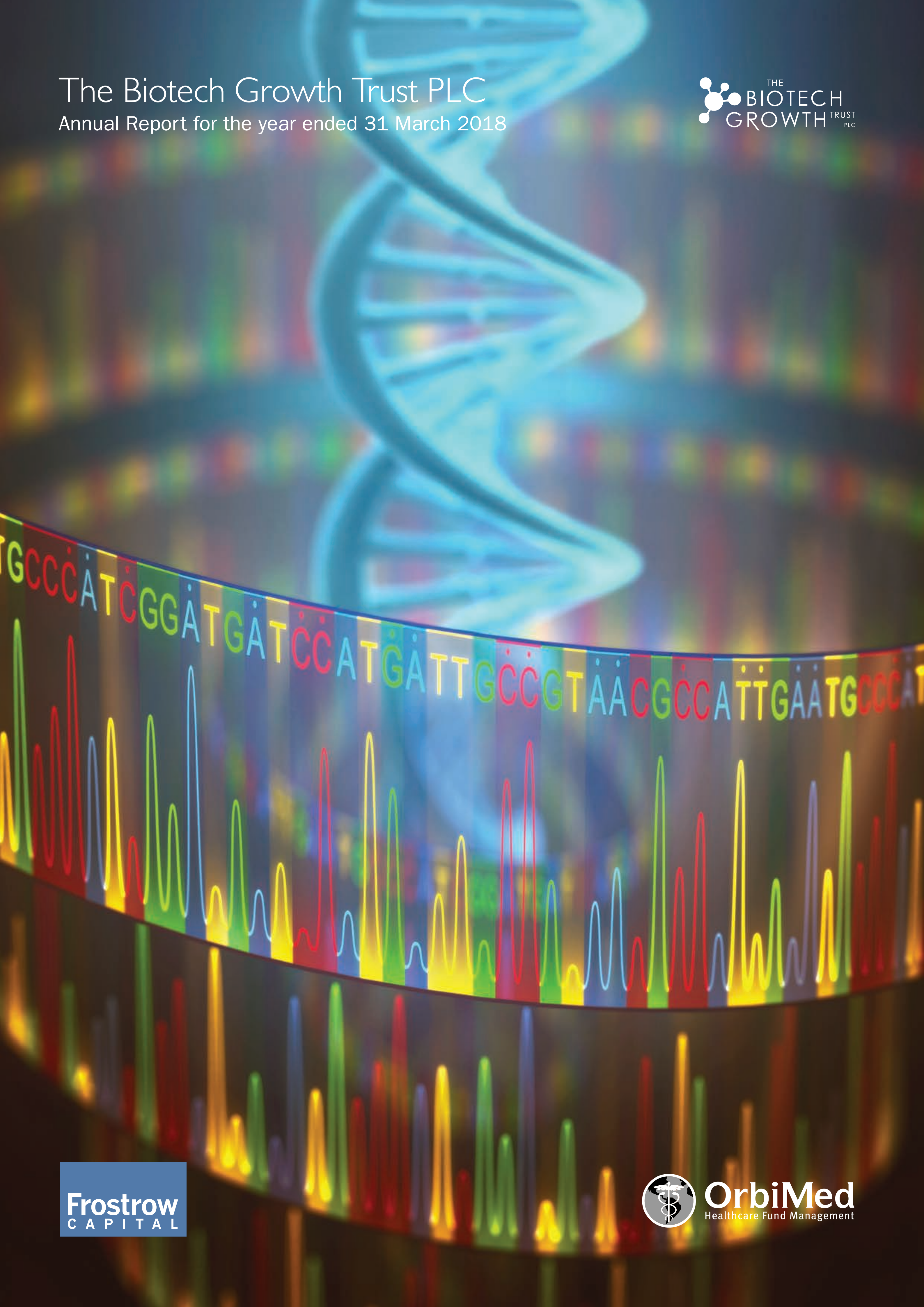
The Biotech Growth Trust PLC

Annual Report for the year ended 31 March 2018



Frostrow Capital

OrbiMed Healthcare Fund Management

Strategic Report

Financial Statements

Governance

Further Information

Investor Disclosure Document

The Alternative Investment Fund Managers Directive requires certain information to be made available to investors prior to their investment in the Company. The Company's Investor Disclosure Document is available for viewing on www.biotechgt.com

Keep up to date with The Biotech Growth Trust PLC

For more information about The Biotech Growth Trust PLC visit the website at www.biotechgt.com

Follow us on Twitter

@biotechgt

PREMIUM MAIN MARKET
LONDON STOCK EXCHANGE

Strategic Report / Financial Highlights

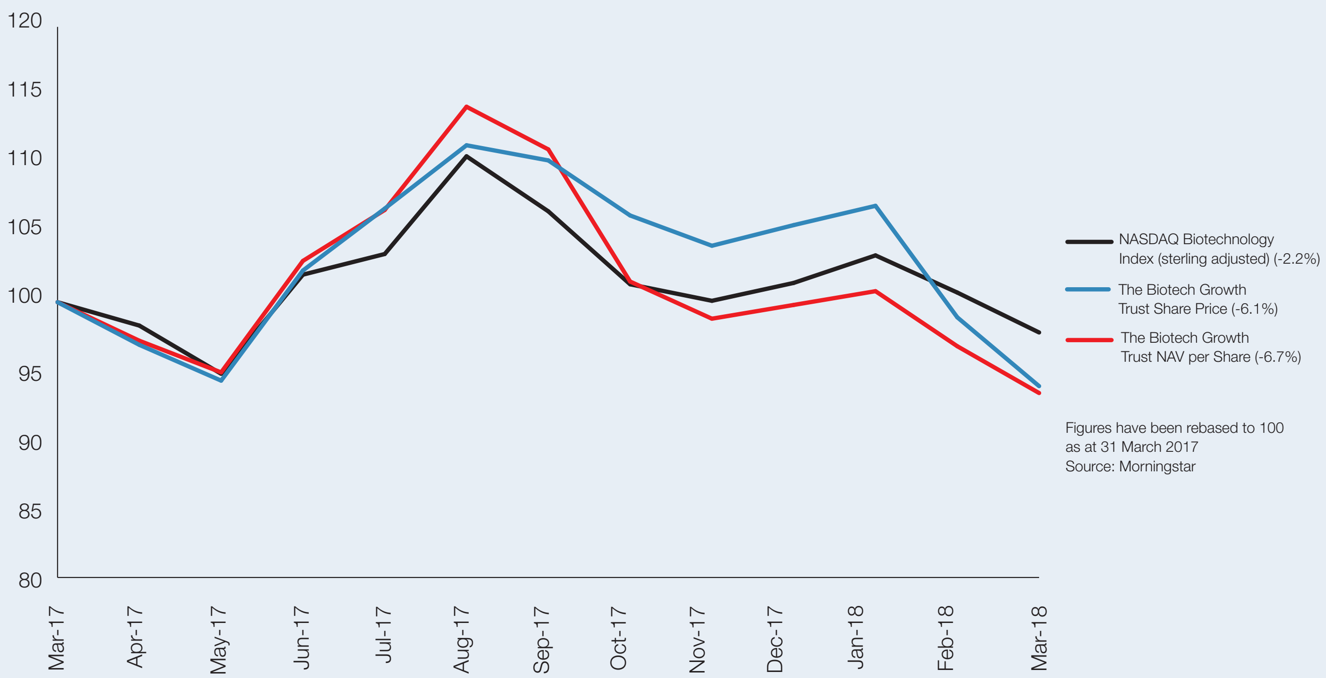
Net asset value per share*^	Share price*^	Benchmark†*^
(6.7%)	(6.1%)	(2.2%)
2017: +27.5%	2017: +27.9%	2017: +29.2%
		† NASDAQ Biotechnology Index (sterling adjusted)

Discount of share price to net asset value per share*^	Ongoing Charges^
6.1%	1.1%
2017: 6.6%	2017: 1.1%

*Source: Morningstar.

^Alternative Performance Measure (see glossary beginning on page 73).

Performance for the year to 31 March 2018



Strategic Report / Key Information

About The Biotech Growth Trust PLC

The Biotech Growth Trust PLC seeks capital appreciation through investment in the worldwide biotechnology industry. In order to achieve its investment objective, the Company invests in a diversified portfolio of shares and related securities in biotechnology companies on a worldwide basis.

Further details of the Company's investment policy are set out on pages 10 and 11.

OrbiMed Capital LLC – Portfolio Manager

OrbiMed's investment business was founded in 1989 with a vision to invest across the spectrum of healthcare companies: from venture capital start-ups to large multinational companies.

Beginning with its first public equity fund in 1989, OrbiMed expanded to include long/short equity and private equity investments in 1993. On 19 May 2005 OrbiMed was appointed as the Company's Portfolio Manager. In 2007 OrbiMed expanded to Asia, opening offices in Mumbai and Shanghai, and launching a fund focused on private equity healthcare opportunities in China and India. In 2010 OrbiMed expanded to the Middle East, opening an office in Israel to seek innovative life sciences venture capital opportunities across the region.

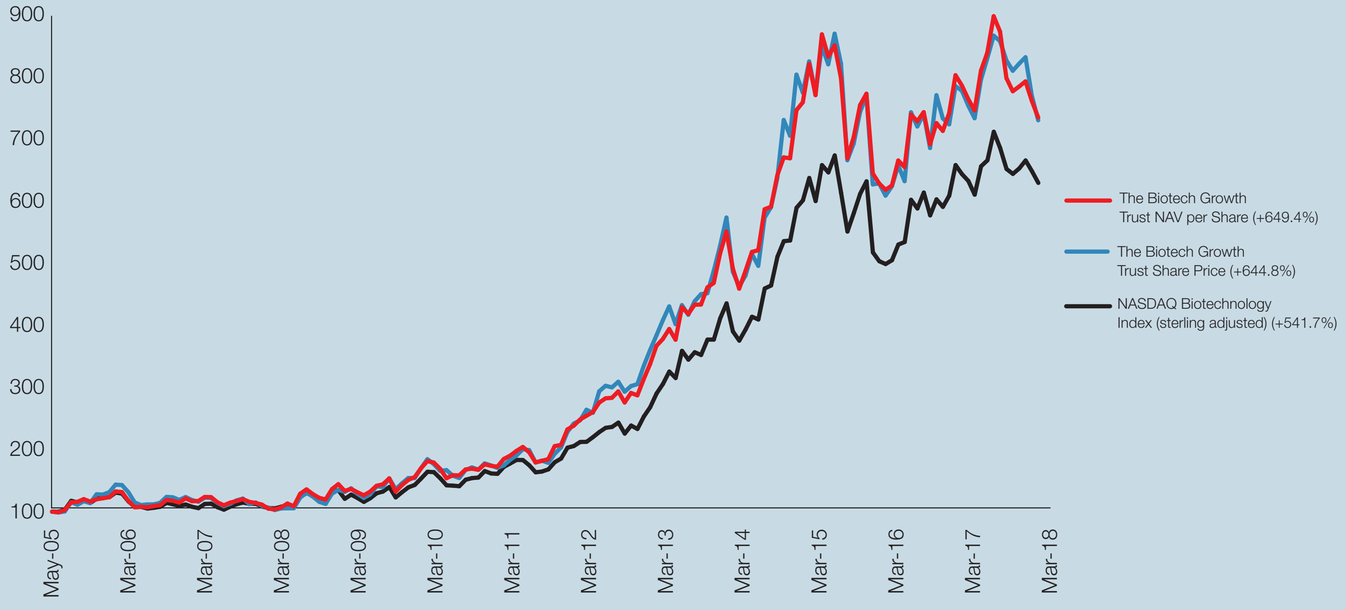
Today, OrbiMed has a singular focus on seeking successful investments on a worldwide basis across the entire spectrum of private and publicly-traded life sciences companies. With approximately U.S. $14 billion under management, OrbiMed ranks as one of the world's largest healthcare-dedicated investment firms.

OrbiMed's investment professionals possess a combination of extensive scientific, medical and financial expertise.

How to invest

The Company's shares are traded on the London Stock Exchange and can be purchased through a stock broker or other financial intermediary. The shares are available through savings plans (including investment dealing accounts, ISAs, Junior ISAs and SIPPs) which facilitate both regular monthly investments and lump sum investments in the Company's shares. There are a number of investment platforms that offer these facilities. Further details can be found on pages 75 and 76.

Performance since the date of appointment of OrbiMed Capital LLC as Portfolio Manager to 31 March 2018



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

Strategic Report / Company Performance

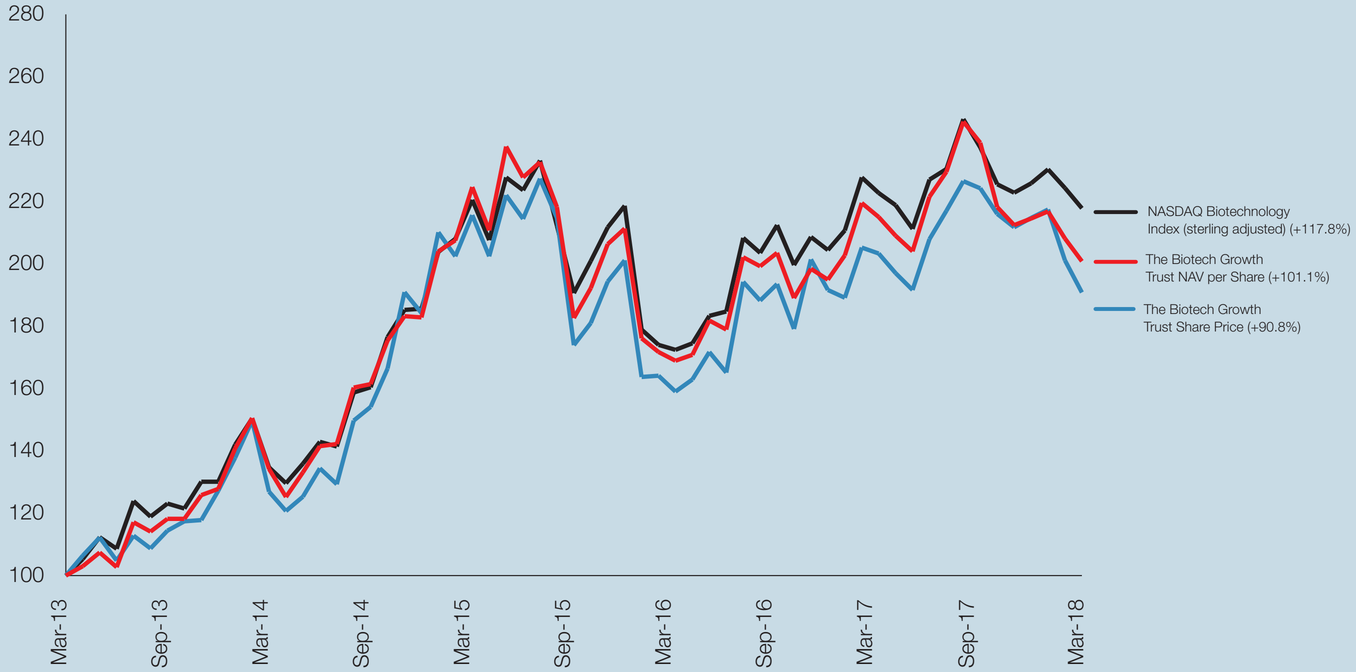
Historic Performance Record for the years ended 31 March

	2013	2014	2015	2016	2017	2018
Net asset value per share return*^	48.1%	34.2%	67.4%	(24.8%)	27.5%	(6.7%)
Share price return*^	55.9%	26.9%	69.9%	(26.3%)	27.9%	(6.1%)
Benchmark return*^	37.2%	34.7%	63.7%	(21.8%)	29.2%	(2.2%)
Net asset value per share	371.7p	498.7p	834.7p	627.9p	800.8p	747.5p
Share price^	368.0p	467.0p	793.5p	585.0p	748.0p	702.0p
Discount of share price to net asset value per share*^	1.0%	6.4%	4.9%	6.8%	6.6%	6.1%
Ongoing charges^	1.3%	1.2%	1.2%	1.0%	1.1%	1.1%
Gearing^	Nil	8.3%	9.4%	11.1%	3.2%	6.8%

*Source: Morningstar.

^Alternative Performance Measure (see glossary beginning on page 73).

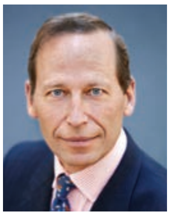
Five year performance to 31 March 2018



Figures have been rebased to 100 as at 31 March 2013
Source: Morningstar

Strategic Report / Chairman's Statement

Investment Performance



Andrew Joy

It is disappointing to report that the strong performance reported at the half-year stage did not continue through the second half of the Company's financial year. Indeed, such was the reversal of the biotechnology sector's fortunes that the positive position reported at the half year stage turned into a negative for the financial year as a whole. A number of negative announcements by Celgene, in the autumn of 2017, relating to a clinical trial failure and also lower than expected sales figures, proved to be the catalyst for a souring of investor sentiment regarding large capitalisation biotechnology stocks in particular. As described in the Portfolio Manager's Review, the portfolio's overweight position in large capitalisation stocks was a principal contributor to the Company's underperformance of the benchmark during the six months to March 2018, and therefore the year as a whole.

The Company's net asset value per share fell by 6.7% during the year, which compares with the Company's benchmark, the NASDAQ Biotechnology Index (sterling adjusted), which fell by 2.2%. Sterling continued its recovery against the U.S. dollar during the second half of the year and acted as a headwind for the Company's performance in absolute terms; the U.S. dollar being the currency in which almost all the Company's holdings are denominated. Sterling rose by 12.0% over the year, reversing almost completely the previous year's decline.

The Company's share price fell by 6.1%, a little less than the net asset value, reflecting a slight narrowing in the discount of the share price to net asset value per share, from 6.6% at the start of the Company's year, to 6.1% at 31 March 2018.

Looking at the contribution to performance from individual stocks, this was positive from holdings in Vertex Pharmaceuticals, Juno Therapeutics and BeiGene. Negative performance came from holdings in Celgene, Incyte and Regeneron Pharmaceuticals. Further information on the Company's investments can be found in the Portfolio Manager's Review beginning on page 7.

Over the longer term, the Company's performance continues to remain strong, both on an absolute and relative basis. In the period since OrbiMed's appointment (19 May 2005) to 31 March 2018, the Company's net asset value per share has risen by 649.4% and the share price by 644.8%, both outperforming the Company's benchmark, which rose by 541.7%.

Capital Structure and Gearing

The Board continued to monitor closely the discount of the Company's share price to the net asset value per share during the year where it averaged 5.4%. I am pleased to report that no shares were repurchased by the Company during the year and to the date of this report.

The Company increased its gearing level over the year. As at 31 March 2018 it stood at 6.8% having begun the year at 3.2%.

Return and Dividend

The total loss per share amounted to 53.3p for the year (2017: return of 171.5p), comprising a revenue gain of 1.1p per share (2017: 1.6p) and a capital loss of 54.4p (2017: gain of 169.9p). No dividend is recommended in respect of the year ended 31 March 2018 (2017: nil).

Composition of the Board

The recent retirement of Sam Isaly from OrbiMed has led to a change in OrbiMed's representation on the Company's Board. Sven Borho, a Managing Partner of OrbiMed, retired as a Director of the Company on 16 May 2018. Sven had been a Director since 2006. I would like to record my thanks to Sven for his great contribution to the affairs of the Company during this time. As a Managing Partner of OrbiMed, Sven will continue to play a key role in the management of the Company's portfolio.

I am delighted that Geoff Hsu, a General Partner of OrbiMed, has joined the Board. Geoff has been part of the team that manages the Company's portfolio since OrbiMed's appointment. A resolution electing Geoff to the Board will be considered by shareholders at this year's Annual General Meeting.

Strategic Report / Chairman's Statement

Key Information Document

Shareholders may be aware that new regulations, the Packaged Retail and Insurance-based Investment Products ("PRIIPs") Regulation, came into effect from 1 January 2018. Under these regulations, the Company is required to prepare and publish a key information document ("KID") to help potential investors understand the nature, risk and costs of this product and to allow comparison with others.

The KID contains information about the Company in a highly prescribed format, both in terms of the calculation of the numbers and also the narrative, with limited ability to add additional context and explanations. The Board believes that the KID should therefore be considered only in conjunction with other material produced about the Company including the annual report, the half year report and the monthly fact sheet which, *inter alia*, describe the Company's investment objective together with the investment philosophy of our Investment Manager. All of these documents are available at www.biotechgt.com. The Board continues to keep this matter under review.

