Finsbury Emerging Biotechnology Trust PLC

Annual Report

for the year ended 31 March 2006

CLOSE FINSBURY
DIFFERENT BY DESIGN

RECENT CHANGES TO THE COMPANY

On 28 April 2006 your Board announced proposals for the issue of up to £60 million of new shares by way of a Placing and an Offer for Subscription. Following the passing of appropriate resolutions proposed at an Extraordinary General Meeting, held on 24 May 2006, a further 38,172,263 Ordinary shares have been issued pursuant to these proposals. As at 12 June 2006, the Company currently has 65,912,263 shares in issue. Full details of the resolutions passed at the Extraordinary General Meeting can be found in the Report of the Directors on pages 22 and 23.

Continuation Vote

The next continuation vote of the Company shall be held at the annual General Meeting in 2010, and further opportunities to vote on the contiunation of the Company shall be given to shareholders every five years thereafter.

Gearing

The Company has a £5 million uncommitted revolving credit facility with Allied Irish Bank plc. As at the date of this report the facility was not utilised.

Annual General Meeting

The Annual General Meeting of the Company will be held at 10 Crown Place, London EC2A 4FT on Wednesday, 19 July 2006 at 12 noon.

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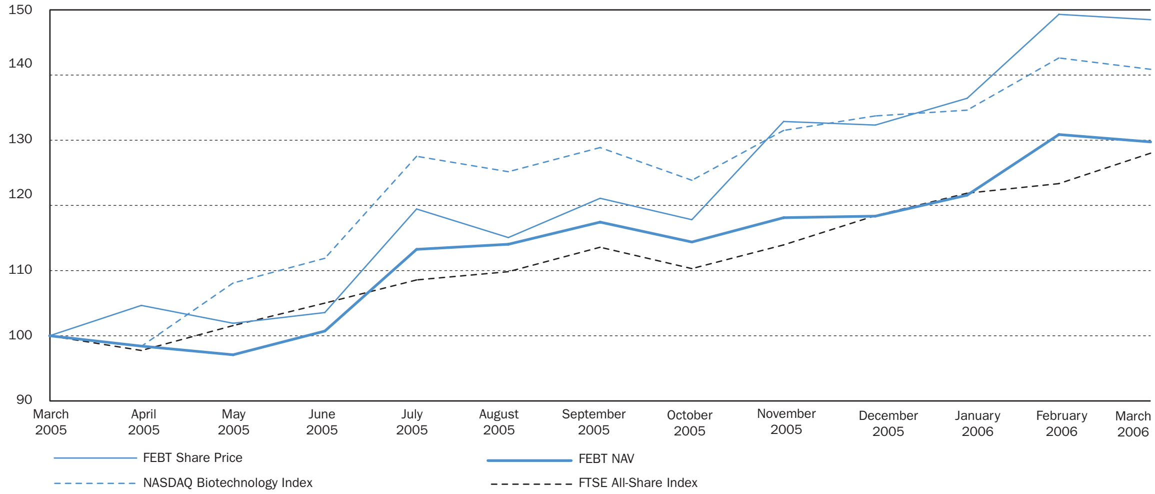
COMPANY SUMMARY

Key Statistics

	Year ended 31 March 2006	Year ended 31 March (as restated) 2005	% change
Shareholders' funds (£'000)	36,556	30,449	+20.1
Net asset value per share	131.8p	101.2p	+30.2
Share price	135.5p	91.3p	+48.4
(Premium)/discount of share price to net asset value per share	(2.8)%	9.8%	N/A
NASDAQ Biotechnology Index (sterling adjusted)	483.7	344.3	+40.5
FTSE All-Share Index (total return)	3,462.2	2,704.5	+28.0
Total expense ratio (excluding exceptional expenses – see note 4 on page 41)	3.0%	2.6%	N/A

1 Year Performance to 31 March 2006



Figures have been rebased to 100 as at 31 March 2005. All figures are total return, sterling adjusted.
Source: S&P Micropal

Investment Objective and Policy

Finsbury Emerging Biotechnology Trust PLC seeks capital appreciation through investment in the worldwide biotechnology industry, principally by investing in emerging biotechnology companies. Performance is measured against the NASDAQ Biotechnology Index.

It is the Company's policy to invest no more than 15 per cent. of its gross assets in other listed investment companies (including listed investment trusts). Other than its investment in the Merlin Fund LP, which it has held since inception, the Company has never had a holding in an investment company of any sort, and the Directors do not currently envisage any circumstances in which it is likely to do so in the future.

