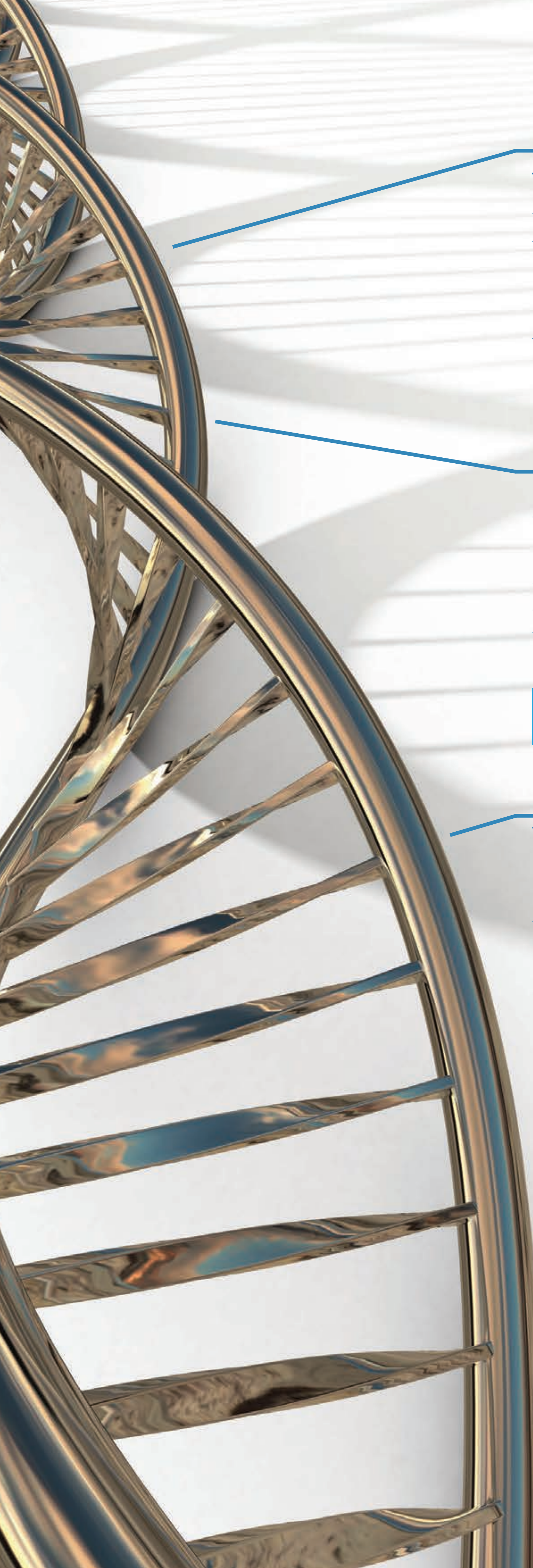
The Biotech Growth Trust PLC

Annual Report for the year ended 31 March 2014

Frostrow CAPITAL

OrbiMed Healthcare Fund Management



About The Biotech Growth Trust PLC

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

Further details of the Company's investment policy are set out on page 7 of this annual report.

Keep up to date with The Biotech Growth Trust PLC

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

Follow us on Twitter

@biotechgt

Winner:

Investment Week, Investment Company of the year, Specialist Category 2012 and 2013

techMark Technology Fund Manager of the year 2011 and 2012 (OrbiMed Capital LLC)

UKtech awards Fund Manager of the year 2013 (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

winner The Biotech Growth Trust PLC fund manager of the year award UKtech awards 2013

Company Summary

The Company

The Company is an investment trust and its shares are listed on the Official List and traded on the main market of the London Stock Exchange. The Company is a member of the Association of Investment Companies ("AIC").

Total assets less current liabilities as at 31 March 2014 were £340.2 million and the market capitalisation was £318.6 million.

Management

The Company employs OrbiMed Capital LLC ("OrbiMed") as Investment Manager and Frostrow Capital LLP ("Frostrow") to provide company management, company secretarial, administrative and marketing services. Further details of the terms of these appointments are provided on pages 29 and 30 of this annual report.

Performance

Performance is measured against the NASDAQ Biotechnology Index (sterling adjusted).

Capital Structure

The Company's capital structure is composed solely of Ordinary Shares. Details are given in note 11 to the accounts on page 67 of this annual report.

Dividend

No dividend is recommended in respect of the year ended 31 March 2014 (2013: 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 Individual Savings Accounts ('ISAs') and for Junior ISAs.

Contents

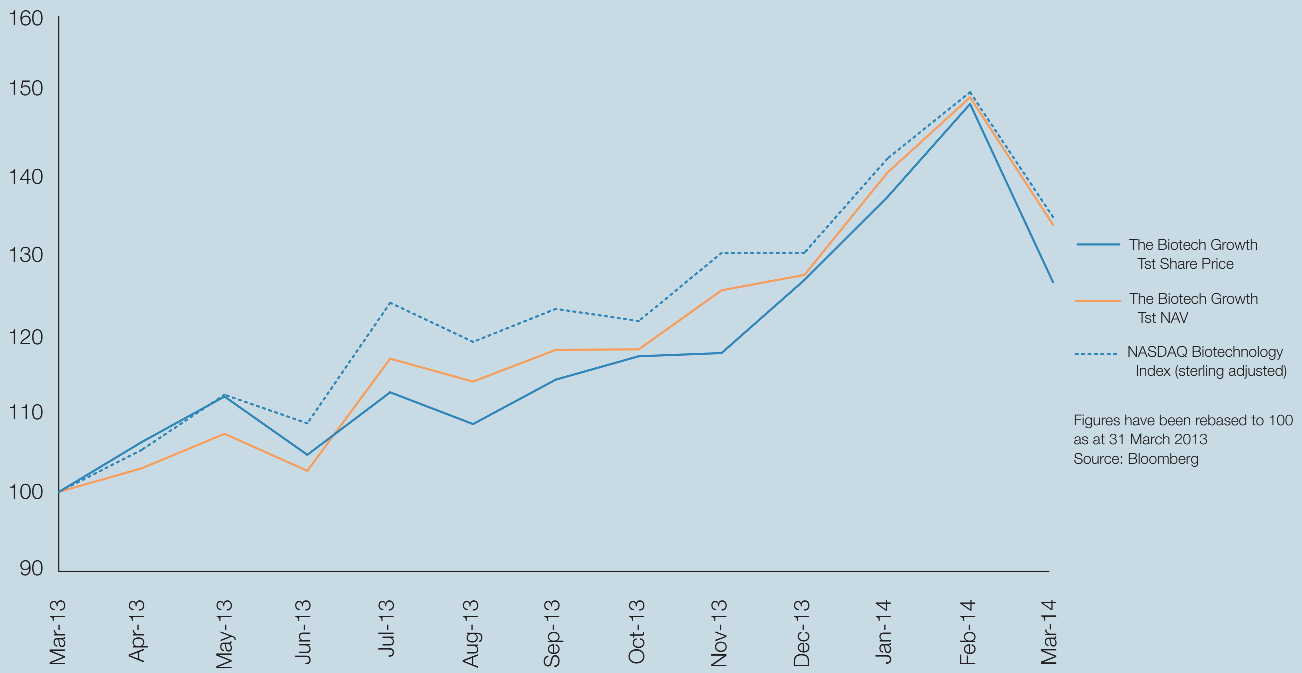
Strategic Report / Company Performance

Financial Highlights

	As at 31 March 2014	As at 31 March 2013	% Change
Net asset value per share	498.7p	371.7p	+34.2
Share price	467.0p	368.0p	+26.9
Discount of share price to net asset value per share	6.4%	1.0%	–
Average discount/(premium) of share price to net asset value per share	2.9%	(0.4%)	–
NASDAQ Biotechnology Index (sterling adjusted) (Benchmark)	1,480.1	1,099.0	+34.7
Ongoing charges*	1.2%	1.3%	–
Gearing*	8.3%	–	–

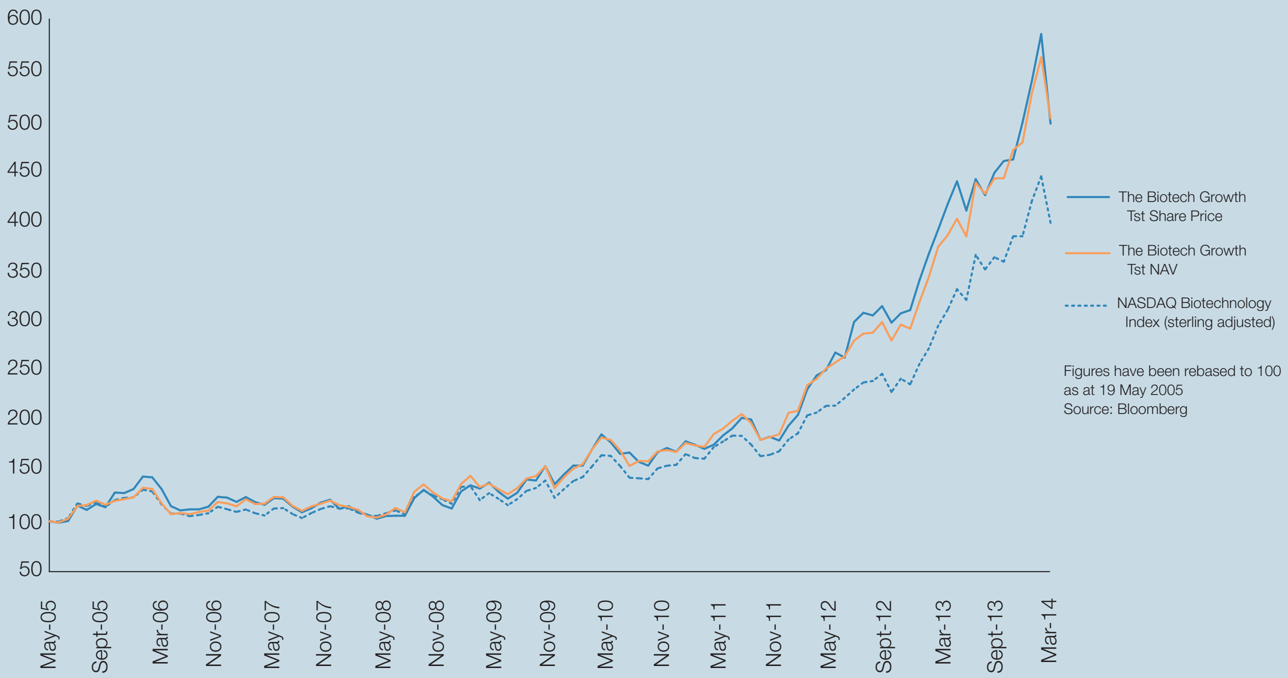
*See glossary on page 73.

Performance for the Year to 31 March 2014



Strategic Report / Company Performance

Performance since the Date of Appointment of OrbiMed Capital LLC as Investment Manager to 31 March 2014



Five Year Performance Record

	2009	2010	2011	2012	2013	2014
Net asset value per share	136.9p	182.6p	186.0p	250.9p	371.7p	498.7p
Share price	130.5p	175.8p	166.0p	236.0p	368.0p	467.0p
Discount of share price to net asset value per share	4.7%	3.7%	10.8%	5.9%	1.0%	6.4%
NASDAQ Biotechnology Index (sterling adjusted)	477.5	618.1	647.9	801.1	1,099.0	1,480.1

Strategic Report / Chairman's Statement

The Rt Hon Lord Waldegrave of North Hill
Chairman

Investment Performance

Overall, the year under review was a very good one for shareholders in the Company. During the year the Company's net asset value per share increased by 34.2% which was broadly in line with the Company's benchmark index which increased by 34.7%. It is somewhat disappointing that we did not outperform the benchmark index as we have in previous years. However, since the appointment of OrbiMed as your investment manager in 2005, the Company's net asset value per share has outperformed the Company's benchmark index by a significant margin. This outperformance amounted to 103.9% as at 31 March 2014.

The Company's positive performance during the year was due in part to the performance of holdings in Incyte, Illumina, Biogen Idec, Regeneron Pharma and InterMune which all delivered good positive returns during the year. As I reported at the half year stage, a significant detractor from performance during the year was the Company's holding in Infinity Pharmaceuticals. In addition Dynavax and Exelixis were poor performers during the year. Our experience with these investments is, whilst disappointing, symptomatic of investing in the biotechnology sector which is volatile; inevitably there will be investments which do not deliver positive returns for shareholders. Further information on the Company's investments can be found in Review of Investments beginning on page 15 of this annual report.

The Company's continued strong overall performance has enabled it, and our Investment Manager, to win further awards. It is particularly pleasing to report that OrbiMed won the 2013 techMARK Technology Fund Manager of the Year award for the third successive year. In addition your Company has recently been declared the Investment Company of the year in the Specialist Category for 2013 by *Investment Week* for the second year in succession.

Share Price Performance, Premium Management and Discount Control

The Company's share price increased by somewhat less than the net asset value per share, delivering a gain of 26.9% over the year as a whole. This lower return when compared to the rise in net asset value was due to the share price moving from a premium to net asset value per share at the start of the year to a discount at the year end.

During the earlier part of the year, the Company's continued strong overall performance gave rise to new demand for the Company's shares and a total of 4,420,000 new shares were issued at a small premium reflecting the Board's desire to manage the premium to net asset value per share. This new share issuance was offset by the need to buy back 662,309 shares in the later part of the year reflecting the Board's commitment to limit the Company's share price discount to about 6%. Share buy-backs have continued since the year end with a further 107,128 shares having been bought back for holding in treasury up to the date of this report.

Overall demand for the Company's shares remained strong during the year. The Board is pleased to note that this new demand has continued to come mainly from retail investors and we welcome all new shareholders to the Company's shareholder register.

Return and Dividend

The total return per share amounted to 126.8p for the year (2013: 121.1p), comprising a revenue deficit of 0.1p per share (2013: 0.1p) and a capital gain of 126.9p (2013: 121.2p). No dividend is recommended in respect of the year ended 31 March 2014 (2013: nil).

The Board

Dr John Gordon has served on the Board since the launch of the Company in 1997. John has been an outstanding member of the Board and we have greatly valued his contribution from both a scientific and a corporate governance perspective. In particular the Board thanks him for the significant contribution he made at the time of the change in the Company's investment management arrangements in 2005. He will be greatly missed when he retires from the Board at the conclusion of this year's Annual General Meeting. He will be succeeded as the Company's Senior Independent Director by Andrew Joy.

Regulatory

The Board together with its advisors has been keeping developments with respect to the Alternative Investment Fund Management Directive ('the Directive') which is due to come into force on 22 July 2014 under close review. In accordance with the Directive it is intended that JPMorgan will be appointed as the Company's Custodian and Depository and the Company's Manager, Frostrow, will take on the role of the Company's Alternative Investment Fund Manager. OrbiMed will continue to be the Company's investment portfolio manager.

Strategic Report / Chairman's Statement

Outlook

Despite the biotechnology sector witnessing volatile market conditions in recent months the focus of our Investment Manager continues to be on the selection of stocks with strong prospects for capital enhancement. The investment portfolio has been constructed not only to provide shareholders with exposure to biotechnology companies with good prospects and at attractive valuations, but also to position the Company to benefit from corporate activity within the Healthcare sector as a whole, such corporate activity being a key driver of superior returns within the sector.

Healthcare reform within the US market, also known as 'Obamacare' has now been implemented. In the near term our Investment Managers do not believe that these changes will have any material impact on returns from the sector. In the medium term however it is believed that Obamacare could be beneficial to the sector as the number of individuals who are insured under the new arrangements increases.

Your Board believes that the long term investor in the biotechnology sector will continue to be well rewarded.

Annual General Meeting

The Annual General Meeting of the Company this year will be held at the Barber-Surgeons' Hall, Monkwell Square, Wood Street, London EC2Y 5BL on Thursday, 10 July 2014 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. Shareholders who are unable to attend are encouraged to return their forms of proxy to ensure their votes are represented.

The Rt Hon Lord Waldegrave of North Hill
Chairman

22 May 2014

Strategic Report / Investment Objective

Investment Objective and Policy

To seek capital appreciation through investment in the worldwide biotechnology industry. In order to achieve its investment objective, the Company invests in a diversified portfolio of shares and related securities in biotechnology companies on a worldwide basis. Performance is measured against the NASDAQ Biotechnology Index (sterling adjusted). Shareholder approval to amend the Company's investment objective and policy was obtained at a General Meeting held on 30 October 2013.

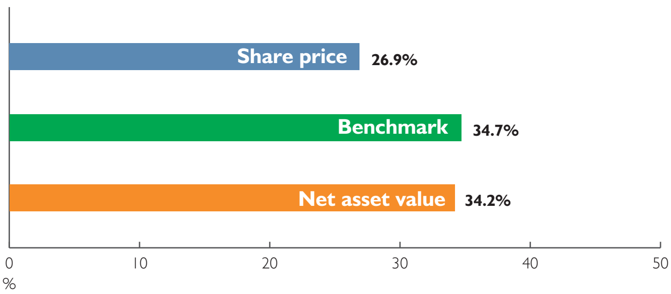
The Directors, as advised by the Investment Manager, believed that a simplification of the Company's existing Investment Objective and Policy would be beneficial to shareholders as it would allow greater flexibility in the size of biotechnology companies in which the Company could invest. As a result the Company's existing Investment Objective and Policy was amended, in particular by the elimination of the restriction that a majority of the investee companies must have a market capitalisation of less than U.S.$3 billion. This amendment allows the Company to have a greater exposure to major biotechnology companies and better aligns the Investment Policy with the Investment Manager's expectations for the portfolio.

