4)
Excess expenses unused	102	386	488	106	267	373
Disallowed expenses	1	–	1	3	–	3
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 provided for deferred tax on capital gains or losses arising on the revaluation or disposal of investments, as it is exempt from tax on these items because of its status as an investment trust company.

The Company has not recognised a deferred tax asset of £4,103,000 (2009: £3,626,000) 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 2010 £'000	Capital 2010 £'000	Total 2010 £'000	Revenue 2009 £'000	Capital 2009 £'000	Total 2009 £'000
Earnings/(loss) per share	(0.6p)	52.4p	51.8p	(0.7p)	32.7p	32.0p

The total gain per share of 51.8p (2009: gain 32.0p) is based on the total gain attributable to equity shareholders of £28,689,000 (2009: gain £17,976,000).

The revenue loss per share 0.6p (2009: loss 0.7p) is based on the revenue loss attributable to equity shareholders of £355,000 (2009: £376,000).

The capital gain per share of 52.4p (2009: gain 32.7p) is based on the capital gain attributable to equity shareholders of £29,044,000 (2009: gain £18,352,000).

The total gain, revenue loss and capital gain per share are based on the weighted average number of shares in issue during the year of 55,422,574 (2009: 56,196,626).

8. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

	2010				2009
	Listed Equity £'000	AIM £'000	Unquoted £'000	Total £'000	Total £'000
Cost at 1 April 2009	61,362	1,328	1,094	63,784	71,434
Investment holding gains/(losses) at 1 April 2009	3,765	3,778	(71)	7,472	(6,628)
Valuation at 1 April 2009	65,127	5,106	1,023	71,256	64,806
Movement in the year					
Purchases at cost	111,924	–	468	112,392	54,541
Sales – proceeds	(76,774)	(5,106)	(129)	(82,009)	(67,865)
– gains/(losses) on disposal	5,362	3,778	(299)	8,841	5,674
Net movement in investment holding gains	25,903	(3,778)	13	22,138	14,100
Valuation at 31 March 2010	131,542	–	1,076	132,618	71,256
Closing book cost at 31 March 2010	101,874	–	1,134	103,008	63,784
Investment holding gains/(losses) at 31 March 2010	29,668	–	(58)	29,610	7,472
Valuation at 31 March 2010	131,542	–	1,076	132,618	71,256

	2010 £'000	2009 £'000
Gains on investments:		
Gains on disposal based on historical cost	8,841	5,674
Amounts recognised as investment holding (loss)/gains in previous year	(4,545)	4,275
Gains on disposal based on carrying value at previous balance sheet date	4,296	9,949
Net movement in investment holding gains in the year	26,683	9,825
Gains on investments	30,979	19,774

9. OTHER RECEIVABLES

	2010 £'000	2009 £'000
Future settlements – sales	244	1,023
Other debtors	17	14
Prepayments and accrued income	43	29
	304	1,066

10. OTHER PAYABLES

	2010 £'000	2009 £'000
Future settlements – purchases	2,837	16
Future settlements – purchase of own shares	–	608
Performance fee accrued	798	224
Other creditors and accruals	381	288
	4,016	1,136

11. SHARE CAPITAL

	2010 £'000	2009 £'000
Allotted, called up, issued and fully paid: 65,959,861 shares of 25p (2009: 51,296,413)	16,490	12,824

At 31 March 2010 the Company had 65,959,861 shares of 25p in issue (2009: 51,296,413). During the year 1,342,779 shares were repurchased for cancellation at a cost of £1,779,000 (including expenses). No further shares were repurchased subsequent to the year end. A total of 16,006,227 new shares were issued by the Company on 4 December 2009 at £1.4918 per share, raising £23,878,000, following a Placing and Offer for Subscription.

12. NET ASSET VALUE PER SHARE

	2010 £'000	2009 £'000
Net asset value per share	182.6p	136.9p

The net asset value per share is based on the net assets attributable to equity shareholders of £120,417,000 (2009: £70,208,000) and on 65,959,861 (2009: 51,296,413) shares in issue at 31 March 2010.

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 8. In pursuing its investment objective, the Company is exposed to a variety of risks that could result in either a reduction or increase in the Company's net assets or in profits.

The Company's financial instruments comprise securities and other investments, cash balances, debtors and creditors and a loan facility 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 and monitoring 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 7.

No derivatives or hedging instruments are utilised to 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 £126,416,000 (2009: £64,399,000) of investments denominated in U.S. dollars and £6,187,000 (2009: £1,364,000) in other non-sterling 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 10% increase and decrease in sterling against U.S. dollars (2009: 30% 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. Movements in the performance fee accruals have been excluded from the analysis below.

