

# THE BIOTECH GROWTH TRUST PLC

INTERIM REPORT  
FOR THE SIX MONTHS TO 30 SEPTEMBER 2010



**Frostrow**  
CAPITAL



**OrbiMed**  
Healthcare Fund Management

## INVESTMENT OBJECTIVE AND BENCHMARK

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

## INVESTMENT POLICY

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

### *Investment restrictions*

The Board seeks to manage the Company's risk by imposing various investment limits and restrictions. The limits and restrictions remain unchanged from those published in the annual report for the year ended 31 March 2010. A summary of the key limits and restrictions are as follows:

- The Company will not invest more than 15% of the portfolio in any one individual stock at the time of acquisition.
- The largest 30 quoted stocks will normally represent at least 50% of the quoted portfolio.
- The Company will not invest more than 10% of the portfolio in direct unquoted investments at the time of acquisition. This limit does not include any investment in private equity funds managed by OrbiMed Capital LLC, the Company's Investment Manager, or any affiliate thereof.
- The majority of the emerging biotechnology companies that the Company will invest in are likely to be companies with a market capitalisation of less than US\$3 billion that have undergone an IPO (Initial Public Offering) but as yet are unprofitable. They will typically be focused on drug research and development, with their valuations driven by profitable developments, clinical trial results and partnerships.
- The Company 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 Capital LLC, the Company's Investment Manager, or an affiliate thereof.
- The Company does not hedge its foreign currency exposure.

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.

## CAPITAL STRUCTURE

During the half year, a total of 90,052 shares were repurchased by the Company for cancellation. At 30 September 2010, the Company had 65,869,809 shares of 25p each in issue (30 September 2009: 50,127,463; 31 March 2010: 65,959,861). Since the end of the half year 273,174 shares have been repurchased for cancellation by the Company. As at 22 November 2010 the Company had 65,596,635 shares in issue.

## GEARING

Under the Company's Articles of Association, the maximum amount the Company may borrow is a sum equal to 33% of the adjusted total capital and reserves. The Company's borrowing requirements are met through the utilisation of a loan facility, repayable on demand, provided by the Company's custodian, Goldman Sachs & Co. New York. At 30 September 2010, the Company had not used this facility.

## CONTINUATION VOTE

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



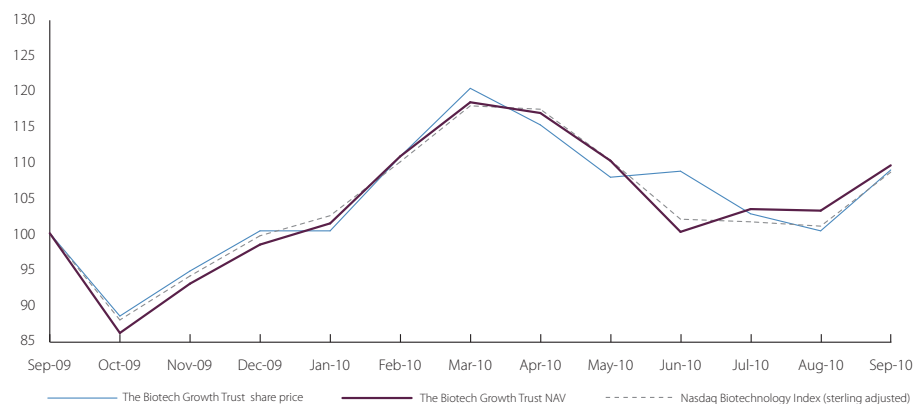
The Association of  
Investment Companies A member of the Association of Investment Companies.

# COMPANY SUMMARY

## PERFORMANCE STATISTICS

	30 September 2010	31 March 2010	% change
Net asset value per share	168.3p	182.6p	-7.8
Share price	159.0p	175.8p	-9.6
Discount of share price to net asset value per share	5.5%	3.7%	-
NASDAQ Biotechnology Index (sterling adjusted)	569.3	618.1	-7.9

