THE BIOTECH GROWTH TRUST PLC

ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2013

Frostrow CAPITAL

OrbiMed Healthcare Fund Management

THE BIOTECH GROWTH TRUST PLC

CONTENTS

FINANCIAL CALENDAR

Financial Year End	31 March
Financial Results Announced	June
Half Year End	30 September
Half Year Results Announced	November
Interim Management Statements Announced	February/August
2013 Annual General Meeting	Tuesday, 9 July to be held at, Salters' Hall 4 Fore Street, London EC2Y 5DE

INVESTMENT OBJECTIVE AND POLICY

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

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

The Company may invest or commit for investment a maximum of U.S.$15 million, after the deduction of proceeds of disposal and other returns of capital, in private equity funds managed by OrbiMed Capital LLC, the Company's Investment Manager, or an affiliate thereof. Further details of the Company's investment policy are set out in the Report of the Directors beginning on page 14.

CAPITAL STRUCTURE

As at 31 March 2013, the Company had 64,466,347 shares in issue. During the year, 2,245,000 new shares were issued and 19,079 shares were bought back for cancellation. Subsequent to the year end, to 7 June 2013, 3,290,000 new shares were issued. As at 7 June 2013 there were 67,756,347 shares in issue.

DIVIDEND

No dividend is recommended in respect of the year ended 31 March 2013 (2012: nil).

CONTINUATION VOTE

The next continuation vote of the Company shall be held at the Annual General Meeting in 2015, and further opportunities to vote on the continuation of the Company shall be given to shareholders every five years thereafter.

ISA STATUS

The Company's shares are eligible for inclusion in Individual Savings Accounts ('ISAs') and for Junior ISAs. Further information on how to invest in the Company can be found beginning on page 52.

WEBSITE

The Company's internet address is www.biotechgt.com

WINNER:

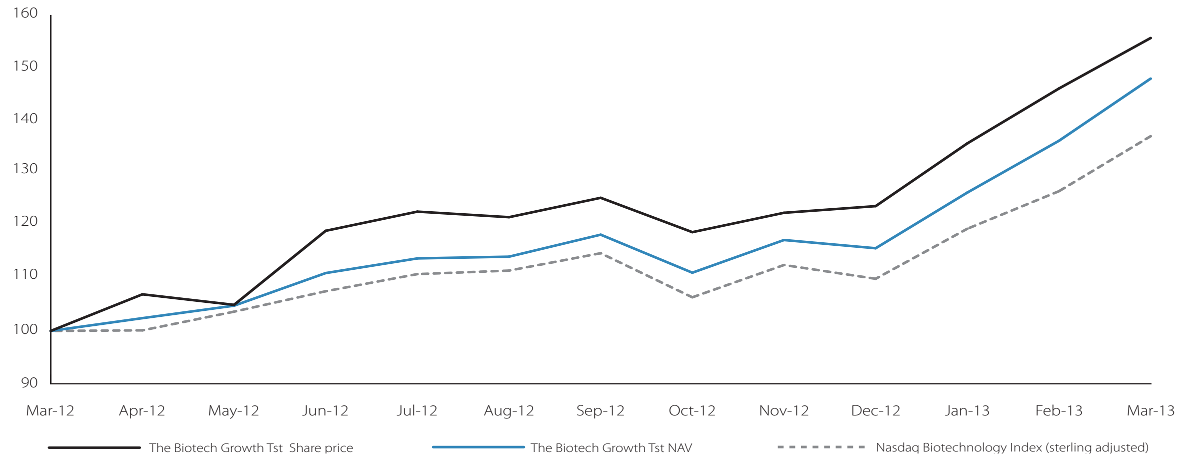
Investment Week, Investment Company of the year, Specialist Category 2012
techMark Technology Fund Manager of the year 2011 and 2012 (OrbiMed Capital LLC)
Investment Trusts Magazine, Best Specialist Trust 2011 and 2012

techMARK
Technology Fund Manager of the Year Award
Winner
The Biotech Growth Trust PLC

	Year ended 31 March 2013	Year ended 31 March 2012	% change
Net asset value per share	371.7p	250.9p	+48.1
Share price	368.0p	236.0p	+55.9
Discount of share price to net asset value per share	1.0%	5.9%	n/a
Average (premium)/discount of share price to net asset value per share	(0.4%)	7.0%	n/a
NASDAQ Biotechnology Index (sterling adjusted) *(Benchmark)*	1,099.0	801.1	+37.2
Ongoing charges*	1.3%	1.3%	n/a

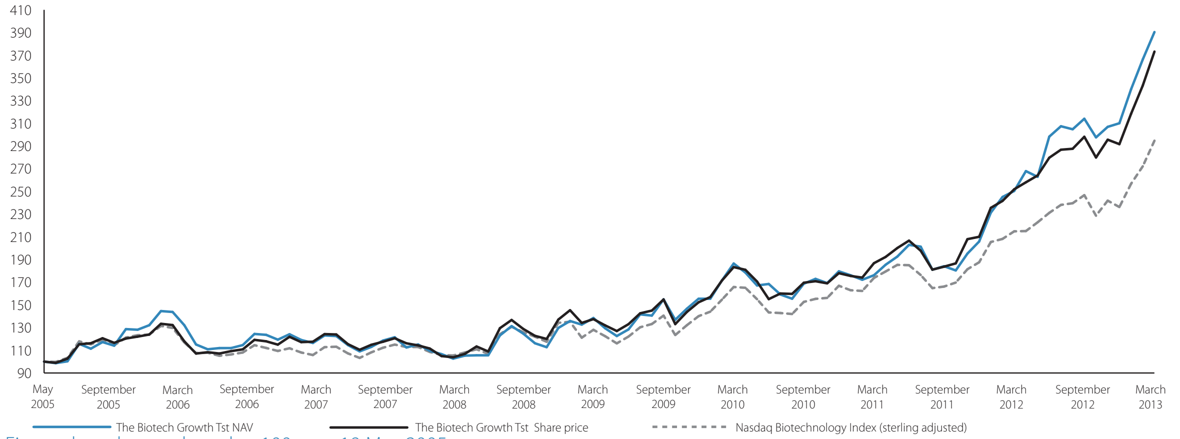
*See glossary on page 51

PERFORMANCE FOR THE YEAR TO 31 MARCH 2013



Figures have been rebased to 100 as at 31 March 2012
Source: Bloomberg

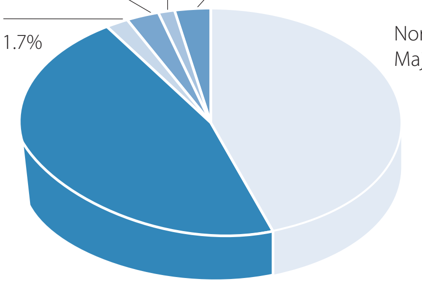
PERFORMANCE SINCE THE DATE OF APPOINTMENT OF ORBIMED CAPITAL LLC AS INVESTMENT MANAGER



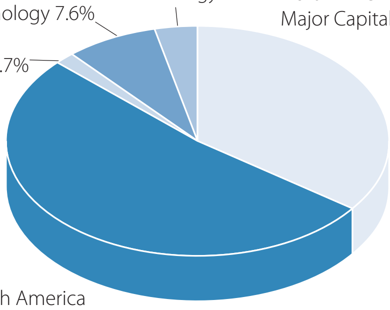
Figures have been rebased to 100 as at 19 May 2005
Source: Bloomberg

ANALYSIS BY MARKET CAPITALISATION

2013



2012



Note:
An emerging capitalisation company is defined as being one with a market capitalisation of less than U.S.$3 billion or a company that is not yet profitable. A major capitalisation company is one with a market capitalisation of more than U.S.$3 billion and is profitable.

Source: OrbiMed Capital LLC

YEAR ENDED 31 MARCH
FIVE YEAR PERFORMANCE RECORD

	2008	2009	2010	2011	2012	2013
Net asset value per share	103.4p	136.9p	182.6p	186.0p	250.9p	371.7p
Share price	96.8p	130.5p	175.8p	166.0p	236.0p	368.0p
Discount of share price to net asset value per share	6.4%	4.7%	3.7%	10.8%	5.9%	1.0%
NASDAQ Biotechnology Index (sterling adjusted)	393.1	477.5	618.1	647.9	801.1	1,099.0

CHAIRMAN'S STATEMENT

" . . the strong performance reported at the half-year stage continued during the second half of the year with the Company's net asset value per share rising by 48.1% compared to a rise of 37.2% in the Company's benchmark."

PERFORMANCE

I am delighted to report that the strong performance reported at the half-year stage continued during the second half with the Company's net asset value per share rising by 48.1% for the full year. Strong demand for the Company's shares helped the share price outperform the net asset value, rising by 55.9%, and also caused the discount of the share price to the net asset value per share to narrow to 1.0% at the year-end. This trend has continued after the year-end. At the time of writing the share price stands very close to parity with the Company's net asset value per share. Both the share price and the net asset value per share substantially outperformed the Company's benchmark, the NASDAQ Biotechnology Index measured in sterling terms, which rose by 37.2% over the year.

The Company's strong performance was due in part to good positive newsflow relating to new drugs being developed by **Infinity Pharmaceuticals, Gilead Sciences** and **Onyx Pharmaceuticals.** In addition there was solid financial performance from other holdings in the portfolio such as **Amgen**. Further information on the Company's investments can be found in Review of Investments beginning on page 5 of this Annual Report.

The Company's continued strong performance has also enabled it, and its Investment Manager, to win further awards. Our Investment Manager (OrbiMed) won the 2012 techMARK Technology Fund Manager of the Year award (for the second year in succession) for its management of the Company, which was deemed to be the best performing technology fund for the year to 30 September 2012. In addition your Company has recently been declared the Best Specialist Trust for 2012 by *Investment Trust* magazine (for the second year in succession) and Investment Company of the year in the Specialist Category for 2012 by *Investment Week*.

RETURN PER SHARE AND DIVIDEND

The total return per share amounted to 121.1p for the year (2012: 63.6p), comprising a revenue deficit of 0.1p per share (2012: 0.5p) and a capital gain of 121.2p (2012: 64.1p). No dividend is recommended in respect of the year ended 31 March 2013 (2012: nil). New legislation for investment trusts has been introduced and one of the changes has resulted in the removal of the prohibition on the distribution of capital profits by way of dividend. The Board therefore intends to seek shareholder approval at the Annual General Meeting to amend the Articles of Association to permit such distributions. It should be noted that this does not in any way indicate that there will be a change in the Company's dividend policy. (Please see page 15 for further information).

CAPITAL

The Company's strong performance has created new demand for the Company's shares. I am delighted to say that a total of 5,535,000 new shares have been issued by the Company during the year and to the date of this report, always at a premium to the prevailing net asset value per share, raising £20.2m of new funds for the Company. 19,079 shares were bought back for cancellation during the same period at a cost of £47,000 (including expenses). Shareholder authority to continue to issue shares on a non pre-emptive basis, at prices not less than the prevailing net asset value per share, will be sought at this year's Annual General Meeting. Our success in issuing new shares means, according to the rules of the Prospectus Directive, that we have reached the point where we need to issue a prospectus if we are to continue to do so. We intend to do this in August 2013.

With regard to the Company's share buy-back authority, the Company currently cancels any shares that are repurchased. However, the Board will be seeking shareholder authority for the ability to hold such shares in treasury instead of cancelling them at this year's Annual General Meeting. This will enable the Company to re-issue shares held in treasury quickly and cost-effectively and will provide the Company with additional flexibility in the management if its capital base. Any shares released from treasury will be issued only at a premium to the net asset value per share prevailing at the time.

THE ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE (AIFMD)

The AIFMD is European legislation which will create a European-wide framework for regulating managers of 'alternative investment funds', which includes investment trusts. It came into force in July 2011 with the intention that it be implemented into national legislation by July 2013 and will include a one year transitional period. Your Board is currently considering the impact of this legislation on the Company and will keep shareholders informed of developments.

OUTLOOK

The biotechnology sector has again outperformed the wider market where the prospects remain mixed at best. The biotechnology sector continues to be driven, in large part, by new drug approvals, and the prospect of future such approvals, in areas such as cancer, diabetes, hepatitis C, multiple sclerosis and Alzheimer's. Merger and acquisition activity will also continue to play a key role in the future performance of the sector.

Our focus remains on the selection of stocks with strong prospects for capital enhancement and we firmly believe that the long term investor in our sector will continue to be well rewarded although the sector will always remain subject to the risks inherent in all scientific research, as well as to regulatory risk.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company this year will be held at **Salters' Hall, 4 Fore Street, Wood Street, London EC2Y 5DE** on Tuesday, 9 July 2013 at 12.30 pm, and we hope as many shareholders as possible will attend. This will be an opportunity to meet the Board and to receive a presentation from our Investment Manager.

THE RT HON LORD WALDEGRAVE OF NORTH HILL
CHAIRMAN
7 JUNE 2013

OrbiMed Capital LLC, based in New York, is an investment manager focused exclusively on the healthcare sector, with approximately U.S.$7 billion in assets under management as at 31 March 2013 across a range of funds, including investment trusts, hedge funds and private equity funds. OrbiMed's investment management activities were founded in 1989 by Samuel D. Isaly.

INVESTMENT STRATEGY

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

Consistent with this mandate, OrbiMed has invested the majority of the Company's assets in emerging biotechnology companies with the remainder invested in major biotechnology companies. The portfolio comprised 38 holdings as at 31 March 2013.