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

	2010 USD £'000	2009 USD £'000
Impact on revenue return	–	–
Impact on capital return	13,955	27,420
Total return after tax/effect on shareholders' funds	13,955	27,420

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

	2010 USD £'000	2009 USD £'000
Impact on revenue return	–	–
Impact on capital return	(11,418)	(14,765)
Total return after tax/effect on shareholders' funds	(11,418)	(14,765)

(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 loan facility with Goldman Sachs & Co. New York which is repayable on demand. At the year end £8,489,000 of the facility was utilised. At the year end the Company held no cash at Goldman Sachs & Co. New York (2009: £2,161,000 at Bank of New York Mellon). At 31 March 2009 the Company's borrowing requirements were met through a £10 million committed multicurrency revolving credit facility with Allied Irish Banks p.l.c. of which £3,139,000 was drawn down at this date.

(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 30% higher or lower (2009: 20% higher or lower) while all other variables had remained constant, the return and net assets attributable to shareholders for the year ended 31 March 2010 would have increased/decreased by £39,527,000 (2009: £14,159,000), 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 loan facility with Goldman Sachs & Co. New York which is repayable on demand.

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.

13. RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

Liquidity exposure

Contractual maturities of the financial liabilities as at 31 March 2010, based on the earliest date on which payment can be required, are as follows:

Amounts due to brokers and accruals £4,016,000 (2009: £1,136,000) and the Company's loan facility of which £8,489,000 (2009: £3,139,000) was drawn down at 31 March 2010. All of the stated financial liabilities are repayable within three months or less.

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.

The Company has a loan facility, repayable on demand, provided by Goldman Sachs & Co. New York. Further details of the risks associated with this loan facility can be found on pages 10 and 11. As at 31 March 2010, none of the Company's assets were held as collateral.

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 31 March 2010 the Company's exposure to credit risk amounted to £304,000 and was in respect of other receivables, such as amounts due from brokers, dividends and interest receivable (2009: £1,066,000). At this date the Company held no cash balances (2009: £2,161,000).

Hierarchy of investments

The Company has classified its financial assets designated at fair value through profit or loss and the fair value of derivative financial instruments using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurements. The hierarchy has the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of 31 March 2010	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Financial investments designated at fair value through profit or loss	131,542	384	692	132,618
As of 31 March 2009	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Financial investments designated at fair value through profit or loss	70,233	304	719	71,256

Level 3 Reconciliation

Please see below a reconciliation disclosing the changes during the year for the financial assets and liabilities designated at fair value through profit or loss classified as being Level 3.

	2010 £'000	2009 £'000
Assets		
As at 1 April	719	–
Total losses during the year	(448)	–
Acquisitions	421	–
Disposals	–	–
Transfers in	–	719
Assets as at 31 March	692	719

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.

13. RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

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 total 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 27 and is managed on a basis consistent with its investment objectives and policies as discussed in the Report of the Directors on page 8. The Company currently has a loan facility with Goldman Sachs & Co. New York which is repayable on demand, which can be used to satisfy the Company's 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.

- 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 11 and 12. 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 2010, OrbiMed Capital LLC received £544,000 in respect of Investment Management fees, of which £188,000 was outstanding at the year end. In addition, an amount of £203,000 was outstanding in respect of performance fees which crystallised at 31 March 2010.

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	2,791,084	3.7	5,612

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 2009	14,454	7,472	21,926
Transfer on disposal of investments	4,545	(4,545)	–
Net gains on investments	4,296	26,683	30,979
Exchange losses	(725)	–	(725)
Expenses charged to capital	(1,210)	–	(1,210)
At 31 March 2010	21,360	29,610	50,970

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 within "Capital reserves – other" 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.

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 Friday, 16 July 2010 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 2010
2. To re-elect John Sclater as a Director of the Company
3. To re-elect Sven Borho as a Director of the Company
4. To re-elect Paul Gaunt as a Director of the Company
5. To re-elect Dr John Gordon as a Director of the Company
6. To re-elect Peter Keen 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 2010
9. To re-appoint Grant Thornton UK LLP as Auditors to 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 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 551 of the Companies Act 2006 (the "Act") to exercise all powers of the Company to allot relevant securities (within the meaning of Section 551 of the Act) up to a maximum aggregate nominal amount of £1,648,996 (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 6,595,986 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 2011 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 Sections 570 and 573 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of section 560 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 561(1) of the Act did not apply to any such allotment and to sell relevant shares (within the meaning of section 560 of the Act) if, immediately before the sale, such shares are held by the Company as treasury shares (as defined in section 724 of the Act ("treasury shares")), for cash as if section 561(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 £1,648,996 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 701 of the Companies Act 2006 (the "Act") to make one or more market purchases (within the meaning of section 693(4) 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 9,887,383 (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 2011 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.