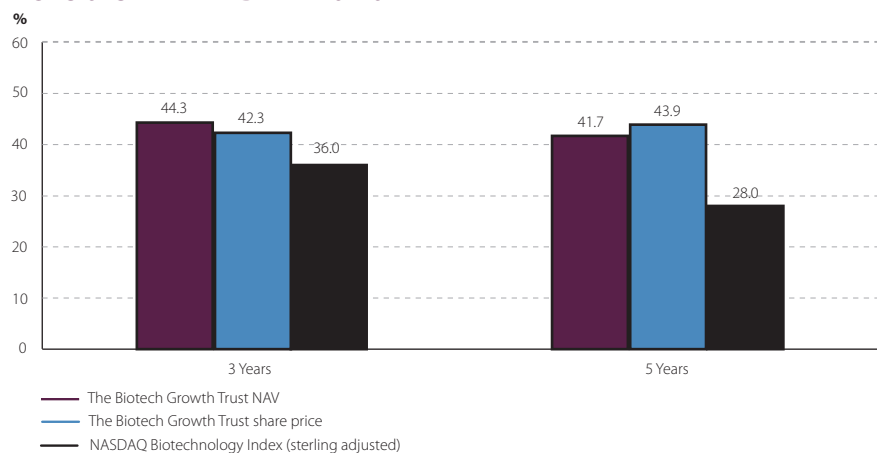
## ONE YEAR PERFORMANCE



Figures are rebased to 100 at 30 September 2009

Source: Frostrow Capital LLP

## THREE AND FIVE YEAR PERFORMANCE TO 30 SEPTEMBER 2010



Source: Morningstar

# CHAIRMAN'S STATEMENT

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## PERFORMANCE

Following strong returns during the last financial year, it is disappointing to report that markets were rather more subdued during the first half of the current financial year. The Company's net asset value per share fell by 7.8% during the period compared to a fall of 7.9% in the Company's benchmark, the NASDAQ Biotechnology Index, measured in sterling terms. The Company's share price fell by 9.6% as the discount of the share price to the net asset value per share widened from 3.7% at 31 March 2010 to 5.5% at 30 September 2010.

During the half year the U.S. dollar fell by 3.9% against sterling from \$1.52 to £1 at the end of March 2010 to \$1.58 to £1 at the end of September 2010. This had an adverse influence on the Company's net asset value. Another negative factor was the slight underperformance of the biotechnology sector against the wider market. This underperformance reflected concerns over the short term impact of the recently enacted U.S. healthcare reform and weaker than expected earnings reports from a number of major biotechnology companies.

Merger and acquisition (M&A) activity remains extremely important for the sector. For example, the shares of portfolio holding Genzyme rose by over 25% on news that Sanofi-Aventis had made a takeover approach. We believe that we are well placed to benefit from further M&A activity in the future.

Further information on the investment performance and the outlook for the Company is given in the Review of Investments beginning on page five of this Interim Report.

## DISCOUNT MANAGEMENT POLICY AND SHARE BUYBACK POLICY

The Board has continued to implement its policy of active discount management and to buy back shares for cancellation when the discount of the share price against the net asset value per share is greater than 6%. During the six months under review the Company repurchased a total of 90,052 shares for cancellation at a cost of £134,000 (including expenses).

## REVENUE AND DIVIDENDS

The revenue loss for the period was £202,000 (six months ended 30 September 2009: loss of £233,000) and no interim dividend is declared (six months ended 30 September 2009: nil).

## OUTLOOK

President Obama's Democratic Party suffered heavy losses in the recent U.S. mid-term elections. The Republican Party took control of the House of Representatives and made significant gains in the Senate. This result brings uncertainty to the proposed healthcare reform in the U.S. as the Republicans have indicated that they would wish to 'repeal and replace' the healthcare reform law passed in early 2010. President Obama, however, has pledged to find common ground with the Republicans on this and other key issues and the polls suggest that, overall, the public wants the healthcare reform to be amended rather than scrapped altogether. The outcome is likely to remain unclear for some time and at this stage it is impossible to predict whether progress or paralysis will mark the remainder of President Obama's term of office. While it is unlikely that there will be a wholesale repeal of the healthcare reform, the expected gridlock should lead to less

## CHAIRMAN'S STATEMENT (continued)

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negative rhetoric and legislation against the healthcare industry, a positive for healthcare companies overall.

Your Board remains of the view that the longer term outlook for the biotechnology sector is promising, with M&A activity being a key driver of performance for the sector as a whole.

Our focus continues to be on the selection of stocks with strong prospects for capital growth and our belief that the long term investor in our sector will be well rewarded is still firm.