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

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

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

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

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

THE ORBIMED TEAM

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

Samuel D. Isaly is the Managing Partner of OrbiMed. Mr. Isaly is one of the world's most recognised healthcare fund managers and has been active in global healthcare investing and analysis since 1968 when he joined Chase Manhattan Bank in New York. During his career, Mr. Isaly has been a pharmaceutical analyst with Chase Manhattan Bank, Merrill Lynch, Legg Mason, and S.G. Warburg. Mr. Isaly launched OrbiMed's asset management business in 1989. Mr. Isaly has a B.A. in Economics from Princeton University and a M. Sc. (Econ.) from The London School of Economics.

Sven H. Borho, **CFA**, is a founding Partner of OrbiMed. Mr. Borho heads the public equity team and he is the portfolio manager for OrbiMed's public equity and hedge funds. Mr. Borho has played an integral role in the growth of OrbiMed's asset management activities. Mr. Borho started his career in 1991 when he joined OrbiMed's predecessor firm as a Senior Analyst covering European pharmaceutical firms and biotechnology companies worldwide. In 1993, Mr. Borho was promoted to portfolio manager. Mr. Borho studied business administration at Bayreuth University in Germany and received a M.Sc. (Econs.), Accounting and Finance, from The London School of Economics; he is a citizen of both Germany and Sweden.

Geoffrey C. Hsu, **CFA**, is a Partner at OrbiMed. He joined OrbiMed in 2002 as a biotechnology analyst. Prior to joining OrbiMed, he worked as a financial 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.

Richard D. Klemm, **Ph.D.**, **CFA**, is a Public Equity Partner focused on biotechnology companies. He completed a Ph.D. from the Massachusetts Institute of Technology in molecular biology in 2000. Dr. Klemm has published scientific articles in the fields of DNA replication and transcription. He received a B.A. from the University of California, Berkeley in 1994 with majors in molecular and cell biology and economics.

Haige Lu, **Ph.D.**, is an Analyst focused on biotechnology companies. Prior to joining OrbiMed, he worked as a Research Fellow at Memorial Sloan-Kettering Cancer Center. He received his Ph.D. from Stanford University in Chemical Biology and his B.S. in Chemistry from Peking University in China.

"…biotechnology was the best performing healthcare subsector during the year."

PERFORMANCE REVIEW

We are pleased to report that the Company's net asset value per share increased 48.1% during the year. The Company significantly outperformed the benchmark index, the NASDAQ Biotechnology Index (measured on a sterling adjusted basis), which rose 37.2% during the year. The Company's share price increased 55.9% as the discount to net asset value per share narrowed from 5.9% to 1.0%.

The leading contributors to performance in the portfolio during the year ended 31 March 2013 were **Infinity Pharmaceuticals**, **Gilead Sciences**, **Amgen**, and **Onyx Pharmaceuticals**.

- Shares in Infinity advanced due to positive proof-of-concept phase I data for IPI-145 for several haematological malignancies.
- Gilead's shares rose due to clinical progress with its hepatitis C virus (HCV) polymerase inhibitor, sofosbuvir.
- Amgen was strong as the company generated solid financial performance during the year, and a key competitor to its anemia franchise was removed from the market.
- Onyx's stock advanced due to the U.S. approval of Kyprolis for multiple myeloma. The initial launch of the drug has been strong.

Impax Laboratories, **Idenix Pharmaceuticals**, and **VIVUS** were the principal detractors from performance in the portfolio during the fiscal year.

- Impax's shares fell after the receipt of a warning letter from the U.S. Food and Drug Administration ("FDA") concerning its manufacturing facility, which blocked new product approvals.
- Idenix's stock declined after the development of its lead compound for HCV infection was halted by the FDA due to safety concerns prompted by serious toxicity caused by a similar agent from Bristol-Myers Squibb.
- Shares of VIVUS declined due to a slow launch of Qsymia for obesity.

SECTOR REVIEW

The biotechnology sector generated strong performance during the year to 31 March 2013. In fact, biotechnology was the best performing healthcare subsector during the year. We would highlight three favourable trends that have contributed to the strong performance: 1) earnings reacceleration for the major biotechnology companies, 2) increased willingness to approve drugs at the FDA and 3) a large number of new, exciting products from biotechnology companies.

EARNINGS REACCELERATION FOR MAJOR BIOTECHNOLOGY

Major biotechnology companies have historically delivered strong earnings growth compared to traditional large pharmaceutical companies. The table below shows that over the past three years, the four mature major biotechnology companies have, on average, generated 17% annual earnings per share ("EPS") growth, compared to 1% for the five major U.S. pharmaceutical companies. The difference in growth rates can be attributed to several factors: 1) Biotechnology companies' historical reliance on biologic drugs (growth factors and antibodies) rather than small molecule drugs gives their products greater patent protection and therefore longer product cycles, 2) Biotechnology companies' focus on serious diseases with high unmet need allows them to target markets with greater pricing power and 3) Lower clinical attrition rates with biologics results in higher research and development ("R&D") productivity in the biotechnology sector versus the pharmaceutical sector.

	Actual EPS CAGR* 2009-2012	Expected EPS CAGR* 2012-2015	Share price performance 3/31/12-3/31/13	Forward P/E
Amgen	10%	10%	51%	12.6
Biogen Idec	17%	21%	53%	20.0
Celgene	33%	22%	50%	17.1
Gilead Sciences	8%	30%	100%	16.3
Major biotechnology average	17%	21%	63%	16.5
US large pharmaceutical average	1%	2%	26%	15.4

*compound annual growth rate (see glossary on page 51)

There have been periodic concerns among investors about the sustainability of the industry's growth. We have long noted that the valuation multiple at which the industry trades is low by historical standards, and we believe the uncertainty about long term sustainability has contributed to this multiple compression. For example, during the debate about health care reform in the U.S., there were concerns that a greater role of the government in health care would lead to pressure on drug pricing. The outcome of this debate has shown that this fear was not justified, as the reform focus was for coverage expansion rather than cost containment. Additionally, company specific concerns have compressed multiples over the past several years. For example, concerns about upcoming patent cliffs have been raised regarding biotechnology companies that rely primarily on small molecule drugs such as Gilead Sciences and **Celgene**. Similarly, concerns with competition and maturing markets have been raised about **Biogen Idec** and Amgen.

Over the last year, it has become increasingly clear that these sustainability concerns have been overstated. At the beginning of the Company's financial year, the major biotechnology sector was trading at a forward price to earnings ratio ("P/E") of 13x, a very modest premium compared to major pharmaceutical companies and the S&P500 at 12.0 and 11.7x, respectively, despite the history of higher growth. We highlight Gilead Sciences and Biogen Idec as earnings growth stories which have been reinvigorated by new products.

In the case of Gilead, investors have become increasingly confident in the potential of its drugs for HCV to more than make up for expected sales declines in its HIV franchise when the patent for tenofovir expires in 2017. The evolving clinical data for sofosbuvir-based combinations has shown that nearly all HCV patients will be able to be cured with a relatively brief and non-toxic oral regimen. Additionally, Gilead's leading competitor, Bristol-Myers Squibb, was handed a huge setback with the failure of its own HCV polymerase inhibitor. The market for all-oral HCV regimens is likely to exceed U.S.$10 billion annually. Gilead appears to possess the best drug combination for this disease and is positioned to take a dominant share of this market.

Biogen Idec has long been a leader in multiple sclerosis as the developer of Avonex and Tysabri. With some saturation of the market in recent years and increased competition from other therapies such as Novartis' Gilenya, Biogen Idec's sales growth has become increasingly reliant on large price increases rather than volume growth. However, earlier this year it received approval for Tecfidera, a new oral drug for multiple sclerosis which is more efficacious, more tolerable, and more convenient than existing medications. Early prescription data suggests a robust launch. Tecfidera is poised to become a "blockbuster" which will extend Biogen Idec's dominance in the multiple sclerosis space for years to come and drive annual EPS growth over 20%.

FDA'S WILLINGNESS TO APPROVE NEW DRUGS

The FDA has been criticised in the past for becoming too risk averse with regard to approving new drugs, as manifest by demands for a greater amount of efficacy and safety data prior to approval. We are now observing encouraging signs that the FDA may be more readily approving new drugs. In 2012, 39 new drugs were approved by the FDA, an increase over 30 in 2011. There have been several cases in which the FDA has appeared to take a more lenient stance towards new drug approvals. For example, most FDA watchers were surprised to see the FDA approve **Onyx Pharmaceuticals**' Kyprolis for myeloma based on a single-arm Phase II trial that lacked a placebo control. In addition, the FDA recently approved two obesity drugs (where the safety hurdle is very high) without requiring large cardiovascular safety trials prior to approval, despite some lingering safety questions.

FDA review times have also shown signs of improvement - recently several drugs have been approved in record time. For example, **Vertex Pharmaceuticals**' Kalydeco for cystic fibrosis and **Medivation's** Xtandi for prostate cancer were each approved by the FDA within about three months of filing, rather than the customary six to ten months. These are examples of drugs that have shown clear, dramatic benefits for patients. It remains to be seen if this is a realignment of FDA resources to more important advances, or a general effort to complete reviews in a timelier manner.

The FDA has also recently begun a "breakthrough therapy" programme which seeks to expedite the development and approval of drugs that have shown preliminary clinical benefit over standard of care for serious diseases. The programme enhances agency contact with drug companies throughout the development process to provide guidance on trial design and other regulatory issues and to streamline the review process. Thus far, 40 applications for breakthrough status have been received by the FDA, and 11 have been granted. Five of these designations went to biotechnology companies. We believe that this is an encouraging step by the agency that will be very helpful for the biotechnology sector over the long term.

NEW PRODUCT MOMENTUM CONTINUES

A number of high profile new drugs were introduced by biotechnology companies during 2012. Many of these have "blockbuster" potential. Historically, companies that beat launch expectations can generate significant stock outperformance. We would highlight Eylea from **Regeneron Pharmaceuticals** which was launched in late 2011. Regeneron ultimately generated Eylea sales of U.S.$838 million in 2012, significantly beating initial consensus expectations at launch of U.S.$108 million. The revenue upside led to a 209% increase in stock price during calendar year 2012.

The table below shows the biotechnology products approved during 2012 (the companies in bold are held in the portfolio):

Company	Drug	Indication	Sales potential (U.S. $M)
Onyx Pharmaceutical	Kyprolis	Multiple myeloma	2800
Gilead Sciences	Stribild	HIV	2800
Medivation/Astellas	Xtandi	Prostate cancer	2000
VIVUS	Qsymia	Obesity	1300
Onyx Pharmaceutical/Bayer	Stivarga	Metastatic colorectal cancer	1200
Aegerion	Juxtapid	Familial hypercholesterolemia	1000
Vertex Pharmaceuticals	Kalydeco	Cystic fibrosis with G551D mutation	600
Ariad	Iclusig	Chronic myeloid leukemia	600
Arena/Eisai	Belviq	Obesity	500
Curis/Roche	Erivedge	Basal cell carcinoma	500
NPS Pharmaceuticals	Gattex	Short bowel syndrome	500
Sanofi**/Regeneron Pharmaceuticals**	Zaltrap	Metastatic colon cancer	400
Thrombogenics	Jetrea	Symptomatic vitreomacular adhesion	300
Protalix/Pfizer	Elelyso	Gaucher's disease	200
VIVUS	Stendra	Erectile dysfunction	100
Exelixis	Cometriq	Medullary thyroid cancer	100

OUTLOOK

We believe that the biotechnology sector's strong performance during the Company's financial year was justified based on the solid fundamentals of the sector. EPS growth for the next few years will be strong due to the launches of new products from major biotechnology companies. Over the past year, the sector has attracted more interest among growth seeking generalist investors as its positive outlook has become clearer. We expect this trend to continue. We note that although the P/E multiple at which the industry now trades has increased, the sector is still attractive relative to large pharmaceutical companies and the general market given biotechnology sector's substantial potential.

In addition to the transformative new products at major biotechnology companies, there are several late stage products from smaller biotechnology companies with significant potential. For example, Vertex's VX-809/Kalydeco combination is a potential "blockbuster" product for cystic fibrosis. Pharmacyclics' Ibrutinib, launching next year, will be a "blockbuster" for haematological malignancies, and will be the first of several new, highly effective therapies for B-cell cancers (this is discussed further in the following section). We believe the steady flow of new, exciting drugs from biotechnology sector will continue to provide opportunities for the Company.

SVEN BORHO
ORBIMED CAPITAL LLC
INVESTMENT MANAGER
7 JUNE 2013

PRINCIPAL CONTRIBUTORS TO AND DETRACTORS FROM NET ASSET VALUE PERFORMANCE FOR THE YEAR TO 31 MARCH 2013

	Contribution for the year to 31 March 2013 £'000	Contribution per share (pence)*
Top Five Contributors		
Infinity Pharmaceuticals	14,424	22.9
Gilead Sciences	12,209	19.4
Amgen	7,823	12.4
Onyx Pharmaceutical	5,514	8.8
Celgene	5,471	8.7
		72.2
Bottom Five Detractors		
Impax Laboratories	(1,204)	(1.9)
Idenix Pharmaceuticals	(661)	(1.1)
VIVUS	(459)	(0.7)
Keryx Biopharmaceutical	(436)	(0.7)
Dendreon	(365)	(0.6)
		(5.0)

*Based on 62,887,103 ordinary shares being the weighted average number of shares in issue for the year ended 31 March 2013.

Source: Frostrow Capital LLP

"Cancer is the second leading cause of death in the developed world, behind heart disease."