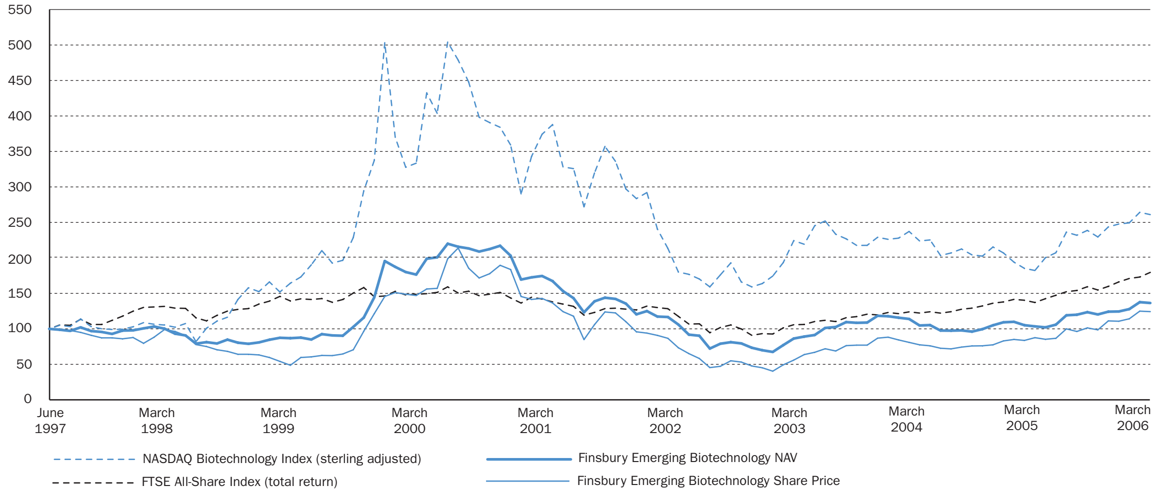
Capital Structure

As at 31 March 2006, the Company had 27,740,000 shares in issue. During the year, 2,610,000 shares were bought back for cancellation and 250,000 new shares were issued. In addition, 38,172,263 new shares were issued as a result of the Placing and Offer for Subscription which was announced on 28 April 2006.

The Company is a member of The Association of Investment Trust Companies

PERFORMANCE SUMMARY

Performance Graph Since Launch



Figures have been rebased to 100 as at 30 June 1997. All figures are total return, sterling adjusted.
Source: S&P Micropal

Year ended 31 March
Five Year Performance Record

	2001	2002	2003	2004	2005	2006
Net asset value per share	163.6p	119.2p	65.1p	111.7p	101.2p*	131.8p
Share price	159.0p	102.5p	44.0p	92.0p	91.3p	135.5p
Discount/(premium) of share price to net asset value per share	2.8%	14.0%	32.4%	17.6%	9.8%	(2.8)%
NASDAQ Biotechnology Index (sterling adjusted)	539.19	542.7	324.0	423.4	344.3	483.7
FTSE All-Share Index (total return)	2,628.7	2,545.5	1,786.6	2,340.2	2,704.5	3,462.2

Cumulative Performance Record since Launch

	1998	1999	2000	2001	2002	2003	2004	2005	2006
Net asset value per ordinary share	101.4	84.7	186.9	168.7	122.9	67.1	115.1	104.3*	135.9
Share price	79.6	59.6	149.3	143.9	92.8	39.8	83.3	82.6	122.6
NASDAQ Biotechnology Index (sterling adjusted)	109.0	166.6	371.1	290.4	292.3	174.5	228.1	185.4	260.5
FTSE All-Share Index (total return)	130.2	139.0	152.8	136.3	132.0	92.6	121.4	139.8	178.9

* Restated – see note 1 to the accounts on pages 38 to 40.
Figures have been rebased to 100 at launch (June 1997)

CHAIRMAN'S STATEMENT

Performance

I am delighted to report a significant improvement in the Company's performance following the change in our Investment Adviser and strategy, mentioned in my last Chairman's Statement and approved by shareholders in May last year. During the year ended 31 March 2006, the Company's net asset value per share rose from 101.2p to 131.8p, an increase of 30.2 per cent. The Company's benchmark, the NASDAQ Biotechnology Index (sterling adjusted), rose by 40.5 per cent. over the year. Much of this rise, however, occurred in the period from 1 April 2005 to 19 May 2005, i.e. prior to the adoption of the NASDAQ Index as the Company's benchmark and the implementation of the Company's new investment strategy.