Electronic Communication

13. THAT the Company be authorised, subject to and in accordance with the provisions of the Companies Act 2006 and the Articles of Association of the Company (as from time to time amended or varied) to send, convey or supply all types of notices, documents or information to the members by means of electronic equipment (such term is defined in the Financial Services Authority's Disclosure and Transparency Rules) for the processing (including, without limitation, by means of digital compression) storage and transmission of data, employing wires, radio optical technologies, or any other electromagnetic means, including without limitation, by making such notices, documents or information available on a website.

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
7 JUNE 2010

REGISTERED OFFICE:
ONE WOOD STREET
LONDON EC2V 7WS

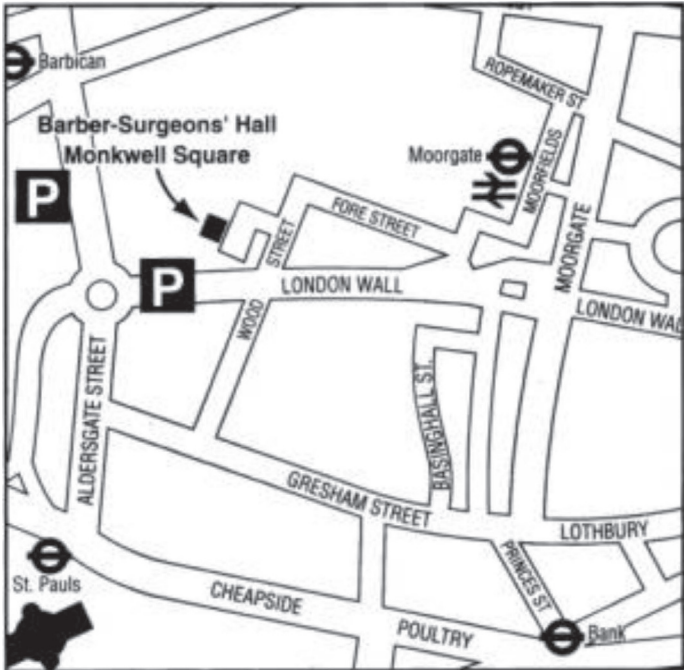
Notes

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, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 12 noon on 14 July 2010.
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 14 July 2010 (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 7 June 2010 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 65,959,861 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 7 June 2010 are 65,959,861.
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, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

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 page 41) then, subject to paragraph 4, the proxy appointment will remain valid.

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

INVESTMENT MANAGER

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

Registered under the U.S. Securities and Exchange Commission.

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.

CUSTODIAN

Goldman Sachs & Co.
 200 West Street, Third Floor
 New York, NY 10282

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 0GA
 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. Lines are open from 8.30 a.m. to 5.30 p.m. Monday to Friday.

ALLIANCE TRUST SAVINGS LIMITED

PO Box 164,
 8 West Marketgait
 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.

ALLIANCE TRUST SAVINGS LIMITED

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")

ISAs are a tax-efficient method of investment, introduced by the Government. Investors will have the opportunity to invest in the Company up to £10,200 in the current tax year when they subscribe to a Stocks and Shares ISA.

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 £20.00, max £75.00)	1.5% of the value of the deal (Minimum £25.00, 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 0871 664 0446† (telephone dealing).

†Calls cost 10p per minute plus network extras and may be recorded for training purposes. Lines are open from 8.00 a.m. to 4.30 p.m. Monday to Friday.

RISK WARNINGS

- Past performance is no guarantee of future performance.
- The value of your investment and any income from it may go down as well as up and you may not get back the amount invested. This is because the share price is determined by the changing conditions in the relevant stockmarkets in which the Company invests and by the supply and demand for the Company's shares.
- As the shares in an investment trust are traded on a stockmarket, the share price will fluctuate in accordance with supply and demand and may not reflect the underlying net asset value of the shares; where the share price is less than the underlying value of the assets, the difference is known as the 'discount'. For these reasons, investors may not get back the original amount invested.
- Although the Company's financial statements are denominated in sterling, it may invest in stocks and shares that are denominated in currencies other than sterling and to the extent they do so, they may be affected by movements in exchange rates. As a result, the value of your investment may rise or fall with movements in exchange rates.
- Investors should note that tax rates and reliefs may change at any time in the future.
- The value of ISA tax advantages will depend on personal circumstances. The favourable tax treatment of ISAs may not be maintained.

The information on this page has been issued and approved by Frostrow Capital LLP, authorised and regulated in the UK by the Financial Services Authority.

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.

Rehypothecation

The pledging of securities or other assets as collateral to secure a loan such as a debit balance in a margin account. Assets subject to rehypothecation are protected by relevant U.S. SEC Rules.

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.