TREATING CANCER

Cancer is the second leading cause of death in the developed world, behind heart disease. Due to the large prevalence and high pricing power, the market for cancer drugs is large and growing. The table below shows the top 15 cancer drugs globally. Six of the top 15 drugs (highlighted in red) are primarily for haematological malignancies, i.e. blood cancers such as leukemia, lymphoma and myeloma. At first glance this may be surprising because haematologic malignancies only account for 9% of the total incidence of new cancer cases. The explanation is that the duration of therapy can be quite long for these drugs compared to most drugs that treat solid tumors. The prime example for such a drug is Gleevec. Gleevec specifically targets the ABL protein that is aberrantly activated in the vast majority of chronic myeloid leukemia ("CML") patients. It is highly effective and well tolerated. Long term follow-up from the Gleevec clinical trials has demonstrated that over 60% of patients starting Gleevec remain on treatment eight years after beginning treatment. This has turned a relatively modest new patient opportunity (only around 4,800 new CML patients in the U.S. annually) into a multibillion dollar product by increasing the number of patients living stably with CML. It is estimated that by 2050 there will be 180,000 people in the U.S. living with CML due to the success of Gleevec and related drugs at delaying CML mortality.

Company	Drug	2012 Sales (U.S.$M)	Leading Indication
Roche Holdings	Rituxan	6,942	Lymphoma
Roche Holdings	Herceptin	6,095	Breast cancer
Roche Holdings	Avastin	5,966	Colorectal cancer
Novartis	Gleevec	4,675	Leukemia
Celgene	Revlimid	3,767	Myleoma
Eli Lilly	Alimta	2,594	Lung cancer
Roche Holdings	Xeloda	1,576	Breast cancer
Millenium Pharmaceuticals	Velcade	1,500	Myleloma
OSI Pharmaceuticals	Tarceva	1,360	Lung Cancer
Pfizer	Sutent	1,236	Kidney cancer
Sanofi	Eloxatin	1,233	Colorectal cancer
Astra Zeneca	Zoladex	1,093	Prostate cancer
Bayer/**Onyx Pharmaceuticals**	Nexavar	1,021	Liver cancer
Bristol-Myers Squibb	Sprycel	1,019	Leukemia
Novartis	Tasigna	998	Leukemia

With Gleevec as the model, successful haematological cancer drugs should be 1) highly effective, presumably by targeting factors essential to the cancer's growth 2) well tolerated, enabling chronic use and 3) orally administered, for good long-term compliance. There are now several new drugs being developed by biotechnology firms for chronic lymphocytic leukemia and indolent lymphomas that fit with this model. Like Gleevec, these drugs promise to revolutionise the treatment paradigms for these cancers and have "blockbuster" potential due to long treatment duration. These new drugs fall into two classes, inhibitors of Bruton's tyrosine kinase (BTK) and inhibitors of Phosphatidylinositide 3-kinases (PI3K).

BTK INHIBITORS FOR B-CELL LYMPHOMA AND LEUKEMIA

In 1952, doctors identified an inherited disease known as X-linked agammaglobulinaemia (XLA) in which patients are incapable of fighting against infections. Afflicted individuals lack mature B-cells and therefore do not generate antibodies. With the advent of modern gene mapping and sequencing, it was found that XLA patients harboured mutations which inactivated the gene for Bruton's tyrosine kinase (BTK). This suggested the BTK protein plays an essential role in B-cell signaling and survival. This led scientists to believe that in cancers where B-cell growth becomes uncontrolled, such as chronic lymphocytic leukemia (CLL) and non-Hodgkin's lymphoma (NHL), blocking the action of BTK with a drug may be able to treat and even cure the underlying disease.

Although BTK has long been an appealing target, it has been difficult to generate drugs that potently block the kinase. This problem was solved by a biotechnology company, Pharmacyclics, which created the first BTK inhibitor, ibrutinib. Clinical trials have now shown that ibrutinib has robust activity for several B-cell malignancies, most notably mantle cell lymphoma (MCL) and CLL. In mantle cell lymphoma, ibrutinib has shown a 69% response rate, with the response being quite durable. Similarly, in CLL 70% of patients responded to ibrutinib. Importantly, over 80% of ibrutinib-treated CLL patients remained free of progression beyond two years. Moreover, patients who were heavily pretreated with various chemotherapy and biologic agents could still tolerate ibrutinib well. Based on this impressive profile, the FDA recently granted ibrutinib breakthrough therapy designation in both MCL and high-risk CLL. We anticipate that ibrutinib will receive marketing approval next year and will experience a robust launch.

Pharmacyclics is trailed by two competitors in the BTK inhibitor space, **Celgene** and **Ono Pharmaceuticals**. Celgene's BTK inhibitor is currently being tested in a phase II trial. Ono Pharmaceuticals' BTK inhibitor is in preclinical testing, and has shown promising efficacy data. Both of these companies are currently within the portfolio. Pharmacyclics has historically been a strong contributor to the portfolio's performance.

PI3K INHIBITORS FOR LYMPHOMA AND LEUKEMIA

While BTK inhibitors have shown great promise for patients with B-cell malignancies, patients eventually progress and will need additional therapies. Recently, another promising class has emerged, inhibitors of Phosphatidylinositide 3-kinases (PI3K). The PI3K family consists of several isoforms, of which the delta and gamma isoforms have the most promise for haematological malignancies. PI3K-delta in particular serves a central role in B-cell signaling. **Gilead Science's** idelalisib is the leading PI3K-delta inhibitor in development. In phase II studies in CLL, idelalisib has shown a response rate of 24% as monotherapy and more than 90% in combination with other existing drugs. Like ibrutinib, responses are durable. Idelalisib has also shown impressive efficacy for indolent NHL. Phase III data in NHL are expected soon and marketing approval should occur in 2014.

Idelalisib has validated PI3K-delta as a target for B-cell malignancies, though it appears to be less effective than ibrutinib. A second PI3K family member, PI3K-gamma, partners with PI3K-delta to regulate immune cell signaling and function. Hence blocking both isoforms could lead to enhanced activity against cancer. **Infinity Pharmaceuticals** is testing this hypothesis with their drug, IPI-145, a dual PI3K-delta/gamma inhibitor. Owing to its dual inhibitory role, IPI-145 has shown distinct activities across a spectrum of haematologic malignancies. In its phase I trial, IPI-145 showed response rates in CLL and MCL of 55% and 67%, respectively. Importantly, IPI-145 was active in indications where ibrutinib and idelalisib have not demonstrated activity, such as Hodgkin's lymphoma and T-cell lymphoma. Furthermore, the onset was rapid, faster than idelalisib and comparable to ibrutinib. Infinity Pharmaceuticals was the top contributor to performance during the year ended 31 March 2013.

BTK and P13K inhibitors are poised to dramatically change the treatment landscape of CLL and other B-cell malignancies. Based on the broad activity and the long treatment duration which has been demonstrated, these new agents have the potential to become multi-billion dollar drugs. Haematological malignancies will continue to be an exciting area for drug development, as well as a promising area for investments.

ORBIMED CAPITAL LLC
7 JUNE 2013

AS AT 31 MARCH 2013

Security	Country/ Region	Fair value £'000	% of Investments
Gilead Sciences	United States	23,394	9.6
Infinity Pharmaceuticals	United States	22,669	9.3
Amgen	United States	21,939	9.0
Celgene	United States	17,554	7.2
Biogen Idec	United States	15,981	6.5
Alexion Pharmaceuticals	United States	11,404	4.7
Incyte Genomics	United States	11,162	4.6
Regeneron Pharmaceutical	United States	10,911	4.5
Mylan	United States	8,421	3.4
Onyx Pharmaceutical	United States	8,306	3.4
Top 10 Investments		**151,741**	**62.2**
Neurocrine Biosciences	United States	7,215	3.0
Illumina	United States	6,933	2.8
Acorda Therapeutics	United States	6,282	2.6
BioMarin Pharmaceutical	United States	5,822	2.4
Vertex Pharmaceuticals	United States	5,503	2.2
Medivation	United States	5,205	2.1
Affymetrix	United States	4,866	2.0
Impax Laboratories	United States	4,865	2.0
Warner Chilcott	Ireland	4,824	2.0
3SBio	China	4,301	1.8
Top 20 Investments		**207,557**	**85.1**
Fluidigm	United States	4,264	1.7
Actelion	Switzerland	4,051	1.7
Ono Pharmaceuticals	Japan	3,972	1.6
Life Technologies	United States	3,830	1.6
Exact Sciences	United States	2,952	1.2
Cubist Pharmaceutical	United States	2,774	1.1
Orbimed Asia Partners L.P. *(unquoted)*	Far East	2,506	1.0
Array Biopharma	United States	2,457	1.0
Salix Pharmaceutical	United States	2,363	1.0
Bavarian Nordic	Denmark	1,525	0.6
Top 30 Investments		**238,251**	**97.6**
Endocyte	United States	1,246	0.5
Acadia Pharmaceuticals	United States	1,226	0.5
Astex Pharmaceuticals	United States	896	0.4
Auxilium Pharmaceuticals	United States	683	0.3
Rigel Pharmaceuticals	United States	590	0.2
Insmed	United States	579	0.2
Medivir	Sweden	488	0.2
Dynavax Technologies	United States	337	0.1
Total Investments		**244,296**	**100.0**

All of the above investments are equities unless otherwise stated.

PORTFOLIO BREAKDOWN

Investments	Fair value £'000	% of Investments
Equities	244,296	100.0
	244,296	**100.0**

THE RT HON LORD WALDEGRAVE OF NORTH HILL (CHAIRMAN)

Lord Waldegrave of North Hill joined the Board in June 1998. He is Provost of Eton College, a Director of Coutts and Co Limited and Chairman of the Royal Mint Advisory Committee. He was formerly Vice-Chairman of the Investment Banking Department at UBS, Chairman of the Global Financial Institutions Group at Dresdner Kleinwort Wasserstein and a Director of Fleming Family Partners . From 1979 to 1997, he was MP for Bristol West holding a number of Cabinet posts including Secretary of State for Health.

PROFESSOR DAME KAY DAVIES, CBE

Professor Dame Kay Davies joined the Board in March 2012. She 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 a Director of the MRC Functional Genomics Unit at Oxford, a governor of the Wellcome Trust and a member of the Scientific Advisory Boards of biopharmaceutical companies UCB Pharma S.A. and ProSensa plc and a consultant to drug discovery company Summit plc.

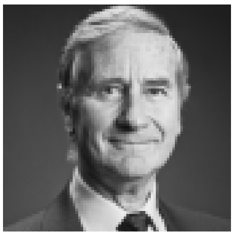
SVEN BORHO

Sven Borho joined the Board in 2006 and is a founding Partner of OrbiMed, the Company's Investment Manager. He heads the public equity team and is the portfolio manager for OrbiMed's public equity and hedge funds. Sven has played an integral role in the growth of OrbiMed's asset management activities. He started his career in 1991 when he joined OrbiMed's predecessor firm as a Senior Analyst covering European pharmaceutical firms and biotechnology companies worldwide. In 1993, Sven was promoted to portfolio manager. He studied business administration at Bayreuth University in Germany and received a M.Sc. (Econs.), Accounting and Finance, from The London School of Economics; he is a citizen of both Germany and Sweden.

PAUL GAUNT

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

DR JOHN GORDON



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

ANDREW JOY

Andrew Joy joined the Board in March 2012. He is one of the founder Partners of Cinven Limited where he was a member of the Executive Committee and remains a member the Portfolio Review Committee which oversees all of Cinven's investments. He has also been the main point of contact for Cinven's investors. Mr Joy was formerly a Director of Hill Samuel Bank and Managing Director of Hill Samuel Development Capital.

PETER KEEN

Peter Keen has served on the Board as a Director since the launch of the Company in June 1997 and is Chairman of the Audit & Management Engagement Committee. A chartered accountant, he has over 28 years' experience in the management and financing of life science businesses and is a Venture Partner with the technology venture capital firm DFJ Esprit LLP. He is also a Director of a number of life science companies including Abcam plc, Oval Medical Technologies Limited, Horizon Discovery Limited and MRC Technology Limited. He was formerly Finance Director at the privately held biopharmaceutical companies Serentis Limited and Arakis Limited and a co-founder of Chiroscience Group plc.

All Directors, with the exception of Sven Borho, are members of the Audit and Management Engagement, Nominations and Remuneration Committees.

All members of the Board are non-executive. With the exception of Sven Borho, none of the Directors has any other connections with the Investment Manager and are not employed by any of the companies in which the Company holds an investment.

The Directors present their report and the audited financial statements for the year ended 31 March 2013.

INTRODUCTION

The Report of the Directors includes the Business Review and Corporate Governance Statement. The Business Review contains a review of the Company's business, the principal risks and uncertainties it faces and an analysis of its performance during the financial period, the position at the period end and the future business plans of the Company. To aid understanding of these areas the Board has included an analysis using appropriate Key Performance Indicators. The Business Review should be read in conjunction with the Chairman's Statement on page 3, the Review of Investments on pages 5 to 8 and the Portfolio on page 11.

BUSINESS AND STATUS OF THE COMPANY

The Company is registered as a public limited company and is an investment company within the terms of Section 833 of the Companies Act 2006 ('the Act'). Its shares are listed on the Official List of the UK Listing Authority and traded on the main market of the London Stock Exchange which is a regulated market as defined in Section 1173 of the Act. The Company has received approval from HM Revenue & Customs as an authorised investment trust under Sections 1158 and 1159 of the Corporation Tax Act 2010 ("CTA 2010"), for the year ended 31 March 2012. This approval is subject to there being no subsequent enquiry under corporation tax self-assessment. In the opinion of the Directors, the Company continues to direct its affairs so as to enable it to qualify for such approval.

