Intl. Biotechnology Trust PLC - IBT

Annual Financial Report
Released 16:34 02-Nov-2017

RNS Number : 4467V

Intl. Biotechnology Trust PLC

02 November 2017

INTERNATIONAL BIOTECHNOLOGY TRUST PLC (IBT or the Company)

Annual Financial Report Announcement of Audited Results for the year ended 31 August 2017

This announcement contains regulated information.

The information contained in this Annual Financial Report Announcement, including the 31 August 2016 comparatives, has been prepared in accordance with International Financial Reporting Standards (IFRS) and those parts of the Companies Act 2006 (the Act) applicable to companies reporting under IFRS. These comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and International Accounting Standards Committee (IASC), as adopted by the European Union (EU). The results for the year ended 31 August 2017 are audited but do not constitute statutory accounts as defined in Section 434 of the Act. The statutory accounts have not yet been delivered to the Registrar of Companies. Full statutory accounts for the year ended 31 August 2016 included an unqualified audit report and have been filed with the Registrar of Companies.

Performance and Financial Highlights

year ended 31 August 2017

Performance

Net asset value (NAV)	**+20.9%**
Quoted portfolio (NAV)	**+31.2%**
Share price	**+30.5%**

NASDAQ Biotechnology Index (NBI)	**+21.7%**
FTSE All-Share Index	**+14.4%**

All sterling-adjusted and on a total return basis.

Financial Highlights	**31 August 2017**	31 August 2016
Total equity (£'000)	**252,651**	216,651
NAV per share	**672.9p**	575.1p
Share price	**624.0p**	497.5p
Share price discount	**(7.3)%**	(13.5)%
Ongoing charges*	**1.3%†**	1.4%
Ongoing charges including performance fee	**1.9%†**	1.7%

** Calculated in accordance with the Association of Investment Companies (the AIC) guidance. Based on total expenses excluding finance costs and performance fee and expressed as a percentage of average daily net assets. The ratio including performance fee has also been provided, in line with the AIC recommendations.*

† Includes Management fees paid to SV Health directly from investment in SV Fund VI of £985,000.

Chairman's Statement

Summary

In the year ended 31 August 2017, the NAV per Ordinary share of the Company rose from 575.1p to 672.9p, including a significant currency gain, equivalent to 14.4 pence per share. The NAV per share returned 20.9%. Over the same period, the Shareholders total return was 30.5%. This compares to a rise in the NBI of 21.7% and a gain in the FTSE All-Share Index of 14.4%. All figures are on a total return basis and are sterling-adjusted. The quoted portfolio has performed very strongly, outperforming the benchmark by 7.7%.

Longer-term results

The Company's performance since our lead investment manager, Carl Harald Janson, joined SV Health Managers in September 2013 has been impressive. Over the last four years, the Company has significantly outperformed the NBI on both a NAV and share price basis, with outperformances of 12.1% and 31.5% respectively. Shareholders will also be pleased by our substantial outperformance of the broader UK equity market, as measured by the FTSE All-Share Index. Over the last four years, our NAV is up by 122.0%, versus a return of 37.7% for the UK market as a whole.

Unquoted portfolio

Shareholders granted approval at the General Meeting held on 29 September 2016 for the Company to invest directly into unquoted funds, including venture funds. We subsequently made a commitment of $30m into SV Life Sciences Fund VI (SV Fund VI), of which $10.8m (£8.8m) had been invested at the year end. Investing directly into this venture fund allows us access to a wider range of unquoted investments, and to date SV Fund VI has invested in 16 underlying portfolio companies. Our investment in SV Fund VI will increase slowly over the investment period and overlap with the exits of our existing direct holdings in unquoted companies. The Board expects the unquoted portfolio to remain within the guideline range of 10-15% of total investments.

The legacy portion of the unquoted companies performed disappointingly over the year ended 31 August 2017, with a return of -22.2%, and now makes up 5.2% of the NAV. The reasons for this are more fully explained in the Investment Manager's Review.