For the period from 19 May 2005 to 31 March 2006, the performance delivered by our new Investment Adviser was as follows:

Net asset value per share	+32.2%
Share price	+43.8%
Benchmark	+29.7%

This outperformance of the benchmark is particularly notable given the costs of the significant reorganisation of the portfolio that took place during the period from 19 May 2005.

Overall, the Company's share price rose by 48.4 per cent. during the year. At the end of the year the share price stood at a 2.8 per cent. premium to net asset value per share.

Earnings and Dividend

Earnings per share were 30.1p for the year, comprising a revenue deficit of 1.9p per share (2005: deficit of 1.4p) and a capital return of 32.0p (2005: deficit of 8.8p). No dividend is recommended in respect of the year ended 31 March 2006 (2005: Nil).

Placing and Offer for Subscription

At an Extraordinary General Meeting, held on 24 May 2006, the necessary resolutions were approved by Shareholders to enable the Placing and Offer for Subscription, announced by the Board on 28 April 2006, to proceed. Full details of these resolutions can be found in the Report of the Directors on pages 22 and 23. I am pleased to report that demand for the Company's shares was strong with £40.8 million being raised and 38,172,263 new shares being issued at a premium of 2.3 per cent. to net asset value per share. At the time of writing, the proceeds from the issue have only just been received but they have already been invested in the Company's investment portfolio by our Investment Adviser who has worked hard to identify investment opportunities to take advantage of current market weakness. Full details of how this was effected will be included in the Company's next interim report.

Discount Management Policy and Buy-Back Authority

The Board's confidence that the new Investment Adviser and the revised investment objective would be attractive to new investors and would provide the prospect of a sustained improvement in the rating of the Company's shares has proved to be well-founded. In order to support this positive situation, the Board has agreed to continue with its policy of active discount management and to buy back shares if the market price is at a discount greater than 6 per cent. to the net asset value per share. The execution and timing of any share buy-back will continue to be at the absolute discretion of the Board. During the year a total of 2,610,000 shares were bought back for cancellation, at an average discount to net asset value per share of 6.2 per cent., costing £2.5 million (excluding expenses). All of these shares were repurchased before the appointment of the new Investment Adviser on 19 May 2005; since that date no further share buy-backs have been necessary. Also during the year, 250,000 new shares were issued, at a premium of 2.7 per cent. to net asset value per share, raising a total of £335,000.

CHAIRMAN'S STATEMENT (continued)

The Board

I am delighted to report that Mr Sven Borho, a founding General Partner of OrbiMed Advisors, LLC, the Company's Investment Adviser, was appointed to the Board in March. His extensive experience in the Emerging Biotechnology sector has already proved of great benefit to the Company.

Report & Accounts

Following a change in company law, we have amended the format of the Report and Accounts this year to introduce a Business Review, providing more details of all areas of the Company's activities and putting together in one place information that has previously been included in various separate reports and reviews. In the Business Review we have set out Key Performance Indicators which we use to measure the Company's performance, together with the potential risks to our business and how we seek to mitigate them.

The Company's Articles of Association (the "Articles")

The Company's Articles have remained substantially unchanged since the Company's incorporation in 1997. The Board believes that as a result of various legislative and regulatory developments the time is now right to refresh the Articles to bring them into line with current best practice. A Special Resolution will be proposed at the Annual General Meeting which will, if approved, ratify the adoption of new Articles. The material differences between the current and the proposed Articles are summarised in a separate circular to Shareholders accompanying this Report and Accounts.

Outlook

The Board is pleased with the performance of the new Investment Adviser since its appointment in May 2005. After strong performance in the second half of 2005, the biotechnology sector suffered a reversal in March 2006 which has continued through to May. This weakness is principally due to the healthcare sector falling out of favour with investors, combined with some disappointments in first quarter results from several major biotechnology companies. In addition, the recent weakness of the US dollar has adversely affected the sterling value of the portfolio as the majority of the Company's assets are denominated in US dollars. The Board takes the view that the investment policy should be to identify the best companies in the sector without being swayed by currency fluctuations, and it continues to believe that the prospects for emerging biotechnology companies remain bright, particularly as long-term growth fundamentals remain strong and as merger and acquisition activity should help buoy performance in the sector. The Board further sees the recent market correction as an opportunity to purchase shares in the biotechnology sector at attractive valuations.