In accordance with recent changes to CTA 2010, the Company has obtained ongoing approval from HM Revenue & Customs for all accounting periods commencing on 1 April 2012.

CONTINUATION OF THE COMPANY

A resolution was passed at a General Meeting of the Company held on 4 December 2009, that the Company continue as an investment trust for a further five year period (from the Annual General Meeting held in 2010). In accordance with the Company's Articles of Association, shareholders will have an opportunity to vote on the continuation of the Company at the Annual General Meeting in 2015 and every five years thereafter.

INVESTMENT OBJECTIVE AND BENCHMARK

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

INVESTMENT POLICY

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

Investment Limitations and Guidelines

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

- The Company will not invest more than 10% of its gross assets in other closed ended investment companies (including investment trusts) listed on the London Stock Exchange, except where the investment companies themselves have stated investment policies to invest no more than 15% of their gross assets in other closed ended investment companies (including investment trusts) listed on the London Stock Exchange.
- The Company will not invest more than 15%, in aggregate, of the value of the gross assets of the Company in other closed ended investment companies (including investment trusts) listed on the London Stock Exchange.
- The Company will not invest more than 15% of the portfolio in any one individual stock at the time of acquisition.
- The largest 30 quoted stocks will normally represent at least 50% of the quoted portfolio.
- The majority of the emerging biotechnology companies that the Company will invest in are likely to be companies with a market capitalisation of less than U.S.$3 billion that have undergone an IPO (Initial Public Offering) but as yet are unprofitable. They will typically be focused on drug research and development, with their valuations driven by profitable developments, clinical trial results and partnerships.
- The Company will not invest more than 10% of the portfolio in direct unquoted investments at the time of acquisition. This limit does not include any investment in private equity funds managed by the Investment Manager or any affiliates of such entity.
- The Company may invest or commit for investment a maximum of U.S.$15 million, after the deduction of proceeds of disposal and other returns of capital, in private equity funds managed by OrbiMed Capital LLC, the Company's Investment Manager, or an affiliate thereof.

- The Board has agreed with the Company's Investment Manager on gearing range of between 0% and 10% of the Company's net assets. The Company's borrowing requirements are met through the utilisation of a loan facility, repayable on demand, provided by Goldman Sachs & Co. New York. This facility can be drawn down at the discretion of the Investment Manager.
- Up to 5% of the Company's portfolio, at the time of acquisition, can be invested in India. Exposure to be gained through the use of swaps.

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

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. New legislation for investment trusts has been introduced and one of the changes has resulted in the removal of the prohibition on the distribution of capital profits by way of dividend. The Board intends to seek shareholder approval at the Annual General Meeting to amend the Articles of Association to permit such distributions. This does not in any way indicate that there will be a change in the Company's dividend policy.

PERFORMANCE

In the year to 31 March 2013, the Company's net asset value per share increased by 48.1% compared to a rise of 37.2% in the Company's benchmark, the NASDAQ Biotechnology Index (sterling adjusted). The Company's share price increased by 55.9% in the same period.

The Review of Investments on pages 5 to 8 includes a review of the principal developments during the year, together with information on investment activity within the Company's portfolio.

RESULTS AND DIVIDEND

The results attributable to shareholders for the year and the transfer to reserves are shown on page 33. No dividend is proposed in respect of the year ended 31 March 2013 (2012: nil).

KEY PERFORMANCE INDICATORS ("KPIs")

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

- Net asset value return (see pages 1 and 2)
- Share price return (see pages 1, 2 and 31)
- Stock contribution analysis (see page 8)
- Share price premium/discount to net asset value per share (see pages 1 and 2)
- Ongoing charges (see page 1)
- Benchmark performance (see pages 1, 2 and 31)
- Repurchase of own shares (see inside front cover and pages 16 and 17)

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

PRINCIPAL RISKS AND THEIR MITIGATION

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

i) Objective and Strategy – The Company becomes unattractive to investors.

The Board reviews regularly the Company's investment objective and investment guidelines in the light of investor sentiment monitoring closely whether the Company should continue in its present form. The Board also considers the size of the Company to ensure that it has sufficient critical mass. The Board, through the Manager and the Investment Manager, holds regular discussions with major shareholders. A continuation vote is to be held at the Annual General Meeting in 2015 and every five years thereafter. Each month the Board receives a report which monitors the investments held in the portfolio compared against the Benchmark Index and the investment guidelines. Additional reports and presentations are regularly presented to investors by the Company's Manager, Investment Manager and Corporate Stockbroker.

ii) Level of discount/premium – The level of discount/premium can fluctuate.

The Board undertakes a regular review of the level of discount/premium and consideration is given to ways in which share price performance may be enhanced, including the effectiveness of marketing and share issuance and buy-backs, if considered appropriate. The Board has implemented an active discount management policy, buying back the Company's shares for cancellation if the market price is at a discount greater than 6% to the net asset value per share. However, the Board will be seeking shareholder authority for the ability to hold such shares in treasury instead of cancelling them at this year's Annual General Meeting. Due to the Company's strong performance, and the demand for the Company's shares that this has created, the Company's share price traded much closer to the net asset value per share during the year. Indeed, based on average month end figures over the year, the share price traded at a small premium (0.4%). The making and timing of any share issuance or buy-backs is at the absolute discretion of the Board.

iii) Portfolio Performance – Investment performance may not be meeting shareholder requirements.

The Board reviews regularly investment performance against the Benchmark and against the Company's peer group. The Board also receives regular reports that show an analysis of performance compared to other relevant indices. The Investment Manager provides an explanation of significant stock selection decisions and an overall rationale for the make-up of the portfolio. The Investment Manager discusses current and potential investment holdings with the Board on a regular basis.

iv) Operational and Regulatory – A breach of Sections 1158 and 1159 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, either by the Manager, the Investment Manager or any other of the Company's service providers, may result in operational and/or reputational problems, erroneous disclosures or loss of assets through fraud, as well as breaches of regulations.

All transactions and income and expenditure forecasts are reviewed by the Board at each Board Meeting. The Board considers regularly all major risks, the measures in place to control them and the possibility of any other risks that could arise. The Board also ensures that satisfactory assurances are received from service providers. The Compliance Officer of the Manager and Investment Manager produce regular reports for review at the Company's Audit and Management Engagement Committee meetings and are available to attend such meetings in person if required.

v) Market Price Risks – Uncertainty about future prices of financial instruments held.

The Board meets on a quarterly basis during the year and on an *ad hoc* basis if necessary. At each meeting the Directors consider the asset allocation of the portfolio in order to minimise the risk associated with particular countries, sectors, or instruments. The Investment Manager has responsibility for selecting investments in accordance with the Company's investment objective and seeks to ensure that investment in individual stocks falls within acceptable risk levels.

vi) Liquidity Risk – Ability to meet funding requirements when they arise. The Investment Manager has constructed the portfolio so that funds can be raised at short notice if required.

vii) Shareholder Profile – Activist shareholders whose interests are not consistent with the long-term objectives of the Company may be attracted onto the shareholder register.

The Manager provides a shareholder analysis at every Board Meeting so that the Board can give consideration as to any action required; this is in addition to regular reporting by the Company's Stockbroker. The Board has implemented an active discount management policy as mentioned in (ii) above.

viii) Currency Risk – Movements in exchange rates could adversely affect the performance of the portfolio.

A significant proportion of the Company's assets is, and will continue to be, invested in securities denominated in foreign currencies, in particular U.S. dollars. As the Company's shares are denominated and trade in sterling, the return to shareholders will be affected by changes in the value of sterling relative to those foreign currencies. The Board has made clear the Company's position with regard to currency fluctuations which is that it does not currently hedge against currency exposure.

ix) Loan Facility – The provider of the Company's loan facility may no longer be prepared to lend to the Company.

Both the Board and the Investment Manager are kept fully informed of any likelihood of the withdrawal of the loan facility so that repayment can be effected in an orderly fashion.

x) Credit Risk – The Company's assets can be held by Goldman Sachs & Co. New York as collateral for the loan provided by them to the Company. Such assets taken as collateral may be used, loaned, sold, rehypothecated or transferred by Goldman Sachs & Co. New York, although the Company maintains the economic benefits from ownership of those assets. Goldman Sachs & Co. New York may take up to 140% of the value of the outstanding loan as collateral. The Company is afforded protection under both the SEC rules and U.S. legislation equal to the value of net assets held by Goldman Sachs & Co. New York. (Also see glossary on page 51).

Assets held by Goldman Sachs & Co. New York, as custodian, that are not used as collateral, are held in segregated client accounts.

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 42.

LOAN FACILITY

The Company's borrowing requirements are met through the utilisation of a loan facility, repayable on demand, provided by Goldman Sachs & Co. New York.

SHARE CAPITAL

As part of the package of measures adopted in 2005 by the Board to improve the attraction of the Company's shares to new investors and also to provide the prospect of a sustained improvement in the rating of the Company's shares, an active discount management policy was implemented to buy back shares if the market price is at a discount greater than 6% to net asset value per share. As at 31 March 2013, the discount was 1%, well within the stated target of 6%. Due to the Company's strong performance, and the demand for the Company's shares that this has created, the Company's share price traded much closer to the net asset value per share during the year. Indeed, based on average month-end figures over the year, the share price traded at a small premium (0.4%). 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. During the year a total of 19,079 shares was bought back for cancellation representing 0.03% of the issued share capital at the beginning of the year. The purchase was made at £2.45 per share at a cost of £47,000 (including expenses) and at a discount of 3.4% to the net asset value per share. In addition during the year, 2,245,000 new shares were issued raising £7,384,000 of new funds for the Company. Subsequent to the year end to 7 June 2013 a further 3,290,000 shares were issued raising £12,815,000 of new funds for the Company. As at the date of this report there were 67,756,347 shares in issue.

PROSPECTS

The Company's Investment Manager believes that the biotechnology sector's strong performance during the Company's financial year was justified based on the solid fundamentals of the sector. They further believe that earnings per share growth for the next few years will be strong due, in part, to new product launches from a number of major biotechnology companies. In addition to these new products, they also believe that there are several late stage products from smaller biotechnology companies with significant potential and that the sector is still attractive relative to large pharmaceutical companies and the general market given biotechnology sector's substantial potential.

INVESTMENT MANAGEMENT

Investment Management Agreement: The Investment Manager receives a periodic fee equal to 0.65% p.a. of the Company's net asset value. The Investment Management Agreement may be terminated by either party giving notice of not less than 12 months. The Investment Manager under the terms of the Agreement provides, *inter alia*, the following services:

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

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

Performance Fee: Dependent on the level of long term outperformance of the Company, the Investment Manager and the 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 investment manager receiving 15% and the manager receiving 1.5% 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 out-performance of the portfolio over the benchmark as at the quarter end date; and

(ii) The cumulative out-performance 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.

During the year performance fee amounts totaling £1,640,000 crystalised in relation to maintained outperformance of which £1,373,000 remained payable at 31 March 2013 (31 March 2012: nil). See note 3 on page 39 for further details.

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

MANAGEMENT

Company Management, Company Secretarial and Administration Services Agreement: The Manager 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. The notice period in the Company Management, Company Secretarial and Administration Agreement with the Manager is not less than 12 months. Termination can be at the instigation of either party.

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

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

INVESTMENT MANAGER AND MANAGER EVALUATION AND RE-APPOINTMENT

The performance of the Investment Manager and the Manager is reviewed continuously by the Audit and 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 Investment Manager and the 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 Investment Manager and the Manager in February 2013 with a recommendation being made to the full Board.

The Board believes the continuing appointment of the Investment Manager and the 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 Investment Manager to the management of the portfolio and the level of performance of the portfolio in absolute terms and also by reference to the benchmark index; and

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

GOING CONCERN

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

CREDITORS PAYMENT POLICY

Terms of payment are negotiated with suppliers when agreeing settlement details for transactions. While the Company does not follow a formal code, it is the Company's continuing policy to pay amounts due to creditors as and when they become due. There were no creditors in respect of goods or services supplied at the year end (2012: nil).

SOCIAL, ENVIRONMENTAL AND ETHICAL POLICY

The Company's primary objective is to achieve long term capital growth through investment in the worldwide biotechnology industry, principally by investing in emerging biotechnology companies. The Directors recognise that this should be done in a responsible way but they believe that the Company would be in breach of its fiduciary duties to shareholders if investment decisions were based solely on social, ethical or environmental considerations. The Company encourages a positive approach to corporate governance and engagement with companies.

INDIVIDUAL SAVINGS ACCOUNTS

The Company's shares are eligible to be held in the stocks and shares component of an ISA or Junior ISA, subject to applicable annual subscription limits (£11,520 for an ISA and £3,600 for a Junior ISA for the 2013/2014 tax year). Investments held in ISAs or Junior ISAs will be free of UK tax on both capital gains and income. The opportunity to invest in Ordinary Shares through an ISA is restricted to certain UK resident individuals aged 18 or over. Junior ISAs are available for UK resident children aged under 18 and born before 1 September 2002 or after 2 January 2011. Sums received by a shareholder on a disposal of Ordinary Shares held within an ISA or Junior ISA will not count towards the shareholder's annual limit. Individuals wishing to invest in Ordinary Shares through an ISA should contact their professional advisers regarding their eligibility as should individuals wishing to invest through a Junior ISA for children under 18 years old.