Outlook

Despite continued volatility in the sector, our Portfolio Manager expects the outlook to remain positive, given current low valuations, continued merger and acquisition activity, strong innovation, and a favourable regulatory environment. They expect that the relative underperformance of major capitalisation biotechnology stocks within the sector and of the biotechnology sector against the wider market have both reached close to their limit. Their focus remains on the selection of stocks with strong prospects for capital enhancement. Your Board strongly believes that the long-term investor will be well rewarded.

Annual General Meeting

The Annual General Meeting of the Company this year will be held at the Barber-Surgeons' Hall, Monkwell Square, Wood Street, London EC2Y 5BL on Wednesday, 11 July 2018 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 Portfolio Manager. Shareholders who are unable to attend are encouraged to return their forms of proxy to ensure their votes are represented.

Following improvements in technology the Company will cease, with effect from our 2019 Annual General Meeting, to issue paper proxy forms to shareholders. Voting on resolutions to be considered at the Company's general meetings (including the Annual General Meeting) will be able to be made via our Registrar's website at www.signalshares.com. A paper proxy form, however, will be available on request from our Registrar.

Andrew Joy
Chairman

24 May 2018

Investments held as at 31 March 2018

Security	Country /Region	Fair value £'000	% of investments
Vertex Pharmaceuticals	United States	44,079	9.9
Biogen	United States	42,683	9.6
Regeneron Pharmaceuticals	United States	32,060	7.2
Celgene	United States	30,258	6.8
Amgen	United States	24,022	5.4
Illumina	United States	20,780	4.6
Alexion Pharmaceuticals	United States	20,547	4.6
Alnylam Pharmaceuticals	United States	19,646	4.4
Gilead Sciences	United States	19,595	4.4
Puma Biotechnology	United States	16,975	3.8
Ten largest investments		**270,645**	**60.7**
Amicus Therapeutics	United States	14,280	3.2
Aerie Pharmaceuticals	United States	13,184	3.0
Bluebird Bio	United States	12,700	2.9
Clovis Oncology	United States	10,364	2.3
Insmed	United States	9,087	2.0
ACADIA Pharmaceuticals	United States	9,037	2.0
Jazz Pharmaceuticals	Ireland	8,971	2.0
BioMarin Pharmaceutical	United States	8,407	1.9
Sarepta Therapeutics	United States	7,784	1.8
Shire	Jersey	7,551	1.7
Twenty largest investments		**372,010**	**83.5**
Deciphera Pharmaceuticals	United States	7,162	1.6
Array Biopharma	United States	6,878	1.5
DBV Technologies	France	6,754	1.5
Alkermes	Ireland	5,990	1.4
GW Pharmaceuticals	United Kingdom	5,943	1.3
Athenex	United States	5,202	1.2
Global Blood Therapeutics	United States	5,087	1.1
Neurocrine Biosciences	United States	4,433	1.0
Heron Therapeutics	United States	4,222	1.0
BeiGene	Cayman Islands	4,156	0.9
Thirty largest investments		**427,837**	**96.0**
Foamix Pharmaceuticals	Israel	4,023	0.9
Ironwood Pharmaceuticals	United States	3,637	0.8
OrbiMed Asia Partners L.P. (unquoted)*	Asia	3,491	0.8
Aurinia Pharmaceuticals	Canada	2,317	0.5
Fluidigm	United States	1,435	0.3
Insys Therapeutics	United States	1,212	0.3
Idorsia	Switzerland	636	0.2
CRISPR Therapeutics	Switzerland	580	0.1
Seres Therapeutics	United States	498	0.1
Total investments		**445,666**	**100.0**

All of the above investments are equities unless otherwise stated.

* Partnership interest

Portfolio Breakdown

Investments	Fair value £'000	% of investments
Equities	442,175	99.2
Partnership interest (unquoted)	3,491	0.8
Total investments	**445,666**	**100.0**

Strategic Report / Portfolio Manager's Review

Performance Review

Geoffrey Hsu

Richard Klemm

The Company's net asset value per share decreased by 6.7% during the year. This compares to a 2.2% decrease in the Company's benchmark, the NASDAQ Biotechnology Index (NBI) (measured on a sterling adjusted basis). **Vertex Pharmaceuticals**, Juno Therapeutics, **BeiGene**, **Puma Biotechnology**, and **Alnylam Pharmaceuticals** were the leading positive contributors to performance in the portfolio during the year.

- Shares in Vertex Pharmaceuticals outperformed due to potentially transformative Phase I and Phase II data from multiple triple combination regimens in cystic fibrosis, as well as regulatory clarity providing an expedited path forward for Phase III trials with these combinations. Vertex also continued its strong commercial execution of its cystic fibrosis products Orkambi and Kalydeco, and launched Symdeko, a next-generation, better tolerated treatment.
- Shares in Juno Therapeutics appreciated following the company's acquisition by **Celgene**, underscoring continued excitement for cell therapy for the treatment of cancer. The acquisition included a potential best-in-class product, JCAR017 for the treatment of diffuse large B cell lymphoma, as well as a cell therapy platform allowing for continued development in the space.
- Shares in BeiGene were strong following the announcement of a collaboration with Celgene on the development and commercialisation of its solid tumour treatment candidate BGB-A317 and expansion of the company's commercial footprint in the large Chinese market. BeiGene also continued to progress its oncology pipeline including zanbrutinib, which has shown promising data in B cell malignancies.
- Shares in Puma Biotechnology outperformed following a positive recommendation and subsequent approval by the U.S. Food and Drug Administration (FDA) for its breast cancer treatment Nerlynx. Early sales of Nerlynx were also stronger than initial consensus estimates.
- Shares in Alnylam Pharmaceuticals appreciated due to strongly positive Phase III data from patisiran in hereditary transthyretin amyloidosis which suggested a potentially disease-modifying treatment effect. Alnylam additionally continued to show early but promising data from its pipeline candidates givosiran in acute hepatic porphyria and lumasiran in primary hyperoxaluria type 1.

Celgene, Incyte, **Regeneron Pharmaceuticals**, **Alexion Pharmaceuticals**, and **Biogen** were the principal detractors.

- Shares in Celgene were weak due to disappointing results from a Phase III trial of GED-0301 in Crohn's disease, weaker than expected longer-term earnings guidance, and an unexpected negative regulatory update for ozanimod in multiple sclerosis.
- Shares in Incyte underperformed following an unexpected delay in the U.S. regulatory filing of its partnered rheumatoid arthritis treatment Olumiant and increasingly negative sentiment on the company's pipeline including its solid tumour candidate epacadostat.
- Shares in Regeneron underperformed after early sales of atopic dermatitis treatment Dupixent failed to meet consensus estimates and disappointing results from a Phase III trial of Eylea in combination with nesvacumab in diabetic macular edema or wet age-related macular degeneration.
- Shares in Alexion were weak due to increased investor concern regarding ALXN1210, a next-generation treatment for paroxysmal nocturnal haemoglobinuria, weaker than expected financial performance, and continued management turnover.
- Shares in Biogen underperformed due to the uneven launch trajectory of its spinal muscular atrophy treatment Spinraza and increased competition for its multiple sclerosis commercial franchise. Investors have also raised concerns over increased perceived risk for the Phase III trial of aducanumab in Alzheimer's disease after Biogen disclosed it would increase the size of the trial.

Review of Sector Performance

During the first half of the Company's financial year, biotechnology shares performed well, driven in part by continued easing of political concerns for the sector following the U.S. presidential election. This strength was broad-based as major capitalisation and emerging biotechnology shares appreciated. However, sentiment became more negative toward the major biotechnology companies beginning in October, catalysed in part by disappointments from Celgene, a bellwether stock for the group, as a major programme failed and the company lowered its long-term earnings guidance. Concern spread as investors worried about impending patent cliffs and the sustainability of growth from internal pipeline development at the major biotechnology companies. During this time, emerging biotechnology companies strongly outperformed larger capitalisation companies, as investors focused on new growth opportunities among the small and mid-capitalisation biotechnology firms.

Strategic Report / Portfolio Manager's Review

The portfolio was more highly weighted toward major biotechnology companies during the year (approximately 8% overweight versus the NBI), as we viewed these companies to be favourably valued even accounting for some slowdown in growth. This positioning contributed to our underperformance versus the benchmark during the year. We believe new product cycles will reinvigorate large capitalisation biotechnology companies, which are trading at substantial discounts to historical valuations, and draw investors back to the space. We also note that the proposed acquisition of **Shire** by Takeda suggests that valuations of large capitalisation biotechnology stocks are looking favourable compared to major pharmaceutical companies, so we believe that the potential for acquisitions will limit further downside.

Political Environment Remains Manageable, Despite Headline Risk

As we previously detailed, the unexpected election of Donald Trump and the Republican sweep in Congress in November 2016 largely eliminated the threat of dramatic legislation on drug pricing. President Trump, who has continued to make numerous statements about lowering drug prices in the US, finally unveiled his much-anticipated drug pricing plan in May. Most of the elements of the plan have been discussed previously and include greater price transparency, a revision to the drug rebate system to lower patient out-of-pocket costs, increased competition via encouraging more generic approvals, and equalisation of drug prices between the US and foreign markets. Importantly, direct negotiation of drug prices by Medicare was not mentioned, despite previous statements by Mr Trump that he would like the government to negotiate directly with manufacturers. While mentions of drug pricing may continue heading into the mid-term elections in November, we believe that the immediate effects of the plan will be largely incremental and manageable by the industry. Many of the specifics still need to be worked out, and any dramatic changes would have to be implemented via legislation, which is likely to be a complex and lengthy process. The administration appears to favour free market mechanisms to help control drug price inflation rather than direct price controls by the government. Our view is that companies who introduce truly innovative products that are superior to standard of care will continue to succeed in any new pricing environment.

We previously highlighted U.S. tax reform as a potential positive for the sector, boosting earnings with the reduction of corporate tax rates from 35% to 21% and potentially fuelling merger & acquisition (M&A) activity from repatriated cash. While the sector has seen several cases of acquisitions for large premiums post tax reform, including the acquisition of portfolio company Juno by Celgene for a 91% premium, we note that financial benefits from tax changes have additionally led to increased share repurchasing activities. While tax reform also reduced the Orphan Drug Tax Credit to 25% from 50%, we continue to see orphan diseases as a strong area for development with several other incentives including strong pricing power and additional exclusivity periods.

Continued Regulatory Tailwinds

We continue to see a favourable regulatory environment for drug development. Several recent approval decisions by the FDA have shown that the agency is becoming more flexible about lowering the threshold of evidence required to secure initial accelerated approval, while requiring confirmatory evidence with post-approval commitments. We see a continued shift within the agency toward a more collaborative approach with drug developers, particularly for drugs addressing high unmet medical needs. We believe a more active dialogue between the FDA and drug companies at the initial stages of the development process will ultimately shorten development and regulatory timelines. Progress in this regard is reflected by the 46 New Chemical Entities (NCEs) approved by the FDA in 2017, the highest number of NCEs approved since 1996. We see this as of particular importance for orphan drugs as well as for complex medicines such as more "personalised" treatments including cell therapy. Additionally, we note the FDA continues to expeditiously release official guidance documents on several therapeutic areas of focus, giving further transparency on expectations on specific disease indications, such as relevant clinical endpoints supportive of agency approval.

New Treatment Modalities at the Forefront

We have previously highlighted recent innovations in the biotechnology industry that have advanced several platform technologies that offer new avenues to target disease. 2017 brought the first U.S. approvals of two new classes of therapeutics. Spark Therapeutics received the first U.S. gene therapy approval of Luxturna for Leber's congenital amaurosis, an inherited vision disorder. Two chimeric antigen receptor-T (CAR-T) therapies, which are T cells engineered to combat cancer, received FDA approvals: Novartis' Kymriah for B cell precursor acute lymphoblastic leukemia (ALL) and **Gilead Sciences**/Kite Pharma's Yescarta for diffuse large B cell lymphoma (DLBCL).

Strategic Report / Portfolio Manager's Review

Additional CAR-T developments over the past year highlight the potential of this approach. Experimental treatments such as portfolio company Juno Therapeutics' JCAR017 in DLBCL and portfolio company **Bluebird Bio's** bb2121 in multiple myeloma, have shown dramatic results. Juno's JCAR017 has shown a striking six-month complete response rate of 50% with a substantially improved safety profile compared to other CAR-T therapies in relapsed or refractory DLBCL patients. Additionally, Bluebird Bio's bb2121 has demonstrated an impressive 56% complete response rate in highly refractory multiple myeloma patients with good safety and tolerability. We continue to see Bluebird as a strong innovator in the field of cell therapy and anticipate additional data from bb2121 as well as its second-generation candidate bb21217 in the near term. Given the strength of the collective CAR-T data generated to date, it is likely that these potentially curative cell therapies will move to earlier lines of treatment, thus expanding the addressable patient population and having a greater impact on the treatment of cancer. Over the longer term, CAR-T has the potential to be effective for a broad set of malignancies as new targets are discovered that can direct the T-cells to specifically kill cancer cells while sparing normal tissues. With first approvals now a reality, gene and cell therapy are poised to generate major clinical benefit for patients and remain an area of excitement for investors.

The strategic value of these new platform technologies has been recognised by both major biotechnology and major pharmaceutical companies. Shortly before Yescarta's approval, Kite was acquired by Gilead Sciences for nearly U.S.$12 billion. Early this year, Juno was acquired by Celgene for U.S.$9 billion. Additionally, AveXis, a gene therapy company, recently announced that it agreed to be acquired by Novartis for nearly U.S.$9 billion, in what had been a competitive bidding process. It is likely that we will see additional strategic acquisitions as major biopharmaceutical firms seek to establish development capabilities with these new therapeutic approaches.

Geoff Hsu and Richard Klemm
OrbiMed Capital LLC, Portfolio Manager

24 May 2018

Principal Contributors to and Detractors from Net Asset Value Performance

Top Five Contributors	Contribution for year to 31 March 2018 £'000	Contribution per share (pence)*
Vertex Pharmaceuticals	11,962	21.4
Juno Therapeutics†	9,630	17.2
BeiGene	6,654	11.9
Puma Biotechnology	5,706	10.2
Alnylam Pharmaceuticals	5,109	9.1
	39,061	**69.8**

Top Five Detractors		
Celgene	(19,963)	(35.8)
Incyte†	(9,836)	(17.6)
Regeneron Pharmaceuticals	(9,239)	(16.5)
Alexion Pharmaceuticals	(5,173)	(9.3)
Biogen	(5,011)	(9.0)
	(49,222)	**(88.2)**

* based on 55,839,913 shares being the weighted average number of shares in issue for the year ended 31 March 2018

† not held in the portfolio on 31 March 2018

Strategic Report / Business Review

The aim of the Strategic Report (on pages 1 to 17) is to provide shareholders with the ability to assess how the Directors have performed their duty to promote the success of the Company.

The Strategic Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them at the time of their approval of this report and such statements should be treated with caution due to inherent uncertainties, including both economic and business risk factors underlying any such forward-looking information.

Business Model

The Biotech Growth Trust PLC is an investment trust and has a premium listing on the London Stock Exchange. Its investment objective is set out below. In seeking to achieve this objective, the Company employs Frostrow Capital LLP (Frostrow) as its Alternative Investment Fund Manager (AIFM), OrbiMed Capital LLC (OrbiMed) as its Portfolio Manager, J.P. Morgan Europe Limited as its Depositary and J.P. Morgan Securities LLC as its Custodian and Prime Broker. Further details about their appointments can be found in the Report of the Directors on pages 33 and 34. The Board has determined an investment policy and related guidelines and limits, as described below.

The Company is subject to UK and European legislation and regulations including UK company law, International Financial Reporting Standards, the Alternative Investment Fund Managers Directive, the UK Listing, Prospectus, Disclosure Guidance and Transparency Rules, taxation law and the Company's own Articles of Association.

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006 and has been approved by HM Revenue & Customs as an investment trust (for the purposes of Section 1158 of the Corporation Tax Act 2010). As a result the Company is not liable for taxation on capital gains. The Directors have no reason to believe that approval will not continue to be retained. The Company is not a close company for taxation purposes.

Investment Objective and Policy

To seek capital appreciation through investment in the worldwide biotechnology industry. In order to achieve its investment objective, the Company invests in a diversified portfolio of shares and related securities in biotechnology companies on a worldwide basis. Performance is measured against the NASDAQ Biotechnology Index (sterling adjusted) (the Benchmark).

Investment Strategy

The implementation of the Company's Investment Objective has been delegated to OrbiMed by Frostrow (as AIFM) under the Board's and Frostrow's supervision and guidance.

Details of OrbiMed's investment strategy and approach are set out in the Portfolio Manager's review on pages 7 to 9. While performance is measured against the Company's Benchmark, Frostrow and OrbiMed have been given the ability to manage the portfolio without regard to the Benchmark and its make-up.

While the Board's strategy is to allow flexibility in managing the investments, in order to manage investment risk it has imposed various investment, gearing and derivative guidelines and limits, within which Frostrow and OrbiMed are required to manage the investments, as set out overleaf.

Any material changes to the investment Objective, Policy and Benchmark or the investment and gearing guidelines and limits require approval from shareholders.

Investment Limits and Guidelines

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

- The Company will not invest more than 10%, in aggregate, of the value 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 its 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% of the value of its gross assets in any one individual stock at the time of acquisition.

- The Company will not invest more than 10% of the value of its gross assets in direct unquoted investments at the time of acquisition. This limit does not include any investment in private equity funds managed by the Portfolio 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, the Company's Portfolio Manager, or an affiliate thereof.
- The Company's borrowing policy is that borrowing will not exceed 20% of the Company's net assets. The Company's borrowing requirements are met through the utilisation of a loan facility, repayable on demand and provided by J.P. Morgan Securities LLC. This facility can be drawn at the discretion of the AIFM.
- The Company may be unable to invest directly in certain countries. In these circumstances, the Company may gain exposure to companies in such countries by investing indirectly through swaps. Where the Company invests in swaps, exposure to underlying assets will not exceed 5% of the gross assets of the Company at the time of entering into the contract.

In accordance with the requirements of the UK Listing Authority, any material change to the investment policy will only be made with the approval of shareholders by ordinary resolution.

Foreign Currency Exposure

The Company does not currently hedge against foreign currency exposure.

Dividend Policy

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.

Continuation of the Company

An opportunity to vote on the continuation of the Company is given to shareholders every five years. The next such continuation vote will be held at the Annual General Meeting in 2020.

Company Promotion

The Company has appointed Frostrow to provide marketing and investor relations services, in the belief that a well-marketed investment company is more likely to grow over time, have a more diverse, stable list of shareholders and its shares will trade at close to net asset value per share over the long run. Frostrow actively promotes the Company in the following ways:

Engaging regularly with institutional investors, discretionary wealth managers and a range of execution-only platforms: Frostrow regularly meets with institutional investors, discretionary wealth managers and execution-only platform providers to discuss the Company's strategy and to understand any issues and concerns, covering both investment and corporate governance matters;

Making Company information more accessible: Frostrow works to raise the profile of the Company by targeting key groups within the investment community, holding periodic investment seminars, commissioning and overseeing PR output and managing the Company's website and wider digital offering, including Portfolio Manager videos and social media;

Disseminating key Company information: Frostrow performs the Investor Relations function on behalf of the Company and manages the investor database. Frostrow produces all key corporate documents, distributes monthly Fact Sheets, Annual Reports and updates from OrbiMed on the portfolio and market developments; and

Monitoring market activity, acting as a link between the Company, shareholders and other stakeholders: Frostrow maintains regular contact with sector broker analysts and other research and data providers, and conducts periodic investor perception surveys, liaising with the Board to provide up-to-date and accurate information on the latest shareholder and market developments.

Strategic Report / Business Review

Key Performance Indicators

The Board assesses the Company's performance in meeting its objective against key performance indicators (also referred to as Alternative Performance Measures): net asset value return; share price return; share price discount to net asset value per share; and ongoing charges. Information on the Company's performance is provided in the Chairman's Statement and the Portfolio Manager's Report and a record of these measures is shown on page 1, 2 and 3. Further information regarding these Alternative Performance Measures can be found in the glossary beginning on page 73.