Annual General Meeting

The Annual General Meeting of the Company will be held at 10 Crown Place, London EC2A 4FT, on Wednesday, 19 July 2006 at 12 noon, and I hope as many Shareholders as are able will attend. This will be an opportunity to meet the Board and to hear a presentation from our Investment Adviser.

John Sclater
Chairman

13 June 2006

BUSINESS REVIEW

The following Business Review is designed to provide shareholders with information primarily about the Company's business and results in the year ended 31 March 2006.

Summary of Results

Net asset value per share	+30.2% to 131.8p
Share price	+48.4% to 135.5p
Discount/(premium) of share price to net asset value per share	from 9.8% to (2.8)%
Total assets (Group)	£39,067,000
Total shareholders' funds (Group)	£36,556,000
*Total expense ratio	3.0%
Number of shares repurchased	2,610,000
Number of shares issued	250,000

*Excludes exceptional expenses – see note 4 on page 41.

Arrangements For The Management of the Company's Assets

The Company's Board of Directors is wholly non-executive and is responsible for corporate strategy, corporate governance, risk and control assessment, investment strategy, the implementation of gearing and the setting of any limits, the monitoring of asset allocation and investment performance and the determination of marketing policy. The Board's role is detailed in the Corporate Governance Report on pages 26 and 27.

The Company has no employees and most of its day-to-day responsibilities are delegated to third parties. The Company has appointed Close Finsbury Asset Management Limited ("CFAM") (the "Manager") (a wholly owned subsidiary of Close Brothers Group plc) as Manager and Company Secretary and OrbiMed Advisors, LLC ("OrbiMed") (an associated entity of OrbiMed Capital, LLC) (the "Investment Adviser") as Investment Adviser.

The Board looks to the Investment Adviser to deliver investment performance. The Manager is responsible for providing company secretarial, administrative, accounting and marketing services. A full review of each appointment is carried out annually.

Management Changes during the Year

In early 2005 it was decided to widen the geographic exposure of the investment portfolio and to change the nature of the companies in which the Company invested. In order to manage the Company's investment portfolio under the broadened investment remit, the Board conducted a review of the investment management arrangements to ensure that the Company benefited from the investment skills of a leading investment adviser with a proven track record of investing in the biotechnology and healthcare sector on a global basis. Accordingly, after having received presentations from a number of managers with expertise in this sector, the Board selected OrbiMed to replace Reabourne Technology Investment Management Limited and Merlin Biosciences Limited, the Company's two encumbant investment advisers. CFAM remained as the Manager. Additionally, the Company implemented an active discount management policy.

OrbiMed is a leading independent specialty investment manager in the bioscience and healthcare sector. Further information about OrbiMed, including biographical details of the investment portfolio management team, can be found on pages 18 and 19.

BUSINESS REVIEW (continued)

Investment Review

This is OrbiMed's first full Review of Investments for Finsbury Emerging Biotechnology Trust PLC, for which they assumed investment advisory responsibilities on 19 May 2005. Sven Borho, who was appointed as a Director of the Company on 27 March 2006, is a core member of the team that is responsible for the management of the Company's investment portfolio. Further information about OrbiMed and biographical details of the management team can be found on pages 18 and 19.

Performance

Since assuming responsibility for the investment portfolio OrbiMed has undertaken a significant restructuring consistent with the new global biotechnology mandate. OrbiMed's efforts have resulted in a successful first year, including modest outperformance compared to the benchmark NASDAQ Biotechnology Index. The Company's net asset value per share rose 32.2 per cent. since they assumed management responsibilities, compared to a 29.7 per cent. rise in the benchmark. The share price increased an even more pronounced 43.8 per cent. during this period, as the discount of share price to net asset value per share moved from 9.8 per cent. to a near 3 per cent. premium.

The performance results are all the more gratifying in light of the reorganisation of the investment portfolio that took place during the year. The investment portfolio generated gains in total of approximately US$12.3 million during the period with the strongest performance coming from Vertex, Abgenix, BioMarin and Adolor. All of these companies have launched, or are on the cusp of launching, innovative new therapies.