Additionally, although the Directors continued in the belief that it was appropriate to limit exposure to swap instruments to 5% of the gross assets of the Company at the time of entering into the contract, they did not believe it was appropriate to limit exposure to one particular country represented in the portfolio (India) particularly as the Company did not then (and still does not have) any investments there either directly or through the use of swaps.

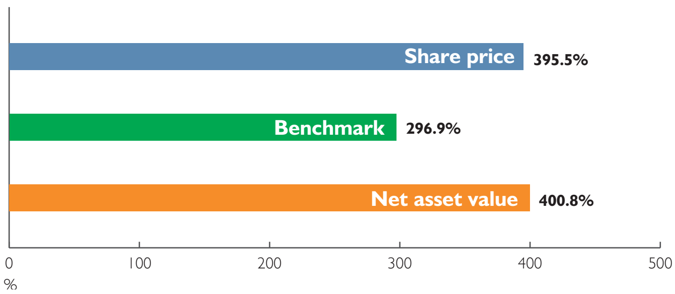
The Company's investment focus remains on biotechnology; there are no plans to include investee companies that specialise in other aspects of healthcare. The Company's benchmark remains unchanged.

Total Return to 31 March 2014

Year to 31 March 2014



Since the date of Appointment of OrbiMed Capital LLC as Investment Manager to 31 March 2014



Investment Approach

The Company's assets are managed by OrbiMed Capital LLC ("OrbiMed").

OrbiMed, based in New York, is an investment manager focused exclusively on the healthcare sector, with approximately U.S.$11 billion in assets under management as at 31 March 2014 across a range of funds, including investment trusts, hedge funds and private equity funds. OrbiMed's investment management activities were founded in 1989 by Mr. Samuel D. Isaly. Further details on OrbiMed can be found on page 24 of this annual report.

Consistent with the revised mandate, OrbiMed has invested the Company's assets in the worldwide biotechnology industry. Geographic allocation is in line with the geographic distribution of investment opportunities, with the majority of the Company's investments in companies based in North America. The portfolio comprised 46 holdings as at 31 March 2014 (2013: 38 holdings).

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.

Strategic Report / Investment Objective

Investment Approach (continued)

OrbiMed looks for strong management teams, healthy organic growth from current products and deep pipelines to fuel future growth.

Risk management is conducted via position size limits and geographic diversification. The Company 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.

Investment Limitations

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

- The Company will not invest more than 10%, in aggregate, of the value of its gross assets in other closed ended investment companies (including investment trusts) listed on the London Stock Exchange, except where the investment companies themselves have stated investment policies to invest no more than 15% of their gross assets in other closed ended investment companies (including investment trusts) listed on the London Stock Exchange.
- The Company will not invest more than 15%, in aggregate, of the value of its gross assets in other closed ended investment companies (including investment trusts) listed on the London Stock Exchange.
- The Company will not invest more than 15% of the value of its gross assets in any one individual stock at the time of acquisition.
- The Company will not invest more than 10% of the value of its gross assets in direct unquoted investments at the time of acquisition. This limit does not include any investment in private equity funds managed by the Investment Manager or any affiliates of such entity.
- The Company may invest or commit for investment a maximum of US$15 million, after the deduction of proceeds of disposal and other returns of capital, in private equity funds managed by OrbiMed, the Company's Investment Manager, or an affiliate thereof.
- The Company may be unable to invest directly in certain countries. In these circumstances, the Company may gain exposure to companies in such countries by investing indirectly through swaps. Where the Company invests in swaps, exposure to underlying assets will not exceed 5% of the gross assets of the Company at the time of entering into the contract.
- The Company's gearing policy is that gearing will not exceed 10% of the Company's net assets. The Company's gearing requirements are met through the utilisation of a loan facility, repayable on demand, provided by the Company's custodian, Goldman Sachs & Co. New York. This facility can be drawn at the discretion of the Investment Manager.

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

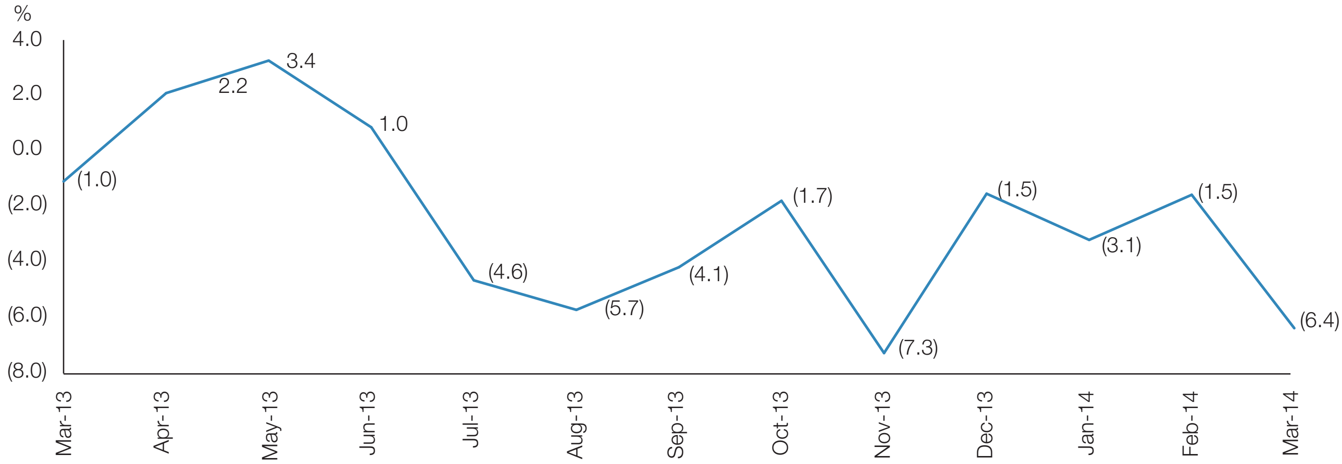
Dividend Policy

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.

Strategic Report / Business Review

The below chart demonstrates the discount/premium that the Company traded at during the year.

(Discount)/Premium to 31 March 2014



Discount of the Company's share price to the net asset value per share at 31 March 2014 stood at 6.4%.

During the year the Company traded at an average discount of 2.9%.

Number of ordinary shares in issue

31 March 2014	31 March 2013
68,886,347 (including 662,309 shares held in treasury)	64,466,347 (nil Shares held in treasury)

Ongoing charges ratio

For the year ended 31 March 2014

1.2 %

For the year ended 31 March 2013

1.3 %

Key Performance Indicators

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

- **Net asset value return against the NASDAQ Biotechnology Index (sterling adjusted)**
- **Share price return**
- **Stock contribution analysis**
- **Share price discount/premium to net asset value per share**
- **Ongoing charges ratio**

The management of the portfolio has been delegated to OrbiMed and management, company secretarial, administration and marketing services have been delegated to the Manager Frostrow. Each provider is responsible to the Board which is ultimately responsible to the shareholders for performing against the above KPIs.

Strategic Report / Business Review

Net asset value total return – benchmark

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

During the year under review the Company's net asset value per share return was 34.2% slightly underperforming the benchmark by 0.5%.

A full description of performance during the year under review and the investment portfolio is contained in the Investment Manager's Review commencing on page 15 of this annual report.

Share price return

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

During the year under review the Company's share price return was 26.9%. Please see pages 2 and 3 of this annual report.

Stock contribution analysis

The Board undertakes a regular review of the portfolio and in particular the principal contributors to and detractors from net asset value.

The Investment Manager provides a detailed explanation of portfolio performance at each Board Meeting.

Further details of the principal contributors to and detractors from net asset value performance for the year to 31 March 2014 can be found on page 25 of this annual report.

Share discount/premium price to net asset value per share

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, where appropriate. The Board has a discount control mechanism in place intended to establish a target level of no more than a 6% discount of share price to the diluted net asset value per share. Shareholders should note, however, that it remains possible for the share price discount to net asset value per share to be greater than 6% on any one day and is due to the fact that the share price continues to be influenced by overall supply and demand for the Company's shares in the secondary market. The volatility of the net asset value per share in an asset class such as biotechnology is another factor over which the Board has no control. The making and timing of any share buy-backs is at the absolute discretion of the Board.

During the year under review 662,309 shares were bought back to be held in treasury by the Company.

Demand for the Company's Shares led to the issue of a total of 4,420,000 new Shares during the year at a price representing a small premium to NAV per share.

To meet this demand the Company published a Prospectus in July 2013. Since the year end the Board exercised their discretion on 28 April 2014 to suspend the Placing Programme under the 2013 Prospectus, as in the short term the Board believes that further share issues can be made within the current limits approved by Shareholders.

Ongoing charges ratio

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

As at 31 March 2014 the ongoing charges ratio was 1.2% (2013: 1.3%) which was marginally less than the percentage for the previous year.

Strategic Report / Business Review

Risk Management

The Board is responsible for the management of the risks faced by the Company and the Board regularly review these risks and how risk is mitigated. The Board has categorised the risks faced by the Company under ten headings as follows:

Objective and Strategy	Level of discount/premium	Portfolio Performance	Operational and Regulatory	Market Price Risks	Liquidity Risk	Shareholder Profile	Currency Risk	Loan Facility	Credit Risk

A summary of these risks and their mitigation is described below:

Principal Risks and Uncertainties	Mitigation
Objective and Strategy The Company becomes unattractive to investors.	The Board reviews regularly the Company's investment objective and investment guidelines in the light of investor sentiment monitoring closely whether the Company should continue in its present form. The Board also considers the size of the Company to ensure that it 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.
Level of discount/premium The risk of the Company's share price not being representative of its underlying net assets.	The Board undertakes a regular review of the level of discount/premium and consideration is given to ways in which share price performance may be enhanced, including the effectiveness of marketing and share issuance and buy-backs, if considered appropriate. The Board has an active discount management policy in place, buying back the Company's shares to hold in treasury or for cancellation if the market price is at a discount greater than 6% to the net asset value per share. The making and timing of any share issuance or buy-backs is at the absolute discretion of the Board.
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.

Strategic Report / Business Review

Principal Risks and Uncertainties	Mitigation
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.
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.
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.
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 on page 10 of this annual report.
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 traded in sterling, the return to shareholders will be affected by changes in the value of sterling relative to those foreign currencies. The Board has made clear the Company's position with regard to currency fluctuations which is that it does not currently hedge against currency exposure.

Strategic Report / Business Review

Principal Risks and Uncertainties	Mitigation
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. The Company's borrowing requirements are met through the utilisation of a loan facility, repayable on demand, provided by Goldman Sachs & Co. New York.
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 73 of this annual report). 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 67 of this annual report.

Strategic Report / Business Review

Director, Social, Economic and Environmental Matters and Looking to the Future

Directors

The Directors of the Company, who served during the year, are shown below. Further information on the Directors can be found on page 26.

The Rt Hon Lord Waldegrave of North Hill (Chairman)
Sven Borho
Professor Dame Kay Davies DBE
Paul Gaunt
Dr John Gordon
Andrew Joy
Peter Keen

Board Diversity

The Company is supportive of the recommendations of Lord Davies' Report that the performance of corporate boards can be improved 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 takes this into account in its Board appointments. The Company is committed to ensuring that any director search process 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 consider diversity during any director search process.

In anticipation of the retirement of Dr John Gordon, Professor Dame Kay Davies DBE and Andrew Joy joined the Board in March 2012 as part of the Board's ongoing succession plan.

Social, Economic and Environmental Matters

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

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

The Company is an investment trust and so its own direct environmental impact is minimal. The Board of Directors consists of seven Directors, six of which are resident in the UK and one is resident in the United States. The Board holds its regular meetings in the United Kingdom and has a policy that travel, as far as possible, is minimal, thereby minimising the Company's greenhouse gas emissions.

Looking to the Future

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

The Company's Investment Manager believes that the outlook remains positive for the biotechnology sector, with a strong earnings growth outlook for major biotech companies and robust development pipelines from emerging biotech companies. They believe that the portfolio is well positioned to capitalise on the opportunities in the sector.

A review of the Company's year, its performance since the year-end and the outlook for the Company can be found in the Chairman's Statement on pages 4 and 5 and in the Investment Managers Review on pages 15 to 17.

The Company's overall strategy remains unchanged.

Strategic Report / Investment Portfolio

Investment as at 31 March 2014

Security	Country /Region	Fair value £'000	% of investments
Biogen Idec	United States	39,163	10.6
Gilead Sciences	United States	37,002	10.0
Illumina	United States	21,845	5.9
Incyte	United States	17,076	4.6
Amgen	United States	14,894	4.0
Alexion Pharmaceuticals	United States	14,326	3.9
Ono Pharmaceutical	Japan	14,267	3.9
BioMarin Pharmaceutical	United States	11,373	3.1
Intermune	United States	11,179	3.0
Impax Laboratories	United States	11,089	3.0
Ten largest investments		192,214	52.0
Mylan	United States	10,791	2.9
Prothena	Ireland	9,759	2.7
Arrowhead Research	United States	9,605	2.6
Jazz Pharmaceuticals	United States	9,566	2.6
Neurocrine Biosciences	United States	9,378	2.6
Fluidigm	United States	9,119	2.5
Actelion	Switzerland	8,662	2.4
Celgene	United States	8,625	2.3
Medivation	United States	8,493	2.3
Portola Pharmaceuticals	United States	7,937	2.2
Twenty largest investments		284,149	77.1
Vertex Pharmaceuticals	United States	6,784	1.8
Affymetrix	United States	6,723	1.8
Regeneron Pharmaceutical	United States	6,664	1.8
Xencor	United States	5,636	1.5
Shire	Ireland	5,433	1.5
Infinity Pharmaceuticals	United States	5,066	1.4
Agilent Technologies	United States	4,830	1.3
Cubist Pharmaceutical	United States	3,948	1.1
PTC Therapeutics	United States	3,809	1.0
Allergan	United States	3,720	1.0
Thirty largest investments		336,762	91.3
Inovio Pharmaceuticals	United States	3,595	1.0
Perrigo	United States	3,524	1.0
Questcor Pharmaceutical	United States	3,115	0.8
Ironwood Pharmaceuticals	United States	2,727	0.7
Vanda Pharmaceuticals	United States	2,556	0.7
Orbimed Asia Partners L.P. (unquoted)	Far East	2,495	0.7
Tesaro	United States	2,304	0.6
Horizon Pharmaceutical	United States	1,776	0.5
Celldex Therapeutics	United States	1,759	0.5
Synageva Biopharma	United States	1,657	0.5
Forty largest investments		362,270	98.3
ArQule	United States	1,588	0.4
Exact Sciences	United States	1,444	0.4
Exelixis	United States	1,103	0.3
Bluebird Bio	United States	742	0.2
GW Pharmaceuticals	United Kingdom	634	0.2
Raptor Pharmaceutical	United States	581	0.2
Total investments		368,362	100.0

All of the above investments are equities unless otherwise stated.

Portfolio Breakdown

Investments	Fair value £'000	% of investments
Equities	368,362	100.0
Total Investments	368,362	100.0

Strategic Report / Investment Manager's Review

Performance Review

Sven Borho
OrbiMed Capital LLC
Investment Manager

The Company's net asset value per share increased 34.2% during the financial year. This compares to a 34.7% increase in the Company's benchmark, the NASDAQ Biotechnology Index (measured on a sterling adjusted basis). The Company's share price increased 26.9% as the discount to net asset value per share widened from 1.0% to 6.4%.

The leading contributors to performance in the portfolio during the financial year were Incyte, Illumina, Biogen Idec, Regeneron Pharmaceuticals, and InterMune.

- Incyte shares appreciated due to continued strong sales of lead drug Jakafi for myelofibrosis, and due to positive clinical results for Jakafi in expanded indications.
- Illumina shares appreciated due to strong sales of their sequencing product offerings.
- Biogen Idec shares increased due to a robust launch of Tecfidera for multiple sclerosis.
- Regeneron shares appreciated due to strong sales of lead drug Eylea for wet age-related macular degeneration. Also, investor enthusiasm has increased for their pipeline drug targeting PCSK9 for high cholesterol.
- InterMune shares appreciated due to the release of positive results from a phase III study of Esbriet for idiopathic pulmonary fibrosis. This confirmatory study will enable approval of the drug in the U.S.

Infinity Pharmaceuticals, Dynavax, and Exelixis were the principal detractors from performance in the portfolio during the financial year.

- Infinity Pharmaceuticals shares declined due to concerns about the safety profile and competitive position of lead drug IPI-145 for lymphoma and chronic lymphocytic leukemia.
- Dynavax shares declined because the U.S. Food and Administration ("FDA") requested an additional safety trial prior to approval of their hepatitis B vaccine Heplisav, significantly delaying the launch of the vaccine.
- Exelixis shares declined in response to the continuation of their phase III trial following an interim analysis. Many investors expected the trial to succeed at the interim analysis; therefore the continuation of the trial was a disappointment.