Net Asset Value Return

The Directors regard the Company's net asset value total return as being the overall measure of value delivered to shareholders over the long term. Total return reflects the net asset value growth of the Company. OrbiMed's investment style is such that performance is likely to deviate from that of the Benchmark. The Board considers the most important comparator to be the NASDAQ Biotechnology Index (sterling adjusted).

During the year under review the Company's net asset value per share return was (6.7)% underperforming the Benchmark by 4.5%. Since OrbiMed's date of appointment (19 May 2005) to 31 March 2018, the Company's net asset value per share return is 649.4% compared with Benchmark performance of 541.7%.

Share Price Return

The Directors also regard the Company's share price return to be a key indicator of performance. This is monitored closely by the Board.

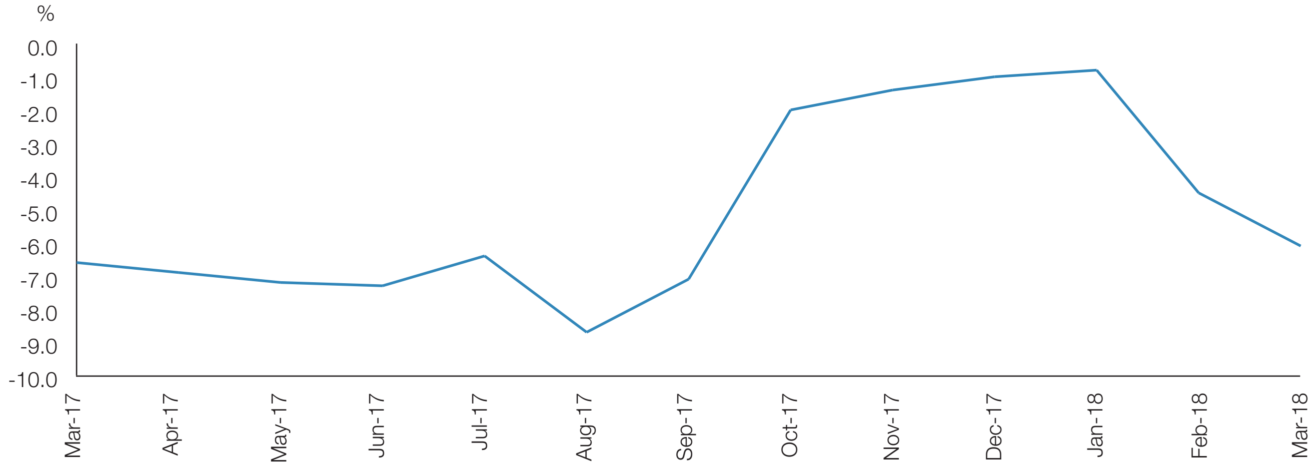
During the year under review the Company's share price return was (6.1)%. Since OrbiMed's date of appointment (19 May 2015) to 31 March 2018, the Company's share price return is 644.8% compared with Benchmark performance of 541.7%.

Share Price (Discount)/Premium to Net Asset Value per Share

The Board undertakes a regular review of the level of discount/premium of the Company's share price to the net asset value per share and consideration is given to ways in which share price performance may be enhanced, including the effectiveness of marketing and share issuance and buy-backs, where appropriate. The Board has a discount control mechanism in place intended to establish a target level of no more than a 6% discount of share price to the net asset value per share. Shareholders should note, however, that it remains possible for the share price discount to net asset value per share to be greater than 6% on any one day 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. New shares will only be issued at a premium to the Company's net asset value per share. The volatility of the net asset value per share in an asset class such as biotechnology is another factor over which the Board has no control. The making and timing of any share buy-backs or share issuance is at the absolute discretion of the Board.

Strategic Report / Business Review

(Discount)/Premium of the Company's Share Price to the Net Asset Value per Share – Year to 31 March 2018 (Plotted on a Monthly Basis)



The discount of the Company's share price to the net asset value per share at 31 March 2018 stood at 6.1% (2017: 6.6%).

Ongoing Charges

The Board continues to be conscious of expenses and works hard to maintain a sensible balance between strong service and costs.

As at 31 March 2018 the ongoing charges figure was 1.1% calculated by taking the operating expenses of the Company divided by the average daily assets of £457.1m (2017: 1.1% (average daily assets of £419.2m)). (see glossary on page 74).

Board Diversity

The Board's policy on diversity, including gender, is to take this into consideration during the recruitment and appointment process.

Social, Economic and Environmental Matters

The Directors, through the Company's Portfolio Manager, encourage companies in which investments are made to adhere to best practice with regard to corporate governance. In light of the nature of the Company's business there are no relevant human rights issues and the Company does not have a human rights policy.

The Company recognises that social and environmental issues can have an effect on some of its investee companies.

The Company is an investment trust and so its own direct environmental impact is minimal. The Board of Directors consists of six Directors, five of whom are resident in the UK and one resident in the United States. The Board holds the majority of its regular meetings in the United Kingdom and has a policy that travel, as far as possible, is minimal, thereby minimising the Company's greenhouse gas emissions. Further details concerning greenhouse gas emissions can be found within the Report of the Directors on page 37.

Risk Management

The Board is responsible for the ongoing identification, evaluation and management of the principal risks faced by the Company and has established a process for the regular review of these risks and their mitigation.

The Directors confirm that they have carried out a thorough assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The risks identified and the ways in which they are managed or mitigated are summarised below.

With the assistance of Frostrow, the Audit Committee has drawn up a risk matrix which identifies the key risks to the Company. These are reviewed and noted on a regular basis. These key risks fall broadly under the following categories:

Principal Risks and Uncertainties	Management/Mitigation
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 is at an optimum level. The Board, through the AIFM and the Portfolio Manager, holds regular discussions with major shareholders. 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 AIFM and Portfolio Manager.
Volatility and Level of Discount/Premium The risk of the Company's share price not being representative of its underlying net assets.	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 investor relations services (see page 11) and also share issuance and buy-backs, if considered appropriate. The Board has an active discount management policy in place, buying back the Company's shares for cancellation if the market price is at a discount greater than 6% to the Company's net asset value per share. New shares will only be issued at a premium to the net asset value per share. The making and timing of any share issuance or buy-backs is at the absolute discretion of the Board. Shareholders should note, however, that it remains possible for the share price discount to the net asset value per share to be greater than 6% on any one day. This is due to the fact that the share price continues to be influenced by overall supply and demand for the Company's shares in the secondary market. The volatility of the net asset value per share in an asset class such as biotechnology is another factor over which the Board has no control.
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 Portfolio Manager provides an explanation of significant stock selection decisions and an overall rationale for the make-up of the portfolio. The Portfolio Manager discusses current and potential investment holdings with the Board on a regular basis.

Principal Risks and Uncertainties	Management/Mitigation
Investment Management Key Person Risk The risk that the individual(s) responsible for managing the Company's portfolio may leave their employment or may be prevented from undertaking their duties.	The Board manage this risk by: • appointing OrbiMed, who operate a team environment such that the loss of any individual should not impact on service levels; • receiving reports from OrbiMed at each Board meeting, such reports include any significant changes in the make-up of the team supporting the Company; • meeting the wider team, outside the designated lead managers, at OrbiMed's offices and encouraging the participation of the wider OrbiMed team in investor updates; and • delegating to the Management Engagement Committee, responsibility to perform an annual review of the service received from OrbiMed, including, *inter alia*, the team supporting the lead managers and succession planning.
Operational and Regulatory A breach of Section 1158 of the Corporation Tax Act 2010 could lead to the Company being subject to tax on capital gains, whilst a serious breach of other regulatory rules (including those associated with the Alternative Investment Fund Managers Directive) may lead to suspension from the Stock Exchange or to a qualified Audit Report. Other control failures, including cyber crime, relating to the AIFM, the Portfolio 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 Audit Committee has reviewed the cyber security policies for the Company's principal services providers. The Compliance Officer of the AIFM and of the Portfolio Manager produce regular reports for review at the Company's Audit Committee meetings and are available to attend such meetings in person if required.
Market Price Risk Uncertainty about future prices of financial instruments held.	The Portfolio Manager has responsibility for selecting investments in accordance with the Company's investment objective and policy and seeks to ensure that investment in individual stocks falls within acceptable risk levels. Compliance with the limits and guidelines contained in the Company's investment policy is monitored daily by Frostrow and OrbiMed and reported to the Board monthly.
Liquidity Risk Ability to meet funding requirements when they arise.	The Portfolio Manager has constructed the portfolio so that funds can be raised at short notice if required. Please see page 6 for further information on the make-up of the portfolio.

Principal Risks and Uncertainties	Management/Mitigation
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 AIFM 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 broker. The Board has implemented an active discount management policy in order to try to ensure that the Company's share price trades at a discount no greater than 6% to the Company's net asset value per share. Please see page 14 for further information.
Currency Risk Movements in exchange rates could adversely affect the sterling 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 traded 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 (see page 11).
Loan Facility The provider of the Company's loan facility may no longer be prepared to lend to the Company.	The Board, the AIFM and the Portfolio 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. The Company's borrowing requirements are met through the utilisation of a loan facility, repayable on demand, provided by J.P. Morgan Securities LLC ("J.P. Morgan") (see Credit Risk below).
Credit Risk The Company is exposed to credit risk arising from the use of counterparties. If a counterparty were to fail, the Company could be adversely affected through either a delay in settlement or a loss of assets.	The most significant counterparty the Company is exposed to is J.P. Morgan (the Company's Custodian and Prime Broker) which is responsible for the safekeeping of the Company's assets and provides the loan facility to the Company. As part of the arrangements with J.P. Morgan they may take assets, up to 140% of the value of the loan drawn down, as collateral. Such assets taken as collateral by J.P. Morgan may be used, loaned, sold, rehypothecated or transferred. Any of the Company's assets taken as collateral are not covered by the custody arrangements provided by J.P. Morgan. J.P. Morgan is a registered broker-dealer and is accordingly subject to limits on rehypothecation, in particular limitations set out in U.S. Securities and Exchange Commission (SEC) Rule 15c3-3. In the event of J.P. Morgan's insolvency, the Company may be unable to recover in full assets held by it as Custodian or held as collateral. See pages 33 and 34 for further information. The risk is managed through the selection of a financially strong counterparty, through limitations on the use of gearing and through reliance on a robust regulatory regime (SEC). In addition, the Board regularly monitors the credit rating of J.P. Morgan. J.P. Morgan is also subject to regular monitoring by J.P. Morgan Europe Limited, the Company's Depositary, and the Board receives regular reports from J.P. Morgan Europe Limited. Further information on financial instruments and risk, as required by IFRS 7, can be found in note 13 to the financial statements beginning on page 64.

Strategic Report / Business Review

Brexit

The Board continues to consider the potential risks to the Company as a result of the UK's vote to leave the EU. Currently, other than the impact of exchange rates on the Company's investment values (which is covered under Market Risks), the Board does not consider that the Brexit vote has significantly altered the risk profile of the Company as substantially all the Company's investments are based outside the EU, and the majority of shareholders are UK based.

Long Term Viability

The Board has carried out a robust assessment of the principal risks facing the Company including those that would threaten its business model, future performance, solvency or liquidity. The Board has drawn up a matrix of risks facing the Company and has put in place a schedule of investment limits and restrictions, appropriate to the Company's investment objective and policy, in order to mitigate these risks as far as practicable. The principal risks which have been identified, and the steps taken by the Board to mitigate these as far as possible, are shown on pages 14 to 16.

The Board believes it to be appropriate to make this assessment over a five-year period. This basis is deemed appropriate due to our Portfolio Manager's long-term investment horizon and also what the Board believe to be investors' horizons, taking account of the Company's current position and the potential impact of the principal risks and uncertainties.

The Directors also took into account the liquidity of the portfolio when considering the viability of the Company over a five-year period and its ability to meet liabilities as they fall due. In addition, the Board has noted that an opportunity to vote on the continuation of the Company is given to shareholders every five years. The next such continuation vote will be held at the Annual General Meeting in 2020.

The Directors do not expect there to be any significant change in the principal risks that have been identified and the adequacy of the mitigating controls in place. Also the Directors do not envisage any change in strategy or objectives or any events that would prevent the Company from continuing to operate over that period as the Company's assets are liquid, its commitments are limited and the Company intends to continue to operate as an investment trust. The Directors believe that only a substantial financial crisis affecting the global economy and causing substantial falls in share prices could have an impact on this assessment.

Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five-year period.

Looking to the Future

The Board concentrates its attention on the Company's investment performance and OrbiMed's investment approach and on factors that may have an effect on this approach. Marketing reports are given to the Board at each Board meeting by the AIFM which include how the Company will be promoted and details of planned communications with existing and potential shareholders. The Board is regularly updated by the AIFM on wider investment trust industry issues and discussions are held at each Board meeting concerning the Company's future development and strategy.

A review of the Company's year, its performance since the year-end and the outlook for the Company can be found in the Chairman's Statement on pages 4 and 5 and in the Portfolio Manager's Review on pages 7 to 9.

By order of the Board

Frostrow Capital LLP
Company Secretary

24 May 2018

Governance / Board of Directors

Andrew Joy
Independent Non-Executive Chairman

Joined the Board in 2012 and became Chairman in July 2016
Remuneration: £36,500 pa

Andrew was one of the founding Partners of Cinven, a leading private equity firm investing in Europe and the U.S. He is a Senior Advisor of Stonehage Fleming Group, Chairman of the investment committee of FPE Capital and is a Trustee of several charities. He has been Chairman or a Director of numerous growing companies over the past 30 years. He is a former Chairman of the BVCA (British Venture Capital and Private Equity Association) and a Director of the EVCA.

Andrew is also Chairman of the Nominations Committee.

Shareholding in the Company: 55,000

Steven Bates
Independent Non-Executive Director

Joined the Board in 2015
Remuneration: £27,000 pa

Steven is Chairman of F&C Capital and Income Investment Trust plc and of the Vinacapital Vietnam Opportunity Fund Limited. He is a non-executive Director of British Empire Trust plc and is also a Director of Guard Cap Asset Management Limited. He sits on, or is advisor to, various committees in the wealth management and pension fund areas. He was head of global emerging markets at J.P. Morgan Asset Management until 2002.

Steven is Chairman of the Management Engagement Committee.

Shareholding in the Company: 10,000

Julia Le Blan
Independent Non-Executive Director

Joined the Board in 2016
Remuneration: £28,000 pa

A Chartered Accountant, Julia has worked in the financial services industry for over 30 years. She was formerly a tax partner at Deloitte and sat for two terms on the AIC's technical committee.

She is a non-executive Director of F&C UK High Income Trust plc, Impax Environmental Markets plc, J.P. Morgan US Smaller Companies Investment Trust plc and Aberforth Smaller Companies Trust plc.

Julia is Chair of the Audit Committee.

Shareholding in the Company: 7,000

Governance / Board of Directors

Professor Dame Kay Davies, CBE
Independent Non-Executive Director

Joined the Board in 2012
Remuneration: £28,000 pa

Professor Davies is the Dr. Lee's Professor of Anatomy and Associate Head of the Medical Sciences Division at the University of Oxford and a fellow of Hertford College. She is also Co-Director of the Oxford Neuromuscular Centre and a Director of biopharmaceutical company UCB Pharma S.A. Professor Davies also serves on the GRL Board (Sanger Institute) and the Genome England Board (NHS).

Professor Davies is Chair of the Remuneration Committee and is the Senior Independent Director.

Shareholding in the Company: 3,500

Geoff Hsu
Non-Executive Director

Joined the Board on 16 May 2018
Remuneration: £25,500 pa

Geoff is a General Partner of OrbiMed, having joined in 2002 as a biotechnology analyst. Prior to joining OrbiMed, he worked as an analyst in the healthcare investment banking group at Lehman Brothers. Mr. Hsu received his A.B. degree summa cum laude from Harvard University and holds an M.B.A. from Harvard Business School. Prior to business school, he spent two years studying medicine at Harvard Medical School.

Shareholding in the Company: Nil

The Rt Hon Lord Willetts
Independent Non-Executive Director

Joined the Board in 2015
Remuneration: £25,500 pa

Lord Willetts is Executive Chairman of the Resolution Foundation and a Visiting Professor at King's College London. He is also a Governor of the Ditchley Foundation, a member of the Council of the Institute for Fiscal Studies and a Board member of the Francis Crick Institute and of the Biotech Industry Association. Lord Willetts is also Chairman of the GRL Board (Sanger Institute).

He was Minister for Universities and Science from 2010-2014. He was the Member of Parliament for Havant from 1992-2015. Before that, Lord Willetts worked at HM Treasury and the Number 10 Policy Unit. He also served as Paymaster General in John Major's Government.

Shareholding in the Company: Nil

All Directors seek either appointment or re-appointment to the Board at the Annual General Meeting each year.

Meeting attendance

The table below sets out the number of scheduled Board and Committee meetings held during the year ended 31 March 2018 and the number of meetings attended by each Director.

	Board	Management Engagement Committee	Audit Committee	Nominations Committee	Remuneration Committee
Number of meetings held in 2017/18:	**4**	**3**	**3**	**1**	**1**
Steven Bates	4	3	3	1	1
Sven Borho^	4	–	–	–	–
Professor Dame Kay Davies, CBE	4	2	2	1	1
Andrew Joy	4	3	3	1	1
Peter Keen*	2	–	2	–	–
Julia Le Blan	4	3	3	1	1
The Rt Hon Lord Willetts	3	1	2	0	0

All of the serving Directors attended the Annual General Meeting held on 12 July 2017.

^ Sven Borho was not a member of any of the Company's committees during the year. (Sven Borho retired from the Board on 16 May 2018)
* Peter Keen retired from the Board on 12 July 2017.

Governance / Corporate Governance

The Board and Committees

Responsibility for effective governance lies with the Board. The governance framework of the Company reflects the fact that as an investment company it has no employees. Portfolio management is delegated to OrbiMed and risk management, company management, company secretarial, administrative and marketing services are delegated to Frostrow.

The Board

Chairman – Andrew Joy

Senior Independent Director – Professor Dame Kay Davies

Four additional non-executive Directors, all considered independent, except for Geoff Hsu (and previously Sven Borho), as noted on page 22.

Key responsibilities:

– to provide leadership and set strategy, values and standards within a framework of prudent effective controls which enable risk to be assessed and managed;

– to ensure that a robust corporate governance framework is implemented; and

– to challenge constructively and scrutinise performance of all outsourced activities.

Remuneration Committee

Chairman
Professor Dame Kay Davies

All Independent Directors

Key responsibilities:

– to set the remuneration policy of the Company.

Audit Committee

Chairman
Julia Le Blan*

All Independent Directors

Key responsibilities:

– to review the Company's financial reports;

– to oversee the risk and control environment and financial reporting; and

– to review the performance of the Company's external Auditor.

Nominations Committee

Chairman
Andrew Joy

All Independent Directors

Key responsibilities:

– to review regularly the Board's structure and composition; and

– to make recommendations for any changes or new appointments.

Management Engagement Committee

Chairman
Steven Bates

All Independent Directors

Key responsibilities:

– to review regularly the contracts, the performance and remuneration of the Company's principal service providers.

*The Directors believe that Julia Le Blan has the necessary recent and relevant financial experience to Chair the Company's Audit Committee.

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 on the Company's website at www.biotechgt.com

Governance / Corporate Governance

Corporate Governance Statement

The Corporate Governance Statement on pages 20 to 32, forms part of the Report of the Directors on pages 33 to 37.

The Board is committed to achieving and demonstrating high standards of Corporate Governance.

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance ('AIC Code'), and by reference to the AIC Corporate Governance Guide for Investment Companies ('AIC Guide') (which incorporates the UK Corporate Governance Code ('UK Code')), will provide better information to shareholders.

The Financial Reporting Council has confirmed that by following the AIC Code and the AIC Guide, boards of investment companies will meet their obligations in relation to the UK Code and paragraph 9.8.6 of the UK Listing Rules.

The AIC Code and AIC Guide address the principles set out in the UK Code as well as additional principles and recommendations on issues that are specific to investment trusts. The AIC Code can be viewed at www.theaic.co.uk.