Dividends, buybacks and discount

I am pleased to report that our first dividend payment was made to Shareholders on 31 January 2017 at a rate of 11.5p per share. We paid out a dividend equal to 4% of NAV as at 31 August 2016 in two equal tranches on 31

January 2017 and 31 August 2017. As anticipated, the underlying growth of our investments is more than sufficient to support the payment of the dividend out of capital growth.

In accordance with the Shareholder Circular dated 13 September 2016 and as a matter of best practice, the Board will be seeking Shareholder approval to continue the payment of dividends, and a resolution will be put to Shareholders at the forthcoming Annual General Meeting (AGM). For the year ended 31 August 2017, we propose a dividend of two equal tranches of 13.5p to be paid on 31 January 2018 (to Shareholders on the Register at the close of business on Friday, 5 January 2018) and 31 August 2018. This represents a 17.4% increase on the previous year's dividend.

The Company bought back 125,000 shares at a cost of £0.6m during the year, as part of our discount management activity for the benefit of Shareholders.

This enhanced the NAV per share by 0.3p because the shares were bought at a discount to NAV that averaged approximately 13.9%.

Since the announcement of our policy changes and the introduction of the dividend in September 2016, no further buybacks have been required for discount management purposes. Indeed, the discount narrowed to 7.3% from 13.5% at the previous year end. It is the Board's long-term intention to continue to reduce the discount as market conditions allow.

Performance fee
As noted above, the exceptional outperformance of the quoted portfolio versus the benchmark has given rise to a performance fee of £1,374,000.

Board of Directors
It is my intention to retire at the AGM in December this year and John Aston will succeed me. I am pleased to have witnessed the impressive growth of the Company during my time as Chairman and I am confident that the remaining Board members will continue to support the next successful stage of the Company's development. Over the last five years, we have regularly refreshed the composition of the Board and do not feel the need to add an additional Board member at this time.

Prospects
Many of the factors which have contributed to relatively flat growth for the sector over the past two years, namely drug pricing and political concerns, appear to be abating. The final two months of the financial year have seen the sector begin to participate in the broader market rally, which I believe gives investors confidence to gain exposure to a sector with exciting growth prospects. Recent interesting developments in scientific innovation offer promise that biotechnology will remain an exciting investment area over the long-term. I am optimistic that exposure to the sector through a Company managed by investment experts with medical and scientific backgrounds can identify such investments and generate good returns for Shareholders.

AGM
This year's AGM will be held at 2.30 pm on Tuesday, 12 December 2017 at BNP Paribas Securities Services S.C.A., 10 Harewood Avenue, London, NW1 6AA. In addition to the formal process of voting on various resolutions, the AGM is an opportunity for Shareholders to meet the Board and representatives of the Investment Manager.

Our regular biennial continuation vote required by the Company's Articles of Association will be put to Shareholders at the AGM. I and my fellow Directors strongly recommend that Shareholders vote in favour.

As in previous years, there will be a presentation from the Investment Manager. If you have any detailed or technical questions, it would be helpful if you could raise these in advance of the Meeting by emailing the Company Secretary at secretarialservice@uk.bnpparibas.com or in writing to BNP Paribas Secretarial Services Limited, 10 Harewood Avenue, London, NW1 6AA. Shareholders who are unable to attend the AGM are encouraged to use their proxy votes.

I look forward to welcoming as many of you as possible to the Meeting.

Alan Clifton
Chairman
2 November 2017

Investment Manager's Review

Best performing investments

	Contribution to NAV
Exelixis	**£7.1m**
Vertex	**£6.6m**
Ariad	**£6.5m**
Incyte	**£5.9m**
Tesaro	**£5.5m**

Worst performing investments

	(Reduction) in NAV
Shire	**£(2.0)m**
ReShape Medical	**£(1.5)m**
EBR	**£(1.3)m**
OncoEthix	**£(1.2)m**
Kalvista	**£(1.2)m**

Summary

In the year ended 31 August 2017, the Company's NAV per share rose by 20.9% including the dividend. The Company's share price returned 30.5%. The NBI increased by 21.7%, and the FTSE All-Share Index rose by 14.4%. All figures are on a total return basis and are sterling-adjusted.