Sector Review

The biotechnology sector generated strong performance during financial year 2014. Biotech stocks have outperformed the broader market for the past two years, which we believe is justified by improved fundamentals of the sector. In last year's review of performance we highlighted upcoming earnings reacceleration from the major biotechnology companies, led by new product launches from Gilead Sciences and Biogen Idec. These launches have indeed exceeded expectations. In the case of Gilead Sciences, the launch of Sovaldi for the treatment of hepatitis C has been the most successful drug launch of all time. In its first full quarter of launch, Sovaldi generated $2.27 billion of sales. Previously the best performing drug launch was Vertex's Incivek, also for hepatitis C, which generated $1.56 billion in its first four quarters of launch. We believe Sovaldi will continue to exceed expectations and that the longer-term run rate of patients being treated for hepatitis C will be higher than investors currently expect. In the case of Biogen Idec, the launch of Tecfidera for multiple sclerosis was better than expected, generating $1.38 billion in sales in its first four quarters of launch. The drug now accounts for about 20% of all new prescriptions for multiple sclerosis treatments according to IMS data. Approximately three quarters of new Tecfidera starts come from patients switching from existing therapies, highlighting the inadequacy of prior drugs.

We continue to believe valuations in biotech are attractive relative to traditional large pharma. The following table shows the P/E, expected growth rate and PEG ratios for the major biotechnology companies and the median of the major pharmaceutical companies. We would highlight that even with the recent share appreciation, the median 2015 P/E of biotech is 14.4x, below the 15.5x of big pharma despite a superior earnings growth outlook for major biotech over the next few years.

Strategic Report / Investment Manager's Review

Company	P/E Ratio 2014	P/E Ratio 2015	P/E Ratio 2016	EPS Growth 2015	EPS Growth 2016	EPS Growth LTG	PEG Ratio* 2014	PEG Ratio* 2015	PEG Ratio* 2016
Gilead	18.5x	12.1x	9.6x	53.2%	26.6%	35.2%	0.5x	0.3x	0.3x
Amgen	15.1x	14.2x	13.2x	6.9%	7.3%	7.4%	2.1x	1.9x	1.8x
Biogen Idec	27.0x	21.6x	17.6x	25.0%	22.6%	22.0%	1.2x	1.0x	0.8x
Celgene	19.2x	14.6x	11.4x	30.9%	28.1%	24.5%	0.8x	0.6x	0.5x
Major Biotech Median	18.9x	14.4x	12.3x	28.0%	24.6%	23.3%	1.0x	0.8x	0.6x
Major Pharma Median	16.7x	15.5x	14.4x	7.9%	10.4%	6.1%	2.7x	2.8x	2.5x

Source: FactSet, as of 31 March, 2014

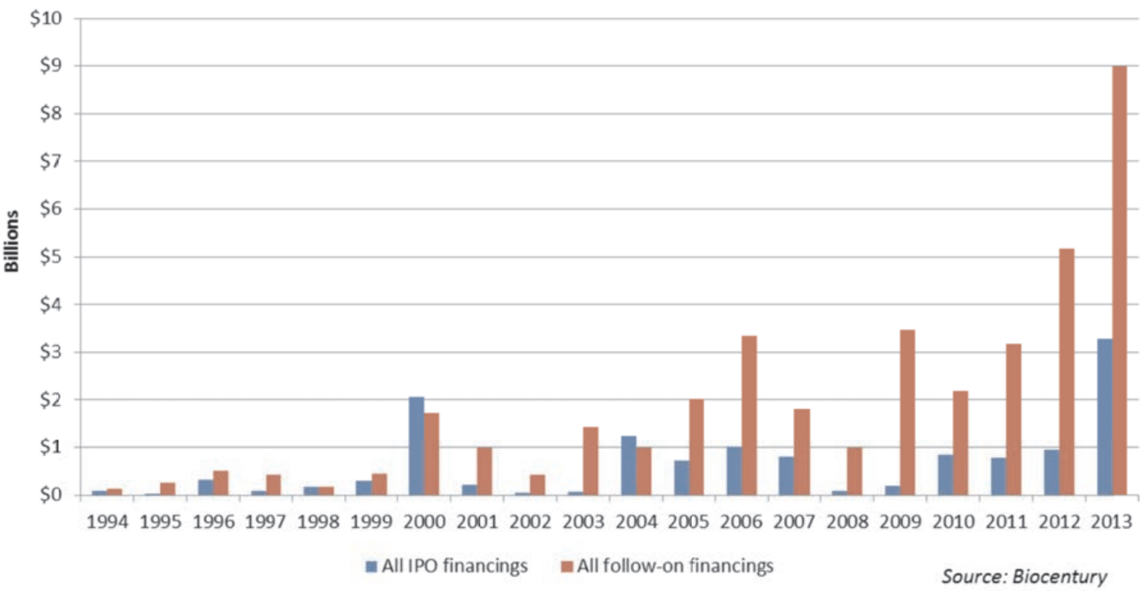
* PEG Ratio calculated as P/E in respective year divided by consensus forecast long-term growth ("LTG") rate.

Impact of Healthcare Reform is Modest for Biotech

The Affordable Care Act, also known as Obamacare, was signed into law in 2010. The key provisions were recently implemented: the expansion in Medicaid coverage, the individual requirement to have health insurance, and the creation of state-based health exchanges. Recent technical glitches in the online site for the federal health exchange shed some light on the difficulty in implementing these changes. In the near-term, we see no material impact on biotech from the implementation of Obamacare. In the medium term, Obamacare could be a tailwind for biotech as the number of insured individuals is expected to expand at a low-to-mid single-digit rate (2-4%). Therapeutic areas with large uninsured populations that are most likely to benefit will be infectious diseases, multiple sclerosis, respiratory diseases and mental illnesses. This could be good for large cap biotech companies such as Gilead and Biogen Idec. We do expect some headline risk on drug pricing. In fact, Gilead shares have recently been under pressure due to a letter from U.S. Representative Henry Waxman, questioning the pricing of Gilead's anti-HCV drug Sovaldi. However, we do not expect Congress to take action while Republicans remain in charge of the House of Representatives. We continue to believe that due to the innovative nature of biotech, these drugs will be able to command a premium, provided such pricing can be justified in the context of overall healthcare spending.

Financing Environment is Strong

The financing environment for biotech was strong during the financial year, indicative of high demand for biotech shares among institutional investors. The chart below shows the total value of biotech initial public offerings and follow-on offerings by year since 1994. As shown in the chart, 2013 easily eclipses all prior years in terms of money raised by public biotech companies. For the calendar year 2013 through to the first quarter of 2014, there were 62 biotechnology IPOs, with many experiencing strong initial share price performance. The Company participated in 11 IPOs during the financial year. Three recent IPOs are currently in the portfolio – Bluebird Bio, Portola Pharmaceuticals, and PTC Therapeutics. The recent IPO activity offers many new opportunities for investment in innovative approaches to drug development.



Strategic Report / Investment Manager's Review

New Therapeutic Opportunities: Immuno-Oncology

We continue to look for investment opportunities in fields where rapid clinical advances are being made that can dramatically transform the standard of care. In past years, we have highlighted developments in the hepatitis C space as significant progress was made through the development of direct acting antiviral drugs. Hepatitis C became a key focus area for biotech investors, and the fund profited meaningfully from investments in companies in this space, including Vertex, Pharmasset, and Gilead.

We see a similarly promising new wave of therapies today in the field of immuno-oncology. Using the immune system to fight cancer has long been an appealing concept. However, cancers have developed the capacity to actively evade the immune system, so generating an immune response against cancer using "cancer vaccines" has generally not been sufficient to treat cancer. Therapies are now being developed to target the inhibitory signals that cancer cells exploit to evade immune clearance, and therefore reactivate the immune system to attack these cancer cells. In particular, monoclonal antibodies that target the PD-1 pathway are showing great promise for melanoma, kidney and lung cancer and potentially other tumor types. The durable remissions induced by these agents may in some cases be cures. Although the four PD-1 directed agents currently in clinical trials are being developed by big pharma, the Japanese specialty pharma company Ono Pharmaceuticals owns a roughly 20% interest in Bristol-Myers Squibb's nivolumab, a leading PD-1 drug. Because of the large potential of nivolumab relative to the company's existing business, this stock is highly leveraged to the success of the drug. Ono is currently one of the largest investments in the fund (see the portfolio Focus section for more information about Ono). The next step for immuno-oncology is the development of combination approaches that will further enhance tumor response and potentially generate more cures.

Within the portfolio, Incyte has promising early data for their IDO inhibitor (Indoleamine 2, 3-dioxygenase), in combination with an existing immunotherapy for melanoma. This synergy may extend to other immunotherapies, such as PD-1, and to other tumor types. Incyte is highlighted in the Portfolio Focus section. Innate Pharma is a recent addition to the portfolio. Innate Pharma has licensed its anti-KIR antibody, an activator of the innate immune system, to Bristol-Myers Squibb. This drug is currently being combined with nivolumab in a phase I trial, and we eagerly await results. Additionally, portfolio companies Bluebird Bio and Celgene are collaborating to develop modified T-cells to attack cancer. We believe that immuno-oncology will be a major focus area for investors over the next several years and that our portfolio is well positioned to benefit from advances in the field.

Outlook

The outlook remains positive for the biotechnology sector. The earnings growth outlook for the major biotech companies is strong, and valuations of the major biotech companies are attractive compared to pharma given the relative growth profiles. Development pipelines from emerging biotech companies are robust; there are many promising new compounds under development to address a wide variety of therapeutic indications. Furthermore, the recent flurry of IPO activity has served to reinvigorate the public biotech market with novel approaches to treating disease. We are particularly excited about the advances being made in immuno-oncology, and we expect that investor enthusiasm will build for this therapeutic approach. We believe the portfolio is well positioned to capitalize on the opportunities in the sector.

Sven Borho
OrbiMed Capital LLC, Investment Manager
22 May 2014

Strategic Report / Portfolio Focus

InterMune

InterMune is an emerging biopharmaceutical company focused on pulmonary disease. Its lead drug is Esbriet for the treatment of idiopathic pulmonary fibrosis (IPF). IPF is a progressive scarring of the lungs which causes loss of lung function and ultimately leads to death, typically within 3-5 years of diagnosis. Esbriet is a novel anti-fibrotic. The drug was tested in two nearly identical phase III trials which were reported in 2009. One trial met its primary endpoint in terms of reducing the rate of loss of lung function, but the second trial was not successful (although there were some encouraging trends). Because of these conflicting results, the U.S. FDA rejected the drug, requesting an additional confirmatory phase III trial to support approval. Esbriet did receive E.U. approval in 2011. The drug has now been launched in the majority of European countries, and sales have beaten expectations over the last several quarters.

Based on the totality of the data across trials, and the fact that the statistical strength of the successful phase III trial argued that it was unlikely to be a fluke, we believed that the ongoing confirmatory phase III was likely to be successful. In February 2014, InterMune announced that the trial was indeed a success, leading to a significant jump in the company's share price. In fact, the treatment effect was larger than expected from the previous trials. We are confident that this trial will be sufficient for U.S. approval, expected in 2015. InterMune is now one of the few biotech companies with worldwide rights to a drug with blockbuster potential. As such we believe that the company would be an attractive acquisition target. In particular, Actelion and Gilead have complementary franchises and would be potential acquirers.

Incyte

Incyte is a biopharmaceutical company focused on oncology and inflammatory diseases. The company has developed a Jak inhibitor, Jakafi, for the treatment of myelofibrosis (a hematological disorder which causes scarring of the bone marrow). Jakafi causes profound symptomatic benefits and has been shown to extend patient survival. The drug was launched in 2011 and continues to show steady growth in both the U.S. and the E.U. (licensed to Novartis outside the U.S.).

Jakafi was recently tested in a phase II trial of pancreatic cancer. The trial demonstrated that in a sub-population, Jakafi doubled patient survival. Previously there was no support for a role for Jakafi in solid tumors, so the release of positive results dramatically increased Incyte's share price. Details from the trial, including the disclosure of the biomarker to select for patients that may benefit from the drug, will be presented in June at the American Society of Clinical Oncology meeting (ASCO). There is now enthusiasm that based on this biomarker, Jakafi may benefit patients with a broad range of solid tumors.

Additionally, Incyte is developing an IDO inhibitor for cancer. IDO plays a role in regulating immune response. By blocking IDO with an inhibitory drug, the immune system may be activated to fight cancer. The drug is currently being tested in a phase I trial in combination with Yervoy for melanoma. Initial data suggests that significantly more patients respond to the combination than would be expected to respond to Yervoy alone, providing some proof-of concept for IDO inhibition. If successful in further trials, the IDO inhibitor could be a blockbuster opportunity for Incyte.

Ono Pharmaceutical

Ono Pharmaceutical Co. Ltd. is a mid-tier Japanese pharmaceutical company based in Osaka, Japan. While primarily focused on the domestic drug market there, the company came to prominence in 2012 as investors began to appreciate some of the pioneering work the company did in the field of immunotherapy for the treatment of oncology.

In collaboration with researchers at Kyoto University, Ono discovered and conducted early development on antibodies targeted to "PD-1", or Programmed Death-1. PD-1 is a protein found on the surface of T-cells (immune system cells) in the human body. This protein binds with a ligand, or "PD-L1", that is expressed on tumor cells, and together they protect the cancer cell from attack by the body's own immune system. Ono discovered that antibodies directed to PD-1 (aka "anti-PD-1"), could block this interaction, thereby allowing the immune system to resume the attack on the cancer.

Strategic Report / Portfolio Focus

In the middle of the last decade, Ono collaborated with a U.S.-based biotechnology company, Medarex, and an early antibody candidate was identified and designated ONO-4538. Clinical development commenced and three years later, Medarex's commercial partner, the global drug company Bristol Myers-Squibb (BMS), began to recognize the potential application and value of immunotherapy-based drugs. Thus, BMS acquired Medarex and secured global rights to ONO-4538 (ex-Japan).

Today, ONO-4538 is more formally known as nivolumab. BMS has demonstrated proof-of-concept in a host of tumor types including skin, kidney, and lung cancers. A hallmark of anti-PD-1 therapy compared to current cancer regimens such as chemotherapy or targeted therapy is the incredible durability of response in patients who do respond. Or, put another way, patients who respond to nivolumab therapy may in fact be "cured" of their cancer. While data continues to mature, BMS has shown that some patients with advanced disease, who normally only live for weeks or months, can live for years after nivolumab therapy.

Ono and BMS are collaborating on at least seven other solid tumor types, such as liver, pancreatic, stomach, head & neck, and breast cancers. Utility in blood cancers and virology (most notably HIV) is also being explored. The commercial potential of nivolumab across such a large array of neoplasms is truly unprecedented. Given the putative efficacy profile and potential for cure, pricing of therapy will easily eclipse $100,000 per patient, if not more, in developed markets. Combined with the significant prevalence of cancer patients globally, a peak sales potential in excess of $10 billion per annum is possible. Ono maintained commercial rights to nivolumab in Japan, the second largest oncology market in the world. Moreover, with significant royalties from BMS due to Ono, the holders of the PD-1 patent estate, we expect nivolumab to be truly transformative to the profitability of the company.

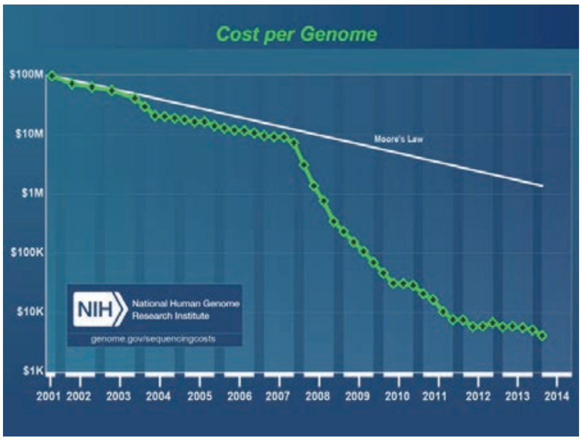
Illumina

Illumina remains one of our core positions within the portfolio. Continued innovation fuelling its current competitive advantage in the fast growing genomics sequencing market has allowed the investment to outperform both the broad market and the healthcare sector by a significant margin. Illumina's products are making a significant impact on research and promise to improve the way patients are treated as medicine becomes more personalized.

Illumina – enabling scientific breakthroughs

Illumina participates in a fast growing genomics research market providing next-generation sequencing instruments to multiple end-markets. Next-generation sequencing enables researchers and clinicians to decode the genomic patterns underlying the fundamental biology for all organisms. Human genome sequencing has changed dramatically since the very first genome was sequenced in 2001 at a total cost of $100mm. Since the assembly of the first human genome on first generation sequencing instruments, the cost of sequencing has precipitously fallen outpacing Moore's Law. Based on the most recent quarterly data provided by NHGRI (National Human Genome Research Institute), the cost of a fully assembled genome currently stands at approximately $4,000. This drop has mainly been enabled by Illumina's technology. Later in 2014, with Illumina's newly introduced instrument, HiSeq X Ten, the cost of a whole human genome will likely reach a price point of $1,000, which is considered the "holy grail" of genomics research.