The Principles of the AIC Code

The AIC Code is made up of 21 principles split into three sections covering:

- The Board
- Board Meetings and relations with OrbiMed and Frostrow
- Shareholder Communications

Statement of Compliance

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as follows:

The UK Code includes certain provisions relating to:

- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function

For the reasons set out in the AIC Guide, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. Therefore with the exception of the need for an internal audit function which is addressed further on page 39, the Company has not reported further in respect of these provisions.

AIC Code Principle	Compliance Statement
The Board	
1. The Chairman should be independent.	The Chairman, Andrew Joy is responsible for the leadership of the Board and for ensuring its effectiveness. The Chairman continues to be independent of the AIFM and the Portfolio Manager. There is a clear division of responsibility between the Chairman, the Directors, the AIFM, the Portfolio Manager and the Company's other third party service providers. The Chairman is responsible for the leadership of the Board and for ensuring its effectiveness in all aspects of its role. There are no relationships that may create a conflict of interest between the Chairman's interests and those of shareholders.

Governance / Corporate Governance

AIC Code Principle	Compliance Statement
2. A majority of the Board should be independent of the Manager.	Sven Borho is a Managing Partner of OrbiMed, the Company's Portfolio Manager, and during the year had served on the Board for more than nine years from the date of his first election. Mr Borho retired from the Board on 16 May 2018 and was not considered to be an Independent Director. Geoff Hsu, a General Partner of OrbiMed, joined the Board on 16 May 2018. He is not considered to be an Independent Director. The Board consists of five other non-executive Directors, each of whom is independent of the AIFM and the Portfolio Manager. None of the Board members is or has been an employee of the Company.
3. Directors should be submitted for re-election at regular intervals. Nomination for re-election should not be assumed but be based on disclosed procedures and continued satisfactory performance.	All Directors (who are not retiring from the Board) submit themselves for annual re-election by shareholders. New Directors are subject to election at the first Annual General Meeting following their appointment. The individual performance of each Director standing for re-election is evaluated annually by the remaining members of the Board and, if considered appropriate, a recommendation is made that shareholders vote in favour of their re-election at the Company's Annual General Meeting to be held in July 2018. Geoff Hsu joined the Board on 16 May 2018. Accordingly, a resolution proposing his appointment as a Director of the Company will be considered by shareholders at the Annual General Meeting to be held on 11 July 2018.
4. The Board should have a policy on tenure, which is disclosed in the annual report.	The Nominations Committee, considers the structure of the Board and recognises the need for progressive refreshing of its members. The Board subscribes to the view expressed within the AIC Code that long-serving Directors should not be prevented from forming part of an independent majority. It does not consider that a Director's tenure necessarily reduces his or her ability to act independently and, following formal performance evaluations, believes that each of those Directors is independent in character and judgment and that there are no relationships or circumstances which are likely to affect their judgement. The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as such, no limit on the overall length of service of any of the Company's Directors, including the Chairman, has been imposed. In view of its non-executive nature, the Board considers that it is not appropriate for the Directors to be appointed for a specified term, although new Directors are appointed with the expectation that they will serve for a minimum period of three years subject to shareholder approval. The AIC Code states that any Director who has served for more than nine years is subject to annual re-appointment. All of the Company's Directors (who are not retiring from the Board) seek re-appointment at each Annual General Meeting. The terms and conditions of the Directors' appointments are set out in letters of engagement which are available for inspection on request at the office of Frostrow, the Company's AIFM and from the Company Secretary at the Company's Annual General Meeting to be held in July 2018.

AIC Code Principle	Compliance Statement
5. There should be full disclosure of information about the Board.	The Directors' biographical details, set out on pages 18 and 19 demonstrate the wide range of skills and experience that they bring to the Board together with details of their other directorships and employment. Further details of Board composition and succession planning can be found within the Chairman's Statement set out on pages 4 and 5. Details of the Board's committees and their composition are set out on page 20.
6. The Board should aim to have a balance of skills, experience, length of service and knowledge of the company.	The Nominations Committee considers annually the skills possessed by the Board and identifies any skill shortages to be filled by new Directors. When considering new appointments, the Board reviews the skills of the Directors and seeks to add persons with complementary skills or who possess the skills and experience which fill any gaps in the Board's knowledge or experience and who can devote sufficient time to the Company to carry out their duties effectively. The experience of the current Directors is detailed in their biographies set out on pages 18 and 19. The Company is committed to ensuring that any vacancies arising are filled by the most qualified candidates and recognises the value of diversity in the composition of the Board. When Board positions become available as a result of retirement or resignation, the Company will ensure that a diverse group of candidates is considered.
7. The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.	During the year the performance of the Board, its committees and individual Directors (including each Director's independence) was evaluated through a formal assessment process led by the Senior Independent Director. This involved the circulation of a Board effectiveness checklist, tailored to suit the nature of the Company, followed by discussions between the Senior Independent Director and each of the Directors where necessary. The performance of the Chairman was evaluated by the other Directors under the leadership of the Senior Independent Director. The review concluded that the Board was working well. The Board is satisfied that the structure of skills, mix, experience, independence, knowledge, diversity and operation of the Board continue to be effective and relevant for the Company.

AIC Code Principle	Compliance Statement
8. Directors' remuneration should reflect their duties, responsibilities and the value of their time spent.	The Remuneration Committee annually reviews the fees paid to the Directors and compares these with the fees paid by the Company's peer group and the investment trust industry generally, taking into account the level of commitment and responsibility of each Board member. Details on the remuneration arrangements for the Directors of the Company can be found in the Directors' Remuneration Policy Report and Directors' Remuneration Report on pages 43 to 46. As all of the Directors are non-executive, the Board considers that it is acceptable for the Senior Independent Director of the Company to chair meetings when discussing Directors' fees. The Senior Independent Director takes no part in discussions regarding her own remuneration.
9. The independent directors should take the lead in the appointment of new directors and the process should be disclosed in the annual report.	The Nominations Committee is comprised of all Directors who are independent and chaired by the Chairman of the Board. Subject to there being no conflicts of interest, all members of the Committee are entitled to vote on candidates for the appointment of new Directors and on recommending for shareholders' approval the Directors seeking election and re-election at the Annual General Meeting. The Chairman does not Chair the meeting when the Committee is dealing with matters concerning the appointment of a successor to the Chairmanship. Details of the Board's commitment to diversity is set out within the Business Review on page 13. The appointment of Geoff Hsu to the Board was considered and agreed by the independent Directors. A specialist recruitment firm was not engaged as part of this process.
10. Directors should be offered relevant training and induction.	New appointees to the Board are provided with a full induction programme. The programme covers the Company's investment strategy, policies and practices. The Directors are also given key information on the Company's regulatory and statutory requirements as they arise including information on the role of the Board, matters reserved for its decision, the terms of reference for the Board Committees, the Company's corporate governance practices and procedures and the latest financial information. It is the Chairman's responsibility to ensure that the Directors have sufficient knowledge to fulfil their role and Directors are encouraged to participate in training courses where appropriate. The Directors have access to the advice and services of a Company Secretary through its appointed representative which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary is also responsible for ensuring good information flows between all parties.
11. The Chairman (and the Board) should be brought into the process of structuring a new launch at an early stage.	Principle 11 applies to the launch of new investment companies and is therefore not applicable to the Company.

AIC Code Principle	Compliance Statement
Board Meetings and relations with Frostrow and OrbiMed	
12. Boards and managers should operate in a supportive, co-operative and open environment.	The Board meets regularly throughout the year and a representative of the AIFM and Portfolio Manager is in attendance at each meeting and Committee meetings. The Chairman encourages open debate to foster a supportive and co-operative approach for all participants.
13. The primary focus at regular Board meetings should be a review of investment performance and associated matters, such as gearing, asset allocation, marketing/investor relations, peer group information and industry issues.	The Board has agreed a schedule of matters specifically reserved for decision by the Board. This includes establishing the investment objectives, strategy and benchmarks, the level of borrowing, the permitted types or categories of investments, the markets in which transactions may be undertaken, the amount or proportion of the assets that may be invested in any category of investment or in any one investment, and the Company's share issuance, share buy-back and treasury share policies. The Board, at its regular meetings, undertakes reviews of key investment and financial data, revenue projections and expenses, analysis of asset allocation, transactions and performance comparisons, share price and net asset value performance, marketing and shareholder communication strategies, the risks associated with pursuing the investment strategy, peer group information and industry issues. The Chairman is responsible for ensuring that the Board receive accurate, timely and clear information. Where appropriate representatives of the AIFM report on issues affecting the Company. All Directors have access to independent professional advice where they judge it necessary to discharge their responsibility properly. The Audit Committee reviews the Company's risk matrix and the performance and cost of the Company's third party service providers.
14. Boards should give sufficient attention to overall strategy.	The Board is responsible for strategy and has established an annual programme of agenda items under which it reviews the objectives and strategy for the Company at each meeting.

Governance / Corporate Governance

AIC Code Principle	Compliance Statement
15. The Board should regularly review both the performance of, and contractual arrangements with, the AIFM and the Portfolio Manager (or executives of a self-managed company).	The Management Engagement Committee reviews annually the performance of the AIFM and the Portfolio Manager. The Committee considers the quality, cost and remuneration method (including the performance fee) of the service provided by the AIFM and the Portfolio Manager against their contractual obligations and the Board receives monthly reports on compliance with the investment restrictions which it has set. It also considers the performance analysis provided by the AIFM and the Portfolio Manager. The Management Engagement Committee reviews the compliance and control systems of both the AIFM and the Portfolio Manager in operation insofar as they relate to the affairs of the Company and the Board undertakes periodic reviews of the arrangements with, and the services provided by, the Depositary, to ensure that the safeguarding of the Company's assets and security of the shareholders' investment is being maintained. Further details concerning the monitoring of the Company's internal controls and risk management can be found on pages 14 to 16 and 40 and 41. All Directors act in what they consider to be in the best interests of the Company, consistent with their statutory duties set out in the Companies Act 2006.
16. The Board should agree policies with the AIFM and the Portfolio Manager covering key operational issues.	The Portfolio Management Agreement between the Company, the AIFM and the Portfolio Manager sets out the limits of the Portfolio Manager's authority, beyond which Board approval is required. The Board has also agreed detailed investment guidelines with the AIFM and the Portfolio Manager, which are considered at each Board meeting. A representative of the AIFM and the Portfolio Manager attends each meeting of the Board to address questions on specific matters and to seek approval for specific transactions which the Portfolio Manager is required to refer to the Board. Frostrow in their capacity as the Company's AIFM have delegated the management of the portfolio and subsequent proxy voting to OrbiMed as the Portfolio Manager, who retain the services of Broadridge and Glass Lewis to undertake operational and administrative duties relating to proxy voting. The Portfolio Manager notifies the Board of any contentious issues that require voting upon. The Board has reviewed the Portfolio Manager's Proxy Voting & Class Action Policy. Reports on commissions paid by the Portfolio Manager are submitted to the Board regularly.

AIC Code Principle	Compliance Statement
17. Boards should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it.	The Board considers any imbalances in the supply of and the demand for the Company's shares in the market and takes appropriate action when considered necessary. The Board considers the discount or premium to net asset value of the Company's share price at each Board meeting and reviews the changes in the level of discount or premium and in the share price since the previous Board meeting and over the previous twelve months. At each meeting the Board reviews reports from the AIFM on marketing and shareholder communication strategies. It also considers their effectiveness as well as measures of investor sentiment and any recommendations on share issuance and share buy-backs. The Board does not consider that any conflicts arose from the AIFM and Portfolio Manager promoting the Company alongside their other clients.
18. The Board should monitor and evaluate other service providers.	The Management Engagement Committee reviews, at least annually, the performance of all the Company's third party service providers, including the level and structure of fees payable and the length of the notice period, to ensure that they remain competitive and in the best interests of shareholders. The Audit Committee also reviews reports from the principal service providers on compliance and the internal and financial control systems in operation and relevant independent audit reports thereon, as well as reviewing their various policies, including anti-bribery and corruption, to address the provisions of the Bribery Act 2010, and also regarding the prevention of the facilitation of tax evasion. The Board is satisfied that the Company's Auditor does not carry out any work for the AIFM and therefore no potential conflict will arise.

AIC Code Principle	Compliance Statement
Shareholder Communications	
19. The Board should regularly monitor the shareholder profile of the company and put in place a system for canvassing shareholder views and for communicating the Board's views to shareholders.	A detailed analysis of the substantial shareholders in the Company is provided to the Directors at each Board meeting. Representatives of the AIFM and the Portfolio Manager regularly meet with institutional shareholders and private client asset managers to discuss strategy and to understand their issues and concerns and, if applicable, to discuss corporate governance issues. The results of such meetings are reported at the following Board meeting. Regular reports from the Company's broker are submitted to the Board on investor sentiment and industry issues. Shareholders wishing to communicate with the Chairman, the Senior Independent Director or any other member of the Board, may do so by writing to the Company, for the attention of the Company Secretary at the offices of the AIFM. All shareholders are encouraged to attend the Annual General Meeting, where they are given the opportunity to question the Chairman, the Board and representatives of the Portfolio Manager. The Portfolio Manager will make a presentation to shareholders covering the investment performance and strategy of the Company at the forthcoming Annual General Meeting to be held in July 2018. The Directors welcome the views of all shareholders and place considerable importance on communications with them. The Chairman will ensure that all members of the Board are made aware of the issues and concerns raised by shareholders and that the appropriate steps are taken so that the Board has an adequate understanding of these views, through communication with the Company's AIFM (e-mail address: info@frostrow.com) and advisers.
20. The Board should normally take responsibility for, and have a direct involvement in, the content of communications regarding major corporate issues even if the manager is asked to act as spokesman.	All substantive communications regarding any major corporate issues are discussed by the Board taking into account representations from the AIFM, the Portfolio Manager, the Auditor, legal advisers and broker.

AIC Code Principle	Compliance Statement
21. The Board should ensure that shareholders are provided with sufficient information for them to understand the risk/reward balance to which they are exposed by holding the shares.	The Company places great importance on communication with shareholders and aims to provide them with a full understanding of the Company's investment objective, policy and activities, its performance and the principal investment risks by means of informative annual and half-year reports. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value per share of the Company's shares. The Board is responsible for the overall management of the Company, approval of the Company's long-term objectives and commercial strategy and the review of the Company's Investment Policy. The Board continues to review the setting of maximum borrowing limits under which the AIFM and the Portfolio Manager operates within. The Annual Report provides information on the Portfolio Manager's investment performance, portfolio risk and operational and compliance issues. Further details on the risk/reward balance are set out in note 13 to the Financial Statements beginning on page 64. The Investment Portfolio is listed on page 6. The Company's website, www.biotechgt.com, is regularly updated with monthly fact sheets and provides useful information about the Company including the Company's financial reports and announcements.

Governance / Corporate Governance

The Board has considered the position of all of the Directors as part of the evaluation process, and believes that it would be in the Company's best interests to propose them for election and re-election at the forthcoming Annual General Meeting for the following reasons:

Mr Andrew Joy, has been a Director since March 2012 and Chairman since July 2016. He has extensive knowledge of the financial sector and was one of the founding Partners of Cinven, a leading private equity firm investing in Europe and the U.S. He has been Chairman or Director of numerous growing companies over the past 30 years.

Professor Dame Kay Davies, CBE, who has been a Director since March 2012. She is the Senior Independent Director and Chairman of the Remuneration Committee, has extensive knowledge of the biopharmaceutical sector and is the Dr Lee's Professor of Anatomy and Associate Head of the Medical Science Division at the University of Oxford.

Julia Le Blan joined the Board in July 2016. A Chartered Accountant and a former tax partner at Deloitte, she has a wealth of financial services industry experience. Julia became the Chairman of the Audit Committee in July 2017.

Mr Geoff Hsu, who has been a Director since 16 May 2018 is a General Partner of OrbiMed the Company's Portfolio Manager. He has been a part of the team that manages the Company's portfolio since OrbiMed's appointment in 2005.

Mr Steven Bates joined the Board in July 2015. He has a wealth of experience as an investment manager. He is Chairman of the Management Engagement Committee.

The Rt Hon Lord Willetts joined the Board in November 2015. A former government minister, he has extensive and relevant experience and a strong interest in the biotechnology sector.

The Chairman is pleased to report that following a formal performance evaluation, the Directors' performance continues to be effective and they continue to demonstrate commitment to the role.

The Board's Responsibilities

The Board meets regularly and four Board meetings were held during the year to deal with the stewardship of the Company and other matters. There is a formal schedule of matters specifically reserved for decision by the Board; it 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 which is set out on pages 10 and 11. It also has responsibility for all corporate strategy issues, dividend policy, share buy-back and issuance policy, borrowing, share price and discount/premium monitoring and corporate governance matters.

Conflicts of Interest

Directors have a duty to 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").

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 each Board meeting, 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.

Relationship with Shareholders

The Board, the AIFM and the Portfolio Manager consider maintaining good communications with shareholders and engaging with larger shareholders through meetings and presentations a key priority. Shareholders are being informed by the publication of annual and half-year reports which include financial statements. These reports are supplemented by the daily release of the net asset value per share to the London Stock Exchange and the publication of monthly fact sheets. All this information, including interviews with the Portfolio Manager, is available on the Company's website at www.biotechgt.com.

The Board is also keen that the Annual General Meeting ("AGM") be a participative event for all shareholders. The Portfolio Manager makes a presentation and shareholders are encouraged to attend. The Chairmen of the Board, and of the Committees, attend the AGM and are available to respond to queries and concerns from shareholders. Twenty working days' notice of the AGM has been given to shareholders and separate resolutions are proposed in relation to each substantive issue. Shareholders may submit questions for the AGM in advance of the meeting or make general enquiries of the Company via the Company Secretary at the registered office of the Company. The Directors make themselves available after the AGM to meet shareholders.

Where the vote is decided on a show of hands, the proxy votes received are relayed to the meeting and subsequently published on the Company's website. Proxy forms have a 'vote withheld' option. The Notice of Meeting sets out the business of the AGM together with the full text of any special resolutions and begins on page 77.

The Board monitors the share register of the Company; it also reviews correspondence from shareholders at each meeting and maintains regular contact with major shareholders. Shareholders who wish to raise matters with a Director may do so by writing to them at the registered office of the Company.

Exercise of Voting Powers

The Board has delegated authority to the Portfolio Manager to vote the shares owned by the Company. The Board has instructed that the Portfolio Manager submit votes for such shares wherever possible. (See AIC Code Principle 21 on page 29 for further details). This accords with current best practice whilst maintaining a primary focus on financial returns. The Portfolio 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 J.P. Morgan.

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; and
- to allow investors holding shares through a nominee company to attend general meetings, provided the correct authority from the nominee company is available.

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

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, Link Asset Services, or to the Company directly.

By order of the Board

Frostrow Capital LLP
Company Secretary

24 May 2018

Governance / Report of the Directors

The Directors present this Annual Report on the affairs of the Company together with the Audited Financial Statements and the Independent Auditor's Report for the year ended 31 March 2018.

Company Management

Alternative Investment Fund Manager

Frostrow under the terms of its AIFM agreement with the Company provides, *inter alia*, the following services: delegation (subject to the oversight of Frostrow and the Board) of the portfolio management function to OrbiMed; investment portfolio administration and valuation; risk management services; marketing and shareholder services; share price discount and premium management; administrative and secretarial services; advice and guidance in respect of corporate governance requirements; maintenance of the Company's accounting records; preparation and dispatch of annual and half year reports and monthly fact sheets; ensuring compliance with applicable legal and regulatory requirements; and maintenance of the Company's website.

Frostrow receives a periodic fee equal to 0.30% per annum of the Company's market capitalisation, plus a fixed amount equal to £60,000 per annum. Either party may terminate the AIFM Agreement on not less than 12 months' notice.

Portfolio Manager

OrbiMed under the terms of its portfolio management agreement with the AIFM and the Company provides, *inter alia*, the following services: the seeking out and evaluating of 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 objective and policy of the Company. OrbiMed receives a periodic fee equal to 0.65% per annum of the Company's net asset value. The proportion of the Company's assets committed for investment in OrbiMed Asia Partners L.P., a limited partnership managed by OrbiMed Asia G.P., L.P., an affiliate of the Portfolio Manager, is excluded from the fee calculation. The Portfolio Management Agreement may be terminated by the Company, Frostrow or the Portfolio Manager giving notice of not less than 12 months.