By subsector, 90% of the portfolio was invested in therapeutics, 9% in specialty pharmaceuticals, 3% in medical devices, 2% in life science tools, diagnostics and services, and 3% in a venture capital fund, SV Fund VI. SV Fund VI makes investments into unquoted companies across three sectors; biotechnology (40%), healthcare services and IT (40%) and medical devices (20%). Cash and other net assets were -7% of NAV.

Overview and performance

	2017	2016
Total portfolio companies*	**83**	75
Quoted	**69**	58
Unquoted	**14**	17
NAV	**£252.7m**	£216.7m
Quoted	**£241.7m**	£192.9m
Unquoted	**£27.7m**	£28.9m
Other assets/(liabilities)	**£(16.7)m**	£(5.1)m
Legal commitments to investments in unquoted	**£14.9m**	£0.0m
Reserved for further investment in unquoted	**£2.7m**	£2.4m

** Excluding unquoted companies fully written off - 2017: 8; (2016: 6)*

At 31 August 2017, for financial reporting the quoted portfolio represented 92.3% of NAV (excluding cash and other net assets) at £248.6m. The unquoted portfolio represented 8.2% of NAV at £20.8m. Companies that were first invested in from the unquoted pool and have now become quoted but continue to be managed by the unquoted investment managers are included within the unquoted portfolio for the purposes of performance measurement. This mirrors the incentive arrangements and the responsiblities of the Investment Managers regarding the two portfolios. The table above and the analysis of performance reflects this analysis. Based on the classification of the investments as adjusted for performance measurement, the quoted portfolio was 89.0% of the portfolio, whilst the unquoted portfolio represented 11.0%.

Quoted portfolio

The return on the quoted portfolio was 31.2%, which outperformed the benchmark Index, the NBI, by 7.7% compared with the NBI total return of 21.7%. This relative geometric performance is used for the purpose of calculating the performance fee. On an arithmetic basis, the quoted portfolio outperformed the NBI by 9.5 percentage points.

As noted in our Half Yearly Report for the six months ended 28 February 2017, the biotechnology sector looked relatively good value compared to the broader market. During the second half of our financial year, the sector performed well. In June in the US, a draft Executive Order on drug pricing was leaked to the press.

The sector moved up on the news as it appeared the administration might be changing tack from comments made earlier in the year by the President of the US. The draft Order indicated a more industry friendly stance with regards to the pricing of drugs. However, geopolitical concerns triggered a sell-off in late July, which sharply reversed in late August driven by a significant M&A transaction of portfolio holding Kite Pharma by Gilead Sciences for $11.9bn. This reignited belief that M&A is alive and well, with hopes that potential US tax reform could drive more deals in the near to medium-term.

M&A deals

Five portfolio holdings were the subjects of successful bids during the year under review Ariad, Actelion, CoLucid, Neuroderm and Kite Pharma.

Ariad Pharmaceuticals was acquired by Takeda on 9 January for $24 per share, a 75% premium to the share price at the close of the previous day. Ariad Pharmaceuticals had been identified as a potential M&A target and the Company held a 3.6% position, resulting in a gain of £6.5m on our holding.

Eli Lilly announced the acquisition of a portfolio company CoLucid for $960m in an all cash transaction. CoLucid is a neurology company that had a late-stage acute migraine drug in development and Lilly paid a 30% premium to the previous closing share price.

In late January, Actelion, a Swiss biotechnology company and a long-term holding of the Company, was acquired by Johnson and Johnson for $30.0bn, a 23% premium to the previous closing share price.