Top and Bottom Five Contributors to Performance over the year to 31 March 2006

	Number of shares held	Investment Value £'000s	Contribution for the year £'000s
Top Five Contributors			
Abgenix	–	–	1,341
Vertex Pharmaceuticals	69,900	1,473	1,193
Adolor Corporation	116,000	1,590	904
BioMarin Pharmaceutical	166,300	1,278	730
ViroPharma	–	–	666
Bottom Five Contributors			
Inion	–	–	(451)
Cyclacel Pharmaceuticals Inc	66,522	283	(446)
Antisoma	–	–	(244)
Neurosearch	–	–	(220)
Alizyme	–	–	(205)

Overview of the Biotechnology Universe

The universe of biotechnology companies can be divided into two broad categories: 1) major biotechnology, and 2) emerging biotechnology.

Major biotechnology companies are profitable, have marketed products, and generally have market capitalisations above US$3 billion. Their valuations are driven by earnings and future growth. Examples include Amgen, Genentech, and Genzyme. Historically, this group of companies has delivered strong revenue and EPS growth of roughly 20 per cent. per annum. OrbiMed expects that level of growth to continue into the future with the launch of new products.

Emerging biotechnology companies are not-yet-profitable discovery companies which typically have market capitalisations below US$3 billion. Their valuations are driven by pipeline developments, clinical trial results, and partnerships. Examples include Human Genome Sciences, Abgenix, and Vertex Pharmaceuticals. OrbiMed expects dozens more companies to turn profitable over the next several years as drug candidates based on genetic technologies (i.e. genomics) finally reach the market.

BUSINESS REVIEW (continued)

Biotechnology: The Engine of Innovation

Biotechnology has emerged as the innovation engine of the worldwide pharmaceutical industry. Well over half of recent drug approvals in the US have been discovered by biotechnology companies or biotechnology-derived research. Breakthrough products such as Lucentis for macular degeneration of the eye, Gardasil for cervical cancer and Avastin for solid tumours have reinvigorated both earnings growth and investor enthusiasm for the sector. This new product momentum has led to robust revenue and earnings growth for the biotechnology sector, with many of the larger companies reporting earnings growth in excess of 25 per cent. for the year. This success represents a striking role reversal from the 1990s, during which "big pharma" companies dominated new product activity, while smaller biotechnology companies played a more marginal role within the industry.

To access this wellspring of new biotechnology products, pharmaceutical companies have embarked on a programme of acquisitions, often paying hefty premiums to acquire product-rich biotechnology companies. The Company has been well positioned to capitalise on this trend, with two holdings acquired at attractive premiums. Amgen's acquisition of Abgenix at a 54 per cent. premium made that stock the best performance contributor for the year. Not far behind was the position in ID Biomedical, which was acquired at a 12 per cent. premium by GlaxoSmithKline. Other notable transactions included a US$5 billion bid from Novartis for the share of Chiron it did not already own, and a US$3 billion bid from Allergan for Inamed. In addition to acquisitions, there has also been a significant level of product licensing activity as product-hungry big pharma companies paid top dollar to access many biotechnology products. For example, Pfizer's deal for Incyte's CCR2 antagonists (targeted at various autoimmune diseases) carried a potential final price tag of over US$740 million, while Bristol-Myers announced a US$150 million agreement with Exelixis across several products.

The FDA situation has returned to normal after turmoil from product withdrawals, notably Vioxx and Tysabri, and leadership turnover. In a potentially important boost to investor sentiment, the FDA recently approved the return to market of an important multiple sclerosis drug, Tysabri. The emerging biotechnology sector experienced a difficult first quarter in 2005 partly triggered by the withdrawal of Tysabri after three cases of a potentially fatal infection (PML) were reported. Upon further review of the safety and efficacy data, it appears the risk of PML is manageable and was outweighed by the drug's very strong efficacy for many patients.

Small is Beautiful in 2006

Amidst a backdrop of healthy fundamentals, strong product news flow and robust merger and acquisition (M&A) activity, OrbiMed expects a continuation of biotechnology strength in the coming year. While share price gains in 2005 favoured the larger capitalisation biotechnology companies, it is expected that their smaller-capitalisation brethren, the emerging biotechnology companies, will assume stock market leadership in 2006. OrbiMed expects continued M&A activity to fuel this small cap rally. The CEOs from both Merck and Pfizer recently went on record to say they are actively seeking small and mid-sized biotechnology companies to acquire.