DIRECTORS

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

The Rt Hon Lord Waldegrave of North Hill, *(Chairman)*
Sven Borho
Professor Dame Kay Davies, CBE
Paul Gaunt
Dr John Gordon
Andrew Joy
Peter Keen
John Sclater, CVO (retired 12 July 2012)

DIRECTORS' INTERESTS

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

	Shares of 25p each	
	31 March 2013	**31 March 2012**
Lord Waldegrave of North Hill	58,716	58,716
Sven Borho	236,218	236,218
Professor Dame Kay Davies, CBE	–	–
Paul Gaunt	–	–
Dr John Gordon	70,000	70,000
Andrew Joy	25,000	–
Peter Keen	45,000	45,000

None of the Directors was granted or exercised rights over shares during the year. Sven Borho is a partner at OrbiMed, the Company's Investment Manager, which is party to the Investment Management Agreement with the Company and receives fees as described on pages 17 and 18. A number of the partners at OrbiMed have a minority financial interest amounting in total to 20% in Frostrow Capital LLP, the Company's Manager.

DIRECTORS' FEES

A report on Directors' Remuneration is set out on pages 30 and 31.

DIRECTORS' & OFFICERS' LIABILITY INSURANCE COVER

Directors' & Officers' liability insurance cover was maintained by the Board during the year ended 31 March 2013. It is intended that this policy will continue for the year ended 31 March 2014 and subsequent years.

SUBSTANTIAL SHAREHOLDINGS

The Company was aware of the following substantial interests in the voting rights of the Company as at 30 April 2013, the latest practicable date before publication of the Annual Report.

	30 April 2013		31 March 2013	
Beneficial shareholder	**No. of shares**	**% of Issued share capital**	**No. of shares**	**% of Issued share capital**
Newton Investment Management	9,888,879	14.96	9,890,079	15.34
East Riding of Yorkshire Council	6,143,000	9.29	6,143,000	9.53
Baillie Gifford & Co.	4,876,337	7.38	4,876,337	7.56
Hargreaves Lansdown	3,555,764	5.38	3,000,871	4.65
Reliance Mutual Insurance Society	2,764,450	4.18	2,764,450	4.29
Hansa Capital	2,364,629	3.58	2,364,629	3.67
M&G Investment Management	2,251,344	3.41	2,251,344	3.49
Alliance Trust Savings	2,207,271	3.34	2,113,066	3.28
Legal & General Investment Management	2,066,189	3.13	2,057,224	3.19

As at 31 March 2013 the Company had 64,466,347 shares in issue. As at 30 April 2013 the Company had 66,416,347 shares in issue.

AUDITORS

Grant Thornton UK 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.

Grant Thornton UK LLP have been in post for over 16 years and the Board, after consideration, has agreed that a tender process for the post of Auditor to the Company should take place in early 2014. As part of its deliberations, the Board has noted that the audit partners responsible for the audit are rotated at least every five years, in accordance with professional and regulatory standards, in order to protect independence and objectivity and also to provide fresh challenge to the business, but the Board still believes that the holding of a tender process is appropriate. The results of the tender will be published in next year's Annual Report and will be voted on by shareholders at next year's Annual General Meeting.

DIRECTORS' INDEMNITIES

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

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

AWARENESS OF RELEVANT AUDIT INFORMATION

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

CORPORATE GOVERNANCE

A formal statement on Corporate Governance is set out on pages 24 to 28 and forms part of this Report of the Directors.

BENEFICIAL OWNERS OF SHARES – INFORMATION RIGHTS

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

COMPANY SHARE INFORMATION

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

Capital structure

The Company's capital structure is summarised on the inside front cover.

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 49.

NOTICE PERIOD FOR GENERAL MEETINGS

At last year's Annual General Meeting, a special resolution was passed allowing general meetings of the Company to be called on a minimum notice period provided for in the Companies Act 2006. For meetings other than annual general meetings this is a period of 14 clear days.

The Board believes that it should continue to have the flexibility to convene general meetings of the Company (other than annual general meetings) on 14 clear days' notice.

The Board is therefore proposing Resolution 14 as a special resolution to approve 14 clear days as the minimum period of notice for all general meetings of the Company other than annual general meetings. The notice period for annual general meetings will remain 21 clear days.

The authority, if given, will lapse at the next Annual General Meeting of the Company after the passing of this resolution.

ANNUAL GENERAL MEETING

The formal Notice of Annual General Meeting is set out on pages 47 to 50 of this Annual Report. Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting:

(a) Authority to allot shares

Ordinary Resolution 11 gives the Directors authority to allot new shares, otherwise than by a pro rata issue to existing shareholders, up to an aggregate nominal amount of £1,693,909 such amount being equivalent to 10% of the issued share capital at 7 June 2013 and representing 6,775,635 shares of 25p each. Such issues would only be made at prices greater than the prevailing net asset value ("NAV") per share thereby increasing the assets underlying each share and spreading administrative expenses, other than those charged as a percentage of assets, over a greater number of shares.

(b) Disapplication of pre-emption rights

Special Resolution 12 seeks shareholder approval for the disapplication of pre-emption rights in respect of the allotment of shares or the sale by the Company of shares pursuant to a rights issue or a sale equivalent or similar to a rights issue for cash up to an aggregate nominal value of £1,693,909.

Under Section 724 of the Companies Act 2006 ('s724') the Company is permitted to buy back and hold shares in treasury and then sell them at a later date for cash, rather than cancelling them. It is a requirement of s724 that such sale be on a pre-emptive, pro rata, basis to existing shareholders unless shareholders agree by special resolution to disapply such pre-emption rights. Accordingly, resolution 12 will give the Directors power to allot unissued share capital on a non pre-emptive basis, including the re-issue of shares held in treasury. The benefit of the ability to hold treasury shares is that such shares may be resold. This should give the Company greater flexibility in managing its share capital, and improve liquidity in its shares. Any re-sale of treasury shares would only take place at a premium to the prevailing NAV per share at the time of issue. It is also the intention of the Board that sales from treasury would only take place when the Board believes that to do so would assist in the provision of liquidity to the market.

(c) Authority to repurchase shares

Special Resolution 13 seeks shareholder approval for the Company to have the power to repurchase its own shares. The Board believes that the ability of the Company to purchase its own shares in the market will potentially benefit all shareholders of the Company. The repurchase of shares at a discount to the underlying NAV would enhance the NAV of the remaining shares.

At the Annual General Meeting the Company will seek shareholder approval to repurchase up to 10,156,676 shares, representing approximately 14.99% of the Company's issued share capital (the maximum permitted under the Listing Rules) at a price that is not less than 25p a share (the nominal value of each share) and not more than the higher of (a) 105% of the average of the middle market quotations for the five business days preceding the day of purchase; and (b) the higher of the price of the last independent trade in shares and the highest then current independent bid for shares on the London Stock Exchange. The decision as to whether to repurchase any shares will be at the absolute discretion of the Board. Shares repurchased under this authority will be cancelled.

(e) General meetings

Special Resolution 14 seeks shareholder approval to hold general meetings (other than annual general meetings) at 14 clear days' notice.

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

(f) Amendment to Articles of Association

It is proposed to make certain changes to the Company's Articles of Association in order to (i) take advantage of HM Government's reform of the tax and company law rules affecting investment trusts by removing the prohibition on distributing capital profits, which the Company is no longer required to include; (ii) remove the upper limit of the Company's share capital, which is no longer required pursuant to the Companies Act 2006; and (iii) make other technical amendments so that the Articles of Association conform to the Companies Act 2006 and other legislation applicable to companies and current best practices in its current form. Accordingly, Special Resolution 15 will be put to the Annual General Meeting to be held on Tuesday, 9 July 2013. Details of the principal changes are set out on page 46 of this Annual Report.

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 totalling 434,934 shares.

BY ORDER OF THE BOARD
FROSTROW CAPITAL LLP
COMPANY SECRETARY

7 JUNE 2013

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

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

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

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

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

The Directors, whose details can be found on pages 12 and 13, confirm that to the best of their knowledge the financial statements, within the Annual Report, have been prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and the profit for the year ended 31 March 2013, and that the Chairman's Statement, Review of Investments and the Report of the Directors include a fair review of the information required by 4.1.8R to 4.1.11R of the FSA's Disclosure and Transparency Rules.

ON BEHALF OF THE BOARD
THE RT HON LORD WALDEGRAVE OF NORTH HILL
CHAIRMAN

7 JUNE 2013

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

COMPLIANCE

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"), both of which can be found on the AIC website www.theaic.co.uk. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code (the "UK Governance Code") as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Governance Code), provides better information to shareholders. A copy of the UK Governance Code can be found at www.frc.org.uk. The Board has noted the recommendations of the UK Corporate Governance Code published in October 2012 (applicable for financial years beginning after 1 October 2012) and will duly report on these recommendations in the Company's 2014 Annual Report.

The Board considers that it has managed its affairs throughout the year ended 31 March 2013 in compliance with the recommendations of the AIC Code and the relevant provisions of the UK Governance Code, except as set out below:

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

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

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 as recommended by provision B.2.3 of the UK Corporate Governance Code and principle 3 of the AIC Code. The Directors have agreed to adopt the provision contained in both the UK Corporate Governance Code and the AIC Code that all Directors of the Company will stand for annual election.

BOARD INDEPENDENCE, COMPOSITION AND TENURE

The Board, chaired by Lord Waldegrave of North Hill who is responsible for leadership of the Board and for ensuring its effectiveness in all aspects of its role, currently consists of seven non-executive Directors. The Directors' biographical details, set out on pages 12 and 13, demonstrate a breadth of investment, commercial and professional experience. Dr John Gordon has been designated as the Senior Independent Director, who can act as a sounding board for the Chairman and also acts as an intermediary for the other Directors when necessary. The Directors review their independence annually.

Sven Borho is a Founding General Partner of OrbiMed, the Company's Investment Manager, and is not considered to be an Independent Director. Lord Waldegrave of North Hill, Dr John Gordon, Paul Gaunt and Peter Keen have all served on the Board for over nine years. 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 other relationships or circumstances which are likely to affect their judgment.

Professor Dame Kay Davies, CBE and Andrew Joy were appointed as Directors in March 2012 and they will also be seeking re-election at this year's Annual General Meeting. They are both considered to be independent by the Board.

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

THE BOARD'S RESPONSIBILITIES

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

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

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

	Board	Audit and Management Engagement Committee	Nominations Committee	Remuneration Committee
Number of meetings held in 2012/13:	4	3	1	1
Lord Waldegrave of North Hill	4	3	1	1
John Sclater, CVO †	2	1	0	0
Sven Borho^	4	–	–	–
Professor Dame Kay Davies, CBE	3	3	1	1
Paul Gaunt	4	3	1	1
Dr John Gordon	4	3	1	1
Andrew Joy	4	3	1	1
Peter Keen	4	3	1	1

All of the Directors with the exception of Professor Dame Kay Davies attended the Annual General Meeting held on 12 July 2012.

†Retired from the Board on 12 July 2012.

^Sven Borho is not a member of any of the Company's committees.

PERFORMANCE EVALUATION

The Board has carried out an evaluation process for the year ended 31 March 2013, independently managed by Dr John Gordon, the Senior Independent Director. This took the form of a questionnaire followed by discussions to identify how the effectiveness of its activities, including its committees, policies and processes might be improved. The results of the evaluation process were presented to and discussed by the Board and, as a result, it was agreed that the current Directors contributed effectively and that all have the skills and experience which are relevant to the leadership and direction of the Company.

CONFLICT OF INTEREST

It is a statutory requirement that a Director must avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests (a "situational conflict"). The Company's Articles of Association have been amended to give the Directors authority to approve such situations, where appropriate.

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

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

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

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

COMMITTEES OF THE BOARD

The Board has delegated certain responsibilities and functions to committees. Copies of the full terms of reference, which clearly define the responsibilities of each committee, can be obtained from the Company Secretary, will be available for inspection at the Annual General Meeting and can be found at the Company's website at www.biotechgt.com. The membership of the Company's committees comprises those Directors considered independent by the Board. The Remuneration Committee is chaired by Dr John Gordon, the Nominations Committee is chaired by the Chairman of the Company, Lord Waldegrave of North Hill, and the Audit and Management Engagement Committee is chaired by Peter Keen.

NOMINATIONS COMMITTEE

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

REMUNERATION COMMITTEE

The level of Directors' fees is reviewed on a regular basis relative to other comparable investment companies and in the light of Directors' responsibilities. Details of the fees paid to the Directors in the year under review are detailed in the Directors' Remuneration Report on pages 30 and 31.

AUDIT AND MANAGEMENT ENGAGEMENT COMMITTEE

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

The Audit and Management Engagement Committee meets representatives of the Manager and Investment Manager and their Compliance Officers who report as to the proper conduct of business in accordance with the regulatory environment in which the Company, Manager and Investment Manager operate. The Company's Auditors also attend meetings of this Committee at its request and report on their work procedures and their findings in relation to the Company's statutory audit. They also have the opportunity to meet with the Committee without representatives of the Manager or the Investment Manager being present. The Audit and Management Engagement Committee reviews the need for non-audit services and authorises such fees on a case by case basis, having consideration to the cost effectiveness of the services and the independence and objectivity of the Auditors. Non audit fees of £5,000 were paid to Grant Thornton UK LLP for their review of the Company's half-year accounts and their review of the performance fee calculation as at 30 June 2012. The Board has concluded, on the recommendation of the Audit and Management Engagement Committee, that the Auditors continue to be independent and that their reappointment be proposed at the Annual General Meeting.

THE BRIBERY ACT 2010

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 UK or abroad to secure any improper benefit for themselves or for the Company.

The Board applies the same standards to its service providers in their activities for the Company.

A copy of the Company's Anti Bribery and Corruption Policy can be found on its website at www.biotechgt.com.