Neuroderm, a clinical-stage company developing drug-device combinations for the central nervous system, was acquired by Mitsubishi Tanabe Pharma for a 17% premium to previous closing share prices and a total of $1.1bn in July.

On 28 August, Gilead announced it had agreed to buy Kite Pharmaceuticals for $11.9bn in a deal, a 29% premium to the previous share price, in a move that was welcomed by investors. Kite Pharmaceuticals is a leader in the emerging field of cell therapy, CAR-T.

Positive contributors
Exelixis is in the launch phase of its kidney cancer drug Cabometyx. The launch performance has been stronger than expected, beating analyst estimates. We took some profits during the year as the company had reached its price target.

Vertex's share price rose after announcing positive clinical data for its triple drug therapy in late-stage trials to treat Cystic Fibrosis.

Incyte, a biopharmaceutical company specialising in oncology product development, increased by £6.2m after upping the guidance on sales of its lead product, Jakafi, and on M&A speculation.

The Company had a significant position in Tesaro, another oncology company, whose drug niraparib was approved by the FDA on 27 March 2017. Niraparib is a PARP inhibitor which is a potential new treatment for ovarian cancer. Due to the exciting data that has been generated in late-stage trials, Tesaro was in discussions with acquirers. News of the bid speculation helped boost the share price and we chose to lock in profits at that point in time.

FX gains also added to the value of the quoted portfolio, with a gain of £5.6m, or 15.0 pence per share in the year.

Negative contributors
The Company's investment in Shire Pharmaceuticals was the negative contributor to performance. This has been due to investor concerns over competition of its haemophilia franchise from Roche's drug ACE910 and fears that the company would not deleverage its debt post the acquisition of Baxalta. The other top four negative contributors are discussed in the unquoted portfolio review.

Unquoted portfolio
The return for the unquoted portfolio over the year ended 31 August 2017 was a negative return of 25.7%. The combined effect of gains and losses on the unquoted investments was to decrease NAV by 20.1 pence per share. This is due to several factors, which are explained below. The previous unquoted investments experience higher volatility, as larger investments are made in fewer companies. Our change in the strategy of investing through a more diversified venture capital fund should reduce the volatility of the unquoted portfolio in future periods.

As at 31 August 2017, the Company held investments in ten unquoted portfolio companies, one investment in a venture fund, SV Fund VI, and interests in four further companies that have been sold, but where there are further receipts dependent on reaching drug development or financial milestones set at the point when those companies were sold. The Company also holds investments in three previously unquoted companies that are now listed, but which, as described previously, are still reported for performance purposes within the unquoted portfolio.

Following the approval of the change to the investment policy at the General Meeting on 29 September 2016, a new investment was made into SV Fund VI. The draw down to date on the commitment of $30m is £8.8m ($10.8m), with further amounts due to be drawn down over the investment period. SV Fund VI's investee companies continue to be diversified between biotechnology, healthcare services & IT and medical devices similar to our existing unquoted investments, but with smaller allocations to each individual company, allowing for greater diversification.

Valuation adjustments
ReShape Medical was written down by £1.1m in August based on a term sheet received from a potential acquirer. After the year end, on 2 October 2017, the company completed a merger with EnteroMedics, a publicly listed entity traded on the NASDAQ exchange. The shares in the combined company will be valued as a quoted stock, however, the investment will remain in the unquoted portfolio for performance measurement purposes.

EBR Systems was written down by £1.3m based on the latest financing term sheet. A significant financing round is required to finance the clinical trial for the wireless heart pacemaker, which is resulting in earlier investments being down valued.