By one important measure, 2005 was a difficult year for emerging biotechnology companies with only four companies achieving profitability during the year. In general, OrbiMed has observed that share price gains for biotechnology companies are most profound during the period in which they transition to sustainable profitability. Previous recent years have seen as many as ten companies successfully make this transition. Looking ahead through the next two years, OrbiMed forecasts that a total of 59 companies have a scenario to achieve sustainable profitability. Surely, not all will succeed, but significant positions have been taken in those companies which are expected to do so, such as Amylin, BioMarin and OSI Pharmaceuticals.

OrbiMed has highlighted the following companies and products to illustrate how the biotechnology sector has emerged as the innovation engine of the worldwide pharmaceutical industry:

BioMarin Pharmaceutical Company – an emerging biotechnology company focused on developing innovative products for niche markets. BioMarin has two drugs approved for marketing. These two drugs are active in ameliorating two distinct "lysosomal storage diseases". These are rare diseases in which patients lack specific enzymes required for elimination of certain biological waste products; BioMarin's two approved products are direct replacements of these missing enzymes. For example, BioMarin developed Aldurazyme as the first specific therapy approved for the treatment of Mucopolysaccharidosis I. With two approved products on the market and a fully-integrated infrastructure in place, BioMarin is well positioned to realize continued success.

BUSINESS REVIEW (continued)

Adolor Corporation – an emerging biotechnology company focused on novel pain management products. Adolor's Entereg is being developed for ileus (impaired bowel function associated with surgery) and Opiod-induced bowel dysfunction (a common condition among millions of patients using Opioid pain medications such as morphine). Opiate-type drugs (or “Opiods”) and their natural analogs reduce gut motility, thereby resulting in constipation. Entereg is designed to block the action of Opiods in the gut, thereby increasing gut motility. Because Entereg is taken orally but is not absorbed into the body, it does not interfere with the ability of Opiods to mitigate pain. Adolor is collaborating with GlaxoSmithKline for the development and commercialization of Entereg. We anticipate Entereg will be approved for ileus by early 2007, on the basis of completed Phase III trials, and we expect Adolor to report successful Phase III trials in Opiod-induced bowel dysfunction later this year.

Ariad Pharmaceuticals – an emerging biotechnology company focused on the discovery and development of breakthrough oncology medicines to treat disease by regulating cell signaling with small molecules. Their lead product inhibits a protein called “mTOR”, which is known to be importantly involved in the growth of cancer cells. Ariad’s lead drug, the mTOR inhibitor AP23573, is being tested in a range of Phase II trials in a variety of cancers.

Product

Avastin – This drug from Genentech is an innovative product that is driving a new paradigm in oncology: first, delineating the differences between normal cells and cancer cells; and second, creating drugs that act against proteins important for cancer cell function but not normal cell function. Avastin blocks the formation of new blood vessels. The theoretical interest in a drug with such a mechanism derives from the fact that tumours need to cause new blood vessels to form in order to feed themselves. Scientific studies suggested that the protein VEGF was particularly important for the growth of new blood vessels. Genentech’s Avastin is an antibody that binds VEGF and blocks its activity. In the last several years Genentech has reported exciting data demonstrating that Avastin prolongs survival in patients with colorectal, breast and lung cancer, with other cancers currently being studied. With Avastin, Genentech has been able to translate modern scientific understanding of disease into a blockbuster product.

Gardasil – All existing vaccines prevent specific infections but Merck’s Gardasil will be the first vaccine with the goal of ultimately preventing a type of cancer, cervical cancer. Cervical cancer is one of the few cancers caused by a virus – Human Papilloma Virus (HPV). HPV is transmitted sexually. Gardasil is a vaccine for HPV. When injected into people, it induces an immune response that can prevent subsequent infection with HPV, therefore theoretically preventing the onset of cervical cancer. Merck has reported very strong data indicating that their vaccine prevents infection and subsequent development of cervical cancer, by those strains of HPV incorporated into the vaccine, which are those that cause most cases of cervical cancer.

Lucentis – Angiogenesis is important not only for the develoment of cancer, but is also involved in a fairly common form of blindness called “wet” macular degeneration, in which excessive formation of blood vessels in the part of the eye that responds to light (the retina) severely impairs vision. Genentech developed a VEGF antibody fragment smaller than Avastin, more appropriate for direct administration into the eye, called Lucentis. Fairly dramatic efficacy for Lucentis in Phase III trials of macular degeneration has been reported.