**JOHN SCLATER CVO**  
**CHAIRMAN**  
**22 NOVEMBER 2010**

# INTERIM MANAGEMENT REPORT

## PRINCIPAL RISKS AND UNCERTAINTIES

A review of the half year, including reference to the risks and uncertainties that existed during the period, and the outlook for the Company can be found in the Chairman's Statement beginning on page two and in the Review of Investments beginning on page five. The principal risks faced by the Company fall into ten broad categories: objective and strategy; level of discount/premium; portfolio performance; operational and regulatory; market price risk; liquidity risk; shareholder profile; currency risk; the risk associated with the Company's loan facility; and credit risk. Information on each of these areas is given in the Business Review within the annual report and accounts for the year ended 31 March 2010. In the view of the Board these principal risks and uncertainties are applicable to the remaining six months of the financial year as they were to the six months under review.

## RELATED PARTY TRANSACTIONS

During the first six months of the current financial year, no transactions with related parties have taken place which have affected the financial position or the performance of the Company during the period.

## DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the interim report in accordance with applicable law and regulations. The Directors confirm that to the best of their knowledge the condensed set of financial statements, within the interim report, have been prepared in accordance with IAS 34 and that the Chairman's Statement and the Interim Management Report include a fair review of the information required by 4.2.7R and 4.2.8R of the FSA's Disclosure and Transparency Rules.

The interim report was approved by the Board on 22 November 2010 and the above responsibility statement was signed on its behalf by:

**JOHN SCLATER CVO**  
**CHAIRMAN**

## PERFORMANCE

The Company's net asset value per share declined by 7.8% during the six month period ended 30 September 2010. The Company performed in-line with our benchmark index, the NASDAQ Biotechnology Index (measured on a sterling adjusted basis), which declined 7.9% during this period. Currency movements had a negative effect on the Company's net asset value performance, as sterling appreciated 3.9% against the U.S. dollar during this period.

The largest gains in the portfolio were from positions in Genzyme, Pharmacyclics, Endo Pharmaceuticals The Medicines Company, and Illumina. Genzyme received a takeover bid from Sanofi-Aventis at a 27% premium, which was subsequently rejected by Genzyme's Board as being too low. Most investors believe Sanofi-Aventis is committed to completing the transaction and will increase its offer. Pharmacyclics announced positive data from its phase I trial of PCI-32765, its Btk inhibitor for the treatment of lymphoma. We continue to believe that this compound is one of the most promising new agents for cancer. Endo Pharmaceuticals made progress in its franchise extension strategy for its painkiller Opana and also acquired two businesses, the urology diagnostics/services company HealthTronics and the generics company Qualitest, which are both accretive to earnings. The Medicines Company received an extension of its patent for its lead drug Angiomax. Illumina has posted strong operating results with the introduction of its new HiSeq instrument line, continuing its leadership in the gene sequencing sector.

The biggest losses were from positions in Gilead Sciences and Allos Therapeutics. Gilead has performed poorly due to increased concern that it will be unable to grow beyond the patent expiry for its HIV drug Viread in 2018. We continue to think there is value in the company's shares and the patent cliff will not be as dramatic as investors fear. Allos' shares declined due to a disappointing launch of their lead drug Folutyn for T-cell lymphoma.

Since the signing of the U.S. healthcare reform bill in March 2010, markets have struggled to determine the implications of the reform measures for healthcare companies. The major biotechnology companies tended to underperform as investors factored in reduced Medicaid reimbursement and other small reform impacts into earnings projections. While there are some minimal reform-related costs for biotechnology companies to absorb in the near-term, the gains in patient volumes from having an extra 30 million Americans insured in 2014 should still represent a net benefit for the industry. In general, Americans remain divided about their support for the healthcare reform package. In the run-up to the mid-term elections, one of the main Republican platform initiatives resonating with voters was the Republicans' desire to repeal or replace "ObamaCare" and they substantially eroded the Democratic majorities in Congress, taking control of the House of Representatives and making significant gains in the Senate. While it is unlikely that this will lead to wholesale repeal of healthcare reform, the resulting gridlock should lead to less negative rhetoric and legislation against the healthcare industry, a positive for healthcare companies overall.