Kalvista Pharmaceuticals completed a reverse merger in the period into Carbalyn Therapeutics on 23 November 2016 and is now listed on the NASDAQ Stock Market. The valuation of Kalvista fell by £1.2m following the listing while the company establishes itself. Following the year end, on 10 October 2017, Kalvista and Merck announced a collaboration for the Company's investigational intravitrealy (IVT) injection candidate currently in development for potential treatment of diabetic macular edema. The share price has risen significantly following the announcement and as at 1 November 2017, the investment was valued at £2.9m. For performance measurement purposes, it remains in the unquoted portfolio, as do Entellus and Transenterix.

In January 2017, Merck notified us that it would be discontinuing development of the assets acquired with OncoEthix due to toxicity concerns. The contingent milestones relating to this investment were written off in full, with an impact on the NAV of £1.2m. Although no further proceeds will be received relating to this investment, the overall return was a multiple of 2.4x.

Sale of unquoted investments in the year
Atopix was sold to Chiesi Farmaceuticals in November 2016, and we received upfront proceeds of £0.6m. Contingent milestones relating to the commercialisation of the CRTH2 antagonist are currently valued at £0.4m.

A recapitalisation of NCP Holdings led to a sale of 47.5% of our holding for proceeds of £1.2m.

Entellus completed a secondary equity offering in January 2017 and we sold 15.3% of our holding for £0.8m. Following the secondary offering, earnings missed analyst expectations and the share price fell, decreasing our valuation by £0.3m at the year end. We believe the fundamentals of the company remain strong with commercial activities ramping up.

FX also made a small negative contribution to performance in the year, with an FX loss of £205,000, or 0.6p per share recorded. More of the unquoted investments are in the UK and Europe, leading to a smaller impact of the FX rates on the portfolio.

Summary of unquoted investments

	Number of investments as at 31 August 2017	Fair value at 31 August 2017 (£'m)	Percentage of NAV
Unquoted	10	9.1	3.6%
Exited with contingent milestones	3	3.9	1.5%
SV Fund VI	16*	7.7	3.0%
Total unquoted	**29**	**20.7**	**8.1%**
Previously unquoted, now listed	3	6.9	2.7%
Total unquoted for performance measurement	**32**	**27.6**	**10.8%**

** The number of investments listed within SV Fund VI represents the number of investments into underlying individual portfolio companies.*

Outlook
As mentioned above, we saw a return to performance for biotechnology stocks during the second half of our financial year. Names like Gilead, Celgene, Biogen and Amgen moved up off a relatively low valuation base. We believe that the value of the sector is being recognised by the investment community and generalist investors are moving back after a quiet period during the uncertainties of the US election. Our expectation is for the growth in large cap companies to continue, and for the mid to smaller names to follow suit. Three main drivers are influencing the return to growth of the sector:

Executive Order on drug pricing
Drug pricing concerns abated as a result of the administration's leaked draft Executive Order on the matter in July 2017. Based on President Trump's comments on the campaign trail, a more negative stance on drug pricing was expected. However, the draft Order focused on increasing competition between pharmaceutical companies by reducing FDA regulations on bringing drugs to market. The draft Executive Order also contained comments around value-based pricing, which links drug pricing explicitly to the benefit received by patients. This could be favourable to highly innovative therapies with significant impact on patients' lives and fits with the Company's strategy of investing in companies with these types of products.

Tax reform & M&A
Towards the end of the year under review, it became clear that the potential for real tax reform was back on the agenda, despite failure to unite the Senate to overhaul the Affordable Care Act. The US administration appears to be making inroads by negotiating with all parties to push a new bill through to modernise the taxation structure. One of the goals within tax reform is to allow the 'repatriation' of cash from corporate profits held overseas. Currently the US tax regime is such that companies would rather keep their cash abroad and not bring it back into the US. One idea to change this is to allow a lower one-off rate to encourage corporations to bring the money back into the US, giving a one-off injection of tax revenue to the US administration, which can then be used for investment. A side effect of such a ruling is that the US corporations themselves will have cash to invest again whereas this cash was previously tied up abroad. Such investments may include M&A. Many larger biotechnology and pharmaceutical companies hold tens of billions of dollars abroad. These companies are all actively looking for growth to replenish their pipelines and therefore we believe the prospects for the sector are even more interesting with this proposal on the horizon.