Performance

As mentioned in the Chairman’s Statement on pages 3 and 4, the Company’s net asset value per share rose from 101.2p to 131.8p, an increase of 30.2 per cent. during the year ended 31 March 2006. The Company’s benchmark, the NASDAQ Biotechnology Index (sterling adjusted) rose by 40.5% over the year, however, much of this rise occurred in the period 1 April 2005 to 19 May 2005, a period prior to the adoption of the new investment strategy. For the period 19 May 2005 to 31 March 2006, the performance delivered by the Company’s Investment Adviser was as follows:

Net asset value per share	+32.2%
Share price	+43.8%
Benchmark	+29.7%

Overall, the Company’s share price rose by 48.4 per cent. during the year, with the Company’s share price ending the year at a 2.8 per cent. premium to net asset value per share.

BUSINESS REVIEW (continued)

Performance Measurement

The Board is aware that it is share price performance that is most important to the Company's shareholders. Net asset value performance is of course closely linked to the performance of the Company's shares and this is the responsibility of OrbiMed as the Company's Investment Adviser. The Investment Adviser's objective to seek capital appreciation through investment in the worldwide biotechnology industry, principally by investing in emerging biotechnology companies; capital appreciation, will also include the effect of any share buy-backs. Performance is measured against the NASDAQ Biotechnology Index (sterling adjusted) (the "Benchmark"). The performance of the Investment Adviser is also monitored in terms of the Company's net asset value and share price returns relative to its peer, the International Biotechnology Trust.

Key Performance Indicators

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

– Net asset value total return

– Share price total return

– Stock contribution analysis

– Premium/discount to net asset value

– Total expense ratio

– Fund inflows and outflows from the Company's Share Plan and ISA Products

Placing and Offer for Subscription

In light of the encouraging outlook for biotechnology companies, the Board announced proposals in April 2006 to increase the size of the Company by way of a Placing and Offer for Subscription. A total of £40.8 million was raised with 38,172,263 new shares being issued at 106.91p per share, a premium of 2.3 per cent. to net asset value per share. OrbiMed has already invested these new proceeds in the Company's investment portfolio.

Management Fees

The decision to change the investment advisers having been made, the existing investment advisory and investment management agreements were terminated and new agreements were entered into with CFAM and OrbiMed with effect from 19 May 2005. Under the new agreements the annual investment management and advisory fee was reduced from 1.25 per cent. per annum based on gross assets, excluding the Merlin Fund L.P., to 1.00 per cent. per annum of net assets. The existing performance fee was also reduced from 20.00 per cent. to 16.50 per cent. of the outperformance of the investment portfolio over the Benchmark.

Management

Management, Administrative and Secretarial Services Agreement: Management, administrative, secretarial and other services are provided by the Manager. These services are carried out under an agreement adopted on 19 May 2005, terminable by either party at one year's notice. The Manager is authorised and regulated by the Financial Services Authority and is a wholly owned subsidiary of Close Brothers Group plc.

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

- administrative services to such extent and from such dates as the Board may determine;
- advice and guidance in respect of corporate governance requirements;
- maintain adequate books of account and record in respect of company dealing, investments, transactions, dividends and other income, the revenue account, balance sheet and cash books and statements;
- preparation and dispatch of the audited annual and unaudited interim report and accounts; and
- attending to general tax affairs where necessary.

BUSINESS REVIEW (continued)

Investment Advisory Agreement: At the Commencement of the year under review investment advisory services were provided to the Company by Reabourne Technology Investment Management Limited, a subsidiary of Close Brothers Group plc, and Merlin Biosciences Limited. These arrangements were terminated on 19 May 2005. A new Investment Advisory Agreement was then entered into with OrbiMed (a wholly owned subsidiary of OrbiMed Capital, LLC). The services carried out under this agreement, adopted on 19 May 2005, are also terminable by either party at one year's notice. The Investment Adviser, under the terms of the agreement, provides inter alia the following services:

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

The Manager and the Investment Adviser receive a management and advisory fee (also known as the "periodic fee") equal to 1.00 per cent. per annum of net assets. The periodic fee is split 0.35 percentage points to the Manager and 0.65 percentage points to the Investment Adviser. In addition, the Manager received a Company Secretarial fee charged at a fixed rate of £50,000 per annum plus VAT for the year ended 31 March 2006 (2005: £50,000).

Performance Fee

The performance fee is calculated by reference to the amount by which the Company's investment portfolio has outperformed the Benchmark.