Strategic Report / Portfolio Focus



**Cost per genome based on NHGRI - Jan 2014)*

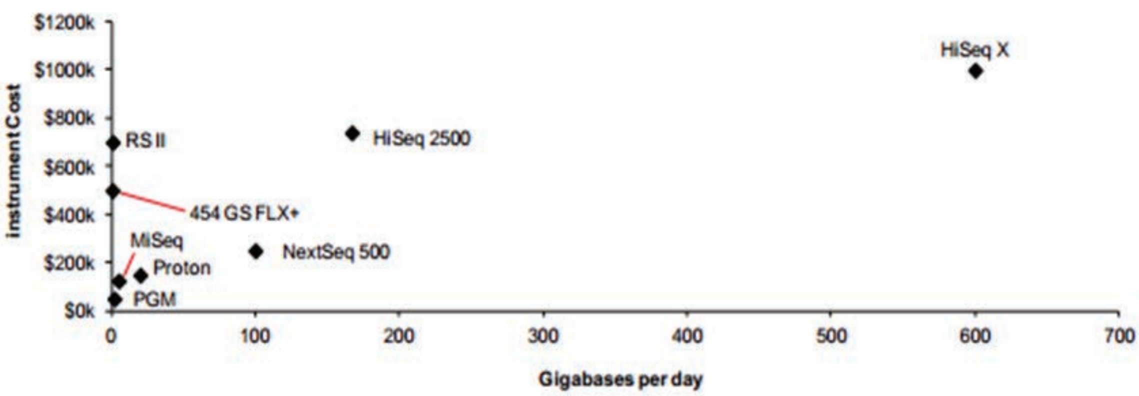
Why sequence the genome?

Unlocking the biological code that enables our body to function can significantly add to our understanding of diseases, traits and physiology. Simply put, our genome comprising of three billion base pairs is the map to our body. The scientific and clinical knowledge gained through understanding our genetic make-up will greatly increase our knowledge of how our proteins are coded and its impact on disease onset and treatments, metabolisms, and other personal traits.

Illumina's positioning in genetic analysis

Illumina, as a forerunner in technology innovation, currently is the dominant market leader in next generation sequencing with approximately 70% market share with the remainder being split by three companies (Thermo Fisher, Roche, and Pacific BioSciences). As Illumina continues to push its technology - driving the cost of sequencing lower- it has created market segments that previously didn't exist. A once cost prohibitive research for many, now enabled by the promise of the $1,000 genome price, has democratized the research field. Sequencing human genome at scale is now becoming a realistic research area. Illumina's technology has significantly advanced our understanding of the genome.

Sequencing instrument cost versus output



Source: Macquarie Research

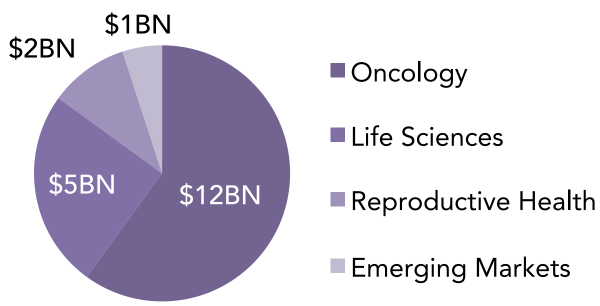
Strategic Report / Portfolio Focus

	Instrument cost	Throughput	Application
HiSeq X	High cost	Super high	Population studies
HiSeq 2500	High cost	High	Oncology/Reproductive health
NextSeq 500	Low cost	Medium	Hospital/Clinical
MiSeq	Low cost	Low/Medium	Hospital/Clinical

Illumina – expanding applications, $20BN total addressable market (TAM)

The current pace of innovation by Illumina in the genomics research market has opened up new market opportunities for next generation sequencing. Management highlighted these existing current market opportunities at a recent investor event valuing the addressable market at $20BN, conservatively.

Illumina's total market opportunity



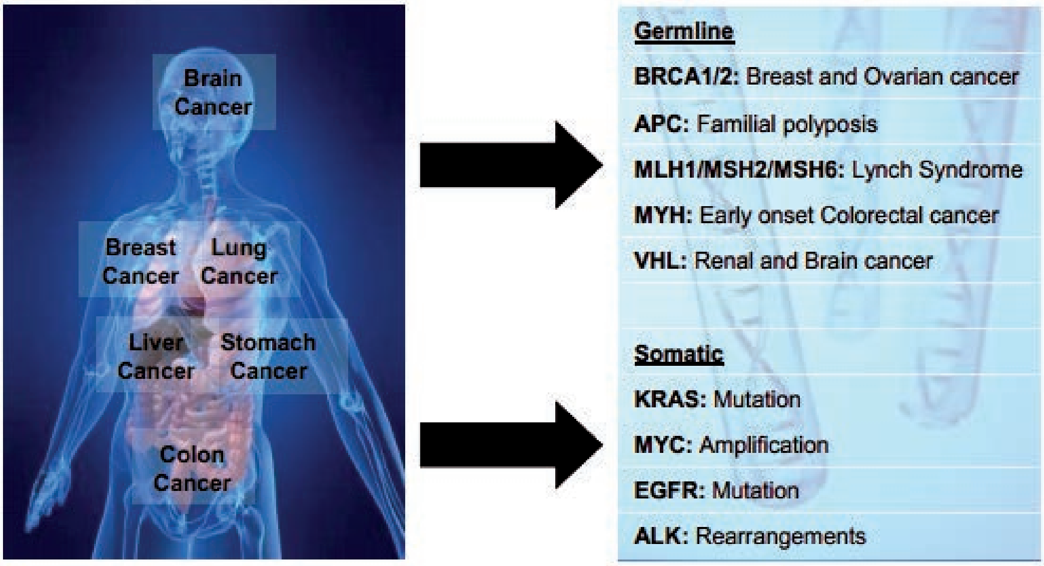
Source: Illumina

Highlighting oncology: $12BN market opportunity

The oncology market is Illumina's largest market opportunity currently. The evolving understanding of the underlying biology of cancer is fundamentally changing how clinicians are treating the disease category. High-throughput genomic research enabled by sequencing and other technologies over the last decade has shifted our view of cancer from simple anatomic views to genomic views targeting the underlying biology and mutations.

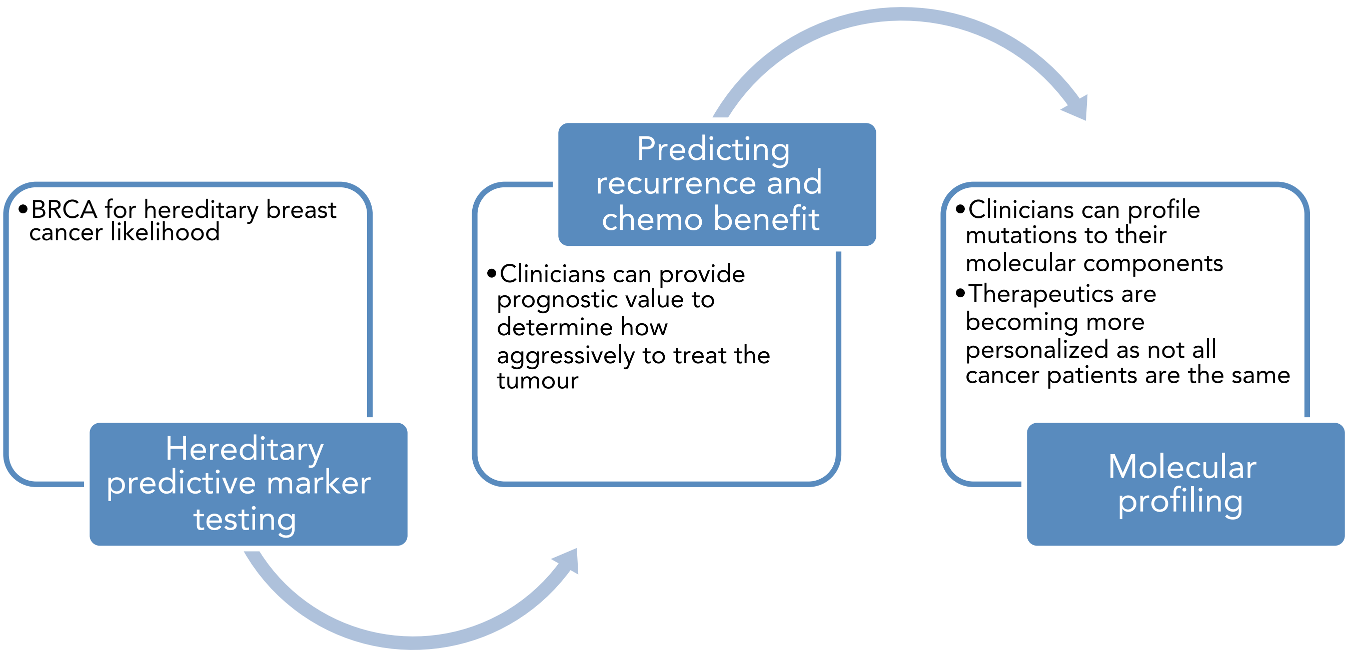
Strategic Report / Portfolio Focus

"Then and now" view of cancer



Source: Macquarie Research

Applications within oncology vary from initial predictive testing to providing necessary information to helping to personalize treatment decisions for each individual patient.



Strategic Report / Portfolio Focus

Population sequencing – a new frontier of genomic research

As mentioned earlier, Illumina's recent product announcement and the ensuing launch of its HiSeq X Ten has been showcased as the instrument that can take genomic research to the next level. HiSeq X Ten promises to enable super high-throughput scientific research. With this product launch, Illumina has further separated itself from the rest of its competitors in sequencing, offering whole genome sequencing at a cost of only $1,000 per sample. We expect this will enable broader population sequencing studies to get additional insight into biology. As more genomic data are pulled together through these wide-net population studies, researchers should gain clearer understanding into various mutations and genomic heterogeneity.

	HiSeq 2500	HiSeq X
Price	$740k	$1m
Output per run	1Tb	1.8Tb
Output per day	167Gb	600Gb

Illumina – best in class life sciences asset

As discussed, Illumina's technology has significantly benefited genomic research. We expect the company to continue to be successful as it rolls out new products that will enable additional research applications.

Strategic Report / OrbiMed Capital LLC

Firm History

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

Beginning with our first public equity fund in 1989, we expanded to include long/short equity and private equity investments in 1993. In 2007 the firm expanded to Asia, opening offices in Mumbai and Shanghai, and launching a fund focused on private equity healthcare opportunities in China and India. In 2010 we expanded to the Middle East, opening an office in Israel to seek innovative life sciences venture capital opportunities across the region. In 2011 OrbiMed launched a Royalty Opportunities fund, focused on investing in healthcare royalty streams.

Today, OrbiMed has a singular focus on seeking successful investments on a worldwide basis across the entire spectrum of private and publicly-traded life sciences companies. With approximately $11 billion in net assets under management, OrbiMed ranks as the world's largest healthcare-dedicated investment firm.

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

The OrbiMed Team for the Company

Mr. 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.

Mr. Sven H. Borho, CFA, is a founding Partner of OrbiMed. Mr. Borho's biography can be found within the Directors' biography on page 26 of this annual report.

Mr. 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.

Mr. 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 Centre. He received his Ph.D. from Stanford University in Chemical Biology and his B.S. in Chemistry from Peking University in China.

Strategic Report / Principal Contributors to and Detractors from Net Asset Value

Principal Contributors to and Detractors from Net Asset Value Performance for the Year to 31 March 2014

Top Five Contributors

	Contribution for the year to 31 March 2014 £'000	Contribution per share (pence)*
Incyte	14,071	20.7
Illumina	11,430	16.8
Biogen Idec	8,406	12.3
Regeneron Pharmaceuticals	7,759	11.4
InterMune	7,189	10.5
	48,855	**71.7**

Top Five Detractors

	Contribution for the year to 31 March 2014 £'000	Contribution per share (pence)*
Infinity	(17,603)	(25.8)
Dynavax	(2,595)	(3.8)
Exelixis	(2,349)	(3.5)
Prosensa	(1,243)	(1.8)
Raptor Pharmaceuticals	(1,105)	(1.6)
	(24,895)	**(36.5)**

* based on 68,115,445 ordinary shares being the weighted average number of shares in issue for the year ended 31 March 2014.

On behalf of the Board

The Rt Hon Lord Waldegrave of North Hill
Chairman

22 May 2014

Governance / Board of Directors

The Rt Hon Lord Waldegrave Of North Hill **Chairman**

The Rt Hon Lord Waldegrave of North Hill joined the Board in June 1998. He is Provost of Eton College, Chairman 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, DBE

Professor Dame Kay Davies, DBE 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, an Independent Director of UCB Pharma S.A, Deputy Chairman 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.

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, Chairman of the William Harvey Research Institute in London and Senior Adviser of Cardeas Pharma in Seattle. He 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 was one of the founding Partners of Cinven where he continues as a Senior Advisor. He is a Senior Advisor of FF&P (Fleming Family & Partners) and Chairman of the private equity sub-committee. Mr. Joy has been Chairman or Director of numerous growing companies over the past 30 years. He is a former Chairman of the BVCA (British Venture Capital and Private Equity Association) and Director of the EVCA.

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. In 1991 he joined OrbiMed's predecessor and was promoted to portfolio manager in 1993. He studied business administration at Bayreuth University in Germany and received a M.Sc. (Econs.), Accounting and Finance, from The London School of Economics.

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.

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 and Management Engagement Committee. A Chartered Accountant he has nearly 30 years experience in the management and financing of life science businesses. He is Chief Executive of the technology investment firm Cambridge Innovation Capital plc and has served on the board of many private and public companies. He is currently the Senior Independent Director of Abcam plc and a Director of MRC Technology Ltd. He was formerly Finance Director of a number of privately held biopharmaceutical companies 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 Directors, each of whom is independent of the Investment Manager, with the exception of Mr. Sven Borho who is a Founding General Partner of OrbiMed, the Company's Investment Manager and is not considered to be an Independent Director, none of the Directors have been employed by any of the companies in which the Company holds an investment, or any of the Company's service providers.

Governance / Board of Directors

Scheduled Meetings

The table below sets out the number of scheduled Board and Committee meetings held during the year ended 31 March 2014 and the number of meetings attended by each Director.

	Board	Audit and Management Engagement Committee	Nominations Committee	Remuneration Committee
Number of meetings held in 2013/14:	(4)	(3)	(1)	(1)
The Rt Hon Lord Waldegrave of North Hill	4	3	1	1
Sven Borho^	4	–	–	–
Professor Dame Kay Davies, DBE	4	2	1	1
Paul Gaunt	4	3	1	1
Dr John Gordon	4	2	1	1
Andrew Joy	4	3	1	1
Peter Keen	4	3	1	1

All of the Directors attended the Annual General Meeting held on 9 July 2013.

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

In addition to the scheduled Board meetings there were a number of unscheduled Board Meetings to consider matters such as the issuance of shares, including the Prospectus issued in July 2013, the regulations concerning the Alternative Investment Fund Managers Directive and matters concerning the Board's decision to undertake an audit tender.

Directors' Interests

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

	Number of shares held as at		
	22 May 2014	31 March 2014*	31 March 2013*
The Rt Hon Lord Waldegrave of North Hill	58,716	58,716	58,716
Sven Borho	236,218	236,218	236,218
Professor Dame Kay Davies, DBE	–	–	–
Paul Gaunt	–	–	–
Dr John Gordon	70,000	70,000	70,000
Andrew Joy	25,000	25,000	25,000
Peter Keen	55,000	55,000	45,000

* Audited information.

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 29 and 30 of this annual report.

As at 22 May 2014, the latest practicable date before publication of the Annual Report there have been no changes in the interests of the Directors shares of the Company.

Governance / Report of the Directors

In accordance with the requirements of the Companies Act 2006 (the "Act") and the UK Listing and Transparency Rules, the Directors present their annual report on the affairs of the Company, together with the audited Financial Statements and the Independent Auditors' Report for the year ended 31 March 2014.

The Corporate Governance Statement on pages 35 to 44 of this annual report forms part of this Report of the Directors.

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 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 commencing 1 April 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.

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

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

Investment Policy

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

Results and Dividend

The results attributable to shareholders for the year and the transfer to reserves are shown on page 56 of this annual report. No dividend is proposed in respect of the year ended 31 March 2014 (2013: nil).

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. (Further details can be found in note 13 beginning on page 67).

Share Capital

As part of the package of measures adopted in 2005 by the Board to improve the attraction of the Company's shares to new investors and also to provide the prospect of a sustained improvement in the rating of the Company's shares, an active discount management policy was implemented to buy-back shares to either hold in treasury or for cancellation if the market price is at a discount greater than 6% to net asset value per share. As at 31 March 2014, the discount was 6.4%, which was close to the stated target of 6%. The making and timing of any share buy-back remains at the absolute discretion of the Board. Authority to buy-back up to 14.99% of the Company's issued share capital is sought at each Annual General Meeting. During the year a total of 662,309

Governance / Report of the Directors

shares were bought back to hold in treasury representing 1.03% of the issued share capital at the beginning of the year. The purchases were made at £5.1409 per share and £5.1159 per share at a cost of £3,420,000 (including expenses) and at a discount of 6.2% and 6.8% to the net asset value per share. In addition during the year, 4,420,000 new shares were issued raising £17,715,000 of new funds for the Company. Subsequent to the year end to 22 May 2014 a further 107,128 shares were bought back to hold in treasury. As at the date of this report there were 68,886,347 (including 769,437 shares held in treasury) shares in issue.