Changes at FDA
In May of this year, the Senate voted to confirm Dr. Scott Gottlieb as commissioner of the FDA. This was positively received by investors as Gottlieb was considered to be industry friendly and pragmatic. So far Gottlieb has been very vocal about his views on drug pricing and how to address rising costs. His goals are to increase competition in order to bring down costs, rather than through any changes in legislation. This is pleasing to the healthcare industry as the changes required to bring more competition should benefit drug companies. One such idea is to reduce the time taken to get drugs approved. Over the past decade, drug approval times have shortened dramatically. Typically, drugs undergo three stages of clinical trials, Phase 1 (safety), Phase 2 (dosing regimen establishment) and Phase 3 (proof of efficacy and safety). Today however, in areas of great unmet medical need, companies can jump from early Phase 1 trials straight into pivotal trials, after which the drug may be considered by the FDA. Gottlieb is in favour of continuing this trend. These steps should benefit companies with innovative therapeutics in development that we invest in at International Biotechnology Trust.

Innovation remains a key driver of value
The above three factors are addressing short to medium-term trends that are influencing the sector. However, over the longer-term, we firmly believe the main positive attribute of the biotechnology sector is its ability to innovate (See Fig 2, page 1 of the Annual Report). There are no signs of the rate of innovation slowing, in fact the opposite is true. Scientific advancements continue apace and new drugs are being discovered each year, which will generate further growth for the companies that own those assets.

SV Health Managers LLP
Investment Manager
2 November 2017

Principal risks and uncertainties
The Board uses a framework of key risks which affect its business, and related internal controls designed to enable the Directors to take steps to mitigate these risks as appropriate. The Directors have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. A full analysis of the Directors' review of internal control is set out in the Corporate Governance Statement on pages 27 and 28 of the Annual Report.

The Company's key risks include:

Strategic/Performance risk
The Company's returns are affected by changes in economic, financial and corporate conditions which can cause market fluctuations; a significant fall in equity markets is likely to affect adversely the value of the Company's portfolio. SV Health Managers LLP provides the Board with information on the market at each Board meeting and the Board discusses appropriate strategies to manage the impact of any significant change in circumstances. The biotechnology sector has its own specific risks leading to higher volatility than broad equity market indices. While the Company seeks

to maintain a diversified portfolio within the confines of the current investment policy, biotechnology sector-specific or equity market risks cannot be eliminated by a diversified exposure to global biotechnology.

Discount to NAV: Failure to meet investment objectives and/or poor sector-specific or general equity sentiment can affect the Company's share price, resulting in shares trading at a relatively large discount to the underlying NAV. The Board continually reviews the Company's investment performance, taking into account changes in the market, and regularly reviews the position of the NAV per share compared to the share price. Further information on the Company's discount is provided in the Chairman's Statement above.

Investment-related risks
Alignment of the investment strategy with the Company's investment objective is essential and an inappropriate approach by SV Health Managers LLP towards stock selection and asset allocation may lead to loss and/or underperformance and failure to achieve the Company's objective of long-term capital growth, resulting in a widening of the discount. The Board manages these risks through its framework of investment restrictions and regular monitoring of SV Health Managers LLP's adherence to the agreed investment strategy.

SV Health Managers LLP provides regular reports to the Board on portfolio activity, strategy and performance, as well as risk monitoring. The reports are discussed in detail at Board meetings, which are all attended by the Investment Manager, to allow the Board to monitor the implementation of investment strategy and process.

Currency risk: The Financial Statements and performance of the Company are denominated in sterling because it is the currency of most relevance to the Company's investors. However, the majority of the Company's assets are denominated in US dollars. Accordingly, the total return and capital value of the Company's investments can be significantly affected by movements in foreign exchange rates. It is not the Board's policy to hedge against foreign currency movements.