Merger and acquisition (M&A) activity remains a key theme for biotechnology investing. During the period, Sanofi-Aventis launched a takeover bid for Genzyme, one of the largest holdings within the portfolio. If the transaction is completed, this will leave only five independent biotechnology companies

## REVIEW OF INVESTMENTS (continued)

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that we consider major, following the acquisitions of Genentech, MedImmune and Chiron over the past several years. The acquisition shows that M&A activity is not restricted to emerging biotechnology companies and that the larger, more mature major biotechnology companies still represent compelling value. Interestingly, Genzyme focuses primarily on orphan disease markets, which involves delivering extremely high-priced drugs to very small patient populations. In the past it has been conventional wisdom that large pharmaceutical companies would not acquire orphan disease companies, as it would be poor public relations to sell such expensive drugs, whose prices can exceed \$300,000 annually. Sanofi's acquisition interest in Genzyme may signal a shift in this attitude towards these markets and a belief that high pricing is sustainable even for a large pharmaceutical company. Other profitable orphan disease companies that may now be considered as acquisition targets include portfolio holdings Shire, BioMarin Pharmaceutical, and former holding Alexion Pharmaceuticals.

Although the number of major biotechnology companies has gradually been declining over the years due to acquisitions, there are several companies with major drug launches underway or expected over the next year that are poised to become the next generation of major biotechnology companies. Three such candidates are currently held within the portfolio. Dendreon recently launched Provenge, a cell-based immunotherapy for the treatment of advanced prostate cancer. We expect Provenge sales to eventually exceed \$2 billion. In December we expect approval of Human Genome Sciences' Benlysta for Lupus. This is a multi-billion dollar opportunity, as lupus is a high-unmet medical need. Finally, in mid-2011, we anticipate the approval of Vertex's Telaprevir for hepatitis C. Data released recently indicates that Telaprevir increases the cure rate to 75% compared to 44% for the current standard of care. We expect rapid uptake of this drug, due to retreatment of prior treatment failures and an increase in new patients seeking treatment.

The number of holdings in the portfolio remains at approximately 30, exclusive of unquoted investments and warrants. The geographic distribution of assets is 82% North America, 14% Europe, 3% Israel and 1% Asia. Currently approximately 40% of the Company's assets are invested in major biotechnology companies, and 60% are invested in emerging biotechnology companies. We have taken a closer look at potential opportunities in Asia as more companies have gone public in that area.

With the Republicans having made significant gains in the recent U.S. mid-term elections, investors increasingly understanding the implications of healthcare reform, and several blockbuster drugs expected to launch over the next 12-18 months, we think that the outlook for the biotechnology sector is bright and believe that strong returns can be delivered.

**SVEN BORHO**  
**ORBIMED CAPITAL LLC**  
**INVESTMENT MANAGER**  
**22 NOVEMBER 2010**



# TOP AND BOTTOM FIVE CONTRIBUTORS TO NET ASSET VALUE PERFORMANCE

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FOR THE SIX MONTHS TO 30 SEPTEMBER 2010

	<b>Contribution for the six months to 30 September 2010 £'000</b>	<b>Contribution per share (pence)*</b>
<b>Top Five Contributors</b>		
1 Genzyme	3,421	5.2
2 Pharmacyclics	3,041	4.6
3 Endo Pharmaceuticals	2,795	4.2
4 The Medicines Company	2,507	3.8
5 Illumina	1,760	2.7
	<b>13,524</b>	<b>20.5</b>
<b>Bottom Five Contributors</b>		
1 Gilead Sciences	(2,251)	(3.4)
2 Allos Therapeutics	(1,773)	(2.7)
3 Curis	(1,750)	(2.7)
4 InterMune	(1,735)	(2.6)
5 Celgene	(1,464)	(2.2)
	<b>(8,973)</b>	<b>(13.6)</b>

\* based on 65,934,855 ordinary shares being the weighted average number of shares in issue during the period ended 30 September 2010