BOARD DIVERSITY

The Company welcomes the objectives of the Davies Report to improve the performance of corporate boards by encouraging the appointment of the best people from a range of differing perspectives and backgrounds. The Company recognises the benefits of diversity on the Board, including gender, and would take this into account in its Board appointments. The Company is committed to ensuring that any director search processes actively seeks persons with the right qualifications so that appointments can be made, on the basis of merit, against objective criteria from a diverse selection of candidates. To this end the Board will continue to dedicate time to consider diversity during any director search process.

INTERNAL CONTROLS

In accordance with the provision C2 and C3 of the UK Corporate Governance Code, risk assessment and the review of internal controls are undertaken by the Board in the context of the Company's overall investment objective. The review covers the key business, operational, compliance and financial risks facing the Company. In arriving at its judgment of what risks the Company faces, the Board has considered the Company's operations in the light of the following factors:

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

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

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

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

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

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

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

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

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

INTERNAL AUDIT

The Audit and Management Engagement Committee carries out an annual review of the need for an internal audit function. As the Company delegates to third parties its day-to-day operations and has no employees, it has determined that there are no requirements for an internal audit function.

RELATIONS WITH SHAREHOLDERS

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

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

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

EXERCISE OF VOTING POWERS

The Board has delegated authority to the Investment Manager to vote the shares owned by the Company that are held on its behalf by its custodian, Goldman Sachs & Co. New York. The Board has instructed that the Investment Manager submit votes for such shares wherever possible. This accords with current best practice whilst maintaining a primary focus on financial returns. The Investment Manager may refer to the Board on any matters of a contentious nature. The Company does not retain voting rights on any shares that are subject to rehypothecation in connection with the loan facility provided by Goldman Sachs & Co. New York.

ACCOUNTABILITY AND AUDIT

The Statement of Directors' Responsibilities in respect of the financial statements is set out on page 23. The report of the Auditor is set out on page 32. The Board has delegated contractually to external agencies, including the Manager, the Investment Manager, Goldman Sachs & Co. New York and Capita Registrars the management of the portfolio, custodial services (which includes the safeguarding of the Company's assets), the day to day marketing, accounting administration, company secretarial requirements and registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company. The Board receives and considers regular reports from the Manager and *ad hoc* reports and information are supplied to the Board as required.

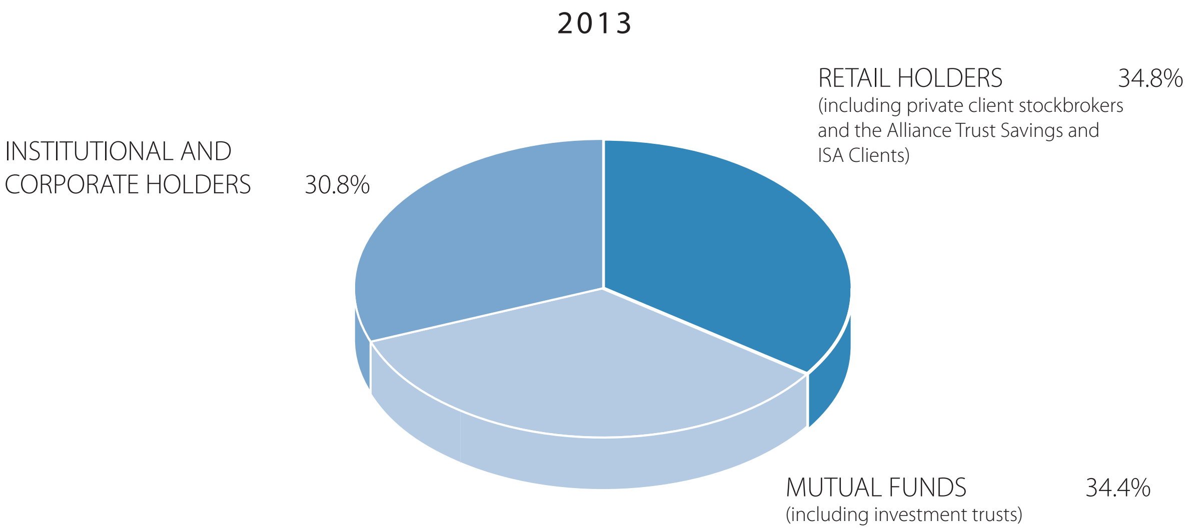
NOMINEE SHARE CODE

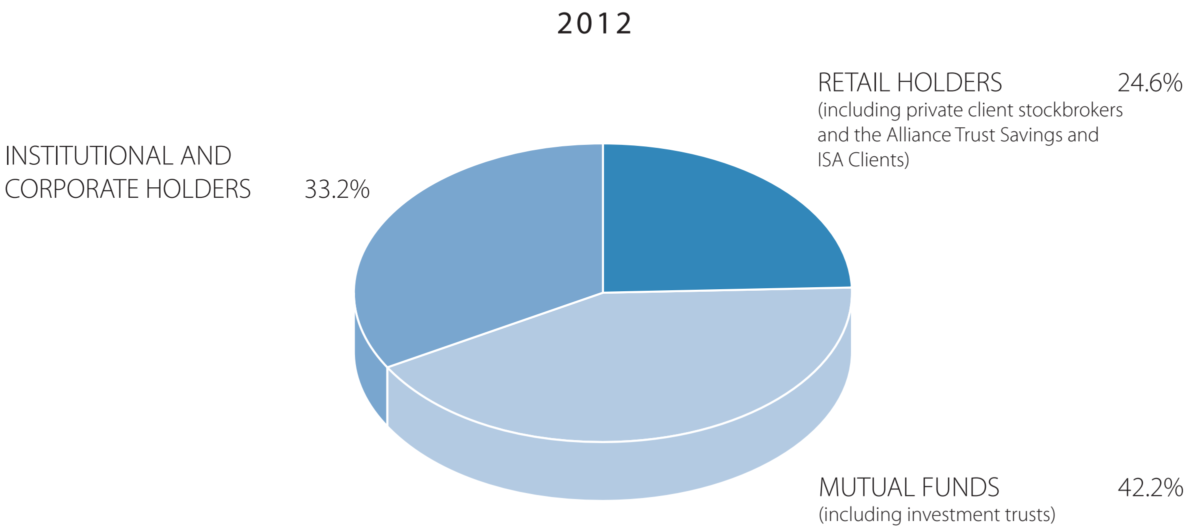
Where shares are held in a nominee company name and where the beneficial owner of the shares is unable to vote in person, the Company nevertheless undertakes:

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

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

% of shares held on 31 March





The Board has prepared this report in accordance with the requirements of Section 420 to 422 of the Companies Act 2006. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires your Company's Auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditors' opinion is included in their report on page 32.

REMUNERATION COMMITTEE

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

POLICY ON DIRECTORS' FEES

The Board's policy is that the remuneration of Directors should reflect the responsibilities and experience of the Board as a whole. Regard will be given to fees paid by other investment trusts that are similar in size, have a similar capital structure, and have a similar investment objective. It is intended that this policy will continue for the year ending 31 March 2014 and subsequent years.

The fees for the Directors are determined within the limits set out in the Company's Articles of Association, the maximum aggregate amount currently being £200,000.

DIRECTORS' EMOLUMENTS FOR THE YEAR (AUDITED)

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

	Level of fees with effect from 1 April 2013 (unaudited) £'000	**Fees 2013 £'000**	**Fees 2012 £'000**
Lord Waldegrave of North Hill *(Chairman of the Board)*†	34	29	22
John Sclater, CVO *(former Chairman of the Board)**	–	9	32
Sven Borho	24	22	22
Professor Dame Kay Davies, CBE	24	22	1
Paul Gaunt	24	22	22
Dr John Gordon *(Senior Independent Director)*	26	24	24
Andrew Joy	24	22	1
Peter Keen *(Chairman of the Audit and Management Engagement Committee)*	26	24	24
		174	148

†Appointed as Chairman on 12 July 2012

*Retired from the Board on 12 July 2012

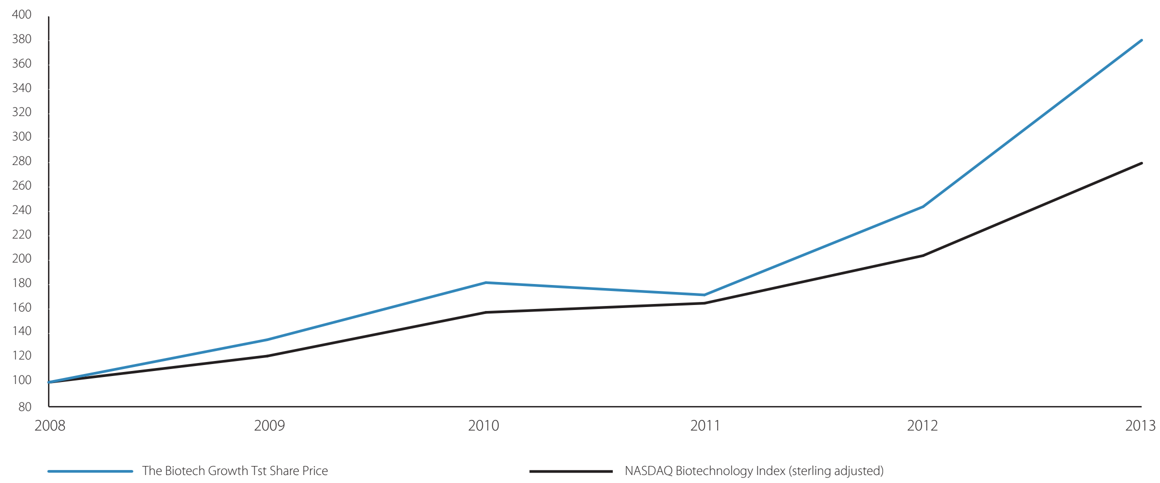
DIRECTORS' SERVICE CONTRACTS

It is the Board's policy that none of the Directors has a service contract. The terms of their appointment provide that Directors shall retire and be subject to election at the first Annual General Meeting after their appointment and to re-election annually thereafter. The terms also provide that a Director may resign by giving one month's notice in writing to the Board at any time and may be removed without notice and that compensation will not be due on leaving office. Up until 31 March 2013 the Company's policy was for the Directors to be remunerated in the form of fees payable quarterly in arrears. With effect from 1 April 2013 Directors are paid monthly in arrears.

YOUR COMPANY'S PERFORMANCE

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

SHAREHOLDER TOTAL RETURN FOR THE FIVE YEARS TO 31 MARCH 2013



Rebased to 100 as at 31 March 2008
Source: Bloomberg

APPROVAL

The Directors' Remuneration Report on pages 30 and 31 was approved by the Board of Directors on 7 June 2013 and signed on its behalf by The RT Hon Lord Waldegrave of North Hill, Chairman.

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

We have audited the financial statements of The Biotech Growth Trust PLC for the year ended 31 March 2013 which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 23 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; 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.

Under the Listing Rules, we are required to review:

- the Directors' statement, set out on page 18, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code; and
- certain elements of the report to the shareholders by the Board on Directors' remuneration.

JULIAN BARTLETT
SENIOR STATUTORY AUDITOR
FOR AND ON BEHALF OF GRANT THORNTON UK LLP
STATUTORY AUDITOR, CHARTERED ACCOUNTANTS
LONDON
7 JUNE 2013

INCOME STATEMENT

for the year ended 31 March

	Notes	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Income							
Investment income	2	570	–	570	196	–	196
Total income		570	–	570	196	–	196
Gains and losses on investments							
Gains on investments held at fair value through profit or loss	8	–	80,714	80,714	–	44,214	44,214
Exchange gains/(losses) on currency balances		–	92	92	–	(228)	(228)
Expenses							
Investment management, management and performance fees	3	–	(4,586)	(4,586)	–	(3,158)	(3,158)
Other expenses	4	(566)	–	(566)	(459)	–	(459)
Profit/(loss) before finance costs and taxation		4	76,220	76,224	(263)	40,828	40,565
Finance costs	5	–	(18)	(18)	(19)	–	(19)
Profit/(loss) before taxation		4	76,202	76,206	(282)	40,828	40,546
Taxation	6	(58)	–	(58)	(27)	–	(27)
(Loss)/profit for the year		(54)	76,202	76,148	(309)	40,828	40,519
Basic and diluted (loss)/earnings per share	7	(0.1)p	121.2p	121.1p	(0.5)p	64.1p	63.6p

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

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

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

All items in the above statement derive from continuing operations.

The accompanying notes are an integral part of this statement.

for the year ended 31 March 2013

	Ordinary share capital £'000	Share premium account £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 31 March 2012	15,560	19,300	25,214	5,572	94,139	(3,654)	156,131
Net profit/(loss) for the year	–	–	–	–	76,202	(54)	76,148
Issue of new shares	562	6,822	–	–	–	–	7,384
Repurchase of own shares	(5)	–	(47)	5	–	–	(47)
At 31 March 2013	**16,117**	**26,122**	**25,167**	**5,577**	**170,341**	**(3,708)**	**239,616**

for the year ended 31 March 2012

	Ordinary share capital £'000	Share premium account £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 31 March 2011	16,239	19,300	30,420	4,893	53,311	(3,345)	120,818
Net profit/(loss) for the year	–	–	–	–	40,828	(309)	40,519
Repurchase of own shares	(679)	–	(5,206)	679	–	–	(5,206)
At 31 March 2012	**15,560**	**19,300**	**25,214**	**5,572**	**94,139**	**(3,654)**	**156,131**

The accompanying notes are an integral part of this statement.