Performance fee

Dependent on the level of long-term outperformance of the Company, the AIFM and Portfolio Manager are entitled to the payment of a performance fee. The performance fee is calculated by reference to the amount by which the Company's net asset value ('NAV') performance has outperformed the NASDAQ Biotechnology Index (sterling adjusted), the Company's benchmark index.

The fee is calculated quarterly by comparing the cumulative performance of the Company's NAV with the cumulative performance of the benchmark since the commencement of the performance fee arrangement on 30 June 2005. The performance fee amounts to 16.5% of any outperformance over the benchmark, the AIFM receiving 1.5% and the Portfolio Manager receiving 15% respectively. Provision is also made within the daily NAV per share calculation as required and in accordance with generally accepted accounting standards.

In order to ensure that only sustained outperformance is rewarded, at each quarterly calculation date any performance fee is based on the lower of:

(i) The cumulative outperformance of the portfolio over the benchmark 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.

In addition, a performance fee only becomes payable to the extent that the cumulative outperformance gives rise to a total fee greater than the total of all performance fees paid to date.

The proportion of the Company's assets invested in OrbiMed Asia Partners L.P. is excluded from the Portfolio Manager's performance fee calculation.

Depositary and Custodian and Prime Broker

The Company appointed J.P. Morgan Europe Limited (the "Depositary") as its depositary. Under the terms of the Depositary Agreement the Company has agreed to pay the Depositary a fee calculated at 1.75 bps on net assets up to £150 million, 1.50 bps on net assets between £150 million and £300 million, 1.00 bps on net assets between £300 million and £500 million and 0.50 bps on net assets above £500 million.

The Depositary has delegated the custody and safekeeping of the Company's assets to J.P. Morgan who act as the Company's Custodian and Prime Broker.

Under the terms of a Delegation Agreement, liability has been transferred under Article 21(12) of the AIFMD for the loss of the Company's financial instruments held in custody by J.P. Morgan to J.P. Morgan in accordance with Article 21(13) of the AIFMD. While the Depositary Agreement prohibits the re-use of the Company's assets by the Depositary or the Prime Broker without the prior consent of the Company or Frostrow, the Company has consented to the transfer and re-use of its assets by the Prime Broker (known as "rehypothecation") in accordance with the terms of an institutional account agreement between the Company, J.P. Morgan and certain other J.P. Morgan Entities (as defined therein) (the "Institutional Account Agreement"). This activity is undertaken in order to take advantage of lower financing costs on the Company's loan borrowings and also lower custody charges.

J.P. Morgan is a registered broker-dealer and is accordingly subject to limits on rehypothecation, in particular limitations set out in U.S. SEC Rule 15c3-3. In the event of J.P. Morgan, insolvency, the Company may be unable to recover in full all assets held by it as collateral for the loan or as Custodian. (See note 13 beginning on page 64 for further details.)

AIFM and Portfolio Manager Evaluation and Re-Appointment

The performance of the AIFM and the Portfolio Manager is reviewed by the Company's Management Engagement Committee (the "Committee") with a formal evaluation being undertaken each year. As part of this process, the Committee monitors the services provided by the AIFM and the Portfolio 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 AIFM and the Portfolio Manager in February 2018 with a recommendation being made to the Board.

The Board believes the continuing appointment of the AIFM and the Portfolio 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 allocated by the Portfolio 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; and

– the quality and depth of experience of the company management, company secretarial, administrative and marketing team that the AIFM allocates to the management of the Company.

Loan Facility

The Company's borrowing requirements are met through the utilisation of a loan facility, repayable on demand, provided by J.P. Morgan. (Further details can be found in note 1 beginning on page 57 and note 13 beginning on page 64).

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 to either hold in treasury or for cancellation if the market price is at a discount greater than 6% to net asset value per share. As at 31 March 2018, the discount was 6.1% (31 March 2017: 6.6%). The making and timing of any share buy-back remains 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.

Shareholders should note, however, that it remains possible for the share price discount to the net asset value per share to be greater than 6% on any one day. This is due to the fact that the share price continues to be influenced by overall supply and demand for the Company's shares in the secondary market. The volatility of the net asset value per share in an asset class such as biotechnology is another factor over which the Board has no control.

During the year no shares were bought back by the Company (2017: 4,455,561 shares were repurchased, representing 7.4% of the issued share capital at the beginning of the year, and at a total cost of £29.7 million (including expenses)). No shares have been repurchased by the Company since the year-end. As at 24 May 2018 there were 55,839,913 shares in issue.

Annual General Meeting

THE FOLLOWING INFORMATION TO BE DISCUSSED AT THE FORTHCOMING ANNUAL GENERAL MEETING IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about the action you should take, you should seek advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 (as amended). If you have sold or transferred all of your ordinary shares in the Company, you should pass this document, together with any other accompanying documents, including the form of proxy, at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting.

Resolution 10 Authority to allot shares

Resolution 11 Authority to disapply pre-emption rights

Resolution 12 Authority to buy back shares

Resolution 13 Authority to hold General Meetings (other than the AGM) on at least 14 working days' notice

The full text of the resolutions can be found in the Notice of Annual General Meeting on pages 77 to 81. Explanatory notes regarding the resolutions can be found on pages 82 and 83.

Directors

Directors' fees

A report on Directors' Remuneration and also the Directors' Remuneration Policy Report are set out on pages 43 to 46.

Directors' & Officers' liability insurance cover

Directors' & Officers' liability insurance cover was maintained by the Board during the year ended 31 March 2018. It is intended that this policy will continue for the year ended 31 March 2019 and subsequent years.

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/her 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.

Substantial Shareholdings

The Company was aware of the following substantial interests in the voting rights of the Company as at 30 April 2018, the latest practicable date before publication of the annual report.

Shareholders	30 April 2018 No. of shares	30 April 2018 % of Issued share capital	31 March 2018 No. of shares	31 March 2018 % of Issued share capital
Hargreaves Lansdown	4,990,662	8.9	5,012,465	9.0
East Riding of Yorkshire	4,698,000	8.4	4,698,000	8.4
Alliance Trust Savings	2,742,358	4.9	2,737,012	4.9
Standard Life Wealth	1,971,455	3.5	1,926,683	3.5
Veritas Investment Management	1,835,627	3.3	1,872,267	3.4
Interactive Investor	1,846,371	3.3	1,853,163	3.3
Brewin Dolphin, Stockbrokers	1,839,859	3.3	1,841,977	3.3
Rathbones	1,766,482	3.2	1,710,625	3.0

As at both 31 March 2018 and 30 April 2018 the Company had 55,839,913 shares in issue.

Financial Instruments

The Company's financial instruments comprise its portfolio, cash balances, debtors and creditors that arise directly from its operations, such as sales and purchases awaiting settlement and accrued income. The financial risk management and policies arising from its financial instruments are disclosed in note 13 to the Financial Statements.

Results and Dividend

The results attributable to shareholders for the year and the transfer to reserves are shown on pages 53 and 55. No dividend is proposed in respect of the year ended 31 March 2018 (2017: nil).

Alternative Performance Measures

The Financial Statements (on pages 53 to 70) set out the required statutory reporting measures of the Company's financial performance. In addition, the Board assesses the Company's performance against a range of criteria which are viewed as particularly relevant for investment trusts, which are summarised on page 3 and explained in greater detail in the Strategic Report, under the heading 'Key Performance Indicators' on pages 12 and 13. Please also see the glossary beginning on page 73.

Awareness and Disclosure of Relevant Audit Information

So far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act) of which the Company's auditors are unaware.

Each of the Directors has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

The above confirmation is given and should be interpreted in accordance with the provision of Section 418(2) of the Companies Act 2006.

Capital Structure

The Company's capital structure is composed solely of Ordinary Shares. During the year no new shares were issued nor any shares repurchased by the Company. Further details are given in note 11 to the Financial Statements on page 64.

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 63.

Political and Charitable Donations

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

Modern Slavery Act 2015

The Company does not provide goods or services in the normal course of business, and as a financial investment vehicle does not have customers. The Directors do not therefore consider that the Company is required to make a statement under the Modern Slavery Act 2015 in relation to slavery or human trafficking.

Anti-Bribery and Corruption Policy

The Board has adopted a zero tolerance approach to instances of bribery and corruption. Accordingly it expressly prohibits any Director or associated persons when acting on behalf of the Company, from accepting, soliciting, paying, offering or promising to pay or authorise any payment, public or private, in the United Kingdom or abroad to secure any improper benefit for themselves or for the Company.

A copy of the Company's anti-bribery and corruption policy can be found on its website at www.biotechgt.com. The policy is reviewed regularly by the Audit Committee.

Criminal Finances Act 2017

The Company has a commitment to zero tolerance towards the criminal facilitation of tax evasion.

Global Greenhouse Gas Emissions

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), (including those within our underlying investment portfolio).

Common Reporting Standard (CRS)

CRS is a global standard for the automatic exchange of information commissioned by the Organisation for Economic Cooperation and Development and incorporated into UK law by the International Tax Compliance Regulations 2015. CRS requires the Company to provide certain additional details to HMRC in relation to certain shareholders. The Registrars, Link Asset Services, have been engaged to collate such information and file the reports with HMRC on behalf of the Company.

Corporate Governance

The Corporate Governance Statement set out on pages 20 to 32 forms part of the Report of the Directors.

Listing Rule 9.8.4

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this regard.

Securities Financial Transactions Regulation ('SFTR') Disclosure (unaudited)

The Company has not engaged in Securities Financing Transactions (as defined in Article 3 of Regulation (EU) 2015/2365) during the year. Securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions) or total return swaps. Accordingly, disclosures required by Article 13 of the Regulation are not applicable for the year ended 31 March 2018.

By order of the Board

Frostrow Capital LLP
Company Secretary

24 May 2018

Governance / Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors are required to prepare Financial Statements under International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under Company Law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern disclosing, as appropriate, matters related to going concern; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that the Financial Statements comply with the above requirements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, which is maintained by the Company's AIFM. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Going Concern

The Directors believe that it is appropriate to adopt the going concern basis in preparing the Financial Statements 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.

Responsibility Statement of the Directors in Respect of the Annual Report

Each of the Directors, who are listed on page 84, confirms that, to the best of his or her knowledge:

- the Company's financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union on a going concern basis, give a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces.

We consider the Annual Report and the financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board

Andrew Joy
Chairman

24 May 2018

Governance / Audit Committee Report

for the year ended 31 March 2018

Composition and Meetings

The Committee, which comprises the independent Directors, met three times during the year. Julia Le Blan, who has recent and relevant financial experience was appointed Chair of the Committee in July 2017. In addition, the Board recognises the requirement for the Audit Committee as a whole to have competence relevant to the sector in which the Company operates. The Committee members have a combination of financial, investment and business experience which is highly relevant to both the biotechnology and investment trust sectors.

Role and Responsibilities of the Audit Committee

1. **To review the Company's half-year and annual financial statements** together with announcements and other filings relating to the financial performance of the Company.
2. **To review the risk management and internal control processes** of the Company and its key service providers. As part of this review the Committee again reviewed the appropriateness of the Company's anti bribery and corruption policy.
3. **To recommend the appointment of an external Auditor, and agreeing the scope of its work and its remuneration**, reviewing its independence and the effectiveness of the audit process.
4. **To consider any non-audit work to be carried out by the Auditor.** The Audit Committee reviews the need for non-audit services to be performed by the Auditor in accordance with the Company's non-audit services policy, and authorises such on a case by case basis having given consideration to the cost effectiveness of the services and the objectivity of the Auditor.
5. **To consider the need for an internal audit function.** Since the Company delegates its day-to-day operations to third parties and has no employees, the Committee has determined there is no requirement for such a function.

The Committee's terms of reference are available for review on the Company's website at www.biotechgt.com.

Significant Issues Considered by the Audit Committee during the Year

Financial Statements

The Board has asked the Committee to confirm that in its opinion the Board can make the required statement that the Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's financial position, performance, business model and strategy. The Committee has given this confirmation on the basis of its review of the whole document, underpinned by involvement in the planning for its preparation and review of the processes to assure the accuracy of factual content.

Significant Reporting Matters

Company's Investments – Valuation and Ownership of the Company's Investments

The Committee approached and dealt with this area of risk by:

– reconfirming its understanding of the processes in place to record investment transactions and to value the investment portfolio;

– gaining an overall understanding of the performance of the investment portfolio both in capital and revenue terms through comparison to a suitable benchmark; and

– ensuring that all investment holdings and cash/deposit balances have been agreed to confirmation from the Custodian or relevant bank.

Recognition of Revenue from Investments

The Committee took steps to gain an understanding of the processes in place to record investment income and transactions. The Committee sought and received confirmation from the Company's Manager that all dividends both received and receivable had been accounted for correctly. The Committee noted and took comfort from the segregation of duties in place between the Company's Manager and the Custodian.

Taxation – Ensuring that the Regulations for the Company to Maintain its Investment Trust Status have been Observed

The Committee approached and dealt with the area of risk, surrounding compliance with section 1158 of the Corporation Tax Act 2010, by:

- seeking confirmation from the AIFM that the Company continues to meet the eligibility conditions as outlined in section 1158 through reports received at each Board meeting and also as part of the monthly Compliance Monitoring Report sent to the Board;
- by obtaining written confirmation from HMRC, evidencing the approval of the Company as an investment trust under the regime; and
- understanding the risks and consequences if the Company breaches this approval in future years.

Calculation of AIFM, Portfolio Management and Performance Fees

The AIFM, Portfolio Management and performance fees are calculated in accordance with the AIFM and Portfolio Management Agreements. The Auditor independently recalculates any performance fee prior to payment. The Auditor also recalculates the AIFM and Portfolio Management fee as part of the audit. No exceptions have been reported.

Other Reporting Matters

Investment Performance

The Committee also gained an overall understanding of the performance of the investment portfolio both in capital and revenue terms through ongoing discussions and analysis with and the Company's Portfolio Manager and also with comparison to suitable key performance indicators (see pages 12 and 13).

Accounting Policies

During the year the Committee ensured that the accounting policies were applied consistently throughout the year. In light of there being no unusual transactions during the year or other possible reasons, the Committee agreed that there was no reason to change the policies.

Going Concern

Having reviewed the Company's financial position and liabilities, the Committee is satisfied that it is appropriate for the Board to prepare the financial statements on the going concern basis.

Internal Controls

The Board has established an ongoing process for identifying, evaluating and managing any major risks faced by the Company. The process accords with advice issued by the FRC and is subject to regular review by the Audit Committee. The Board has overall responsibility for the Company's system of internal controls and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Audit Committee has reviewed the effectiveness of the Company's system of internal controls for the year ended 31 March 2018. During the course of its review the Audit Committee has not identified or been advised of any failings or weaknesses that have been determined as significant. All business risks faced by the Company are recorded in a detailed risk map which is reviewed periodically. In arriving at its judgement of what constitutes a sound system of internal control, the Directors considered 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 (as contained in the Company's risk matrix) 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.

Details of the key risks to the Company can be found on pages 14 to 16.

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.

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.

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 and risk management during the year, as set out above and that the ongoing process for identifying, evaluating and managing significant risks faced by the Company, has been in place for the year under review and up to 24 May 2018.

Viability Statement

The Board is required to make a longer-term viability statement in relation to the continuing operations of the Company. The Committee reviewed papers produced in support of the statement made by the Board which assesses the viability of the Company over a period of five years. The Company is a long-term investor and the Committee believes that is appropriate to recommend to the Board that the Company's viability should be assessed over a five-year period, also taking account of the Company's current position and the potential impact of the Company's principal risks and uncertainties as shown in the Strategic Report.

External Auditor

Meetings:

This year the nature and scope of the audit together with Ernst & Young LLP's audit plan were considered by the Committee on 2 November 2017. I, as Chair of the Committee, had a meeting with them specifically to discuss the audit and any issues that arose (of which there were none of any significance). The Committee then met Ernst & Young LLP on 16 May 2018 to formally review the outcome of the audit and to discuss the limited issues that arose. The Committee also discussed the presentation of the Annual Report with the Auditor and sought their perspective.

Independence and Effectiveness:

In order to fulfil the Committee's responsibility regarding the independence of the Auditor, the Committee reviewed:

- the senior audit personnel in the audit plan for the year,
- the Auditor's arrangements concerning any conflicts of interest,
- the extent of any non-audit services, and
- the statement by the Auditor that they remain independent within the meaning of the regulations and their professional standards.
- Auditor independence

In order to consider the effectiveness of the audit process, the Committee reviewed:

- the Auditor's fulfilment of the agreed audit plan,
- the report arising from the audit itself, and
- feedback from the Company's Manager.

With regard to the provision of non-audit services during the year, the Auditor undertook a review of the half-year accounts, where their fee amounted to £7,000 (2017: £7,000). During the year ended 31 March 2017 the Auditor provided tax compliance services to the Company at a cost of £1,000 (no such services were provided by them in the year ended 31 March 2018). (See note 4 for further details) The Committee continues to keep this under close review. The Company's policy on the provision by the Auditor of non-audit services to the Company can be found below.

The Committee is satisfied with the Auditor's independence and the effectiveness of the audit process, together with the degree of diligence and professional scepticism brought to bear.

Non-Audit Services

The Company operates on the basis whereby the provision of all non-audit services by the Auditor has to be pre-approved by the Audit Committee. Such services are only permissible where no conflicts of interest arise, the service is not expressly prohibited by audit legislation, where the independence of the Auditor is not likely to be impinged by undertaking the work and the quality and the objectivity of both the non-audit work and audit work will not be compromised. In particular, non-audit services may be provided by the Auditor if they are inconsequential or would have no direct effect on the Company's financial statements and the audit firm would not place significant reliance on the work for the purposes of the statutory audit.

Audit Tendering

As a public company listed on the London Stock Exchange, the Company is subject to the mandatory Auditor rotation requirements of the European Union. The Company will put the external audit out to tender at least every 10 years and change Auditor at least every 20 years. Ernst & Young LLP have been in post since July 2014, which was the last occasion an audit tender was held. Formal Audit tender guidelines have been adopted to govern the Audit tender process.

Auditor Reappointment

Ernst & Young LLP have indicated their willingness to continue to act as Auditor to the Company for the forthcoming year and a resolution for their re-appointment will be proposed at the Annual General Meeting.

The Committee reviews the scope and effectiveness of the audit process, including agreeing the Auditor's assessment of materiality and monitors the Auditor's independence and objectivity. It conducted a review of the performance of the Auditor during the year and concluded that performance was satisfactory and there were no grounds for change.

Julia Le Blan
Chairman of the Audit Committee

24 May 2018

Governance / Directors' Remuneration Report

for the year ended 31 March 2018

This report has been prepared in accordance with the requirements of Section 421 of the Companies Act 2006 and the Enterprise and Regulatory Reform Act 2013. A non-binding Ordinary Resolution for the approval of this report was last put to the shareholders at the 2017 Annual General Meeting. The Directors Remuneration Policy Report, which is separate to this report can be found on page 46.

The law requires the Company's Auditor to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such and the Auditor's opinion is included in their report to shareholders beginning on page 47. The Remuneration Policy Report on page 46 forms part of this report.

The Remuneration Committee considers the framework for the remuneration of the Directors on an annual basis. It reviews the ongoing appropriateness of the Company's remuneration policy and the individual remuneration of Directors by reference to the activities of the Company and comparison with other companies of a similar structure and size. This is in line with the AIC Code.

At the most recent review held on 28 February 2018, it was agreed that no increase should be made to the fees paid to the Directors. However, in light of the time and commitment required to undertake the role, it was agreed that an additional fee of £1,500 pa should be payable to the Chairman of the Management Engagement Committee with effect from 1 April 2018.

In the year to 31 March 2018, the Directors' fees were paid at the following annual rates: the Chairman of the Company £36,500, Julia Le Blan as Chairman of the Audit Committee and myself as the Senior Independent Director received an annual fee of £28,000. The remaining Directors received £25,500.

All levels of remuneration reflect both the time commitment and responsibility of the role.

Directors' Fees

The Directors, as at the date of this report, and who all served throughout the year (unless where stated), received the fees listed in the table below. These exclude any employers' national insurance contributions, if applicable.

As noted in the Strategic Report, all of the Directors are non-executive and therefore there is no Chief Executive Officer. The Company does not have any employees. There is therefore no CEO or employee information to disclose.