Source: Frostrow Capital LLP

# INVESTMENTS

AS AT 30 SEPTEMBER 2010

Security	Country	Fair Value £'000	% of Investments
Amgen	United States	9,093	8.0
Genzyme	United States	7,321	6.5
Gilead Sciences	United States	6,418	5.7
Shire	Ireland	6,214	5.5
Cubist Pharmaceuticals	United States	6,081	5.4
Celgene	United States	5,776	5.1
Pharmacyclics	United States	5,626	5.0
Human Genome Science	United States	5,018	4.4
Endo Pharmaceuticals	United States	4,556	4.0
BioMarin Pharmaceutical	United States	4,474	4.0
<b>Top 10 Investments</b>		<b>60,577</b>	<b>53.6</b>
Warner Chilcott	Ireland	4,471	3.9
Illumina	United States	4,274	3.8
Ariad Pharmaceuticals	United States	3,981	3.5
Incyte Genomics	United States	3,717	3.3
Clinical Data	United States	3,646	3.3
Actelion	Switzerland	3,423	3.0
Biogen Idec	United States	3,418	3.0
Teva Pharmaceutical Industries	Israel	3,147	2.8
Allos Therapeutics	United States	2,795	2.4
Dendreon	United States	2,551	2.3
<b>Top 20 Investments</b>		<b>96,000</b>	<b>84.9</b>
Thermo Fisher Scientific	United States	2,297	2.0
Orexigen Therapeutics	United States	2,239	2.0
Medivir	Sweden	2,099	1.8
Vertex Pharmaceuticals	United States	2,018	1.8
Cephalon	United States	1,656	1.5
Affymetrix	United States	1,243	1.1
Pharmasset	United States	1,194	1.1
Savient Pharmaceuticals	United States	1,131	1.0
Caduceus Asia Partners L.P. ( <i>unquoted</i> )	Far East	1,083	0.9
Transcept	United States	990	0.9
<b>Top 30 Investments</b>		<b>111,950</b>	<b>99.0</b>
Anadys Pharmaceuticals	United States	686	0.6
Cytokinetics	United States	410	0.4
Biowisdom ( <i>unquoted</i> )	United Kingdom	15	–
Ligand Pharmaceuticals Inc Wts 10/13/11*	United States	–	–
<b>Total Investments</b>		<b>113,061</b>	<b>100.0</b>

All of the above investments are equities unless otherwise stated.

\*Includes warrants

# INCOME STATEMENT

for the six months ended 30 September 2010

	Note	(Unaudited) Six months ended 30 September 2010			(Unaudited) Six months ended 30 September 2009			(Audited) Year ended 31 March 2010		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Investment Income</b>										
Investment income	2	7	–	7	4	–	4	31	–	31
Other income		–	–	–	–	–	–	34	–	34
<b>Total income</b>		<b>7</b>	<b>–</b>	<b>7</b>	<b>4</b>	<b>–</b>	<b>4</b>	<b>65</b>	<b>–</b>	<b>65</b>
<b>Gains and losses on investments</b>										
(Losses)/gains on investments held at fair value through profit or loss		–	(8,913)	(8,913)	–	9,119	9,119	–	30,979	30,979
Exchange gains/(losses) on currency balances		–	223	223	–	(62)	(62)	–	(725)	(725)
<b>Expenses</b>										
Investment management, management and performance fees	3	–	(512)	(512)	–	(621)	(621)	–	(1,365)	(1,365)
Refund of VAT previously paid on management fees		–	–	–	–	–	–	–	168	168
Other expenses		(199)	–	(199)	(235)	–	(235)	(417)	–	(417)
<b>(Loss)/profit before finance costs and taxation</b>		<b>(192)</b>	<b>(9,202)</b>	<b>(9,394)</b>	<b>(231)</b>	<b>8,436</b>	<b>8,205</b>	<b>(352)</b>	<b>29,057</b>	<b>28,705</b>
Finance costs		(10)	–	(10)	(2)	(3)	(5)	(3)	(13)	(16)
<b>(Loss)/profit before taxation</b>		<b>(202)</b>	<b>(9,202)</b>	<b>(9,404)</b>	<b>(233)</b>	<b>8,433</b>	<b>8,200</b>	<b>(355)</b>	<b>29,044</b>	<b>28,689</b>
Taxation		–	–	–	–	–	–	–	–	–
<b>(Loss)/profit for the period</b>		<b>(202)</b>	<b>(9,202)</b>	<b>(9,404)</b>	<b>(233)</b>	<b>8,433</b>	<b>8,200</b>	<b>(355)</b>	<b>29,044</b>	<b>28,689</b>
<b>(Loss)/earnings per share</b>	4	<b>(0.3)p</b>	<b>(14.0)p</b>	<b>(14.3)p</b>	<b>(0.5)p</b>	<b>16.9p</b>	<b>16.4p</b>	<b>(0.6)p</b>	<b>52.4p</b>	<b>51.8p</b>

The Company does not have any income or expenses which are not included in the profit for the period. Accordingly the “Profit for the period” 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 the statement is the Income Statement of the Company prepared in accordance with IFRS. The supplementary revenue and capital columns are presented for information purposes as recommended by the Statement of Recommended Practice issued by the Association of Investment Companies.