Company Management

Investment Manager

The Company's investment portfolio is managed by OrbiMed Capital LLC ("OrbiMed"). OrbiMed have been engaged under the terms of an Investment Management Agreement (the "IMA") effective from 26 April 2005. The Investment Manager receives a periodic fee equal to 0.65% p.a. of the Company's net asset value. The IMA may be terminated by either party giving notice of not less than 12 months. The Investment Manager under the terms of the IMA 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 outperformance of the portfolio over the benchmark as at the quarter end date; and

(ii) The cumulative outperformance of the portfolio over the benchmark as at the corresponding quarter end date in the previous year.

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

During the year performance fee amounts totaling £2,663,000 crystallised in relation to maintained outperformance of which £982,000 remained payable at 31 March 2014 (31 March 2013: £1,640,000 crystallised). See note 3 on page 63 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.

Governance / Report of the Directors

Manager

Frostrow Capital LLP ("Frostrow" or the "Manager"), acts as the Company's Manager, Company Secretary and Administrator. Frostrow is an independent provider of services to the investment companies sector and currently has five other investment trust clients whose assets totalled approximately £3.8 billion as at 31 March 2014. 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 (the "Agreement") with the Manager, dated 5 April 2007, 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 half-year, 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 2014 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.

Directors

Directors' Fees

A report on Directors' Remuneration and also the Directors' Remuneration Policy Report are set out on pages 49 to 52 of this annual report.

Directors' & Officers' Liability Insurance Cover

Directors' & Officers' liability insurance cover was maintained by the Board during the year ended 31 March 2014. It is intended that this policy will continue for the year ended 31 March 2015 and subsequent years.

Governance / Report of the Directors

Directors' Indemnities

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

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

Substantial Shareholdings

The Company was aware of the following substantial interests in the voting rights of the Company as at 22 May 2014, the latest practicable date before publication of the annual report.

	22 May 2014		31 March 2014	
Shareholders	No. of shares	% of Issued share capital	No. of shares	% of Issued share capital
Hargreaves Lansdown	5,395,362	7.91	5,679,385	8.32
Newton Investment Management	5,337,105	7.83	5,611,587	8.23
East Riding of Yorkshire	5,200,000	7.62	5,200,000	7.62
Reliance Mutual	3,454,450	5.06	3,454,450	5.06
Alliance Trust Savings	2,691,943	3.95	2,749,643	4.03
Hansa Capital Partners	2,364,629	3.47	2,364,629	3.47
JPMorgan Asset Management	2,048,833	3.00	2,048,833	3.00

As at 31 March 2014 the Company had 68,886,347, (including 662,309 shares held in treasury) shares in issue. As at 22 May 2014 the Company had 68,886,347 (including 769,437 shares held in treasury) shares in issue.

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 Asset Services, or to the Company directly.

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 (£11,880 for an ISA and £3,540 for a Junior ISA for the 2014/2015 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.

With effect from 1 July 2014 the government announced that ISAs will be reformed into a new simpler product, the New ISA ("NISA") with equal limits for cash, and stocks and shares.

The overall NISA limits for 2014/15 will be £15,000 which offers the option to save in cash, stocks and shares, or any combination of two.

Governance / Report of the Directors

Retail Investors advised by IFAs

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

Financial Instruments

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

Audit Tender

As reported in the Company's 2013 Annual Report, Grant Thornton UK LLP have been in post for over 16 years and the Board, after consideration, agreed that a tender process should take place.

Following the formal tender process held in March 2014, it is proposed that on the recommendation of the Audit and Management Engagement Committee, Ernst & Young LLP be appointed as Auditor of the Company. A resolution for their appointment will be proposed at the forthcoming Annual General Meeting.

Please note that further details of the audit tender process can be found within the Audit and Management Engagement Committee Report on page 48 of this annual report.

Awareness and Disclosure of Relevant Audit Information

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

S.I 2007/1093 C.49 Commencement No2. Order 2007

The following disclosures are made in accordance with S.1 2007/1093 C.49 Commencement No2. Order 2007

Capital structure

The Company's capital structure is composed solely of Ordinary Shares. Details are given in note 11 to the accounts on page 67 of this annual report.

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 79 of this annual report.

Anti-Bribery and Corruption Policy

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

Political Donations

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

Governance / Report of the Directors

Global Greenhouse Gas Emissions

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

By order of the Board

Frostrow Capital LLP
Company Secretary

22 May 2014

Governance / Statement of Directors' Responsibilities

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. 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 Conduct Authority.

The financial statements are published on the Company's website (www.biotechgt.com) and via the website of the Manager (www.frostrow.com). The maintenance and integrity of these websites, so far as they relate 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.

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.

Responsibility Statement of the Directors in respect of the annual financial report

The Directors, whose details can be found on page 26 of this annual report, confirm to the best of their knowledge that:

- the Financial Statements, within this 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 2014;
- the Chairman's Statement, Strategic Report and the Report of the Directors include a fair review of the information required by 4.1.8R to 4.1.11R of the FCA's Disclosure and Transparency Rules; and
- the annual report and financial statements taken as a whole are fair, balanced and understandable and provide the information necessary to assess the Company's performance, business model and strategy.

On behalf of the Board

The Rt Hon Lord Waldegrave of North Hill
Chairman

22 May 2014

Governance / Corporate Governance

This Statement forms part of the Report of the Directors.

The Board confirms that, with the exception of the below, it has in all respects met its obligations under the Listing Rules and the UK Corporate Governance Code throughout the period of this report:

- Director Tenure (Provision B.1.1 of the UK Corporate Governance Code);
- The role of the Chief Executive (Provision A.2.1 of the UK Corporate Governance Code);
- Executive Directors Remuneration Provisions D.2.1, D.2.2, D.2.3 and D.2.4 of the UK Corporate Governance Code); and
- The need for an internal audit (Provision C.3.6 of the UK Corporate Governance Code).

For 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. Therefore with the exception of Director tenure, which is addressed further on page 36 and the need for an internal audit function which is addressed further on page 43, the Company has not reported further in respect of these provisions.

The Principles of the AIC Code

The AIC Code is made up of twenty-one principles split into three sections covering:

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

AIC Code Principle	Compliance Statement
The Board	
1. The Chairman should be independent.	The Chairman, The Rt Hon Lord Waldegrave of North Hill, continues to be independent of the Investment Manager. There is a clear division of responsibility between the Chairman, the Directors, Investment Manager, Manager and the Company's other third party service providers. The Chairman is responsible for the leadership of the Board and for ensuring its effectiveness in all aspects of its role.
2. A majority of the Board should be independent of the manager.	Mr. Sven Borho is a Founding General Partner of OrbiMed, the Company's Investment Manager and is not considered to be an Independent Director. The Board consists of six other non-executive Directors, each of whom is independent of the Investment Manager. None of the Board members have been an employee of the Company.
3. Directors should be submitted for re-election at regular intervals. Nomination for re-election should not be assumed but be based on disclosed procedures and continued satisfactory performance.	All Directors will submit themselves for annual re-election by shareholders. The individual performance of each Director standing for re-election is evaluated annually by the remaining members of the Board and, if considered appropriate, a recommendation is made that shareholders vote in favour of their re-election at the Company's Annual General Meeting to be held in July. Dr John Gordon will not be seeking re-election at this year's Annual General Meeting. He will be succeeded as the Senior Independent Director and Chairman of the Remuneration Committee by Mr. Andrew Joy.

Governance / Corporate Governance

AIC Code Principle	Compliance Statement
4. The Board should have a policy on tenure, which is disclosed in the annual report.	The Board, meeting as the Nomination Committee, considers the structure of the Board and recognises the need for progressive refreshing of the Board. 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 ability to act independently and, following formal performance evaluations, believes that each of those Directors is independent in character and judgment and that there are no relationships or circumstances which are likely to affect their judgment. The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as such, no limit on the overall length of service of any of the Company's Directors, including the Chairman, has been imposed. In view of its non-executive nature, the Board considers that it is not appropriate for the Directors to be appointed for a specified term, although new Directors are appointed with the expectation that they will serve for a minimum period of three years subject to shareholder approval. The terms and conditions of the Directors' appointments are set out in letters of engagement which are available for inspection on request at the office of Frostrow Capital LLP, the Company's Manager, and from the Company Secretary at the Company's Annual General Meeting to be held in July.
5. There should be full disclosure of information about the Board.	The Directors' biographical details, set out on page 26 of this annual report, demonstrate the wide range of skills and experience that they bring to the Board. Details of the Board's Committees and their composition are set out on page 43 of this annual report. The Audit and Management Engagement Committee membership comprises all of the Directors whom are considered independent. The Chairman of the Company is a member of the Audit and Management Engagement Committee, but does not chair it. His membership of the Audit and Management Engagement Committee is considered appropriate given the Chairman's extensive knowledge of the financial services industry. The Remuneration Committee is comprised of all Directors whom are considered independent. The Senior Independent Director of the Company acts as Chairman of this Committee in light of the remit of the Committee.

Governance / Corporate Governance

AIC Code Principle	Compliance Statement
6. The Board should aim to have a balance of skills, experience, length of service and knowledge of the company.	The Nomination Committee considers annually the skills possessed by the Board and identifies any skill shortages to be filled by new Directors. When considering new appointments, the Board reviews the skills of the Directors and seeks to add persons with complementary skills or who possess the skills and experience which fill any gaps in the Board's knowledge or experience and who can devote sufficient time to the Company to carry out their duties effectively. The experience of the current Directors is detailed in their biographies set out on page 26 of this annual report. The Company is committed to ensuring that any vacancies arising are filled by the most qualified candidates and recognises the value of diversity in the composition of the Board. When Board positions become available as a result of retirement or resignation, the Company will ensure that a diverse group of candidates is considered.
7. The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.	During the year the performance of the Board, its committees and individual Directors (including each Director's independence) was evaluated through a formal assessment process led by the Senior Independent Director. This involved the circulation of a Board effectiveness checklist, tailored to suit the nature of the Company, followed by discussions between the Senior Independent Director and each of the Directors. The performance of the Chairman was evaluated by the other Directors under the leadership of the Senior Independent Director. The review concluded that the Board was working well. The Board is satisfied that the structure, mix of skills and operation of the Board continue to be effective and relevant for the Company.
8. Director remuneration should reflect their duties, responsibilities and the value of their time spent.	The Remuneration Committee annually reviews the fees paid to the Directors and compares these with the fees paid by the Company's peer group and the investment trust industry generally, taking into account the level of commitment and responsibility of each Board member. Details on the remuneration arrangements for the Directors of the Company can be found in the Directors' Remuneration Policy Report and Directors' Remuneration Report on pages 49 to 52 of this annual report and in note 14 to the Accounts. As all of Directors are non-executive, the Board considers that it is acceptable for the Senior Independent Director of the Company to chair meetings when discussing Directors' fees. The Senior Independent Director takes no part in discussions regarding his own remuneration.

Governance / Corporate Governance

AIC Code Principle	Compliance Statement
9. The independent directors should take the lead in the appointment of new directors and the process should be disclosed in the annual report.	The Nomination Committee is comprised of all Directors whom are independent. Subject to there being no conflicts of interest, all members of the Committee are entitled to vote on candidates for the appointment of new Directors and on recommending for shareholders' approval the Directors seeking re-election at the Annual General Meeting.
10. Directors should be offered relevant training and induction.	New appointees to the Board are provided with a full induction programme. The programme covers the Company's investment strategy, policies and practices. The Directors are also given key information on the Company's regulatory and statutory requirements as they arise including information on the role of the Board, matters reserved for its decision, the terms of reference for the Board Committees, the Company's corporate governance practices and procedures and the latest financial information. It is the Chairman's responsibility to ensure that the Directors have sufficient knowledge to fulfil their role and Directors are encouraged to participate in training courses where appropriate. The Directors have access to the advice and services of a Company Secretary through its appointed representative which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary is also responsible for ensuring good information flows between all parties.
11. The Chairman (and the Board) should be brought into the process of structuring a new launch at an early stage.	Principle 11 applies to the launch of new investment companies and is therefore not applicable to the Company.

Board Meetings and relations with OrbiMed and Frostrow

12. Boards and managers should operate in a supportive, co-operative and open environment.	The Board meets regularly throughout the year and a representative of Investment Manager and Manager is in attendance at each meeting and Committee meetings. The Chairman encourages open debate to foster a supportive and co-operative approach for all participants.

Governance / Corporate Governance

AIC Code Principle	Compliance Statement
13. The primary focus at regular Board meetings should be a review of investment performance and associated matters, such as gearing, asset allocation, marketing/investor relations, peer group information and industry issues.	The Board has agreed a schedule of matters specifically reserved for decision by the Board. This includes establishing the investment objectives, strategy and benchmarks, the permitted types or categories of investments, the markets in which transactions may be undertaken, the amount or proportion of the assets that may be invested in any category of investment or in any one investment, and the Company's share issuance and share buy-back policies. The Board, at its regular meetings, undertakes reviews of key investment and financial data, revenue projections and expenses, analyses of asset allocation, transactions and performance comparisons, share price and net asset value performance, marketing and shareholder communication strategies, the risks associated with pursuing the investment strategy, peer group information and industry issues. The Audit and Management Engagement Committee reviews the Company's risk matrix and the performance and cost of the Company's third party service providers.
14. Boards should give sufficient attention to overall strategy.	The Board is responsible for strategy and has established an annual programme of agenda items under which it reviews the objectives and strategy for the Company at each meeting.
15. The Board should regularly review both the performance of, and contractual arrangements with, the investment manager and the manager (or executives of a self-managed company).	The Audit and Management Engagement Committee reviews annually the performance of Investment Manager and Manager. The Committee considers the quality, cost and remuneration method (including the performance fee) of the service provided by Investment Manager and Manager against their contractual obligations and the Board receives regular reports on compliance with the investment restrictions which it has set. It also considers the performance analysis provided by Investment Manager and Manager. The Audit and Management Engagement Committee reviews the compliance and control systems of both Investment Manager and Manager in operation insofar as they relate to the affairs of the Company and the Board undertakes periodic reviews of the arrangements with and the services provided by the Custodian, to ensure that the safeguarding of the Company's assets and security of the shareholders' investment is being maintained.

Governance / Corporate Governance

AIC Code Principle	Compliance Statement
16. The Board should agree policies with the investment manager and the manager covering key operational issues.	The Investment Management Agreement between the Company and Investment Manager sets out the limits of Investment Manager's authority, beyond which Board approval is required. The Board has also agreed detailed investment guidelines with Investment Manager, which are considered at each Board meeting. A representative of the Investment Manager and Manager attends each meeting of the Board to address questions on specific matters and to seek approval for specific transactions which Investment Manager is required to refer to the Board. The Board has delegated discretion to Investment Manager to exercise voting powers on its behalf, other than for contentious or sensitive matters which are to be referred to the Board for consideration. The Board has reviewed the Investment Manager's Proxy Voting & Class Action Policy. Reports on commissions paid by Investment Manager are submitted to the Board regularly.
17. Boards should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it.	The Board considers any imbalances in the supply of and the demand for the Company's shares in the market and takes appropriate action when considered necessary. The Board considers the discount or premium to net asset value of the Company's share price at each Board meeting and reviews the changes in the level of discount or premium and in the share price since the previous Board meeting and over the previous twelve months. At each meeting the Board reviews reports from both the Investment Manager and Manager on marketing and shareholder communication strategies. It also considers their effectiveness as well as measures of investor sentiment and any recommendations on issuance and share buy-backs.
18. The Board should monitor and evaluate other service providers.	The Audit and Management Engagement Committee reviews, at least annually, the performance of all the Company's third party service providers, including the level and structure of fees payable and the length of the notice period, to ensure that they remain competitive and in the best interests of shareholders. The Committee also reviews reports from the principal service providers on compliance and the internal and financial control systems in operation and relevant independent audit reports thereon, as well as reviewing service providers' anti-bribery and corruption policies to address the provisions of the Bribery Act 2010.

Governance / Corporate Governance

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

Governance / Corporate Governance

AIC Code Principle	Compliance Statement
21. The Board should ensure that shareholders are provided with sufficient information for them to understand the risk/reward balance to which they are exposed by holding the shares.	The Company places great importance on communication with shareholders and aims to provide them with a full understanding of the Company's investment objective, policy and activities, its performance and the principal investment risks by means of informative annual and half-year reports and interim management statements. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares. The annual report provides information on Investment Manager's investment performance, portfolio risk and operational and compliance issues. Further details on the risk/reward balance are set out in note 13 to the accounts. The Investment Portfolio is listed on page 14 of this annual report. The Company's website, www.biotechgt.com, is regularly updated with monthly factsheets and provides useful information about the Company including the Company's financial reports and announcements.

Governance / Corporate Governance

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, The Rt Hon Lord Waldegrave of North Hill, and the Audit and Management Engagement Committee is chaired by Mr. Peter Keen.

Nominations Committee

The Nominations Committee met on one occasion during the year and 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 Company's Remuneration Committee met on one occasion during the year as all Directors are non executive. Throughout the life of the Company the level of Directors' fees is reviewed every two years relative to other comparable investment companies and in the light of Directors' responsibilities. Consistent with this policy as at 1 April 2014, the Directors' fees remain unchanged. Details of the fees paid to the Directors in the year under review are detailed in the Directors' Remuneration Report and also the Directors' Remuneration Policy Report on pages 49 to 52 of this annual report.