Directors' Emoluments for the Year (audited)

The Directors who served in the year received the following emoluments in the form of fees:

		Year ended 31 March 2018			Year ended 31 March 2017		
	Date of Appointment to the Board	Fees £	Taxable Benefits+ £	Total £	Fees £	Taxable Benefits+ £	Total £
Andrew Joy (Chairman)†	15 March 2012	36,500	–	36,500	33,022	–	33,022
Steven Bates	8 July 2015	25,500	–	25,500	25,000	–	25,000
Sven Borho (retired 16 May 2018)	23 March 2006	25,500	–	25,500	25,000	–	25,000
Professor Dame Kay Davies CBE^	15 March 2012	28,000	364	28,364	26,369	439	26,808
Peter Keen (Chairman of the Audit Committee) (retired 12 July 2017)	23 June 1997	7,862	–	7,862	27,000	1,164	28,164
Julia Le Blan (appointed as Chairman of the Audit Committee 12 July 2017)	12 July 2016	27,236	–	27,236	18,013	–	18,013
The Rt Hon Lord Waldegrave of North Hill (retired 12 July 2016)	6 June 1998	–	–	–	9,967	–	9,967
The Rt Hon Lord Willetts	11 November 2015	25,500	–	25,500	25,000	–	25,000
		176,098	364	176,462	189,371	1,603	190,974

\+ Taxable benefits primarily comprise travel and associated expenses incurred by the Directors in attending Board and Committee meetings in London. These are re-imbursed by the Company and, under a new interpretation of HMRC Rules, are subject to tax and National Insurance and therefore are treated as a Benefit in Kind with this table.

^ Appointed Senior Independent Director on 12 July 2016.

† Appointed as Chairman on 12 July 2016. Prior to this he was the Senior Independent Director.

Geoff Hsu joined the Board on 16 May 2018.

The Directors are entitled to be re-imbursed for reasonable expenses incurred by them in connection with the performance of their duties and attendance at Board and General Meetings.

In certain circumstances, under HMRC rules, travel and other out of pocket expenses reimbursed to the Directors may be considered as taxable benefits. Where expenses are classed as taxable under HMRC guidance they are shown in the Taxable Benefits column of the table on the previous page.

Relative Cost of Directors' Remuneration for the Year Ended 31 March 2018

To enable shareholders to assess the relative cost of Directors' remuneration, this has been shown in the table below compared with the Company's AIFM, Portfolio Management and other expenses.

	2018 £000	2017 £000	Difference £000
Fees payable to non-executive Directors	176	189	(13)
AIFM, Portfolio management fees and other expenses (excluding performance fee provisions)	4,964	4,608	356

During the year ended 31 March 2018 no performance fees were paid (2017: £nil).

At the Annual General Meeting held in July 2017 the results in respect of the non-binding resolution to approve the Directors' Remuneration Report were as follows:

Directors' Remuneration Report

Percentage of votes cast For	Percentage of votes cast Against	Number of votes withheld
98.5%	1.5%	119,936

At the Annual General Meeting held in July 2017 the results in respect of the binding resolution to approve the Directors' Remuneration Policy were as follows:

Directors' Remuneration Policy

Percentage of votes cast For	Percentage of votes cast Against	Number of votes withheld
98.1%	1.9%	186,743

Further details concerning Director Remuneration can be found in the Corporate Governance section on page 24.

A copy of the Directors' Remuneration Policy may be inspected by shareholders by either contacting the Company Secretary or visiting the Company's website at www.biogtechgt.com.

Loss of office

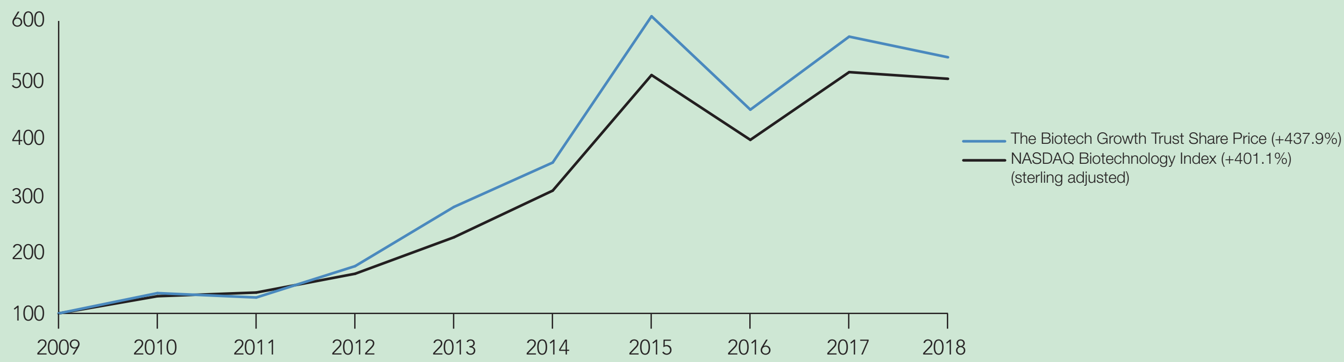
Directors do not have service contracts with the Company but are engaged under Letters of Appointment. These specifically exclude any entitlement to compensation upon leaving office for whatever reason.

Share price return

Share price versus the NASDAQ Biotechnology Index (sterling adjusted). The chart overleaf illustrates the shareholder return for a holding in the Company's shares as compared to the NASDAQ Biotechnology Index (sterling adjusted), which the Board has adopted as the measure for both the Company's performance and that of the Portfolio Manager for the period.

Governance / Directors' Remuneration Report

Shareholder Total Return for the Nine Years to 31 March 2018



Rebased to 100 as at 31 March 2009
Source: Bloomberg

Directors' Interests in Shares (audited)

The Directors' interests in the share capital of the Company are shown in the table below:

	Number of shares held as at 24 May 2018	31 March 2018	31 March 2017
Andrew Joy (Chairman)	55,000	55,000	55,000
Steven Bates	10,000	10,000	nil
Sven Borho	n/a	236,218	236,218
Professor Dame Kay Davies, CBE	3,500	3,500	3,500
Julia Le Blan	7,000	4,000	4,000
Geoff Hsu	nil	n/a	n/a
The Rt Hon Lord Willetts	nil	nil	nil

None of the Directors was granted or exercised rights over shares during the year. During the year Sven Borho was a Partner at OrbiMed, the Company's Portfolio Manager, which is party to the Portfolio Management Agreement with the Company and receives fees as described on page 33 of this Annual Report. Sven Borho retired from the Board on 16 May 2018. Geoff Hsu, a General Partner of OrbiMed, was appointed as a Director on this date.

Annual Statement

On behalf of the Board I confirm that the Remuneration Policy, set out on page 46 and Remuneration Report summarise, as applicable, for the year to 31 March 2018:

(a) the major decisions on Directors' remuneration;

(b) any substantial changes relating to Directors' remuneration made during the year; and

(c) the context in which the changes occurred and decisions have been taken.

Professor Dame Kay Davies, CBE
Senior Independent Director and Chairman of the Remuneration Committee

24 May 2018

Governance / Directors' Remuneration Policy

The Company follows the recommendations of the AIC Code that Directors' remuneration should reflect their duties, responsibilities and the value of their time spent. The Board's policy is that the remuneration of the Directors should reflect the experience of the Board as a whole, and is determined with reference to comparable organisations and appointments. There are no performance conditions attaching to the remuneration of the Directors as the Board does not believe that this is appropriate for non-executive Directors. This policy is reviewed annually and it is intended that it will continue for the year ending 31 March 2018 and for subsequent financial years.

The fees for the Directors are determined within the limits set out in the Company's Articles of Association, the maximum aggregate limit currently being £250,000 per annum, and they are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits. The current and projected Directors' fees are shown in the following table. The Company does not have any employees.

Directors' Remuneration Year Ended 31 March 2018

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 annually thereafter. The terms also provide that a Director may be removed without notice and that compensation will not be due on leaving office.

No communications have been received from shareholders regarding Directors' remuneration.

In accordance with best practice recommendations the Board will put the Remuneration Policy to shareholders at the Annual General Meeting at least once every three years.

Approval of this policy was granted by shareholders at the Annual General Meeting held in July 2017 and so shareholder approval will again be sought at the Annual General Meeting to be held in 2020.

Governance / Independent Auditor's Report to the Members of The Biotech Growth Trust PLC

Opinion

We have audited the financial statements of The Biotech Growth Trust PLC for the year ended 31 March 2018 which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes 1 to 17, including a summary of significant accounting policies. 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.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 March 2018 and of its loss 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 14 to 16 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 14 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;

- the Directors' statement set out on page 38 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 17 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters

- Incorrect valuation of the investment portfolio
- Risk of management override

Materiality

- Overall materiality of £4.2m (2017: £4.4m) which represents 1% of total equity as at 31 March 2018.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incorrect valuation of the investment portfolio (as described on page 39 in the Audit Committee Report and as per the accounting policy 1.b set out on page 57 and Note 8 on page 63). The value of the portfolio as at 31 March 2018 was £446m (2017: £461m).	We performed the following procedures- For quoted investments, we compared 100% of the year end prices to independent pricing sources.	The results of our procedures identified no material error in the valuation of the investment portfolio assets. Based on the work performed, we have no other observations to report.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
The valuation of the assets held in the investment portfolio is the key driver of the Company's investment return. Incorrect valuation of assets by the Company could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders. This risk has neither increased nor decreased compared to 2017.	For the unquoted investment, we have assessed the Company's estimation of fair value and have obtained independent confirmation that the fair value, as at the year-end date, is in accordance with the Company's valuation policy. We have ensured that there is no material difference between the most recent valuation confirmation as at 31 December 2017 and the value at 31 March 2018 by obtaining independent confirmation that no capital activity had occurred during this period. We have also assessed the reasonableness of the FX rates used to an independent source. No issues noted.	

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls at Frostrow Capital LLP and J. P. Morgan Europe Limited and changes in the business environment when assessing the level of work to be performed.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £4.2 million (2017: £4.4 million), which is 1% (2017: 1%) of total equity. We believe that total equity is the most important financial metric on which shareholders judge the performance of the Company.

During the course of our audit, we reassessed initial materiality and found no reason to alter the basis of calculation used at year end.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2017: 75%) of our planning materiality, namely £3.1m (2017: £3.4m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Company we have also applied a separate testing threshold of £42k (2017: £60k) for the revenue column of the Statement of Comprehensive Income, being 5% of the revenue profit before taxation.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.2m (2017: £0.2m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 38 – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit Committee reporting set out on pages 39 to 42 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 21 – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Governance / Independent Auditor's Report to the Members of The Biotech Growth Trust PLC

Opinions 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.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Report of the Directors.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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; or
- 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

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities set out on page 38, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Governance / Independent Auditor's Report to the Members of The Biotech Growth Trust PLC

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, the Corporation Tax Act 2010 (CTA 2010), the London Stock Exchange Listing Rules, Disclosure and Transparency Rules, UK Corporate Governance Code and the Alternative Investment Fund Managers Directive (AIFMD).
- We understood how The Biotech Growth Trust PLC is complying with those frameworks by making enquiries of the Alternative Investment Fund Manager (AIFM), reviewing minutes of the Board of the Company and minutes of Board Committees, engaging internal tax specialists to perform procedures related to the Company's status as an investment trust for the purposes of Section 1158 of the CTA 2010, by considering the potential for override of controls, assessing the culture of the Company in regard to honesty and record of ethical behaviour and through review of the agreements in place for the AIFM.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the arrangements in place with third parties including any potential incentives for fraud, examining the controls reports produced by the AIFM and considering the results of our work performed during previous audits.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.
- We have reviewed that the Company's control environment is adequate for the size and operating model of such a listed investment Company.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the Company to audit the financial statements for the year ending 31 March 2015 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 4 years, covering the years ending 31 March 2015 to 31 March 2018.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

AMARJIT SINGH
SENIOR STATUTORY AUDITOR
FOR AND ON BEHALF OF ERNST & YOUNG LLP
STATUTORY AUDITOR
LONDON
24 May 2018

Notes:

1. The maintenance and integrity of The Biotech Growth Trust PLC web site is the responsibility of the Directors; the work carried out by the Auditor does not involve consideration of these matters and, accordingly, the Auditor accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial Statements / Income Statement

for the Year Ended 31 March 2018

	Notes	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
Investment Income							
Investment income	2	1,576	–	1,576	1,905	–	1,905
Total income		1,576	–	1,576	1,905	–	1,905
(Losses)/gains on investments							
(Losses)/gains on investments held at fair value through profit or loss	8	–	(28,544)	(28,544)	–	103,813	103,813
Exchange gains/(losses) on currency balances		–	2,878	2,878	–	(2,252)	(2,252)
Expenses							
AIFM, Portfolio management and performance fees	3	–	(4,225)	(4,225)	–	(3,905)	(3,905)
Other expenses	4	(739)	–	(739)	(703)	–	(703)
Profit/(loss) before finance costs and taxation		837	(29,891)	(29,054)	1,202	97,656	98,858
Finance costs	5	–	(489)	(489)	–	(280)	(280)
Profit/(loss) before taxation		837	(30,380)	(29,543)	1,202	97,376	98,578
Taxation	6	(238)	–	(238)	(281)	–	(281)
Profit/(loss) for the year		599	(30,380)	(29,781)	921	97,376	98,297
Basic and diluted earnings/(loss) per share	7	1.1p	(54.4)p	(53.3)p	1.6p	169.9p	171.5p

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

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

The accompanying notes from page 57 to page 70 are an integral part of this statement.

Financial Statements / Statement of Financial Position

as at 31 March 2018

	Notes	2018 £'000	2017 £'000
Non current assets			
Investments held at fair value through profit or loss	8	445,666	461,378
Current assets			
Other receivables	9	408	117
		408	117
		446,074	461,495
Current liabilities			
Other payables	10	6,560	1,235
Loan	13	22,118	13,083
		28,678	14,318
Net assets		417,396	447,177
Equity attributable to equity holders			
Ordinary share capital	11	13,960	13,960
Share premium account		43,021	43,021
Capital redemption reserve		8,839	8,839
Capital reserve	16	352,903	383,283
Revenue reserve		(1,327)	(1,926)
Total equity		417,396	447,177
Net asset value per share	12	747.5p	800.8p

The financial statements on pages 53 to 70 were approved by the Board on 24 May 2018 and were signed on its behalf by:

Andrew Joy
Chairman

The accompanying notes from page 57 to page 70 are an integral part of this statement.

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

Financial Statements / Statement of Changes in Equity

for the Year Ended 31 March 2018

	Ordinary share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 31 March 2017	13,960	43,021	8,839	383,283	(1,926)	447,177
Net (loss)/profit for the year	–	–	–	(30,380)	599	(29,781)
At 31 March 2018	13,960	43,021	8,839	352,903	(1,327)	417,396

for the year ended 31 March 2017

	Ordinary share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 31 March 2016	15,074	43,021	7,725	315,594	(2,847)	378,567
Net profit for the year	–	–	–	97,376	921	98,297
Repurchase of own shares for cancellation	(1,114)	–	1,114	(29,687)	–	(29,687)
At 31 March 2017	13,960	43,021	8,839	383,283	(1,926)	447,177

The accompanying notes from page 57 to page 70 are an integral part of this statement.

Financial Statements / Statement of Cash Flows

for the Year Ended 31 March 2018

	2018 £'000	2017 £'000
Operating activities		
(Loss)/profit before taxation*	(29,543)	98,578
Finance costs	489	280
Losses/(gains) on investments held at fair value through profit or loss	28,544	(103,813)
Foreign exchange gains	(2,878)	–
Decrease in other receivables	96	45
(Decrease)/increase in other payables	(86)	186
Net cash outflow from operating activities before interest payable and taxation	(3,378)	(4,724)
Finance costs – interest paid	(489)	(280)
Taxation paid	(238)	(281)
Net cash outflow from operating activities	(4,105)	(5,285)
Investing activities		
Purchases of investments held at fair value through profit or loss	(293,180)	(298,295)
Sales of investments held at fair value through profit or loss	285,372	356,373
Net cash (outflow)/inflow from investing activities	(7,808)	58,078
Financing activities		
Repurchase of own shares for cancellation	–	(29,687)
Drawdown from the loan facility**	24,996	–
Net cash inflow/(outflow) from financing activities	24,996	(29,687)
Net increase in cash and cash equivalents	13,083	23,106
Cash and cash equivalents at start of year	(13,083)	(36,189)
Cash and cash equivalents at end of year	–	(13,083)

Changes in liabilities arising from financing activities

	2018 £'000
Net cash flow	24,996
Foreign currency gains	(2,878)
Loan balance	22,118

* Includes dividends and other income earned during the year of £1,576,000 (2017: £1,905,000).

** The treatment of certain amounts held with J.P. Morgan Securities LLC has been changed during the year. These amounts are regarded as held for financing purposes rather than cash management purposes. Therefore, these amounts are no longer considered cash and cash equivalents, but are treated as financing items.

The accompanying notes from page 57 to page 70 are an integral part of this statement.

1. Accounting Policies

(a) Basis of preparation

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.

The principal accounting policies adopted are set out below.

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 Statement of Recommended Practice ("the SORP") for Investment Trust Companies and Venture Capital Trusts produced by the Association of Investment Companies ("AIC") revised November 2014 and updated in January 2017 and February 2018 with consequential amendments is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

The Company's financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated. The accounts have been prepared on a going concern basis as the Directors consider that in the foreseeable future (at least 12 months from the date of approval of the financial statements) the Company will continue to be able to meet its liabilities as they fall due.

The accounting policies adopted are consistent with those of the previous financial year.

Judgements and key sources of estimation and uncertainty

The preparation of the financial statements requires the Directors to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. In the process of applying the Company's accounting policies, the Directors have made the following estimate:

Fair value of the unquoted investments estimate

The unquoted investment, OrbiMed Asia Partners L.P., has been valued using the Net Asset Value as presented in the partnership's Consolidated Financial Statements as at 31 December 2017. The statements were audited by KPMG LLP (New Jersey Headquarters) and were approved on 29 March 2018.The Directors believe that the Net Asset Value as at 31 March 2018 is not materially different.

(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 dividends or increases in fair value, investments are designated as fair value through profit or loss (FVTPL) 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 and fair value changes are also recognised in the Income Statement.

1. Accounting Policies continued

(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. 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 Tax Act 2010. The requirements are to distribute net revenue but only so far as there are positive revenue reserves.

(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 from 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 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.

  AIFM and Portfolio management fees 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 through the Income Statement and allocated to the capital column, as the Directors expect that in the long-term virtually all of the Company's returns will come from capital; and all other expenses are charged to revenue column of the Income Statement.

(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 Tax Act 2010 are not liable for taxation on capital gains.

Current tax is provided at the amounts expected to be paid or recovered.

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, or Other Comprehensive Income (OCI), in which case the deferred tax is also dealt with in equity or OCI respectively.

1. Accounting Policies continued

(g) Foreign currencies

The currency of the primary economic environment in which the Company operates (the functional currency) is 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 Statement of Financial Position 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 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) Functional and presentational currency

The financial information is shown in sterling, being the Company's presentational currency. In arriving at the functional currency the Directors have considered the following:

(i) the primary economic environment of the Company;

(ii) the currency in which the original capital was raised;

(iii) the currency in which distributions are made;

(iv) the currency in which performance is evaluated; and

(v) the currency in which the capital would be returned to shareholders on a break up basis.

The Directors have also considered the currency to which the underlying investments are exposed and liquidity is managed. The Directors are of the opinion that sterling best represents the functional currency.

(i) Reserves

Ordinary share capital

- represents the nominal value of the issued share capital

Share premium account

- the share premium arose on the issue of new shares.

Capital redemption reserve

- a transfer will be made to this reserve on cancellation of the Company's own shares purchased, equal to the nominal value of the shares

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 policies
- increases and decreases in the valuation of investments held at year-end

The share premium and capital redemption reserves are non-distributable.

The Revenue and Capital reserves are distributable by way of a dividend.

(j) Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term deposits with a maturity of three months or less, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

1. Accounting Policies continued

(k) Loan

The Company has a loan facility repayable on demand, provided by J.P. Morgan Securities LLC ("J.P.Morgan"). As part of the arrangements with J.P. Morgan they may take assets, up to 140% of the value of the loan drawn down, as collateral. Such assets taken as collateral by J.P. Morgan may be used, loaned, sold, rehypothecated† or transferred. Any of the Company's assets taken as collateral are not covered by the custody arrangements provided by J.P. Morgan. Loans payable on demand are carried at the undiscounted amount of the cash or other consideration expected to be paid. Interest on the facility is charged at the Federal Funds open rate plus 45 basis points. Finance costs are apportioned 100% to capital in accordance with the policy set out under note 1(e) expenses and finance costs on page 58.