All items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period.

# STATEMENT OF CHANGES IN EQUITY

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(Unaudited)

Six months ended 30 September 2010

	Share Capital £'000	Share Premium Account £'000	Special Reserve £'000	Capital Redemption Reserve £'000	Capital Reserve £'000	Retained Earnings £'000	Total £'000
At 31 March 2010	16,490	19,298	32,021	4,642	50,970	(3,004)	120,417
Net loss for period	–	–	–	–	(9,202)	(202)	(9,404)
Buy back of shares	(23)	–	(134)	23	–	–	(134)
Refund of issue costs	–	2	–	–	–	–	2
<b>At 30 September 2010</b>	<b>16,467</b>	<b>19,300</b>	<b>31,887</b>	<b>4,665</b>	<b>41,768</b>	<b>(3,206)</b>	<b>110,881</b>

(Unaudited)

Six months ended 30 September 2009

	Share Capital £'000	Special Reserve £'000	Capital Redemption Reserve £'000	Capital Reserve £'000	Retained Earnings £'000	Total £'000
At 31 March 2009	12,824	33,800	4,307	21,926	(2,649)	70,208
Net profit/(loss) for period	–	–	–	8,433	(233)	8,200
Buy back of shares	(292)	(1,475)	292	–	–	(1,475)
<b>At 30 September 2009</b>	<b>12,532</b>	<b>32,325</b>	<b>4,599</b>	<b>30,359</b>	<b>(2,882)</b>	<b>76,933</b>

(Audited)

Year ended 31 March 2010

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

# BALANCE SHEET

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as at 30 September 2010

	(Unaudited) 30 September 2010 £'000	(Unaudited) 30 September 2009 £'000	(Audited) 31 March 2010 £'000
<b>Note</b>			
<b>Non current assets</b>			
Investments held at fair value through profit or loss	113,061	77,434	132,618
<b>Current assets</b>			
Other receivables	643	2,031	304
Cash and cash equivalents	5,294	95	–
	5,937	2,126	304
<b>Total assets</b>	<b>118,998</b>	<b>79,560</b>	<b>132,922</b>
<b>Current liabilities</b>			
Other payables	8,117	2,627	4,016
Bank loan	–	–	8,489
	8,117	2,627	12,505
<b>Net assets</b>	<b>110,881</b>	<b>76,933</b>	<b>120,417</b>
<b>Equity attributable to equity holders</b>			
Ordinary share capital	16,467	12,532	16,490
Share premium account	19,300	–	19,298
Special reserve	31,887	32,325	32,021
Capital redemption reserve	4,665	4,599	4,642
Capital reserve	41,768	30,359	50,970
Retained earnings	(3,206)	(2,882)	(3,004)
<b>Total equity</b>	<b>110,881</b>	<b>76,933</b>	<b>120,417</b>
<b>Net asset value per share</b>	5 <b>168.3p</b>	<b>153.5p</b>	<b>182.6p</b>

# CASH FLOW STATEMENT

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for the six months ended 30 September 2010

	(Unaudited) Six months ended 30 September 2010 £'000	(Unaudited) Six months ended 30 September 2009 £'000	(Audited) Year ended 31 March 2010 £'000
Net cash inflow/(outflow) from operating activities (note 6)	13,692	3,218	(27,698)
<b>Net cash inflow/(outflow) before financing</b>	<b>13,692</b>	<b>3,218</b>	<b>(27,698)</b>
Net cash (outflow)/inflow from financing activities	(8,621)	(5,222)	26,262
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5,071</b>	<b>(2,004)</b>	<b>(1,436)</b>
Cash and cash equivalents at start of period	–	2,161	2,161
Realised gain/(loss) on foreign currency	223	(62)	(725)
<b>Cash and cash equivalents at period end</b>	<b>5,294</b>	<b>95</b>	<b>–</b>

## 1. ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, except for the valuation of investments at fair value, and in accordance with applicable accounting standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' dated January 2009.