STATEMENT OF FINANCIAL POSITION

as at 31 March

	Notes	2013 £'000	2012 £'000
Non current assets			
Investments held at fair value through profit or loss	8	244,296	161,655
Current assets			
Other receivables	9	13,967	213
Cash and cash equivalents		8,401	–
		22,368	213
Total assets		**266,664**	**161,868**
Current liabilities			
Other payables	10	27,048	5,737
		27,048	5,737
Net assets		**239,616**	**156,131**
Equity attributable to equity holders			
Ordinary share capital	11	16,117	15,560
Share premium account		26,122	19,300
Special reserve		25,167	25,214
Capital redemption reserve		5,577	5,572
Capital reserve	15	170,341	94,139
Revenue reserve		(3,708)	(3,654)
Total equity		**239,616**	**156,131**
Net asset value per share	12	**371.7p**	**250.9p**

The financial statements on pages 33 to 45 were approved by the Board on 7 June 2013 and were signed on its behalf by:

THE RT HON LORD WALDEGRAVE OF NORTH HILL
CHAIRMAN

The accompanying notes are an integral part of this statement.

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

STATEMENT OF CASH FLOWS

for the year ended 31 March

	2013 £'000	2012 £'000
Operating activities		
Profit before tax	76,206	40,546
Add back interest paid	18	19
Less: gain on investments held at fair value through profit or loss	(80,714)	(44,214)
Add: exchange (gains)/losses on currency balances	(92)	228
Purchases of investments held at fair value through profit or loss	(126,693)	(164,346)
Sales of investments held at fair value through profit or loss	129,878	165,582
(Increase)/decrease in other receivables	(49)	9
Increase in other payables	2,676	1,783
Net cash inflow/(outflow) from operating activities before interest and taxation	**1,230**	**(393)**
Interest paid	(18)	(19)
Taxation paid	(58)	(27)
Net cash inflow/(outflow) from operating activities	**1,154**	**(439)**
Financing activities		
Issue of shares	7,384	–
Repurchase of own shares	(47)	(5,206)
Net cash inflow/(outflow) from financing	**7,337**	**(5,206)**
Increase/(decrease) in cash and cash equivalents	8,491	(5,645)
Cash and cash equivalents at start of year	(182)	5,691
Effect of foreign exchange rate changes	92	(228)
Cash and cash equivalents at end of year	**8,401**	**(182)**

The accompanying notes are an integral part of this statement.

1. ACCOUNTING POLICIES

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

(a) Accounting Convention

The financial statements have been prepared under the historical cost convention, except for the measurement at fair value of investments. Where presentational guidance set out in the revised Statement of Recommended Practice ("the SORP") for Investment Trust Companies and Venture Capital Trusts produced by the Association of Investment Companies ("AIC") dated January 2009 is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

(b) Investments

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

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

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

In respect of unquoted investments, or where the market for a financial instrument is not active, fair value is established by using valuation techniques which may include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Where there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique is utilised.

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

The total transaction costs for the year were £436,000 (31 March 2012: £597,000) broken down as follows: purchase transaction costs for the year to 31 March 2013 were £226,000, (31 March 2012: £295,000), sale transaction costs were £210,000 (31 March 2012: £302,000). These costs consist mainly of commission and stamp duty.

(c) Presentation of Income Statement

In order to better reflect the activities of an investment trust company, and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. 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.

(d) Income

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

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

(e) Expenses and Finance Costs

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

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

(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.

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

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

(g) Foreign Currencies

The currency of the primary economic environment in which the Company operates (the functional currency) is pounds sterling ("sterling"), which is also the presentational currency of the Company. Transactions involving currencies other than sterling are recorded at the exchange rate ruling on the transaction date. At each 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 arising on settlements of monetary items and from retranslating at the Statement of Financial Position date including investments and other financial instruments measured as fair value through profit or loss and other monetary items are included in the Income Statement and allocated as capital if they are of a capital nature, or as revenue if they are of a revenue nature.

(h) Reserves

Capital reserves

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

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

Capital Redemption Reserve

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

Special Reserve

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

(i) 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.

(j) Cash and cash equivalents

Cash in hand and in banks and short-term deposits which are held to maturity are carried at cost. Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Bank overdrafts that are repayable on demand, which form an integral part of the Company's cash management, are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(k) 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.

(l) Standards and amendments to published standards that are not yet effective

The IASB and IFRIC have issued a number of standards and interpretations which are not effective for the year ended 31 March 2013 but are relevant for the Company. The Directors have therefore chosen not to adopt these standards early as they do not anticipate that they would have a material impact on the Company's financial statements.

- IFRS 9 Financial Instruments (effective 1 January 2015).
- IFRS 13 Fair Value Measurement (effective 1 January 2013).

2. INCOME

	2013 £'000	2012 £'000
Investment income		
Overseas income	570	196
Total income	**570**	**196**

3. INVESTMENT MANAGEMENT, MANAGEMENT AND PERFORMANCE FEES

	Revenue 2013 £'000	Capital 2013 £'000	Total 2013 £'000	Revenue 2012 £'000	Capital 2012 £'000	Total 2012 £'000
Investment management fee	–	1,245	1,245	–	856	856
Management fee	–	583	583	–	379	379
Performance fee accrued	–	2,758	2,758	–	1,923	1,923
	–	**4,586**	**4,586**	**–**	**3,158**	**3,158**

During the year, performance fees totaling £1,640,000 crystallised (year ended 31 March 2012: £284,000).

The fees crystallised at the following quarterly calculation dates:

	£'000
30 June 2012	267
30 September 2012	–
31 December 2012	–
31 March 2013	1,373
Fees crystallised during the year ended 31 March 2013	**1,640**

The performance fee accrual of £2,758,000 represents outperformance generated as at 31 March 2013 (31 March 2012: £1,923,000) which if maintained for a twelve month period will become payable in full as at 31 March 2014.

Details of the performance fee basis and amounts paid during the year can be found in the Report of the Directors on pages 17 and 18.

4. OTHER EXPENSES

	Revenue 2013 £'000	Capital 2013 £'000	Total 2013 £'000	Revenue 2012 £'000	Capital 2012 £'000	Total 2012 £'000
Directors' emoluments	174	–	174	148	–	148
Frostrow's fixed fee	60	–	60	60	–	60
Auditors' remuneration for the audit of the Company's financial statements	25	–	25	24	–	24
Auditors' remuneration for review of the interim accounts and performance fee calculation	5	–	5	4	–	4
Auditor's remuneration for other services	3	–	3	3	–	3
Broker retainer	25	–	25	25	–	25
Other including irrecoverable VAT	274	–	274	195	–	195
	566	**–**	**566**	**459**	**–**	**459**

Details of the amounts paid to Directors are included in the Directors' Remuneration Report on pages 30 and 31.

5. FINANCE COSTS

	Revenue 2013 £'000	Capital 2013 £'000	Total 2013 £'000	Revenue 2012 £'000	Capital 2012 £'000	Total 2012 £'000
Loan interest/bank overdraft interest	–	18	18	19	–	19
	–	**18**	**18**	**19**	**–**	**19**

6. TAXATION

(a) Analysis of charge in the year:

	Revenue 2013 £'000	Capital 2013 £'000	Total 2013 £'000	Revenue 2012 £'000	Capital 2012 £'000	Total 2012 £'000
Overseas taxation suffered	58	–	58	27	–	27
Total current taxation for the year (see note 6b)	**58**	**–**	**58**	**27**	**–**	**27**

(b) Factors affecting current tax charge for year

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

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 24% (2012: 26%). The differences are explained below:

	Revenue 2013 £'000	Capital 2013 £'000	Total 2013 £'000	Revenue 2012 £'000	Capital 2012 £'000	Total 2012 £'000
Net profit/(loss) on ordinary activities before taxation	4	76,202	76,206	(282)	40,828	40,546
Corporation tax at 24% (2012: 26%)	1	18,288	18,289	(73)	10,615	10,542
Effects of:						
Non-taxable gains on investments held at fair value through profit or loss	–	(19,393)	(19,393)	–	(11,436)	(11,436)
Non-taxable overseas dividends	(137)	–	(137)	(43)	–	(43)
Overseas taxes	58	–	58	27	–	27
Excess expenses unused	135	1,105	1,240	114	821	935
Disallowed expenses	1	–	1	2	–	2
Current tax charge	**58**	**–**	**58**	**27**	**–**	**27**

6. TAXATION (continued)

(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 £5,610,000 (2012: £4,655,000) 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 (LOSS)/EARNINGS PER SHARE

	Revenue 2013	Capital 2013	Total 2013	Revenue 2012	Capital 2012	Total 2012
(Loss)/earnings per share	**(0.1)p**	**121.2p**	**121.1p**	**(0.5)p**	**64.1p**	**63.6p**

The total gain per share of 121.1p (2012: gain 63.6p) is based on the total gain attributable to equity shareholders of £76,148,000 (2012: gain £40,519,000).

The revenue loss per share 0.1p (2012: loss 0.5p) is based on the revenue loss attributable to equity shareholders of £54,000 (2012: £309,000).

The capital gain per share of 121.2p (2012: gain 64.1p) is based on the capital gain attributable to equity shareholders of £76,202,000 (2012: gain £40,828,000).

The total revenue loss and capital gain per share are based on the weighted average number of shares in issue during the year of 62,887,103 (2012: 63,666,908).

8. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

	2013			2012
	Listed Equity £'000	Unquoted £'000	Total £'000	Total £'000
Cost at 1 April 2012	140,747	1,789	142,536	113,544
Investment holding gains at 1 April 2012	19,118	1	19,119	14,802
Valuation at 1 April 2012	**159,865**	**1,790**	**161,655**	**128,346**
Movement in the year				
Purchases at cost	145,081	429	145,510	153,738
Sales – proceeds	(143,583)	–	(143,583)	(164,643)
– gains on disposal	23,552	–	23,552	39,897
Net movement in investment holding gains	56,875	287	57,162	4,317
Valuation at 31 March 2013	**241,790**	**2,506**	**244,296**	**161,655**
Closing book cost at 31 March 2013	165,797	2,218	168,015	142,536
Investment holding gains at 31 March 2013	75,993	288	76,281	19,119
Valuation at 31 March 2013	**241,790**	**2,506**	**244,296**	**161,655**

	2013 £'000	2012 £'000
Gains on investments:		
Gains on disposal based on historical cost	23,552	39,897
Amounts recognised as investment holding loss in previous year	(6,804)	(11,999)
Gains on disposal based on carrying value at previous financial position date	16,748	27,898
Net movement in investment holding gains in the year	63,966	16,316
Gains on investments	**80,714**	**44,214**

9. OTHER RECEIVABLES

	2013 £'000	2012 £'000
Future settlements – sales	13,852	147
Other debtors	40	31
Prepayments and accrued income	75	35
	13,967	**213**

10. OTHER PAYABLES

	2013 £'000	2012 £'000
Future settlements – purchases	22,219	3,402
Performance fee accrued	4,131	1,640
Bank overdraft	–	182
Other creditors and accruals	698	513
	27,048	**5,737**

11. ORDINARY SHARE CAPITAL

	2013 £'000	2012 £'000
Allotted, called up, issued and fully paid:		
64,466,347 shares of 25p (2012: 62,240,426)	**16,117**	**15,560**

As at 31 March 2013 the Company had 64,466,347 shares of 25p in issue (2012: 62,240,426). During the year 2,245,000 shares were issued raising £7,384,000. In addition, 19,079 shares were repurchased for cancellation at a cost of £47,000 (including expenses). Subsequent to the year end and to the date of this report a further 3,290,000 shares were issued raising £12,815,000.

12. NET ASSET VALUE PER SHARE

	2013 £'000	2012 £'000
Net asset value per share	**371.7p**	**250.9p**

The net asset value per share is based on the net assets attributable to equity shareholders of £239,616,000 (2012: £156,131,000) and on 64,466,347 (2012: 62,240,426) shares in issue at 31 March 2013.

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 14. 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 Investment Manager in pursuance of the investment objective. Further information on the composition of the portfolio is set out on page 11.

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

13. RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

(a) Currency risk:

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

Management of risk

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

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

Foreign currency exposure

At the date of the Statement of Financial Position the Company held £234,260,000 (2012: £153,851,000) of investments denominated in U.S. dollars and £10,036,000 (2012: £7,804,000) in other non-sterling currencies.

Currency sensitivity

The following table details the sensitivity of the Company's profit or loss after taxation for the year to a 10% increase and decrease in the value of sterling compared to the U.S. dollar (2012: 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 management fees. Movements in the performance fee accruals have been excluded from the analysis below.

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

	2013 USD £'000	2012 USD £'000
Impact on revenue return	–	–
Impact on capital return	25,860	16,983
Total return after tax/effect on shareholders' funds	**25,860**	**16,983**

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

	2013 USD £'000	2012 USD £'000
Impact on revenue return	–	–
Impact on capital return	(21,158)	(13,896)
Total return after tax/effect on shareholders' funds	**(21,158)**	**(13,896)**

(b) Interest rate risk:

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

Management of the risk

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

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

Interest rate exposure

The Company has a loan facility with Goldman Sachs & Co. New York which is repayable on demand.

(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 (2012: 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 2013 would have increased/decreased by £48,542,000 (2012: £32,121,000), after adjusting for an increase or decrease in management fees. The calculations are based on the portfolio valuations as at the respective Statement of Financial Position dates.

13. RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

2. Liquidity risk:

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

Management of the risk

Liquidity risk is not significant as the majority of the Company's assets are investments in quoted equities and other quoted securities that are readily realisable.

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

Liquidity exposure

Contractual maturities of the financial liabilities as at 31 March 2013, based on the earliest date on which payment can be required, are as follows:

Amounts due to brokers and accruals £27,048,000 (2012: £5,737,000). All of the stated financial liabilities are repayable within three months or less.