† See glossary beginning on page 73.

(l) Operating segments

IFRS 8 requires entities to define operating segments and segment performance in the financial statements based on information used by the Board of Directors. The Directors are of the opinion that the Company is engaged in a single segment of business, being the investments business. The results published in this report therefore correspond to this sole operating segment.

In line with IFRS 8, additional disclosure by geographical segment has been provided in note 14 on page 69 of this Annual Report.

(m) Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Company's contractual right to the cash flows from the asset expires or substantially all the risks and rewards of ownership are transferred. Financial liabilities are derecognised when the contractual obligation is discharged, with gains and losses recognised in the income statement.

(n) Standards, amendments and interpretations to existing standards becoming effective in future accounting periods and have not yet been adopted by the Company:

- IFRS 9 Financial Instruments – The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. IFRS 9 will not have a material impact as financial assets will continue to be classified as FVTPL and financial liabilities will continue to be classified as held as amortised cost.
- IFRS 15 Revenue from contracts with customers – The objective of IFRS 15 is to establish the principles that an entity shall report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contact with a consumer. IFRS 15 will not have a material impact as the Company's revenue is predominantly dividend income which is within IFRS 9 not IFRS 15.

2. Income

	2018 £'000	2017 £'000
Investment income		
Overseas dividend income	1,462	1,823
Other income		
Other fee income	114	82
Total income	1,576	1,905

3. AIFM, Portfolio Management and Performance Fees

	Revenue £'000	Capital £'000	2018 Total £'000	Revenue £'000	Capital £'000	2017 Total £'000
AIFM fee	–	1,291	1,291	–	1,190	1,190
Portfolio management fee	–	2,934	2,934	–	2,715	2,715
	–	4,225	4,225	–	3,905	3,905

Further details of the AIFM, portfolio management fee and the performance fee basis can be found in the Report of the Directors on page 33.

4. Other Expenses

	Revenue £'000	Capital £'000	2018 Total £'000	Revenue £'000	Capital £'000	2017 Total £'000
Directors' emoluments	176	–	176	189	–	189
AIFM fixed fee	60	–	60	60	–	60
Auditor's remuneration for the audit of the Company's financial statements	25	–	25	27	–	27
Auditor's remuneration for independent review of the half year accounts	7	–	7	7	–	7
Auditor's remuneration for tax compliance services	–	–	–	1	–	1
Legal and professional fees	55	–	55	1	–	1
Registrar fees	37	–	37	44	–	44
Depositary fees	64	–	64	61	–	61
Listing fees	27	–	27	27	–	27
Other costs	288	–	288	286	–	286
Total expenses	739	–	739	703	–	703

Details of the amounts paid to Directors are included in the Directors' Remuneration Report and the Directors' Remuneration Policy Report on pages 43 to 46.

5. Finance Costs

	Revenue £'000	Capital £'000	2018 Total £'000	Revenue £'000	Capital £'000	2017 Total £'000
Loan interest	–	489	489	–	280	280
	–	489	489	–	280	280

6. Taxation

(a) Analysis of charge in the year:

	Revenue £'000	Capital £'000	2018 Total £'000	Revenue £'000	Capital £'000	2017 Total £'000
Overseas tax suffered	238	–	238	281	–	281
Total taxation for the year (see note 6(b))	238	–	238	281	–	281

6. Taxation continued

(b) Factors affecting total 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 higher than the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained below:

	Revenue £'000	Capital £'000	2018 Total £'000	Revenue £'000	Capital £'000	2017 Total £'000
Net profit/(loss) on ordinary activities before taxation	837	(30,380)	(29,543)	1,202	97,376	98,578
Corporation tax at 19% (2017: 20%)	159	(5,772)	(5,613)	240	19,475	19,715
Effects of:						
Non-taxable losses/(gains) on investments	–	4,876	4,876	–	(20,312)	(20,312)
Non-taxable overseas dividends	(278)	–	(278)	(365)	–	(365)
Overseas tax suffered	238	–	238	281	–	281
Excess expenses unused	119	896	1,015	125	837	962
Total tax charge	238	–	238	281	–	281

(c) 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 £8,230,000 (17% tax rate) (2017: £7,311,000 (17% tax rate)) arising as a result of excess management expenses and loan relationship deficits. These excess expenses will only be utilised if the Company generates sufficient taxable income in the future.

7. Basic and Diluted Earnings/(Loss) per Share

The Return/(loss) per Ordinary Share is as follows:

	Revenue pence	Capital pence	2018 Total pence	Revenue pence	Capital pence	2017 Total pence
Earnings/(loss) per share	1.1	(54.4)	(53.3)	1.6	169.9	171.5

The total loss per share of 53.3p (2017: gain 171.5p) is based on the total loss attributable to equity shareholders of £29,781,000 (2017: gain of £98,297,000).

The revenue gain per share 1.1p (2017: gain 1.6p) is based on the revenue gain attributable to equity shareholders of £599,000 (2017: revenue gain of £921,000). The capital loss per share of 54.4p (2017: gain 169.9p) is based on the capital loss attributable to equity shareholders of £30,380,000 (2017: gain £97,376,000).

The total loss per share are based on the weighted average number of shares in issue during the year of 55,839,913 (2017: 57,315,305).

8. Investments

As at 31 March 2018, all investments with the exception of the unquoted investment in OrbiMed Asia Partners L.P. fund have been classified as level 1. OrbiMed Asia Partners L.P. fund has been classified as level 3. See note 13 beginning on page 64 for further details.

	2018 Listed Equity £'000	2018 Unquoted £'000	2018 Total £'000	2017 Total £'000
Cost at 1 April 2017	393,496	2,301	395,797	379,265
Investment holding gains at 1 April 2017	62,813	2,768	65,581	41,162
Valuation at 1 April 2017	456,309	5,069	461,378	420,427
Movement in the year				
Purchases at cost	298,591	–	298,591	288,955
Sales – proceeds	(284,207)	(1,552)	(285,759)	(351,817)
– gains on disposal	22,549	283	22,832	79,394
Net movement in investment holding gains	(51,067)	(309)	(51,376)	24,419
Valuation at 31 March 2018	442,175	3,491	445,666	461,378
Closing book cost at 31 March 2018	430,429	1,032	431,461	395,797
Investment holding gains at 31 March 2018	11,746	2,459	14,205	65,581
Valuation at 31 March 2018	442,175	3,491	445,666	461,378

	2018 £'000	2017 £'000
(Losses)/gains on investments:		
Gains on disposal based on historical cost	22,832	79,394
Amounts recognised as investment holding loss in previous year	(34,737)	(48,986)
(Losses)/gains on disposal based on carrying value at previous financial position date	(11,905)	30,408
Net movement in investment holding gains in the year	(16,639)	73,405
(Losses)/gains on investments	(28,544)	103,813

The total transaction costs for the year were £418,000 (31 March 2017: £472,000) broken down as follows: purchase transaction costs for the year to 31 March 2018 were £205,000, (31 March 2017: £238,000), sale transaction costs were £213,000 (31 March 2017: £234,000). These costs consist mainly of commission.

9. Other Receivables

	2018 £'000	2017 £'000
Future settlements – sales	387	–
Other debtors	–	15
Prepayments	21	28
Accrued income	–	74
	408	117

10. Other Payables

	2018 £'000	2017 £'000
Future settlements – purchases	5,411	–
Other creditors and accruals	1,149	1,235
	6,560	1,235

11. Ordinary Share Capital

	2018 £'000	2017 £'000
Allotted, issued and fully paid:		
55,839,913 shares of 25p (2017: 55,839,913)	13,960	13,960
No shares were held in treasury at 31 March 2018 (2017: nil)	–	–
	13,960	13,960

As at 31 March 2018 the Company had 55,839,913 shares of 25p in issue, no shares were held in treasury (2017: 55,839,913). No shares were repurchased during the year.

12. Net Asset Value Per Share

	2018	2017
Net asset value per share	747.5p	800.8p

The net asset value per share is based on the net assets attributable to equity shareholders of £417,396,000 (2017: £447,177,000) and on 55,839,913 (2017: 55,839,913) shares in issue at 31 March 2018.

13. Risk Management Policies and Procedures

As an investment trust, the Company invests in equities and other investments for the long term in order to achieve its investment objective as stated on page 10. 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 and agrees policies regularly 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 AIFM and the Portfolio Manager in pursuance of the investment objective. Further information on the composition of the portfolio is set out on page 6.

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

(a) Currency risk:

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.

13. Risk Management Policies and Procedures continued

Management of risk

The AIFM and the Portfolio Manager monitor the Company's exposure to foreign currencies on a continuous basis and report to the Board regularly. The Company does not hedge against foreign currency movements.

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 date of the Statement of Financial Position the Company held £445,030,000 (2017: £452,980,000) of investments denominated in U.S. dollars and £636,000 (2017: £8,398,000) in other non-sterling currencies.

Foreign currency sensitivity

The fair value of the Company's monetary items that have foreign currency exposure at 31 March 2018 is shown below.

Where the Company's equity investments (which are not monetary items) are priced in a foreign currency they are shown separately in the analysis as to show the overall level of exposure.

	2018 £'000	2017 £'000
Sterling equivalent of US$ and CHF exposure		
Current assets	387	74
Creditors	(5,411)	–
Loan/overdraft	(22,118)	(13,083)
Foreign currency exposure on net monetary items	(27,142)	(13,009)
Investments held at fair value through profit or loss	445,666	461,378
Total net foreign currency exposure	418,524	448,369

The table below details the sensitivity of the Company's profit or loss after taxation for the year to a 10% increase and decrease in the value of sterling compared to the U.S. dollar and other non-sterling currencies (2017: 10% 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 Statement of Financial Position date, after adjusting for an increase/decrease in the AIFM and Portfolio management fees.

If sterling had weakened against the U.S. dollar and other non-sterling currencies, as stated above, this would have had the following effect:

	2018 £'000	2017 £'000
Impact on revenue return	–	–
Impact on capital return	46,063	49,345
Total return after tax/effect on shareholders' funds	46,063	49,345

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

	2018 £'000	2017 £'000
Impact on revenue return	–	–
Impact on capital return	(37,688)	(40,373)
Total return after tax/effect on shareholders' funds	(37,688)	(40,373)

(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.

13. Risk Management Policies and Procedures continued

Interest rate exposure

The Company's main exposure to interest rate risk is through its loan facility with J.P. Morgan Securities LLC which is repayable on demand.

At the year-end financial liabilities subject to interest rate risk were as follows (there were no assets subject to interest rate risk).

	2018 £'000	2017 £'000
Financial liabilities:		
Loan facility/overdraft	22,118	13,083

Management of the Risk

The level of borrowings is approved and monitored by the Board and the AFIM on a regular basis.

Interest rate sensitivity

The majority of the Company's financial assets are equity shares and other investments which neither pay interest nor have a maturity date. The Company has a loan facility with J.P.Morgan Securities LLC as disclosed above. The amount utilised at 31 March 2018 was £22,118,000 (2017: £13,083,000). Interest is charged at the Federal Funds Open rate plus 45 basis points. The level of interest fluctuates in line with the Federal Funds Open rate and the amount of the loan. If the open rate increased by 1%, the impact on the profit or loss and net assets would be expected to be £221,000 (2017: £131,000).

(c) Other price risk

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

If market prices at the date of the Statement of Financial Position had been 20% higher or lower (2017: 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 2018 would have increased/decreased by £88,286,000 (2017: £91,399,000), after adjusting for an increase or decrease in the AIFM and the Portfolio management fees. The calculations are based on the portfolio valuations as at the respective Statement of Financial Position 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 that are readily realisable within one week, in normal market conditions.

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

Liquidity exposure and maturity

Contractual maturities of the financial liabilities as at 31 March 2018, based on the earliest date on which payment can be required, are as follows:

	2018 3 months or less £'000	2017 3 months or less £'000
Loan facility/overdraft	22,118	13,083
Future settlements	5,411	–
Amounts due to brokers and accruals	1,149	1,235
	28,678	14,318

13. Risk Management Policies and Procedures continued

3. Credit risk:

Credit risk is the risk of failure of a counterparty to discharge its obligations resulting in the Company suffering a loss.

As noted on pages 16 and 60, J.P. Morgan Securities LLC ("J.P. Morgan") may take assets with a value of up to 140% of the loan as collateral. Such assets held by J.P. Morgan are available for rehypothecation†.

As at 31 March 2018, the maximum value of assets available for rehypothecation was £31.0 million, being 140% of the loan balance (£22,118,000) (31 March 2017: £18.3 million being 140% of the loan balance £13,083,000). As at this date, assets with a total market value of £31.0 million were rehypothecated (2017: £7.8 million).

See page 16 of the Business Review for further details on the loan facility and the associated credit risk.

† See glossary beginning on page 73.

Management of the risk

The risk is not significant and is managed as follows:

Other counterparties

- by only dealing with brokers which have been approved by OrbiMed Capital LLC and banks with high credit ratings; and
- by investing in markets that mainly operate DVP (delivery versus payment) settlement.
- all cash balances are held with approved counterparties. J.P. Morgan is the Custodian of the Company's assets and all assets are segregated from J.P. Morgan's own assets.

At 31 March 2018 the Company's exposure to credit risk amounted to £387,000 and was in respect of amounts due from brokers in relation to future settlements and other receivables, such as amounts due from brokers and accrued income (2017: £89,000).

J.P. Morgan

- by receiving and reviewing regular updates from the Custodian and Prime Broker and Depository.
- by reviewing their Internal Control reports and regularly monitor J.P. Morgan's credit rating.
- by reviewing on a monthly basis assets which are available for rehypothecation.

Hierarchy of investments

As required under IFRS 13 "Fair Value Measurement", the Company has classified its financial assets designated at fair value through profit or loss 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).

13. Risk Management Policies and Procedures continued

As at 31 March 2018 the investment in OrbiMed Asia Partners LP fund has been classified as Level 3. The fund has been valued at the net asset value as at 31 December 2017 and it is believed that the value of the fund as at 31 March 2018 will not be materially different. If the value of the fund was to increase or decrease by 10%, while all other variables had remained constant, the return and net assets attributable to shareholders for the year ended 31 March 2018 would have increased/decreased by £349,000 (2017: £507,000).

As of 31 March 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Financial investments designated at fair value through profit or loss	442,175	–	3,491	445,666

As of 31 March 2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Financial investments designated at fair value through profit or loss	456,309	–	5,069	461,378

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. There has been no transfer between fair value hierarchy levels.

	2018 £'000	2017 £'000
Assets		
As at 1 April	5,069	4,014
Net movement in investment holding gains during the year	(26)	1,441
Return of capital	(1,552)	(386)
Assets as at 31 March	3,491	5,069

Fair value of financial assets and financial liabilities:

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

Capital management

The Board considers the capital of the Company to be its issued share capital and reserves.

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.

The Company's capital is disclosed in the Statement of Financial Position on page 54 and is managed on a basis consistent with its investment objective and policy as set out on pages 10 and 11.

Shares may be repurchased by the Company as explained on page 12.

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

14. Segment Reporting

Geographical segments by country of incorporation*

Region	2018 Value of investments £'000	2017 Value of investments £'000
North America	401,727	398,949
Europe	36,425	57,360
Asia†	7,514	5,069
Total	445,666	461,378

* the country of an investee company's incorporation or listing does not always accord to the country or countries to which the Company is exposed.

† includes OrbiMed Asia Partners L.P.

15. Transactions with the Managers and Related Parties

The following are considered to be related parties:

- Frostrow Capital LLP (under the Listing Rules)
- OrbiMed Capital LLC
- The Directors of the Company

Three current and two former partners at OrbiMed Capital LLC, the Company's Portfolio Manager, have a minority financial interest totalling 20% in Frostrow Capital LLP, the Company's AIFM.

Further details of the relationship between the Company and Frostrow Capital LLP and OrbiMed Capital LLC are disclosed in the Report of Directors on pages 33 and 34. During the year ended 31 March 2018 Frostrow Capital LLP earned £1,351,000 (2017: £1,250,000) in respect of AIFM fees of which £305,000 (2017: £309,000) was outstanding at the year-end; during the year ended 31 March 2018, OrbiMed Capital LLC earned £2,934,000 (2017: £2,715,000) in respect of Portfolio Management fees, of which £663,000 (2017: £710,000) was outstanding at the year-end. Mr Sven Borho was a Director of the Company until 16 May 2018, and is as a Managing Partner of OrbiMed Capital LLC. Mr Geoff Hsu, who joined the Board on 16 May 2018, is a General Partner of OrbiMed. During the year no performance fees crystallised (2017: nil). All material related party transactions have been disclosed on pages 43 and 44 and in notes 3 and 4 on page 61. Details of the remuneration of all Directors can be found on pages 43 to 46.

16. Capital Reserve

	2018 Capital reserves – other £'000	2018 Capital reserve – investment holdings gains/(losses) £'000	2018 Total £'000	2017 Capital reserves – other £'000	2017 Capital reserve – investment holdings gains/(losses) £'000	2017 Total £'000
At 1 April	317,702	65,581	383,283	274,432	41,162	315,594
Transfer on disposal of investments	34,737	(34,737)	–	48,986	(48,986)	–
Net (losses)/gains on investments	(11,905)	(16,639)	(28,544)	30,408	73,405	103,813
Exchange gains/(losses)	2,878	–	2,878	(2,252)	–	(2,252)
Expenses charged to capital	(4,714)	–	(4,714)	(4,185)	–	(4,185)
Repurchase of own shares for cancellation	–	–	–	(29,687)	–	(29,687)
At 31 March	338,698	14,205	352,903	317,702	65,581	383,283

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 with the exception of the unquoted investment's holding gains (see note 8 on page 63). Securities listed on a recognised stock exchange are generally regarded as being readily convertible into cash. Under the terms of the revisions made to the Company's Articles of Association in 2013, sums within "Capital reserves – other" are also available for distribution.

17. Contingent Liabilities and Capital Commitments

As at 31 March 2018 there were no contingent liabilities or capital commitments for the Company (2017: £nil).

Further Information / AIFMD Related Disclosure

Alternative Investments Fund Managers Directive (AIFMD) Disclosures (Unaudited)

Investment objective and leverage

A description of the investment strategy and objectives of the Company, the types of assets in which the Company may invest, the techniques it may employ, any applicable investment restrictions, the circumstances in which it may use leverage, the types and sources of leverage permitted and the associated risks, any restrictions on the use of leverage and the maximum level of leverage which the AIFM and Portfolio Manager are entitled to employ on behalf of the Company and the procedures by which the Company may change its investment strategy and/or the investment policy can be found on pages 10 and 11.

The table below sets out the current maximum permitted limit and actual level of leverages for the Company:

	As a percentage of net assets	
	Gross Method	Commitment Method
Maximum level of leverage	130.0%	130.0%
Actual level at 31 March 2018	106.8%	106.8%

Remuneration of AIFM staff

Following completion of an assessment of the application of the proportionality principle to the FCA's AIFM Remuneration Code, the AIFM has disapplied the pay-out process rules with respect to it and any of its delegates. This is because the AIFM considers that it carries out non-complex activities and is operating on a small scale.

Further disclosures required under the AIFM Rules can be found within the Investor Disclosure Document on the Company's website: www.biotechgt.com.

Further Information / Shareholder Information

Financial Calendar

31 March	Financial Year End
May	Final Results Announced
30 September	Half Year End
November	Half Year Results Announced
July	Annual General Meeting

Annual General Meeting

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 Wednesday 11 July, 2018 at 12 noon.

Share Prices

The Company's Ordinary Shares are listed on the London Stock Exchange under 'Investment Companies'. The price is given daily in the Financial Times and other newspapers.

Change of Address

Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment this should be notified to the Company's Registrars, Link Asset Services, under the signature of the registered holder.