Audit and Management Engagement Committee

The Audit and Management Engagement Committee (the "Committee") meets at least three times 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 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.

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.

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. The policy is reviewed regularly by the Audit and Management Engagement Committee.

Governance / Corporate Governance

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 and 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 continues to strive to make information about the Company as accessible as possible for investors. We do this directly via the Company's website and via data providers, platforms and intermediaries.

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.

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.

By order of the Board

Frostrow Capital LLP
Company Secretary

22 May 2014

Governance / Audit and Management Engagement Committee Report

for the year ended 31 March 2014

The Committee, which comprises of all the Directors, with the exception of Mr. Sven Borho, meets at least twice during the year. Attendance by each Director is shown in the table on page 27.

Responsibilities

The Committee's main responsibilities during the year were:

1. **To review the Company's half-year and annual financial statements** together with announcements and other filings relating to the financial performance of the Company and issues of the Company's shares. In particular, the Committee considered whether the annual financial statements are fair, balanced and understandable, allowing shareholders to more easily assess the Company's strategy, investment policy, business model and financial performance.

2. **To review the risk management and internal control processes** of the Company and its key service providers. As part of this review the Committee again reviewed the appropriateness of the Company's anti-bribery and corruption policy. During the year the Committee reviewed the Internal Controls in place at the Company's Investment Manager, OrbiMed, its Manager Frostrow, Capita Asset Services and Goldman Sachs & Co.

3. **To recommend the appointment of an external auditor,** and agreeing the scope of its work and its remuneration, reviewing its independence and the effectiveness of the audit process.

4. **To consider any non-audit work to be carried out by the auditors.** The 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 £6,000 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 June 2013, September 2013 and December 2013. In addition fees totaling £4,000 were earned in relation to taxation services. The external auditor carried out no other non-audit work during the year.

5. **To consider the need for an internal audit function.** Since the Company delegates its day-to-day operations to third parties and has no employees, the Committee has determined there is no requirement for such a function.

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

Meetings and Business

The Committee which consists of all the independent Directors of the Company, met three times during the year. Attendance by each Director is shown on page 27 of this annual report.

The following matters were dealt with at these meetings:

May 2013

- Review of the Committee's terms of reference
- Review of the preliminary results
- Approval of the annual report and financial statements
- Review of risk management, internal controls and compliance
- Review of the Manager's internal control framework

November 2013

- Review of the auditor's plan for the 2013/2014 audit
- Review of the Committee's terms of reference
- Review of risks, internal control and compliance
- Review of the Company's anti bribery and corruption policy and the measures put in place by the Company's service providers

Governance / Audit and Management Engagement Committee Report

November 2013 (continued)

– Approval of the half-year report

– Consideration of the implications of the 2012 UK Corporate Governance Code and the required changes to the Company's annual report and financial statements

February 2014

– Review of the Committee's terms of reference

– A review of the Company's service providers

– The formal audit tender

Financial Statements

The financial statements, and the annual report as a whole, are the responsibility of the Board. The Directors' Responsibility Statement is contained on page 34. The Board looks to the Audit and Management Engagement Committee to advise them in relation to the financial statements both as regards their form and content, issues which might arise and on any specific areas requiring judgment.

Significant Reporting Matters

During the year the Committee considered key accounting issues, matters and judgments in relation to the Company's financial statements and disclosures relating to:

Investments

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

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

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

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

Taxation

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

– seeking confirmation from the Manager that the Company continues to meet the eligibility conditions as outlined in section 1158;

– by obtaining written confirmation from HMRC, evidencing the approval of the Company as an investment trust under the regime; and

– understanding the risks and consequences if the Company breaches this approval in future years.

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.

Governance / Audit and Management Engagement Committee Report

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 ("Frostrow") 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 ("OrbiMed") 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;
- 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.

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.

External Auditor

Meetings:

This year the nature and scope of the audit together with Grant Thornton UK LLP's audit plan were considered by the Committee on 27 November 2013 without the auditor being present.

As Chairman of the Committee, I met the audit partner, Julian Bartlett, and his audit manager on 1 May 2014 to discuss the outcome of the audit and the draft 2014 annual report and accounts. The Committee then met Grant Thornton UK LLP on 15 May 2014 to review the progress of the audit and to discuss the limited matters that arose.

Governance / Audit and Management Engagement Committee Report

Given the changes to narrative reporting which are incorporated in the annual report for the first time, we have also discussed the presentation of the annual report with the Auditor and sought their perspective.

Independence and Effectiveness:

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

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

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

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

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

Appointment of New Auditor

It had been noted by the Committee that the Company's current Auditor, Grant Thornton UK LLP and its predecessor firm, have been in office since the Company's inception, during which time no audit tender had taken place. Whilst the audit partner has changed periodically in accordance with professional and regulatory standards to protect independence and objectivity, in accordance with best practice it was felt appropriate to undertake a formal audit tender.

Following a formal tender process, the Directors are proposing to appoint Ernst & Young LLP as Auditor of the Company commencing with the 2014/15 financial year. As resigning Auditor Grant Thornton UK LLP has provided the Company with a 'statement of circumstances' confirming that it will resign as Auditor of the Company following its unsuccessful participation in the audit tender process. A copy of the Statement of Circumstances can be found on page 84 of this annual report and is available upon request from the Company Secretary.

Grant Thornton UK LLP will resign with effect from the conclusion of the Annual General Meeting to be held on 10 July 2014. Having satisfied themselves of the appropriateness of Ernst & Young LLP following the tender process and in accordance with the Companies Act 2006, shareholder approval concerning the appointment of a new Auditor and the authority to fix their remuneration will be sought at the forthcoming Annual General Meeting to be held on 10 July 2014.

Grant Thornton UK LLP carried out the audit for the year ended 31 March 2014 and were considered to be independent by the Board. The Directors wish to record their appreciation of the audit services provided by Grant Thornton UK LLP to the Company since its inception.

Full details of the resolution appointing Ernst & Young LLP as Auditors can be found within the Notice of Meeting on page 76 of this annual report.

Peter Keen
Chairman of the Audit and Management Engagement Committee

22 May 2014

Governance / Directors' Remuneration Report

for the year ended 31 March 2014

Statement from the Chairman

I am pleased to present the Directors' Remuneration Report to shareholders.

This report has been prepared in accordance with the requirements of Section 421 of the Companies Act 2006 and the Enterprise and Regulatory Reform Act 2013. An Ordinary Resolution for the approval of this report will be put to the shareholders at the forthcoming Annual General Meeting. The Directors Remuneration Policy Report, which is separate to this report can be found on page 52 of this annual report.

The law requires the Company's Auditors to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such and the Auditors' opinion is included in their report to shareholders beginning on page 53. The Remuneration Policy Report on page 52 forms part of this report.

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

At the most recent review held on 27 February 2014, it was agreed that there was to be no increase to fees paid to the Directors during the year. Myself, as Chairman of the Company receives an annual fee of £34,000 and Mr. Peter Keen as Chairman of the Audit and Management Engagement Committee and Dr John Gordon as Senior Independent Director receive an annual fee of £26,000. Professor Dame Kay Davies DBE, Mr. Paul Gaunt and Mr. Andrew Joy each receive an annual fee of £24,000. The last increase in Directors' fees took effect on 1 April 2013.

Directors' Fees

The Directors, as at the date of this report, and who all served throughout the year, received the fees listed in the table below. These exclude any employers' national insurance contributions, if applicable. No other forms of remuneration were received by the Directors and so fees represent the total remuneration of each Director.

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

No payments were made to former directors of the Company during the financial year ending 31 March 2014 (2013: £9,000 in respect to fees paid to Mr John Sclater, CVO who retired from the Board on 12 July 2012).

Directors' Emoluments for the Year (audited information)

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

	Date of Appointment to the Board	Fees 2014	Fees 2013
The Rt Hon Lord Waldegrave of North Hill* (Chairman)	6 June 1998	34,000	29,000
Sven Borho	23 March 2006	24,000	22,000
Professor Dame Kay Davies, DBE	15 March 2012	24,000	22,000
Paul Gaunt	5 June 1997	24,000	22,000
Dr John Gordon (Senior Independent Director & Chairman of the Remuneration Committee)	5 June 1997	26,000	24,000
Andrew Joy	15 March 2012	24,000	22,000
Peter Keen (Chairman of the Audit & Management Engagement Committee)	23 June 1997	26,000	24,000
		182,000	165,000

* appointed as Chairman of the Company on 12 July 2012.

A non-binding Ordinary Resolution proposing adoption of the Directors' Remuneration Report was put to Shareholders at the Annual General Meeting of the Company held on 9 July 2013, and was passed by 99.2% (40,144,402 Shares) of shareholders voting on the Resolution.

Sums paid to Third Parties (audited information)

None of the fees referred to in the above table were paid to any third party in respect of the services provided by any of the Directors.

Governance / Directors' Remuneration Report

Other Benefits

Taxable Benefits – Article 88 of the Company's Articles of Association provides that Directors are entitled to be reimbursed for reasonable expenses incurred by them in connection with the performance of their duties and attendance at Board and General Meetings.

Pensions related benefits – Article 90 permits the Company to provide pension or similar benefits for Directors and employees of the Company. However, no pension schemes or other similar arrangements have been established and no Director is entitled to any pension or similar benefits.

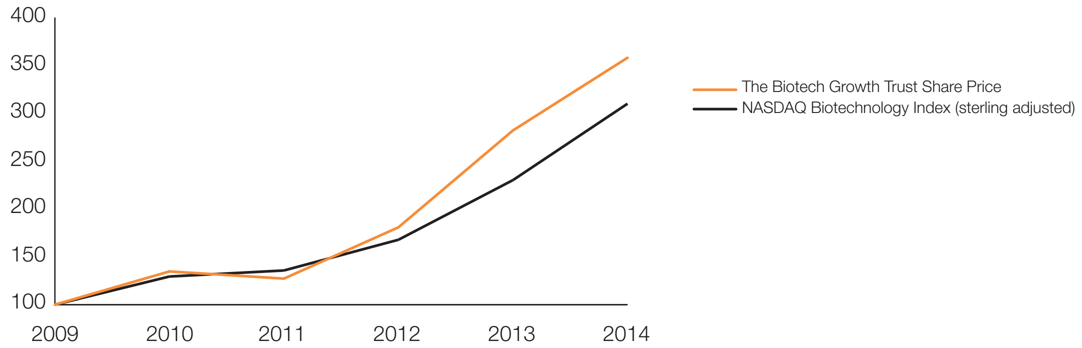
Loss of office

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

Share Price Return

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

Shareholder Total Return for the Five Years to 31 March 2014



Rebased to 100 as at 31 March 2009
Source: Bloomberg

Relative Cost of Directors' Remuneration for the year ended 31 March 2014

Spend	2014 £000	2013 £000	Difference £000
Fees of non-executive directors	182	165	17
Dividends paid to shareholders in respect of year ended 31 March 2014	–	–	–
Share buy-backs*	3,420	47	3,373

* Share buy-back activity forms part of the Board's active discount management policy (see pages 9 and 10 for further details).

The above table does not reflect the issuance of new shares during the year ended 31 March 2014.

Governance / Directors' Remuneration Report

Directors' Interests

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

	Number of shares held as at		
	22 May 2014	31 March 2014*	31 March 2013*
The Rt Hon Lord Waldegrave of North Hill	58,716	58,716	58,716
Sven Borho	236,218	236,218	236,218
Professor Dame Kay Davies, DBE	–	–	–
Paul Gaunt	–	–	–
Dr John Gordon	70,000	70,000	70,000
Andrew Joy	25,000	25,000	25,000
Peter Keen	55,000	55,000	45,000

* Audited information

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 29 and 30 of this annual report.

As at 22 May 2014, the latest practicable date before publication of the Annual Report there have been no changes in the interests of the Directors shares of the Company.

Annual Statement

On behalf of the Board I confirm that this Remuneration Policy, set out on page 52 of this annual report and Remuneration Report summarises, as applicable, for the year to 31 March 2014:

(a) the major decisions on Directors' remuneration;

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

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

The Rt Hon Lord Waldegrave of North Hill
Chairman
22 May 2014

Governance / Directors' Remuneration Policy Report

for the year ended 31 March 2014

The Company's Remuneration Policy provides that fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors and should be sufficient to enable candidates of high calibre to be recruited. Directors are remunerated in the form of fees payable monthly in arrears, paid to the Director personally or to a specified third party. There are no long-term incentive schemes, share option schemes or pension arrangements and the fees are not specifically related to the Directors' performance, either individually or collectively. Directors' remuneration comprises solely Directors' fees. The current and projected Directors' fees for 2014 and 2015 are shown in the table below. The Company does not have any employees.

Directors' Fees Current and Projected

	Date of Appointment to the Board	Fees 2015	Fees 2014
The Rt Hon Lord Waldegrave of North Hill* (Chairman)	6 June 1998	34,000	34,000
Sven Borho	23 March 2006	24,000	24,000
Professor Dame Kay Davies, DBE	15 March 2012	24,000	24,000
Paul Gaunt	5 June 1997	24,000	24,000
Dr John Gordon (Senior Independent Director & Chairman of the Remuneration Committee)	5 June 1997	7,212**	26,000
Andrew Joy	15 March 2012	25,487**	24,000
Peter Keen (Chairman of the Audit & Management Engagement Committee)	23 June 1997	26,000	26,000
		164,699	182,000

*appointed as Chairman of the Company on 12 July 2012.

**2015 fees have been adjusted to account for Dr Gordon's retirement from the Board in July 2014 and the subsequent appointment of Mr Joy as Senior Independent Director and Chairman of the Remuneration Committee.

No change is expected to the current level of Directors' fees until February 2015. Any new director being appointed to the Board that has not been appointed as either Chairman of a Committee or as the Senior Independent Director will under the current level of fees receive £24,000 pa.

None of the Directors has a service contract. The terms of their appointment provide that Directors shall retire and be subject to election at the first annual general meeting after their appointment and to re-election annually thereafter. The terms also provide that a Director may be removed without notice and that compensation will not be due on leaving office.

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

The remuneration for the non-executive Directors is determined within the limits set out in the Company's Articles of Association. The present limit is £200,000 in aggregate per annum. In order to continue with the Boards succession planning an Ordinary Resolution will be put to shareholders at the forthcoming Annual General Meeting to increase the limit to £250,000. Further details of this proposal can be found within the Explanatory Notes to the Resolutions on page 82 of this annual report. Non-executive Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits including performance related benefits.

In accordance with best practice recommendations the Board will put the Remuneration Policy to shareholders at the annual general meeting at least once every three years.

An Ordinary Resolution for the approval of this policy will be considered by shareholders at the forthcoming Annual General Meeting of the Company to be held in July.

Financial Statements / 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 2014 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 (IFRS) 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 34 of this annual report, 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 Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm.

Auditor commentary

An overview of the scope of our audit

Our audit approach was based on a thorough understanding of the Company's business and is risk-based. The day-to-day management of the Company's investment portfolio, the custody of its investments and the maintenance of the Company's accounting records is outsourced to third-party service providers. Accordingly, our audit work is focused on obtaining an understanding of, and evaluating, internal controls at the Company and relevant third-party service providers. This included a review of reports on the description, design and operating effectiveness of internal controls at relevant third-party service providers. We undertook substantive testing on significant transactions, account balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the design effectiveness of controls over individual systems and the management of specific risks.

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. For the purpose of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of a misstatement or an omission from the financial statements or related disclosures that would make it probable that the judgement of a reasonable person, relying on the information would have been changed or influenced by the misstatement or omission. We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

We established materiality for the financial statements as a whole to be £3,800,000, which is 1% of the Company's total assets.

We have determined the threshold at which we communicate misstatements to the Audit Committee to be £190,000. In addition, we communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

Our assessment of risk

Without modifying our opinion, we highlight the following matters that are, in our judgement, likely to be most important to users' understanding of our audit. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual transactions, balances or disclosures.

Existence and valuation of investments

The Company's business is investing in financial assets with a view to profit from the total return primarily in the form of capital gains. Accordingly, the investment portfolio is a significant material item in the financial statements. The recognition and measurement of the investment portfolio is therefore a risk that requires particular audit attention.

Our audit work included, but was not restricted to, understanding management's process to recognise and measure investments including ownership of those investments, obtaining a confirmation of investments held at the year end directly from the independent custodian, testing the reconciliation of the custodian records to the records maintained by the Company's administrator, testing a selection of investment additions and disposals shown in the Company's records to supporting documentation and agreeing the valuation of quoted investments to an independent source of market prices. In addition, we have assessed the evidence supporting the valuation of the one unquoted investment.

The Company's accounting policy on the valuation of investments is included in note 1(b), and its disclosures about investments held at the year end are included in note 8.

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 2014 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.

Other reporting responsibilities

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;
- the information given in the Strategic Report and 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 ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable, and whether the annual report appropriately discloses those matters that were communicated to the audit committee which we consider should have been disclosed.