The same accounting policies used for the year ended 31 March 2010 have been applied.

## 2. INCOME

	(Unaudited) Six months ended 30 September 2010 £'000	(Unaudited) Six months ended 30 September 2009 £'000	(Audited) Year ended 31 March 2010 £'000
Investment income	7	4	31
Other operating income	–	–	34
<b>Total income</b>	<b>7</b>	<b>4</b>	<b>65</b>

## 3. INVESTMENT MANAGEMENT, MANAGEMENT AND PERFORMANCE FEES

	(Unaudited) Six months ended 30 September 2010 £'000	(Unaudited) Six months ended 30 September 2009 £'000	(Audited) Year ended 31 March 2010 £'000
Investment management fee	336	226	544
Management, administrative and company secretarial fee	158	101	247
Performance fee charged in the period/year*	18	294	574
	<b>512</b>	<b>621</b>	<b>1,365</b>

\* In accordance with the performance fee arrangements described on page 12 of the 2010 Annual Report, a performance fee of £506,000 was accrued at the period end (six months ended 30 September 2009: £516,000; year ended 31 March 2010: £799,000).

In addition, during the period, fees totalling £310,000 were paid, of which £224,000 related to fees which crystallised at 31 March 2010 and £86,000 in relation to fees which crystallised and became payable at 30 June 2010.

# NOTES TO THE FINANCIAL STATEMENTS 14

## (continued)

### 4. (LOSS)/EARNINGS PER SHARE

The (loss)/earnings per share figure is based on the net loss for the six months of £9,404,000 (six months ended 30 September 2009: £8,200,000 gain; year ended 31 March 2010: £28,689,000 gain) and on 65,934,855 shares, (six months ended 30 September 2009: 50,043,197 and year ended 31 March 2010: 55,422,574) being the weighted average number of shares in issue during the period.

The (loss)/return per share detailed above can be further analysed between revenue and capital as follows:

	(Unaudited) Six months ended 30 September 2010 £'000	(Unaudited) Six months ended 30 September 2009 £'000	(Audited) Year ended 31 March 2010 £'000
Net revenue loss	(202)	(233)	(355)
Net capital (loss)/gain	(9,202)	8,433	29,044
Net total (loss)/gain	(9,404)	8,200	28,689
Weighted average number of shares in issue during the period	65,934,855	50,043,197	55,422,574
	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
Revenue loss per share	(0.3)	(0.5)	(0.6)
Capital (loss)/earnings per share	(14.0)	16.9	52.4
Total (loss)/earnings per share	(14.3)	16.4	51.8

### 5. NET ASSET VALUE PER SHARE

The net asset value per share is based on the net assets attributable to equity shareholders of £110,881,000 (30 September 2009: £76,933,000; 31 March 2010: £120,417,000) and on 65,869,809 shares, (30 September 2009: 50,127,463; 31 March 2010: 65,959,861) being the number of shares in issue at the period end.



# NOTES TO THE FINANCIAL STATEMENTS 15

## (continued)

### 6. RECONCILIATION OF PROFIT/(LOSS) BEFORE TAXATION TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	(Unaudited) Six months ended 30 September 2010 £'000	(Unaudited) Six months ended 30 September 2009 £'000	(Audited) Year ended 31 March 2010 £'000
(Loss)/profit before taxation	(9,404)	8,200	28,689
Losses/(gains) on investments held at fair value through profit or loss	8,690	(9,057)	(30,254)
Movements in investments held at fair value through profit or loss	14,674	3,678	(26,783)
Decrease/(increase) in other receivables	18	17	(17)
(Decrease)/increase in other payables	(286)	380	667
<b>Net cash inflow/(outflow)</b>	<b>13,692</b>	<b>3,218</b>	<b>(27,698)</b>

### 7. TRANSACTION COSTS

Purchase and sale transaction costs for the six months ended 30 September 2010 were £256,000 (six months ended 30 September 2009: £183,000; year ended 31 March 2010: £415,000). These costs comprise mainly commission.

### 8. COMPARATIVE INFORMATION

The financial information contained in this interim report does not constitute statutory accounts as defined in section 435(1) of the Companies Act 2006. The financial information for the six months ended 30 September 2010 and 2009 has not been audited, or reviewed by the auditors.