Operational risks
As the Company's main functions are delegated to third party service providers, operational risk arises from insufficient processes of internal control which would include compliance with statutes and regulations governing the functions of the Company.

Tax, legal and regulatory risks
To qualify as an investment trust, the Company must comply with Section 1158 Corporation Tax Act 2010 (CTA). Further details of the Company's approval under Section 1158 CTA are set out in the Directors' Report in "Principal activities" in the Annual Report.

A breach of Section 1158 CTA could result in the Company being subject to Capital Gains Tax on the sale of investments. Consequently, pre-trade compliance checks are embedded into the investment procedures of SV Health Managers LLP. Reports confirming the Company's compliance with the provisions of Section 1158 CTA are submitted by SV Health Managers LLP to each Board meeting together with relevant portfolio and financial information.

The Company is also subject to other laws and regulations, including the Act, Financial Conduct Authority (FCA) Listing, Prospectus and Disclosure Guidance and Transparency Rules and the Alternative Investment Fund Manager's Directive (AIFMD). Breaches of these laws and regulations could lead to criminal action being taken against Directors or suspension of the Company's shares from trading. SV Health Managers LLP and the Company Secretary provide regular reports to the Board on compliance with relevant provisions and report breaches without delay. The Board also relies on the services of its other professional advisers to minimise these risks.

Such risks are assessed by the Audit Committee, which receives regular reports from its main service providers as to the internal control processes in place within those organisations.

Related party transactions
The Directors of the Company are key management personnel. The total remuneration payable to Directors in respect of the year ended 31 August 2017 was £159,000 (2016: £160,916) of which £79,500 (2016: £38,375) was outstanding at the year end.

Management report
Listed companies are required by the FCA's Disclosure Guidance and Transparency Rules (the Rules) to include a management report in their Financial Statements. The information required to be in the management report for the purposes of the Rules is included in the Strategic Report on pages 3 to 18 inclusive (together with the sections of the Annual Report incorporated by reference) and the Director's Report on pages 20 to 28 of the Annual Report. Therefore, a separate management report has not been included.

Directors' responsibilities statement
The Directors are responsible for preparing the Annual Report, the Report on Directors' Remuneration and the Financial Statements in accordance with applicable law and regulations.

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

• Select suitable accounting policies and then apply them consistently;
• Make judgements and accounting estimates that are reasonable and prudent;
• State whether applicable IFRS as adopted by the EU have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
• Prepare Financial Statements on the going concern basis unless it is inappropriate to presume the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements and the Report on Directors' Remuneration comply with the Act. 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 Annual Report is published on the following website:

www.ibtplc.com

which is a website maintained by SV Health Managers LLP. The maintenance and integrity of the website is, so far as it relates to the Company, the responsibility of SV Health Managers LLP. The work carried out by the Auditors does not involve consideration of the maintenance and integrity of this website and accordingly, the Auditors accept no responsibility for any changes that have occurred to the Annual Report since it was initially presented on the website. Visitors to the website need to be aware that legislation in the UK governing the preparation and dissemination of the Annual Report may differ from legislation in their home jurisdiction.

Having taken advice from the Audit Committee, the Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides information necessary for Shareholders to assess the Company's position, performance, business model and strategy.

Pursuant to Rule 4.1.12 of the Rules, each of the Directors, whose names and functions are listed on page 19 of the Annual Report, confirms that, to the best of his or her knowledge:

• The Financial Statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
• The Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces; and
• As outlined on pages 22 and 23 of the Annual Report, the Directors have undertaken all necessary reviews to provide a going concern recommendation.