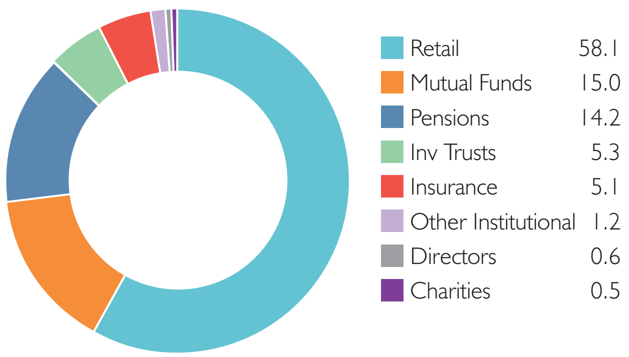
Daily Net Asset Value

The daily net asset value of the Company's shares can be obtained on the Company's website at www.biotechgt.com and is published daily via the London Stock Exchange.

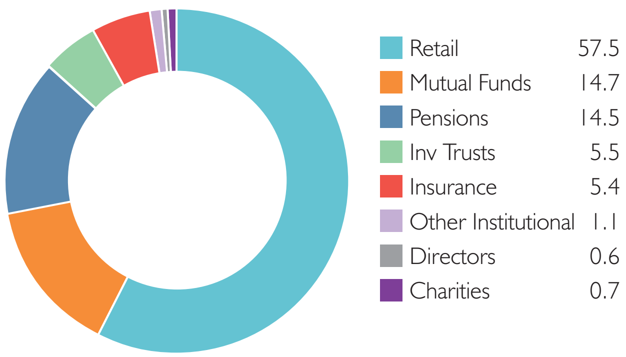
Profile of the Company's Ownership

% of Ordinary Shares held at 31 March

2018



2017



Further Information / Glossary of Terms and Alternative Performance Measures

AIC

Association of Investment Companies.

Alternative Investment Fund Managers Directive (AIFMD)

Agreed by the European Parliament and the Council of the European Union and transported into UK legislation, the AIFMD classifies certain investment vehicles, including investment companies, as Alternative Investment Funds (AIFs) and requires them to appoint an Alternative Investment Fund Manager (AIFM) and depositary to manage and oversee the operations of the investment vehicle. The Board of the Company retains responsibility for strategy, operations and compliance and the Directors retain a fiduciary duty to shareholders.

Discount or Premium

A description of the difference between the share price and the net asset value per share. The size of the discount or premium is calculated by subtracting the share price from the net asset value per share and is usually expressed as a percentage (%) of the net asset value per share. If the share price is higher than the net asset value per share the result is a premium. If the share price is lower than the net asset value per share, the shares are trading at a discount.

Gearing

Gearing represents prior charges, adjusted for net current liabilities, expressed as a percentage of net assets. Prior charges includes all loans and overdrafts for investment purposes.

	31 March 2018 £'000	31 March 2017 £'000
Prior Charges	22,118	13,083
Net Current Liabilities	6,152	1,118
	28,270	14,201
Net Assets	417,396	447,177
Gearing	6.8%	3.2%

(See Company performance on page 3).

Leverage

The AIFM Directive (the "Directive") has introduced the obligation on the Company and its AIFM in relation to leverage as defined by the Directive. The Directive leverage definition is slightly different to the Association of Investment Companies method of calculating gearing and is as follows: any method by which the AIFM increases the exposure of an AIF it manages whether through borrowing of cash or securities, or leverage embedded in derivative positions.

There are two methods for calculating leverage under the Directive – the Gross Method and the Commitment Method. The process for calculating exposure under each methodology is largely the same, except, where certain conditions are met, the Commitment Method enables instruments to be netted off to reflect 'netting' or 'hedging' arrangements and the entity exposure is effectively reduced.

Net Asset Value (NAV)

The value of the Company's assets, principally investments made in other companies and cash being held, less any liabilities. 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 of the shares in the secondary market.

Further Information / Glossary of Terms and Alternative Performance Measures

Net Asset Value per Share Return

Net Asset Value per share return for the year ended 31 March 2018 is calculated by taking percentage movement from the net asset value per share as at 31 March 2017 of 800.8p (2016: 627.9p) to the net asset value at 31 March 2018 of 747.5p (2017: 800.8p). The Company has not paid any dividends to shareholders during the above mentioned years.

Ongoing Charges

Ongoing charges are calculated by taking the Company's annualised operating expenses expressed as a proportion of the average daily net asset value of the Company over the year.

The costs of buying and selling investments are excluded, as are interest costs, taxation, performance fees, cost of buying back or issuing ordinary shares and other non-recurring costs.

	31 March 2018 £'000	31 March 2017 £'000
Operating Expenses	4,964	4,608
Average Daily Net Assets for the Year	457,120	419,235
Ongoing charges	1.1%	1.1%

Rehypothecation

Rehypothecation is the practice by banks and brokers of using, for their own purposes, assets that have been posted as collateral by clients.

Share Price Return

The Share Price Return represents the theoretical return to a shareholder, on a closing market price basis. The Share Price Return is calculated by taking the percentage movement from the share price as at 31 March 2017 of 748.0p (2016: 585.0p) to the share price as at 31 March 2018 of 702.0p (2017: 748.0p). The Company has not paid dividends to shareholders during the above mentioned years.

Treasury Shares

Shares previously issued by a company that have been bought back from shareholders to be held by the company for potential sale or cancellation at a later date. Such shares are not capable of being voted and carry no rights to dividends.

Further Information / How to Invest

Retail Investors Advised by IFAs

The Company currently conducts its affairs so that its shares can be recommended by Independent Financial Advisers (IFAs) in the UK to ordinary retail investors in accordance with the Financial Conduct Authority (FCA) rules in relationship to non-mainstream investment procedures and intends to continue to do so. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Investment Platforms

The Company's shares are traded openly on the London Stock Exchange and can be purchased through a stock broker or other financial intermediary. The shares are available through savings plans (including Investment Dealing Accounts, ISAs, Junior ISAs and SIPPs) which facilitate both regular monthly investments and lump sum investments in the Company's shares. There are a number of investment platforms that offer these facilities. A list of some of them, that is not comprehensive nor constitutes any form of recommendation, can be found below:

AJ Bell Youinvest	www.youinvest.co.uk/
Alliance Trust Savings	www.alliancetrustsavings.co.uk/
Barclays Stockbrokers	www.smartinvestor.barclays.co.uk/
Bestinvest	www.bestinvest.co.uk/
Charles Stanley Direct	www.charles-stanley-direct.co.uk/
Club Finance	www.clubfinance.co.uk/
Fidelity	www.fidelity.co.uk/
Halifax Share Dealing	www.halifax.co.uk/Sharedealing/
Hargreave Hale	www.hargreave-hale.co.uk/
Hargreaves Lansdown	www.hl.co.uk/
HSBC	investments.hsbc.co.uk/
iDealing	www.idealing.com/
IG Index	www.igindex.co.uk/
Interactive Investor	www.iii.co.uk/
IWEB	www.iweb-sharedealing.co.uk/share-dealing-home.asp
James Brearley	www.jbrearley.co.uk/Marketing/index.aspx
James Hay	www.jameshay.co.uk/
Saga Share Direct	www.sagasharedirect.co.uk/
Selftrade	www.selftrade.co.uk/
The Share Centre	www.share.com/
Saxo Capital Markets	uk.saxomarkets.com/

Link Asset Services – Share Dealing Service

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

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, investor code, full postcode and your date of birth. Your investor code can be found on your dividend confirmation or share certificate. 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.

Further Information / How to Invest

For further information on this service please contact:

www.linksharedeal.com (online dealing)

Telephone: 0371 664 0445 (Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable international rate. Lines are open between 8.00 am – 4.30 pm, Monday to Friday excluding public holidays in England and Wales).

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, in part, 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, all of the holdings in the portfolio are currently denominated in currencies other than sterling and therefore 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 and Junior ISA tax advantages will depend on personal circumstances. The favourable tax treatment of ISAs and Junior ISAs may not be maintained.

Be ScamSmart

Investment scams are designed to look like genuine investments

Spot the warning signs

Have you been:

- contacted out of the blue
- promised tempting returns and told the investment is safe
- called repeatedly, or
- told the offer is only available for a limited time?

If so, you might have been contacted by fraudsters.

Avoid investment fraud

1 Reject cold calls
If you've received unsolicited contact about an investment opportunity, chances are it's a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

2 Check the FCA Warning List
The FCA Warning List is a list of firms and individuals we know are operating without our authorisation.

3 Get impartial advice
Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

Report a Scam

If you suspect that you have been approached by fraudsters please tell the FCA using the reporting form at **www.fca.org.uk/consumers/report-scam-unauthorised-firm.** You can also call the FCA Consumer Helpline on **0800 111 6768**

If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at www.actionfraud.police.uk

Find out more at www.fca.org.uk/scamsmart

Remember: if it sounds too good to be true, it probably is!

FCA FINANCIAL CONDUCT AUTHORITY

Further Information / Notice of the Annual General Meeting

Notice is hereby given that the Annual General Meeting of The Biotech Growth Trust PLC will be held at Barber-Surgeons' Hall, Monkwell Square, Wood Street, London EC2Y 5BL on Wednesday 11 July 2018 at 12 noon, for the following purposes:

Ordinary Business

To consider and, if thought fit, pass the following as ordinary resolutions:

1. To receive and, if thought fit, to accept the Audited Financial Statements and the Report of the Directors for the year ended 31 March 2018
2. To approve the Directors' Remuneration Report for the year ended 31 March 2018
3. To re-elect Andrew Joy as a Director of the Company
4. To re-elect Professor Dame Kay Davies, CBE as a Director of the Company
5. To re-elect Steven Bates as a Director of the Company
6. To re-elect The Rt Hon Lord Willetts as a Director of the Company
7. To re-elect Julia Le Blan as a Director of the Company
8. To elect Geoff Hsu as a Director of the Company
9. To re-appoint Ernst & Young LLP as Auditor to the Company and to authorise the Audit Committee to determine their remuneration

Special Business

To consider and, if thought fit, pass the following resolutions of which resolutions 11, 12 and 13 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 £1,395,997 (being 10% of the issued share capital of the Company at the date of the notice convening the meeting at which this resolution is proposed) and representing 5,583,991 shares of 25 pence each or, if changed, 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 2019 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) including if immediately before the allotment, such shares are held by the Company as treasury shares (as defined in Section 724 of the Act) for cash pursuant to the authority conferred on them by resolution 12 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) 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 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 £1,395,997 (or, if changed, 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 after such expiry and the Directors may allot equity securities 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") either for retention as treasury shares for future reissue, resale, transfer or for cancellation provided that:

(a) the maximum aggregate number of Shares authorised to be purchased shall be that number of Shares which is equal to 14.99% of the issued Share capital of the Company as at the date of the passing of this resolution;

(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 buy-back 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 2019 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.

Further Information / Notice of the Annual General Meeting

General Meetings

13. THAT the Directors be authorised to call general meetings (other than Annual General Meetings) on not less than 14 working 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
24 May 2018

Registered office:
One Wood Street
London EC2V 7WS

Further Information / Notice of the Annual General Meeting

Notes

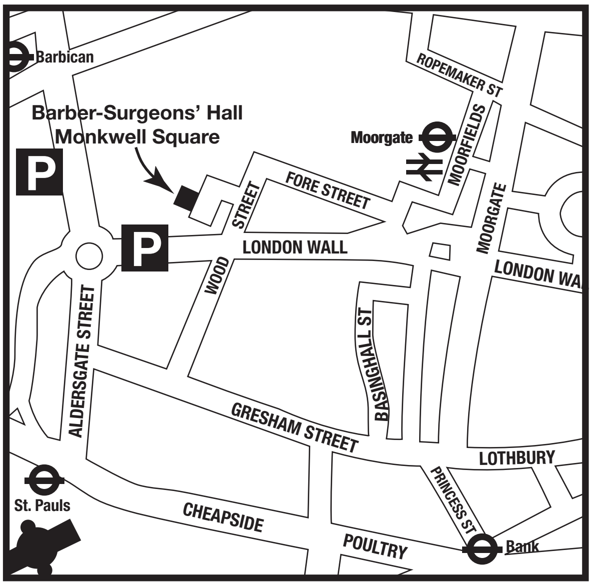
1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different 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 Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF no later than 12 noon on 9 July 2018.
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 the close of business on 9 July 2018 (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 24 May 2018 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 55,839,913 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 24 May 2018 are 55,839,913.
10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
11. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with the specifications of Euroclear UK and Ireland Limited ("CRESTCo"), and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) no later than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
12. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

13. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
14. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Register of Members in respect of the joint holding (the first named being the most senior).
15. Members who wish to change their proxy instructions should submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.
16. Members who have appointed a proxy using the hard-copy proxy form and who wish to change the instructions using another hard-copy form, should contact Link Asset Services on 0871 664 0300 or 0371 664 0300 if calling from outside the United Kingdom. Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09.00-17.30, Monday to Friday excluding public holidays in England and Wales.
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 Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF.

    In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power of attorney) must be included with the revocation notice. If a member attempts to revoke their proxy appointment but the revocation is received after the time for receipt of proxy appointments (see above) then, subject to paragraph 4, the proxy appointment will remain valid.

LOCATION OF THE ANNUAL GENERAL MEETING

Barber-Surgeons' Hall, Monkwell Square, Wood Street, London EC2Y 5BL



Further Information / Explanatory Notes to the Resolutions

Resolution 1 – To receive the Annual Report and Accounts

The Annual Report and Accounts for the year ended 31 March 2018 will be presented to the Annual General Meeting. These accounts accompanied this Notice of Meeting and shareholders will be given an opportunity at the meeting to ask questions.

Resolutions 2 and 3 – Remuneration Report

The Report on Directors' Remuneration is set out in full on pages 43 to 45.

Resolutions 3 to 8 – Re-election and election of Directors

Resolutions 3 to 8 deal with the re-election and election of each Director. Biographies of each of the current Directors can be found on pages 18 and 19.

The Board has confirmed, following a performance review, that the Directors standing for re-election and election continue to perform effectively.

Resolution 9 – Re-Appointment of Auditor and the determination of their remuneration

Resolution 9 relates to the re-appointment of Ernst & Young LLP as the Company's independent Auditor to hold office until the next Annual General Meeting of the Company and also authorises the Audit Committee to set their remuneration.

Resolutions 10 and 11 – Issue of Shares

Ordinary Resolution 10 in the Notice of Annual General Meeting will renew the authority to allot the unissued share capital up to an aggregate nominal amount of £1,395,997 (equivalent to 5,583,991 shares, or 10% of the Company's existing issued share capital on 24 May 2018 or, if changed, the number representing 10% of the issued share capital of the Company at the date at which this resolution is passed). Such authority will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of the passing of the resolution, whichever is earlier. This means that the authority will have to be renewed at the next Annual General Meeting.

When shares are to be allotted for cash, Section 551 of the Companies Act 2006 (the "Act") provides that existing shareholders have pre-emption rights and that the new shares must be offered first to such shareholders in proportion to their existing holding of shares. However, shareholders can, by special resolution, authorise the Directors to allot shares otherwise than by a pro rata issue to existing shareholders. Special Resolution 11 will, if passed, give the Directors power to allot for cash equity securities up to 10% of the Company's existing share capital on 24 May 2018 or, if changed, the number representing 10% of the issued share capital of the Company at the date at which this resolution is passed, as if Section 551 of the Act does not apply. This is the same nominal amount of share capital which the Directors are seeking the authority to allot pursuant to Resolution 10. This authority will also expire on the date of the next Annual General Meeting or after a period of 15 months, whichever is earlier. This authority will not be used in connection with a rights issue by the Company.

The Directors intend to use the authority given by Resolutions 10 and 11 to allot shares and disapply pre-emption rights only in circumstances where this will be clearly beneficial to shareholders as a whole. The issue proceeds would be available for investment in line with the Company's investment policy. No issue of shares will be made which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution 12 – Share Repurchases

The Directors wish to renew the authority given by shareholders at the previous Annual General Meeting. The principal aim of a share buy-back facility is to enhance shareholder value by acquiring shares at a discount to net asset value, as and when the Directors consider this to be appropriate. The purchase of shares, when they are trading at a discount to net asset value per share, should result in an increase in the net asset value per share for the remaining shareholders. This authority, if conferred, will only be exercised if to do so would result in an increase in the net asset value per share for the remaining shareholders and if it is in the best interests of shareholders generally. Any purchase of shares will be made within guidelines established from time to time by the Board. It is proposed to seek shareholder authority to renew this facility for another year at the Annual General Meeting.

Further Information / Explanatory Notes to the Resolutions

Under the current Listing Rules, the maximum price that may be paid on the exercise of this authority must not exceed the higher of (i) 105% of the average of the middle market quotations for the shares over the five business days immediately preceding the date of purchase and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out. The minimum price which may be paid is 25p per share. Shares which are purchased under this authority will either be cancelled or held as treasury shares.

Special Resolution 12 in the Notice of Annual General Meeting will renew the authority to purchase in the market a maximum of 14.99% of shares in issue as at the date of the passing of the resolution. Such authority will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of passing of the resolution, whichever is earlier. This means in effect that the authority will have to be renewed at the next Annual General Meeting or earlier if the authority has been exhausted.

Resolution 13 – General Meetings

Special Resolution 13 seeks shareholder approval for the Company to hold General Meetings (other than the Annual General Meeting) on not less than at 14 working days' notice.

Recommendation

The Board considers that the resolutions relating to the above items of special business, are in the best interests of shareholders as a whole. Accordingly, the Board unanimously recommends to the shareholders that they vote in favour of the above resolutions to be proposed at the forthcoming Annual General Meeting as the Directors intend to do in respect of their own beneficial holdings totaling 75,500 shares.

Further Information / Company Information

Directors
Andrew Joy *(Chairman)*
Steven Bates *(Chairman of the Management Engagement Committee)*
Julia Le Blan *(Chairman of the Audit Committee)*
Geoff Hsu
Professor Dame Kay Davies, CBE *(Senior Independent Director and Chairman of the Remuneration Committee)*
The Rt Hon Lord Willetts

Registered Office
One Wood Street
London EC2V 7WS

Website
www.biotechgt.com

Company Registration Number
03376377 (Registered in England)
The Company is an investment company as defined under Section 833 of the Companies Act 2006.
The Company was incorporated in England on 20 May 1997.
The Company was incorporated as Reabourne Merlin Life Sciences Investment Trust PLC.

Alternative Investment Fund Manager, Company Secretary and Administrator
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 Conduct 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.

Portfolio Manager
OrbiMed Capital LLC
601 Lexington Avenue, 54th Floor
New York NY10022 USA
Telephone: +1 212 739 6400
Website: www.orbimed.com
Registered under the U.S. Securities and Exchange Commission.

Independent Auditor
Ernst & Young LLP
25 Churchill Place
London E14 5EY

Depositary
J.P. Morgan Europe Limited
25 Bank Street
London E14 5JP

Custodian and Prime Broker
J.P. Morgan Securities LLC.
Suite 1, Metro Tech Roadway
Brooklyn, NY11201
USA

Registrars
Link Asset Services (formerly Capita Asset Services)
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Telephone (in UK): 0871 664 0300†
Telephone (from overseas): +44 371 664 0300†
E-Mail: enquiries@linkgroup.co.uk
Website: www.linkassetservices.com
Please contact the Registrars if you have a query about a certificated holding in the Company's shares.
†calls cost 12p per minute plus your phone company's access charge and may be recorded for training purposes. Calls outside the UK will be charged at the applicable international rate. Lines are open from 9.00 a.m. to 5.30 p.m. Monday to Friday excluding public holidays in England and Wales.

Stock Broker
Winterflood Securities Limited
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC4R 2GA

Solicitors
Charles Russell Speechlys
5 Fleet Place
London EC4M 7RD

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

Global Intermediary Identification number
(GIIN): U1MQ70.99999.SL.826

Legal Entity Identifier (LEI)
549300Z41EP32MI2DN29

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, Link Asset Services 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.

This report is printed on Revive 100% White Silk a totally recycled paper produced using 100% recycled waste at a mill that has been awarded the ISO 14001 certificate for environmental management.

The pulp is bleached using a totally chlorine free (TCF) process.

This report has been produced using vegetable based inks.

FSC www.fsc.org RECYCLED Made from recycled material FSC® C021489

WORLD LAND TRUST™ www.carbonbalancedpaper.com

PERIVAN FINANCIAL PRINT 248982

aic
The Association of
Investment Companies

A member of the Association of Investment Companies

The Biotech Growth Trust PLC
25 Southampton Buildings, London WC2A 1AL
www.biotechgt.com

@biotechgt