The information for the year ended 31 March 2010 has been extracted from the latest published audited financial statements. The audited financial statements for the year ended 31 March 2010 have been filed with the Registrar of the Companies. The report of the auditors on those accounts was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498 of the Companies Act 2006.

# COMPANY INFORMATION

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## DIRECTORS

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

## COMPANY REGISTRATION NUMBER

3376377 (Registered in England)  
The Company is an investment company as defined under Section 833 of the Companies Act 2006.

## REGISTERED OFFICE

One Wood Street,  
London EC2V 7WS  
Website: [www.biotechgt.com](http://www.biotechgt.com)

## INVESTMENT MANAGER

OrbiMed Capital LLC  
767 Third Avenue, 30th Floor,  
New York NY10017-2023 USA  
Telephone: +1 212-739-6400  
[www.orbimed.com](http://www.orbimed.com)  
Registered under the U.S. Securities Exchange Commission.

## MANAGER, ADMINISTRATOR AND COMPANY SECRETARY

Frostrow Capital LLP  
25 Southampton Buildings,  
London WC2A 1AL  
Telephone: 0203 008 4910  
E-Mail: [info@frostrow.com](mailto:info@frostrow.com)  
Website: [www.frostrow.com](http://www.frostrow.com)

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

## CUSTODIAN AND BANKER

Goldman Sachs & Co.  
200 West Street, Third Floor  
New York  
NY10282

## AUDITORS

Grant Thornton UK LLP  
30 Finsbury Square,  
London EC2P 2YU

## STOCKBROKERS

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Cannon Bridge, 25 Dowgate Hill,  
London EC4R 2GA

## REGISTRARS

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Website: [www.capitaregistrars.com](http://www.capitaregistrars.com)  
Please contact the Registrars if you have a query about a certificated holding in the Company's shares.  
†Calls cost 10p per minute plus network extras and may be recorded for training purposes. Lines are open from 8.30 a.m.-5.30 p.m. Monday-Friday.

## SHARE PRICE LISTINGS

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

The Company's net asset value per share is announced daily on the TrustNet website at [www.trustnet.com](http://www.trustnet.com)

## IDENTIFICATION CODES

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

# ALLIANCE TRUST SAVINGS LIMITED

The Company's shares are available through savings plans (including investment Dealing Accounts, ISAs and SIPPs) operated by Alliance Trust Savings Limited, which facilitates both regular monthly investments and lump sum investments in the Company's shares. Shareholders who would like information on the savings plans should call Alliance Trust Savings Limited on 01382 573737 or log on to [www.alliancetrust.co.uk/alliancetrustsavings/](http://www.alliancetrust.co.uk/alliancetrustsavings/) or email [contact@alliancetrust.co.uk](mailto:contact@alliancetrust.co.uk). Calls to this number may be recorded for monitoring purposes.

An Individual Savings Account ('ISA') is a tax efficient method of investment for an individual which gives the opportunity to invest in the Company up to £10,200 in the tax year 2010/2011 and in subsequent tax years when they subscribe to a Stocks and Shares ISA.

*The preceding two paragraphs have been issued and approved by Alliance Trust Savings Limited. Alliance Trust Savings Limited of PO Box 164, 8 West Marketgait, Dundee DD1 9YP is registered in Scotland with number SC98767. Alliance Trust Savings Limited provides investment products and services and is authorised and regulated by the Finance Services Authority. It does not provide investment advice.*

## CAPITA REGISTRARS – SHARE DEALING SERVICE

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

Type of trade	Online	Telephone
Share certificates	1% of the value of the deal (Minimum £20.00, max £75.00)	1.5% of the value of the deal (Minimum £25.00, max £102.50)

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

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

For further information on this service please contact:

[www.capitadeal.com](http://www.capitadeal.com) (online dealing) or 0871 664 0445† (telephone dealing)

†Calls cost 10p per minute plus network extras and may be recorded for training purposes. Lines are open from 8.30 a.m. to 4.30 p.m. Monday to Friday.

*The Share Dealing Service is provided by Capita IRG Trustees Limited which has issued and approved the preceding paragraphs. Capita IRG Trustees Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU is registered in England and Wales with number 2729260. Capita IRG Trustees Limited is authorised and regulated by the Financial Services Authority.*

## RISK WARNINGS

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

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