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

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 34 of this annual report, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

JULIAN BARTLETT
SENIOR STATUTORY AUDITOR
FOR AND ON BEHALF OF GRANT THORNTON UK LLP
STATUTORY AUDITOR, CHARTERED ACCOUNTANTS
LONDON
22 May 2014

Financial Statements / Income Statement

for the year ended 31 March 2014

	Notes	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Income							
Investment income	2	873	–	873	570	–	570
Total income		873	–	873	570	–	570
Gains and losses on investments							
Gains on investments held at fair value through profit or loss	8	–	87,614	87,614	–	80,714	80,714
Exchange gains on currency balances		–	1,670	1,670	–	92	92
Expenses							
Investment management, management and performance fees	3	–	(2,763)	(2,763)	–	(4,586)	(4,586)
Other expenses	4	(869)	–	(869)	(566)	–	(566)
Profit before finance costs and taxation		4	86,521	86,525	4	76,220	76,224
Finance costs	5	–	(94)	(94)		(18)	(18)
Profit before taxation		4	86,427	86,431	4	76,202	76,206
Taxation	6	(94)	–	(94)	(58)	–	(58)
(Loss)/profit for the year		(90)	86,427	86,337	(54)	76,202	76,148
Basic and diluted (loss)/earnings per share	7	(0.1)p	126.9p	126.8p	(0.1)p	121.2p	121.1p

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.

Financial Statements / Statement of Financial Position

as at 31 March 2014

	Notes	2014 £'000	2013 £'000
Non current assets			
Investments held at fair value through profit or loss	8	368,362	244,296
Current assets			
Other receivables	9	12,072	13,967
Cash and cash equivalents		–	8,401
		12,072	22,368
Total assets		380,434	266,664
Current liabilities			
Other payables	10	40,186	27,048
		40,186	27,048
Net assets		340,248	239,616
Equity attributable to equity holders			
Ordinary share capital	11	17,222	16,117
Share premium account		42,732	26,122
Special reserve		21,747	25,167
Capital redemption reserve		5,577	5,577
Capital reserve	15	256,768	170,341
Revenue reserve		(3,798)	(3,708)
Total equity		340,248	239,616
Net asset value per share	12	498.7p	371.7p

The financial statements on pages 56 to 71 were approved by the Board on 22 May 2014 and were signed on its behalf by:

The Rt Hon Lord Waldegrave of North Hill Chairman
Chairman

The accompanying notes are an integral part of this statement.

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

Financial Statements / Statement of Changes in Equity

for the year ended 31 March 2014

	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 2013	16,117	26,122	25,167	5,577	170,341	(3,708)	239,616
Net profit/(loss) for the year	–	–	–	–	86,427	(90)	86,337
Issue of new shares	1,105	16,610	–	–	–	–	17,715
Repurchase of own shares to be held in treasury	–	–	(3,420)	–	–	–	(3,420)
At 31 March 2014	17,222	42,732	21,747	5,577	256,768	(3,798)	340,248

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 for cancellation	(5)	–	(47)	5	–	–	(47)
At 31 March 2013	**16,117**	**26,122**	**25,167**	**5,577**	**170,341**	**(3,708)**	**239,616**

The accompanying notes are an integral part of this statement.

Financial Statements / Statement of Cash Flows

for the year ended 31 March 2014

	2014 £'000	2013 £'000
Operating activities		
Profit before tax	86,431	76,206
Add back interest paid	94	18
Less: gain on investments held at fair value through profit or loss	(87,614)	(80,714)
Add: exchange (gains)/losses on currency balances	(1,670)	(92)
Purchases of investments held at fair value through profit or loss	(317,854)	(126,693)
Sales of investments held at fair value through profit or loss	271,667	129,878
Increase in other receivables	(162)	(49)
(Decrease)/increase in other payables	(2,950)	2,676
Net cash (outflow)/inflow from operating activities before interest and taxation	(52,058)	1,230
Interest paid	(94)	(18)
Taxation paid	(94)	(58)
Net cash (outflow)/inflow from operating activities	(52,246)	1,154
Financing activities		
Issue of shares	17,715	7,384
Repurchase of own shares to be held in treasury/cancellation	(3,420)	(47)
Drawdown from the loan facility	27,880	–
Net cash inflow from financing	42,175	7,337
(Decrease)/increase in cash and cash equivalents	(10,071)	8,491
Cash and cash equivalents at start of year	8,401	(182)
Effect of foreign exchange rate changes	1,670	92
Cash and cash equivalents at end of year	–	8,401

The accompanying notes are an integral part of this statement.

Financial Statements / Notes to the Accounts

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 £707,000 (31 March 2013: £436,000) broken down as follows: purchase transaction costs for the year to 31 March 2014 were £412,000, (31 March 2013: £226,000), sale transaction costs were £295,000 (31 March 2013: £210,000). 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.

Financial Statements / Notes to the Accounts

1. Accounting Policies Continued

(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.

Financial Statements / Notes to the Accounts

1. Accounting Policies Continued

(h) Functional and presentational currency

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

(i) the primary economic environment of the Company;

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

(iii) the currency in which distributions are made;

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

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

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

(i) Reserves

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, equal to the nominal value of the Shares

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.

- a transfer will be made to this reserve on cancellation of the Company's own shares purchased or when the Company repurchases its own shares to be held in treasury.

(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.

Financial Statements / Notes to the Accounts

2. Income

	2014 £'000	2013 £'000
Investment income		
Overseas income	873	570
Total income	873	570

3. Investment Management, Management and Performance Fees

	Revenue £'000	Capital £'000	2014 Total £'000	Revenue £'000	Capital £'000	2013 Total £'000
Investment management fee	–	1,967	1,967	–	1,245	1,245
Management fee	–	890	890	–	583	583
Performance fee	–	(94)	(94)	–	2,758	2,758
	–	2,763	2,763	–	4,586	4,586

During the year, performance fees totaling £2,663,000 crystallised, of which £982,000 remained payable at the period end. (31 March 2013: £1,640,000 crystallised).

The performance fee amount of £94,000 which was written back as at 31 March 2014 represents outperformance generated as 31 March 2013 which was not maintained for the twelve month period. In accordance with the performance fee arrangements this amount was written back as at 31 March 2014.

The fees crystallised at the following quarterly calculation dates:

	£'000
30 June 2013	–
30 September 2013	579
31 December 2013	1,102
31 March 2014	982
Fees crystallised during the year ended 31 March 2014	2,663

Details of the performance fee basis and amounts paid during the year can be found in the Report of the Directors on page 29.

Financial Statements / Notes to the Accounts

4. Other Expenses

	Revenue £'000	Capital £'000	2014 Total £'000	Revenue £'000	Capital £'000	2013 Total £'000
Directors' emoluments	182	–	182	174	–	174
Frostrow's fixed fee	60	–	60	60	–	60
Auditors' remuneration for the audit of the Company's financial statements	25	–	25	25	–	25
Auditors' remuneration for review of the half year accounts and performance fee calculations	6	–	6	5	–	5
Auditor's remuneration for other services	4	–	4	3	–	3
Legal and professional fees*	196	–	196	2	–	2
Registrar fees	49	–	49	34	–	34
Listing fees	49	–	49	84	–	84
Other including irrecoverable VAT	298	–	298	179	–	179
	869	–	869	566	–	566

* includes legal fees of £126,000 in relation to the prospectus published in July 2013 and £54,000 in connection with advice sought relating to the Alternative Investment Fund Managers Directive.

Details of the amounts paid to Directors are included in the Directors' Remuneration Report and the Directors' Remuneration Policy Report on pages 49 and 52.

5. Finance Costs

	Revenue £'000	Capital £'000	2014 Total £'000	Revenue £'000	Capital £'000	2013 Total £'000
Loan interest	–	94	94	–	18	18
	–	94	94	–	18	18

6. Taxation

(a) Analysis of charge in the year:

	Revenue £'000	Capital £'000	2014 Total £'000	Revenue £'000	Capital £'000	2013 Total £'000
Overseas tax suffered	94	–	94	58	–	58
Total current taxation for the year (see note 6(b))	94	–	94	58	–	58

Financial Statements / Notes to the Accounts

6. Taxation Continued

(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 23% (2013: 24%). The differences are explained below:

	Revenue £'000	Capital £'000	2014 Total £'000	Revenue £'000	Capital £'000	2013 Total £'000
Net profit on ordinary activities before taxation	4	86,427	86,431	4	76,202	76,206
Corporation tax at 23% (2013: 24%)	1	19,878	19,879	1	18,288	18,289
Effects of:						
Non-taxable gains on investments held at fair value through profit or loss	–	(20,535)	(20,535)	–	(19,393)	(19,393)
Non-taxable overseas dividends	(201)	–	(201)	(137)	–	(137)
Overseas taxes	94	–	94	58	–	58
Excess expenses unused	198	657	855	135	1,105	1,240
Disallowed expenses	2	–	2	1	–	1
Current tax charge	94	–	94	58	–	58

(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 £5,618,000 (2013: £5,610,000) 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

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

	Revenue pence	Capital pence	2014 Total pence	Revenue pence	Capital pence	2013 Total pence
(Loss)/earnings per share	(0.1)p	126.9p	126.8p	(0.1)p	121.2p	121.1p

The total gain per share of 126.8p (2013: gain 121.1p) is based on the total gain attributable to equity shareholders of £86,337,000 (2013: gain £76,148,000).

The revenue loss per share 0.1p (2013: loss 0.1p) is based on the revenue loss attributable to equity shareholders of £90,000 (2013: £54,000). The capital gain per share of 126.9p (2013: gain 121.2p) is based on the capital gain attributable to equity shareholders of £86,427,000 (2013: gain £76,202,000).

The total revenue loss and capital gain per share are based on the weighted average number of shares in issue during the year of 68,115,445 (2013: 62,887,103).

Financial Statements / Notes to the Accounts

8. Investments Held at Fair Value Through Profit and Loss

All investments are designated as fair value through profit or loss on initial recognition, therefore all gains and losses arise on investments designated as fair value through profit or loss.

As at 31 March 2014, all investments with the exception of the unquoted investment in OrbiMed Asia Partners L.P fund have been classified as level 1. OrbiMed Asia Partners L.P fund has been classified as level 3. See note 13 beginning on page 67 for further details.

	2014 Listed Equity £'000	2014 Unquoted £'000	2014 Total £'000	2013 Total £'000
Cost at 1 April 2013	165,797	2,218	168,015	142,536
Investment holding gains at 1 April 2013	75,993	288	76,281	19,119
Valuation at 1 April 2013	241,790	2,506	244,296	161,655
Movement in the year				
Purchases at cost	305,739	323	306,062	145,510
Sales – proceeds	(269,610)	–	(269,610)	(143,583)
– gains on disposal	64,338	–	64,338	23,552
Net movement in investment holding gains	23,610	(334)	23,276	57,162
Valuation at 31 March 2014	365,867	2,495	368,362	244,296
Closing book cost at 31 March 2014	266,264	2,541	268,805	168,015
Investment holding gains at 31 March 2014	99,603	(46)	99,557	76,281
Valuation at 31 March 2014	365,867	2,495	368,362	244,296

	2014 £'000	2013 £'000
Gains on investments:		
Gains on disposal based on historical cost	64,338	23,552
Amounts recognised as investment holding loss in previous year	(38,085)	(6,804)
Gains on disposal based on carrying value at previous financial position date	26,253	16,748
Net movement in investment holding gains in the year	61,361	63,966
Gains on investments	87,614	80,714

9. Other Receivables

	2014 £'000	2013 £'000
Future settlements – sales	11,795	13,852
Other debtors	105	40
Prepayments and accrued income	172	75
	12,072	13,967

10. Other Payables

	2014 £'000	2013 £'000
Future settlements – purchases	10,427	22,219
Performance fee accrued	982	4,131
Bank loan*	27,880	–
Other creditors and accruals	897	698
	40,186	27,048

* Further details can be found in note 13 beginning on page 67.

Financial Statements / Notes to the Accounts

11. Ordinary share capital

	2014 £'000	2013 £'000
Allotted, issued and fully paid:		
68,224,038 shares of 25p (2013: 64,466,347)	17,056	16,117
662,309 shares of 25p held in treasury (2013: nil)	166	–
	17,222	16,117

As at 31 March 2014 the Company had 68,886,347 shares of 25p in issue including 662,309 shares held in treasury (2013: 64,466,347). During the year 4,420,000 shares were issued raising £17,715,000. In addition, 662,309 shares were repurchased to be held in treasury at a cost of £3,420,000 (including expenses). Subsequent to the year end and to the date of this report a further 107,128 shares were repurchased to be held in treasury at a cost of £463,000.

12. Net Asset Value per Share

	2014 £'000	2013 £'000
Net asset value per share	498.7p	371.7p

The net asset value per share is based on the net assets attributable to equity shareholders of £340,248,000 (2013: £239,616,000) and on 68,224,038 (excluding 662,309 shares held in treasury) (2013: 64,466,347) shares in issue at 31 March 2014.

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 6. 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 14.

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

(a) Currency risk:

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

Financial Statements / Notes to the Accounts

13. Risk Management Policies and Procedures Continued

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 £345,433,000 (2013: £234,260,000) of investments denominated in U.S. dollars and £22,929,000 (2013: £10,036,000) 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 (2013: 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:

	2014 USD £'000	2013 USD £'000
Impact on revenue return	–	–
Impact on capital return	38,132	25,860
Total return after tax/effect on shareholders' funds	38,132	25,860

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

	2014 USD £'000	2013 USD £'000
Impact on revenue return	–	–
Impact on capital return	(31,199)	(21,158)
Total return after tax/effect on shareholders' funds	(31,199)	(21,158)

(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.

Financial Statements / Notes to the Accounts

13. Risk Management Policies and Procedures Continued

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 (2013: 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 2014 would have increased/decreased by £73,193,000 (2013: £48,542,000), 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.

2. Liquidity risk:

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

Management of the risk

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

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 2014, based on the earliest date on which payment can be required, are as follows:

Amounts due to brokers and accruals £12,306,000 (2013: £27,048,000). 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.

Certain of the Company's assets are held by Goldman Sachs as collateral for the loan provided by them to the Company. Such assets held by Goldman Sachs are available for rehypothecation†. As at 31 March 2014, assets with a total market value of £37.1 million were held as collateral (2013: nil).

† See glossary on page 73.

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 2014 the Company's exposure to credit risk amounted to £12,072,000 and was in respect of cash and other receivables, such as amounts due from brokers and dividends (2013: £22,368,000).

Financial Statements / Notes to the Accounts

13. Risk Management Policies and Procedures Continued

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 at 31 March 2014 the investment in OrbiMed Asia Partners LP fund has been classified as Level 3. The fund has been valued at the estimated net asset value as at 31 December 2013 and it is believed that the value of the fund as at 31 March 2014 will not be materially different. If the value of the fund was to increase or decrease by 10%, while all other variables had remained constant, the return and net assets attributable to Shareholders for the year ended 31 March 2014 would have increased/decreased by £250,000.

As of 31 March 2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Financial investments designated at fair value through profit or loss	365,867	–	2,495	368,362

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

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.

	2014 £'000	2013 £'000
Assets		
As at 1 April	2,506	1,790
Total gains during the year	(334)	287
Net capital commitments	323	429
Assets as at 31 March	2,495	2,506

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 57 and is managed on a basis consistent with its investment objective and policy as set out on page 6. 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.

Financial Statements / Notes to the Accounts

13. Risk Management Policies and Procedures Continued

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, or to be held in treasury which takes account of the difference between the net asset value per share and the share price (i.e. the level of share price discount or premium);

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

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

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

14. Related Parties

The following are considered to be related parties:

- OrbiMed Capital LLC
- The Directors of the Company

Details of the relationship between the Company and OrbiMed Capital LLC, the Company's Investment Manager, are disclosed in the Report of Directors on pages 29 and 30. Sven Borho is a Director of the Company, as well as a Partner at OrbiMed Capital LLC. During the year ended 31 March 2014, OrbiMed Capital LLC earned £1,967,000 in respect of Investment Management fees, of which £544,000 was outstanding at the year end. In addition, amounts totaling £2,442,000 were earned by OrbiMed Capital LLC during the year in respect of performance fees which crystallised, of which £914,000 was outstanding at the year end. All material related party transactions have been disclosed on pages 27, 49, 51 and 52 and in note 3 and 4 on pages 63 and 64. Details of the remuneration of all Directors can be found on pages 49 and 52.

15. Capital Reserve

	Capital reserves – other £'000	Capital reserve – investment holdings gains/(losses) £'000	Total £'000
At 31 March 2013	94,060	76,281	170,341
Transfer on disposal of investments	38,085	(38,085)	–
Net gains on investments	26,253	61,361	87,614
Exchange gains	1,670	–	1,670
Expenses charged to capital	(2,857)	–	(2,857)
At 31 March 2014	157,211	99,557	256,768

Profits arising out of a change in fair value of assets, recognised in accordance with Accounting Standards, may be distributed provided the relevant assets can be readily convertible into cash. Securities listed on a recognised stock exchange are generally regarded as being readily convertible into cash. Under the terms of the revisions made to the Company's Articles of Association in 2013, sums within "Capital reserves – other" are also available for distribution.

Further Information / Shareholder Information

Financial Calendar

31 March	Financial Year End
May	Final Results Announced
30 September	Half Year End
November	Half Year Results Announced
February/August	Interim Management Statement Announced
July	Annual General Meeting

Annual General Meeting

The Annual General Meeting of The Biotech Growth Trust PLC will be held at the Barber Surgeons' Hall, Monkwell Square, Wood Street, London EC2Y 5BL on Thursday, 10 July 2014 at 12.30 p.m.