3. Credit risk:

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

The Company has a loan facility, repayable on demand, provided by Goldman Sachs & Co. New York. Interest on the facility is charged at the Federal Funds effective rate plus 1 week LIBOR-OIS† spread, plus 35 basis points. Further details of the risks associated with this loan facility can be found on page 16.

† See glossary on page 51.

Management of the risk

The risk is not significant and is managed as follows:

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

At 31 March 2013 the Company's exposure to credit risk amounted to £22,368,000 and was in respect of cash and other receivables, such as amounts due from brokers and dividends (2012: £213,000).

Hierarchy of investments

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).

As of 31 March 2013	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Financial investments designated at fair value through profit or loss	**241,790**	**–**	**2,506**	**244,296**

As of 31 March 2012	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Financial investments designated at fair value through profit or loss	159,865	–	1,790	161,655

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.

	2013 £'000	2012 £'000
Assets		
As at 1 April	1,790	1,188
Total gains during the year	287	246
Net capital commitments	429	356
Assets as at 31 March	**2,506**	**1,790**

13. RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

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 policies and procedures

The Company's capital management objectives are:

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

The Company's capital is disclosed in the Statement of Financial Position on page 35 and is managed on a basis consistent with its investment objective and policy as set out in the Report of the Directors on pages 14 and 15. The Company currently has a loan facility with Goldman Sachs & Co. New York which is repayable on demand, which can be used to satisfy the Company's borrowing requirements.

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

– the planned level of gearing, which takes into account the Investment Manager's view of the market;

– the need to buy back equity shares, for cancellation which takes account of the difference between the net asset value per share and the share price (i.e. the level of share price discount or premium);

– the possible need for new issues of equity shares; and

– the extent to which revenue in excess of that which is required to be distributed should be retained.

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

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

– as a public company, the Company has a minimum share capital of £50,000; and

– in order to be able to pay dividends out of profits available for distribution, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by company law.

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

14. RELATED PARTIES

Details of the relationship between the Company, Frostrow Capital LLP and OrbiMed Capital LLC, the Company's Investment Manager, are disclosed in the Report of Directors on pages 17 and 18. Sven Borho is a Director of the Company, as well as a Partner at OrbiMed Capital LLC. During the year ended 31 March 2013, OrbiMed Capital LLC earned £1,245,000 in respect of Investment Management fees, of which £372,000 was outstanding at the year end. In addition, amounts totaling £1,495,000 were earned by OrbiMed Capital LLC during the year in respect of performance fees which crystalised, of which £1,250,000 was outstanding at the year end.

15. CAPITAL RESERVE

	Capital reserve – other £'000	Capital reserve – investment holdings gains/(losses) £'000	Total £'000
At 31 March 2012	75,020	19,119	94,139
Transfer on disposal of investments	6,804	(6,804)	–
Net gains on investments	16,748	63,966	80,714
Exchange gains	92	–	92
Expenses charged to capital	(4,604)	–	(4,604)
At 31 March 2013	**94,060**	**76,281**	**170,341**

EXPLANATORY NOTES OF PRINCIPAL CHANGES TO THE COMPANY'S ARTICLES OF ASSOCIATION

It is proposed that the Company adopts new Articles of Association (the "**Articles**") to reflect the changes in company law brought about by the coming into effect on 1 October 2009 of certain provisions of the Companies Act 2006, changes made in August 2009 to implement the EU Shareholder Rights Directive in the UK, and changes to the rules affecting investment trusts, together with some minor technical or clarifying changes.

Set out below is a summary of the principal changes in the Articles to be adopted at the Annual General Meeting of the Company to be held on Tuesday, 9 July 2013.

A copy of the current Articles and of the proposed new Articles marked up to show the proposed amendments will be available for inspection at the offices of Frostrow Capital LLP during normal business hours and will be available for inspection at the Annual General Meeting, in each case until conclusion of the meeting.

DISTRIBUTION OF CAPITAL PROFITS

The Company is no longer required to include a prohibition on distributing capital profits in its Articles, following HM Government's reform of the tax and company law rules affecting investment trusts. The Company has amended the current Articles to remove this prohibition.

AUTHORISED SHARE CAPITAL

The Companies Act 2006 abolished the requirement for companies to have an authorised share capital. The Company is therefore taking the opportunity to remove the upper limit of the Company's share capital included in its current Articles.

DELETION OF PROVISIONS FORMERLY IN THE MEMORANDUM OF ASSOCIATION

Most of the provisions of the memorandum of association of a company incorporated before 1 October 2009 are now deemed to form part of its articles of association. Of these the Company is only required to retain in its Articles the statements that the liability of members is limited and that the company's registered office is situated in Scotland. The Company is therefore taking this opportunity to remove from its Articles all those provisions formerly in its memorandum of association which it is not required to retain. In particular the clause setting out the objects of the Company is to be removed so that the Company's objects will in future be wholly unrestricted.

OTHER CHANGES

The new Articles also include some modernising and clarificatory amendments, as well as other technical changes required to conform the Articles to legislation applicable to companies and current best practices as currently in force.

Notice is hereby given that the Annual General Meeting of The Biotech Growth Trust PLC will be held at Salters' Hall, 4 Fore Street, London EC2Y 5DE on Tuesday, 9 July 2013 at 12.30 p.m. 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 2013
2.. To re-elect Lord Waldegrave of North Hill as a Director of the Company
3. To re-elect Professor Dame Kay Davies, CBE as a Director of the Company
4. To re-elect Andrew Joy as a Director of the Company
5. To re-elect Sven Borho as a Director of the Company
6. To re-elect Paul Gaunt as a Director of the Company
7. To re-elect Dr John Gordon as a Director of the Company
8. To re-elect Peter Keen as a Director of the Company
9. To approve the Directors' Remuneration Report for the year ended 31 March 2013
10. To re-appoint Grant Thornton UK LLP as Auditors to the Company and to authorise the Directors to determine their remuneration

SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions of which resolutions 12, 13, 14 and 15 will be proposed as special resolutions:

Authority to Allot Shares

11. 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 £1,693,909 (being 10% of the issued share capital of the Company at the date of the notice convening the meeting at which this resolution is proposed) and representing 6,775,635 shares of 25 pence each (or, if less, the number representing 10% of the issued share capital of the Company at the date at which this resolution is passed), provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2014 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

12. 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 11 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 £1,693,909 or, if less, the number representing 10% of the issued share capital of the Company at the date of the meeting at which this resolution is passed,

    and expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or 15 months from the date of passing this resolution, whichever is the earlier, unless previously revoked, varied or renewed by the Company in general meeting and provided that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might require equity securities to be allotted 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

13. 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 is 10,156,676 (representing approximately 14.99% of the issued share capital of the Company at the date of the notice convening the meeting at which this resolution is proposed);

    (b) the minimum price (exclusive of expenses) which may be paid for a Share is 25 pence;

    (c) the maximum price (exclusive of expenses) which may be paid for a Share is an amount equal to the greater of (i) 105% of the average of the middle market quotations for a Share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which that Share is purchased and (ii) the higher of the price of the last independent trade in shares and the highest then current independent bid for shares on the London Stock Exchange as stipulated in Article 5(1) of Regulation No. 2233/2003 of the European Commission (Commission Regulation of 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buyback programmes and stabilisation of financial instruments);

    (d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2014 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.

General Meetings

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

Adoption of New Articles of Association

15. THAT:

    (i) the Articles of Association of the Company be and are hereby amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of section 28 Companies Act 2006, are to be treated as provisions of the Company's Articles of Association; and

    (ii) the Articles of Association set out in the document produced to this meeting and signed by the Chairman of the meeting for the purposes of identification be and are hereby approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of the existing Articles of Association of the Company.

BY ORDER OF THE BOARD

REGISTERED OFFICE:
ONE WOOD STREET
LONDON EC2V 7WS

FROSTROW CAPITAL LLP
COMPANY SECRETARY
7 JUNE 2013

Notes

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice.

2. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolutions. If no voting indication is given, a proxy may vote or abstain from voting at his/her discretion. A proxy may vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

3. To be valid any proxy form or other instrument appointing a proxy must be completed and signed and received by post or (during normal business hours only) by hand at Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 12.30 p.m. on Friday, 5 July 2013.

4. In the case of a member which is a company, the instrument appointing a proxy must be executed under its seal or signed on its behalf by a duly authorised officer or attorney or other person authorised to sign. Any power of attorney or other authority under which the instrument is signed (or a certified copy of it) must be included with the instrument.

5. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described below) will not prevent a shareholder attending the meeting and voting in person if he/she wishes to do so.

6. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

7. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

8. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered on the register of members of the Company (the "Register of Members") at 5.30 p.m. on Friday, 5 July 2013 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting) will be entitled to attend and vote or be represented at the meeting in respect of shares registered in their name at that time. Changes to the Register of Members after that time will be disregarded in determining the rights of any person to attend and vote at the meeting.

9. As at 7 June 2013 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 67,756,347 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 7 June 2013 are 67,756,347.

10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

11. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with the specifications of Euroclear UK and Ireland Limited ("CRESTCo"), and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) no later than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

12. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

13. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

14. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Register of Members in respect of the joint holding (the first named being the most senior).

15. Members who wish to change their proxy instructions should submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

16. Members who have appointed a proxy using the hard-copy proxy form and who wish to change the instructions using another hard-copy form, should contact Capita Registrars on 0871 664 0300 (calls cost 10p per minute plus network extras). Lines are open 8.30am to 5.30pm Monday to Friday.

17. If a member submits more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

18. In order to revoke a proxy instruction, members will need to inform the Company. Members should send a signed hard copy notice clearly stating their intention to revoke a proxy appointment to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

    In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power of attorney) must be included with the revocation notice. If a member attempts to revoke their proxy appointment but the revocation is received after the time for receipt of proxy appointments (see page 49) then, subject to paragraph 4, the proxy appointment will remain valid.

LOCATION OF THE ANNUAL GENERAL MEETING

Salters' Hall, 4 Fore Street, London EC2Y 5DE

INVESTMENT TRUST TERMS

Compound Annual Growth Rate

The average year-on-year growth rate of an investment over a number of years. While investments usually do not grow at a constant rate, the compound annual return smoothes out returns by assuming constant growth.

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

The term used to describe the process of borrowing money for investment purposes. The expectation is that the returns on the investments purchased will exceed the finance costs associated with those borrowings.

There are several methods of calculating the level of gearing and the following has been selected:

Total assets, less current liabilities (before declaring any prior charges) minus cash/cash equivalents divided by Shareholders' Funds, expressed as a percentage.

Initial Public Offering (IPO)

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

Net Asset Value (NAV)

The value of the Company's assets, principally investments made in other companies and cash being held, minus any liabilities. The NAV is also described as 'shareholders' funds' per share. 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.

Ongoing Charges

Ongoing charges are calculated by taking the Company's annualised ongoing charges, excluding performance fees and exceptional items, and dividing by the average net asset value of the Company over the year.

The publishing of ongoing charges information rather than a total expense ratio (TER) is advocated by the Association of Investment Companies who believe that using a single methodology to calculate ongoing charges will help reduce inconsistencies and allow investors and advisers to compare investment companies more easily with open-ended funds.

Overnight Indexed Swap (OIS)

An interest rate swap that serves as a measure of investor expectations of an average effective overnight rate over the term of the swap.

Rehypothecation

The pledging to banks by securities brokers of the assets in a customer's margin account used as collateral for a loan.

Total Assets

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

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.

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:

Alliance Trust Savings	http://www.alliancetrustsavings.co.uk/
Barclays Stockbrokers	https://www.barclaysstockbrokers.co.uk/Pages/index.aspx
Club Finance	http://www.clubfinance.co.uk/
Fast Trade	http://www.fastrade.co.uk/wps/portal
FundsDirect	http://www.fundsdirect.co.uk/Default.asp
Halifax Share Dealing	http://www.halifax.co.uk/Sharedealing/
Hargreaves Lansdown	http://www.hl.co.uk/
HSBC	https://investments.hsbc.co.uk/
iDealing	http://www.idealing.com/
IG Index	http://www.igindex.co.uk/
Interactive Investor	http://www.iii.co.uk/
IWEB	http://www.iweb-sharedealing.co.uk/share-dealing-home.asp
James Brearley	http://www.jbrearley.co.uk/Marketing/index.aspx
Natwest Stockbrokers	http://www.natweststockbrokers.com/nw/products-and-services/share-dealing.ashx
Saga Share Direct	https://www.sagasharedirect.co.uk/
Selftrade	http://www.selftrade.co.uk/
The Share Centre	https://www.share.com/
Sippdeal	http://www.sippdeal.co.uk/
Saxo Capital Markets	http://uk.saxomarkets.com/
TD Direct Investing	http://www.tddirectinvesting.co.uk/

CAPITA REGISTRARS – SHARE DEALING SERVICE

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

Type of trade	Online	Telephone
Share certificates	1% of the value of the deal (Minimum £21.00, max £125.00)	1.5% of the value of the deal (Minimum £28.50, max £175.00)

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

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

For further information on this service please contact: www.capitadeal.com (online dealing) or 0871 664 0364† (telephone dealing)

If calling from outside of the UK please dial +44 (0) 203 367 2686

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

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

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Sven Borho
Professor Dame Kay Davies, CBE
Paul Gaunt
Dr John Gordon
Andrew Joy
Peter Keen

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London EC2V 7WS

COMPANY REGISTRATION NUMBER
3376377 (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.

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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.

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

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

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

IDENTIFICATION CODES

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

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

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