On behalf of the Board

Alan Clifton
Chairman
2 November 2017

Statement of Comprehensive Income

	For the year ended 31 August 2017			For the year ended 31 August 2016		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total

	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Gains/(losses) on investments held at fair value	2	**-**	**48,532**	**48,532**	-	(1,725)	(1,725)
Exchange losses on currency balances	2	**-**	**(4)**	**(4)**	-	(2,333)	(2,333)
Income	3	**505**	**-**	**505**	676	-	676
Expenses							
Management fee		**(1,105)**	**-**	**(1,105)**	(1,894)	-	(1,894)
Performance fee		**-**	**(1,374)**	**(1,374)**	-	(575)	(575)
Administrative expenses		**(1,029)**	**-**	**(1,029)**	(1,047)	-	(1,047)
Profit/(loss) before finance costs and tax		**(1,629)**	**47,154**	**45,525**	(2,265)	(4,633)	(6,898)
Finance costs							
Interest payable		**(204)**	**-**	**(204)**	(212)	-	(212)
Profit/(loss) on ordinary activities before tax		**(1,833)**	**47,154**	**45,321**	(2,477)	(4,633)	(7,110)
Taxation		**(69)**	**-**	**(69)**	(105)	-	(105)
Profit/(loss) for the year attributable to Shareholders		**(1,902)**	**47,154**	**45,252**	(2,582)	(4,633)	(7,215)
Basic and diluted (loss)/earnings per Ordinary share	4	**(5.07)p**	**125.58p**	**120.51p**	(6.63)p	(11.89)p	(18.52)p

The total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with IFRS as adopted by the EU.

The Company does not have any other comprehensive income and hence the net profit/(loss) for the year, as disclosed above, is the same as the Company's total comprehensive income.

The revenue and capital columns are supplementary and are prepared under guidance published by the AIC.

The accompanying notes form part of these Financial Statements.

Statement of Changes in Equity

	Called up share capital	**Share premium account**	**Capital redemption reserve**	**Capital reserves**	**Revenue reserve**	**Total equity**
For the year ended 31 August 2017	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 September 2016	**10,409**	**18,805**	**31,408**	**188,183**	**(32,154)**	**216,651**
Total Comprehensive Income:						
Profit/(loss) for the year	**-**	**-**	**-**	**47,154**	**(1,902)**	**45,252**
Dividend paid in the year	**-**	**-**	**-**	**(8,636)**	**-**	**(8,636)**
Transactions with owners, recorded directly to equity:						
Shares bought back and held in treasury	**-**	**-**	**-**	**(616)**	**-**	**(616)**
Shares cancelled from treasury	**(74)**	**-**	**74**	**-**	**-**	**-**
Balance at 31 August 2017	**10,335**	**18,805**	**31,482**	**226,085**	**(34,056)**	**252,651**

For the year ended 31 August 2016	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total equity £'000
Balance at 1 September 2015	11,116	18,805	30,701	204,440	(29,572)	235,490
Total Comprehensive Income:						
Loss for the year	-	-	-	(4,633)	(2,582)	(7,215)
Transactions with owners, recorded directly to equity:						
Shares bought back and held in treasury	-	-	-	(11,624)	-	(11,624)
Shares cancelled from treasury	(707)	-	707	-	-	-
Balance at 31 August 2016	10,409	18,805	31,408	188,183	(32,154)	216,651

The accompanying notes form part of these Financial Statements.

Balance Sheet

	Notes	**At 31 August 2017 £'000**	At 31 August 2016 £'000
Non-current assets			
Investments held at fair value through profit or loss		**269,373**	221,788
		269,373	221,788
Current assets			
Receivables		**2,836**	9,242
Cash and cash equivalents		**128**	90
		2,964	9,332
Total assets		**272,337**	231,120
Current liabilities			
Borrowings		**(6,392)**	(11,813)
Payables		**(13,294)**	(2,656)
		(19,686)	(14,469)
Net assets		**252,651**	216,651
Equity attributable to equity holders			
Called up share capital		**10,336**	10,409
Share premium account		**18,805**	18,805
Capital redemption reserve		**31,481**	