Share Prices

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

Change of Address

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

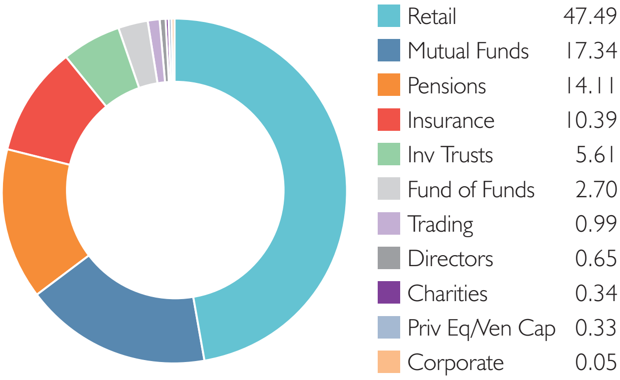
Daily Net Asset Value

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

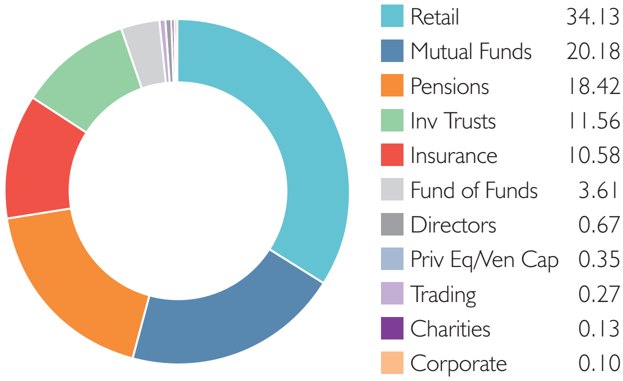
Profile of the Company's Ownership

% of Ordinary Shares held at 31 March

2014



2013



Further Information / Glossary of Terms

Investment Trust Terms

AIFM

The Alternative Investment Fund Manager Directive (the "Directive") is a European Union Directive that entered into force on 22 July 2013. The Directive regulates EU fund managers that manage alternative investment funds (this includes investment trusts). There is a one-year transition period within which alternative funds must comply with the provisions of the Directive.

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

Calculated using the Association of Investment Companies definition.

Total assets, less current liabilities (before deducting 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.

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.

Further Information / How to Invest

Investment Platforms

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

AJ Bell Youinvest	http://www.youinvest.co.uk/
Alliance Trust Savings	http://www.alliancetrustsavings.co.uk/
Barclays Stockbrokers	https://www.barclaysstockbrokers.co.uk/Pages/index.aspx
Charles Stanley Direct	https://www.charles-stanley-direct.co.uk/
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/
Saxo Capital Markets	http://uk.saxomarkets.com/
TD Direct Investing	http://www.tddirectinvesting.co.uk/

Capita Asset Services – Share Dealing Service

A quick and easy share dealing service is available to existing shareholders through the Company's Registrar, Capita Asset Services, 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	1.5% of the value of the deal
Costs*	(Minimum £21.00, max £125.00)	(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.

The maximum deal size for online trades is £25,000. Deals over this amount can be done over the telephone and rates will be advised at the time of dealing.

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.

*These are correct at the time of printing and may be subject to change. Please visit www.capitadeal.com for the current costs.

Further Information / How to Invest

RISK WARNINGS

– Past performance is no guarantee of future performance.

– The value of your investment and any income from it may go down as well as up and you may not get back the amount invested. This is because the share price is determined, in part, by the changing conditions in the relevant stockmarkets in which the Company invests and by the supply and demand for the Company's shares.

– As the shares in an investment trust are traded on a stockmarket, the share price will fluctuate in accordance with supply and demand and may not reflect the underlying net asset value of the shares; where the share price is less than the underlying value of the assets, the difference is known as the 'discount'. For these reasons, investors may not get back the original amount invested.

– Although the Company's financial statements are denominated in sterling, all of the holdings in the portfolio are currently denominated in currencies other than sterling and therefore they may be affected by movements in exchange rates. As a result, the value of your investment may rise or fall with movements in exchange rates.

– Investors should note that tax rates and reliefs may change at any time in the future.

– The value of ISA and Junior ISA tax advantages will depend on personal circumstances. The favourable tax treatment of ISAs and Junior ISAs may not be maintained.

Further Information / Notice of the Annual General Meeting

Notice is hereby given that the Annual General Meeting of The Biotech Growth Trust PLC will be held at the Barber-Surgeons' Hall, Monkwell Square, Wood Street, London EC2Y 5BL on Thursday, 10 July 2014 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 2014
2. To approve the Directors' Remuneration Report for the year ended 31 March 2014
3. To receive and approve the Remuneration Policy
4. To re-elect The Rt Hon Lord Waldegrave of North Hill as a Director of the Company
5. To re-elect Professor Dame Kay Davies, DBE as a Director of the Company
6. To re-elect Andrew Joy as a Director of the Company
7. To re-elect Sven Borho as a Director of the Company
8. To re-elect Paul Gaunt as a Director of the Company
9. To re-elect Peter Keen as a Director of the Company
10. To appoint Ernst & Young LLP as Auditors to the Company and to authorise the Directors to determine their remuneration

Auditors have to be appointed at each general meeting at which the annual report and accounts are presented to shareholders. On the recommendation of the Audit and Management Engagement Committee, the Board are proposing to appoint Ernst & Young LLP as auditor to the Company following a formal tender process and the subsequent resignation of Grant Thornton UK LLP with effect from the conclusion of the Annual General Meeting to be held on 10 July 2014.

Accordingly, shareholder approval is now sought to appoint Ernst & Young LLP as auditor of the Company and to authorise the Directors to determine their remuneration. As resigning auditor, Grant Thornton UK LLP has provided the Company with a 'Statement of Circumstances' confirming that it resigned as auditor of the Company following the tender process. A copy of the 'Statement of Circumstances' can be found on page 84 of this annual report and obtained from the Company Secretary upon request.

Special Business

To consider and, if thought fit, pass the following resolutions of which resolutions 12, 13, 14 and 16 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 £1,702,922 (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 6,811,691 shares of 25 pence each (or, if less, the number representing 10% of the issued share capital of the Company at the date at which this resolution is passed), provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2015 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

Further Information / Notice of the Annual General Meeting

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 £1,702,922 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 10,210,724 (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

Further Information / Notice of the Annual General Meeting

Market Abuse Directive as regards exemptions for buy-back programmes and stabilisation of financial instruments);

(d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2015 or, if earlier, on the expiry of 15 months from the date of the passing of this resolution unless such authority is renewed prior to such time; and

(e) the Company may make a contract to purchase Shares under this authority before the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority, and may make a purchase of Shares in pursuance of any such contract.

Adoption of New Articles of Association

14. THAT the Articles of Association set out in the document produced to the 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.

Full explanatory notes of principal changes to the Articles of Association are set out on page 83 of this annual report.

Directors' Fees

15. THAT the limit of Directors' fees be increased from £200,000 to £250,000 in aggregate per annum.

General Meetings

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

By order of the Board

Frostrow Capital LLP
Company Secretary
22 May 2014

Registered office:
One Wood Street
London EC2V 7WS

Further Information / Notice of the Annual General Meeting

Notes

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

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

3. To be valid any proxy form or other instrument appointing a proxy must be completed and signed and received by post or (during normal business hours only) by hand at Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 12.30 p.m. on 8 July 2014.

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 8 July 2014 (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 22 May 2014 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 68,886,347 ordinary shares (including 769,437 shares held in treasury), carrying one vote each. Therefore, the total voting rights in the Company as at 22 May 2014 are 68,116,910.

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.

Further Information / Notice of the Annual General Meeting

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 Asset Services on 0871 664 0300 (calls cost 10p per minute plus network extras). Lines are open 8.30am to 5.30pm Monday to Friday.

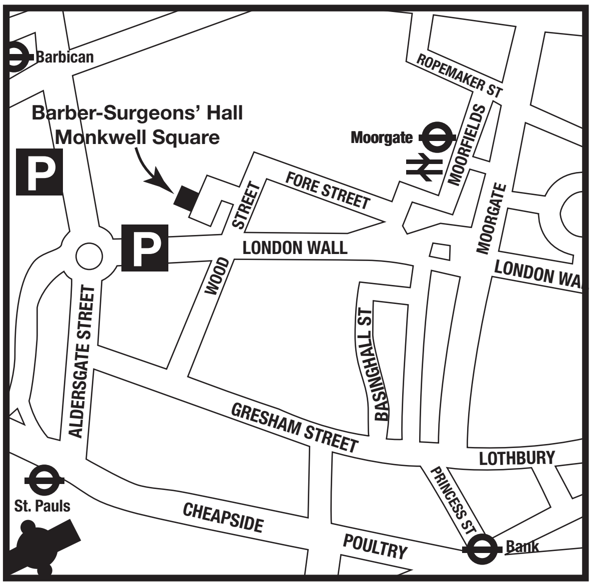
17. If a member submits more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

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 Asset Services, 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 above) then, subject to paragraph 4, the proxy appointment will remain valid.

LOCATION OF THE ANNUAL GENERAL MEETING

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



Further Information / Explanatory Notes to the Resolutions

Resolution 1 – To receive the Annual Report and Accounts

The Annual Report and Accounts for the year ended 31 March 2014 will be presented to the Annual General Meeting. These accounts accompanied this Notice of Meeting and shareholders will be given an opportunity at the meeting to ask questions.

Resolutions 2 to 3 – Remuneration Policy and Remuneration Report

It is now mandatory for all listed companies to put both their Report on Directors' Remuneration and their Remuneration Policy to a shareholder vote. The Report on Directors' Remuneration and the Directors' Remuneration Policy Report are set out in full in this annual report on pages 49 to 52 .

Resolutions 4 to 9 – Re-election of Directors

Resolutions 4 to 9 deal with the re-election of each Director. Biographies of each of the Directors can be found on page 26 of this annual report.

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

Resolution 10 – Appointment of Auditors and the determination of their remuneration

Resolution 10 relates to the appointment of Ernst & Young LLP as the Company's independent auditors to hold office until the next Annual General Meeting of the Company and also authorises the Directors to set their remuneration.

Full details concerning the audit tender process can be found in the Audit and Management Engagement Committee Report on page 48 of this annual report.

Resolutions 11 and 12 – Issue of Shares

Ordinary Resolution No. 11 in the Notice of Annual General Meeting will renew the authority to allot the unissued share capital up to an aggregate nominal amount of £1,702,922 (equivalent to 6,811,691 shares, or 10% of the Company's existing issued share capital on 22 May 2014, being the nearest practicable date prior to the signing of this Report). Such authority will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of the passing of the resolution, whichever is earlier. This means that the authority will have to be renewed at the next Annual General Meeting.

When shares are to be allotted for cash, Section 551 of the Companies Act 2006 (the "Act") provides that existing shareholders have pre-emption rights and that the new shares must be offered first to such shareholders in proportion to their existing holding of shares. However, shareholders can, by special resolution, authorise the Directors to allot shares otherwise than by a pro rata issue to existing shareholders. Special Resolution No. 12 will, if passed, give the Directors power to allot for cash equity securities up to 10% of the Company's existing share capital on 22 May 2014, as if Section 551 of the Act does not apply. This is the same nominal amount of share capital which the Directors are seeking the authority to allot pursuant to Resolution No. 11. This authority will also expire on the date of the next Annual General Meeting or after a period of 15 months, whichever is earlier. This authority will not be used in connection with a rights issue by the Company.

The Directors intend to use the authority given by Resolutions Nos. 11 and 12 to allot shares and disapply pre-emption rights only in circumstances where this will be clearly beneficial to shareholders as a whole. The issue proceeds would be available for investment in line with the Company's investment policy. No issue of shares will be made which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution 13 – Share Repurchases

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

Further Information / Explanatory Notes to the Resolutions

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

Special Resolution No. 13 in the Notice of Annual General Meeting will renew the authority to purchase in the market a maximum of 14.99% of shares in issue on 22 May 2014, being the nearest practicable date prior to the signing of this Report, (amounting to 10,210,724 shares). Such authority will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of passing of the resolution, whichever is earlier. This means in effect that the authority will have to be renewed at the next Annual General Meeting or earlier if the authority has been exhausted.

Resolution 14 – Amendment to Articles of Association

It is proposed to make certain changes to the Company's Articles of Association in order to reflect changes prompted by the introduction of the EU Alternative Investment Fund Managers Directive. Full explanatory notes of Principal Changes to the Articles of Association are set out on page 83 of this Annual Report.

Resolution 15 – Directors' Remuneration

Shareholder approval is sought to increase the limit on Director's fees from £200,000 to £250,000 in aggregate per annum.

Shareholder approval to increase the limit on Directors fees was last sought in 2009. Directors are now seeking shareholder approval to increase the limit as part of board succession planning whereby there may be a period of overlap between the appointment of a new director and the retirement of an existing member of the Board.

Resolution 16 – General Meetings

Special Resolution No. 16 seeks shareholder approval for the Company to hold General Meetings (other than the Annual General Meeting) at 14 clear days' notice.

Recommendation

The Board considers that the resolutions relating to the above items of special business, are in the best interests of shareholders as a whole. Accordingly, the Board unanimously recommends to the shareholders that they vote in favour of the above resolutions to be proposed at the forthcoming Annual General Meeting as the Directors intend to do in respect of their own beneficial holdings totaling 444,934 shares.

Further Information / Explanatory Notes of Principal Changes to the Company's Articles of Association

It is proposed that the Company adopts new Articles of Association ("Articles") to reflect changes prompted by the introduction of the EU Alternative Investment Fund Managers Directive ("AIFMD")

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 10 July 2014.

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.

The Company is an alternative investment fund for the purposes of the AIFMD. The AIFMD and its implementing regulations require that certain disclosures be made in the instrument constituting the Company.

For this reason, the Company is proposing that the Articles be amended to provide that the Company's annual report and accounts will be prepared in accordance with generally accepted accounting standards or such other accounting standards determined by the Company's directors and permitted by UK law from time to time. Additionally, it is proposed that the Articles be amended to state that valuations will be made in accordance with the accounting standards then in force.

The Company is proposing that the Articles be amended to provide that the net asset value of the Company will be calculated at least annually and shall be disclosed to shareholders from time to time in such manner as may be determined by the Company's directors.

The Company is also proposing that the Articles be amended to provide that the information required by the AIFMD to be disclosed to shareholders prior to an investment in the Company shall be made available to prospective and existing shareholders from time to time in such manner as may be determined by the Company's directors.

Such disclosures reflect current practice by the Company and do not reflect a change in policy.

The Company is proposing to appoint J.P. Morgan Europe Limited ("J.P. Morgan") as its depositary on the terms and subject to the conditions prescribed in the AIFMD. Article 21(14)(a) of the AIFMD states that, where the law of a third country requires that financial instruments are held in custody by a local entity and there are no local entities that satisfy the delegation requirements laid down in the AIFMD, J.P. Morgan can discharge itself of liability for any loss caused to the Company or its investors by such local entity provided that the Articles of the Company expressly allow for such a discharge. Therefore, J.P. Morgan has requested that the Articles be amended to expressly allow for such discharge of liability, and the amended Articles will make such provision.

Further Information / Statement of Circumstances

Grant Thornton

The Company Secretary
The Biotech Growth Trust plc
One Wood Street
London
EC2V 7WS

22 May 2014

Company Number 3376377

The Biotech Growth Trust plc

Further to the requirements of section 519 of the Companies Act 2006 the circumstances connected with our ceasing to hold office are as follows:

- we were not reappointed after a tender process for the auditors

Grant Thornton UK LLP

Further Information / Company Information

Directors
The Rt Hon Lord Waldegrave of North Hill, (Chairman)
Sven Borho
Professor Dame Kay Davies, DBE
Paul Gaunt
Dr John Gordon (Senior Independent Director and Chairman of the Remuneration Committee)
Andrew Joy
Peter Keen (Chairman of the Audit and Management Engagement Committee)

Registered Office
One Wood Street
London EC2V 7WS

Website
www.biotechgt.com

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.

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

Manager, Company Secretary and Administrator
Frostrow Capital LLP
25 Southampton Buildings
London WC2A 1AL
Telephone: 0203 008 4910
E-Mail: info@frostrow.com
Website: www.frostrow.com
Authorised and regulated by the Financial Conduct Authority.

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

Independent Auditors
Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

Custodian and Banker
Goldman Sachs & Co.
200 West Street, Third Floor
New York, NY 10282 USA

Registrars
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Telephone (in UK): 0871 664 0300†
Telephone (from overseas): +44 20 8639 3399
Facsimile: +44 (0) 1484 600911
E-Mail: ssd@capitaassetservices.com

Website: www.capitaassetservices.com

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

†calls cost 10p per minute plus network charges and may be recorded for training purposes. Lines are open from 8.30 a.m. to 5.30 p.m. Monday to Friday.

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

Solicitors
Dechert LLP
160 Queen Victoria Street
London EC4V 4QQ

Identification Codes

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

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Disability Act

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

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Investment Week, Investment Company of the year, Specialist Category 2012 and 2013
techMark Technology Fund Manager of the year 2011 and 2012 (OrbiMed Capital LLC)

UKtech awards Fund Manager of the year 2013
(OrbiMed Capital LLC)

Investment Trusts Magazine, Best Specialist Trust 2011 and 2012

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