The fee is calculated quarterly by comparing the cumulative performance of the Company's investment portfolio with the cumulative performance of the Benchmark since the 30 June 2005.

The performance fee is payable based on the lower of:

(i) the cumulative outperformance of the investment portfolio over the Benchmark as at the quarter end date; and

(ii) the cumulative out-performance of the investment portfolio over the Benchmark as at the corresponding quarter end date in the previous year.

The effect of this is to ensure that the outperformance is sustained over the period of the year in order for a fee to become payable. In addition, for a fee to become payable the lower of the cumulative fee amount as at the quarter end and that as at the corresponding quarter end in the previous year needs to be greater than the cumulative fees paid to date.

The performance fee is calculated as 16.50 per cent. of the amount the investment portfolio has out-performed the Benchmark, the Manager shall receive 1.50 percentage points and the Investment Adviser shall receive 15 percentage points of any performance fee generated.

Manager Evaluation and Re-Appointment

The appointment of CFAM as Manager and OrbiMed as Investment Adviser was agreed at a meeting of the full Board subsequent to the Extraordinary General Meeting held on 19 May 2005.

The review of the Investment Adviser's performance is a continuous process carried out by the Board with a formal evaluation being undertaken each year. As part of this process the Board receives regular reports and views from Investment Adviser on investment strategy, asset allocation and stock selection. The Board also receives comprehensive performance measurement reports to enable it to determine whether or not the

BUSINESS REVIEW (continued)

performance objective set by the Board has been met. Since the end of the year, the Board has reviewed the appropriateness of the appointment of both the Manager and the Investment Adviser. In carrying out its review, the Board agreed that the appointment of OrbiMed as Investment Adviser has been successful, in the light of the performance of the portfolio, particularly during the realignment process. The Board also noted the excellent working relationship that the Manager has with the Investment Adviser.

The Board believes the continuing appointment of the Manager, Investment Adviser, and Company Secretary, under the terms described above, 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 of the management and investment advisory team that CFAM and OrbiMed allocate to the management of the Company and its assets;

– the overall reputation and resources, including company secretarial and administrative support, provided by CFAM and OrbiMed; and

– the continuity of marketing of the Share Plan, PEP and ISA products that CFAM provides for shareholders.

International Financial Reporting Standards (IFRS)

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Consolidated Income Statement (formerly the Consolidated Statement of Total Return) on page 34 is being presented slightly differently to those of previous years. There is also a new report, the Statement of Changes in Equity which, as a primary statement, shows the reconciliation of the movements between the 2006 and 2005 Balance Sheets. Income and expenditure in the years 2005 and 2006 are accounted for in accordance with the policies set out in note 1 to the accounts. Certain figures for the prior year have been restated to reflect policy changes arising out of the adoption of IFRS. The changes are in respect of the requirement to value the investment portfolio at bid value rather than the previous (higher) mid value, as set out in note 17 to the accounts. As a result, the value of investments, as at 31 March 2005, has decreased by £89,000 or 0.3 per cent.

Buy-back policy

As part of the package of measures adopted by the Board in 2005 to improve the attraction of the Company's shares to new investors and also to provide the prospect of a sustained improvement in the rating of the Company's shares, an active discount management policy was implemented, to buy-back shares if the market price is at a discount greater than 6 per cent. to net asset value per share. The making and timing of any share buy-back remain at the absolute discretion of the Board. During the year a total of 2,610,000 shares were bought back for cancellation representing 8.7 per cent. of the then issued share capital. The purchases were made at prices ranging between £0.95 and £0.97 at an average discount of 6.2 per cent. to net asset value per share.

Principal Risks and how we seek to mitigate them

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

i) Objective and Strategy – The Company and its investment objective become 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, through the Manager and the Investment Adviser, hold regular discussions with major shareholders. A continuation vote is to be held at the Annual General Meeting in 2010 and every five years thereafter. Each month the Board receives a report which monitors the investments held in the portfolio compared against the Benchmark and the investment guidelines. Additional reports and presentations are received from and made by the Company's stockbroker and the Company Secretary.

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

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

BUSINESS REVIEW (continued)

buy-backs, if considered appropriate. The Board has implemented a discount control mechanism to establish a maximum level of 6.0 per cent. discount of share price to net asset value per share.

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

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

iv) Operational and Regulatory – A breach of Section 842 of the Income and Corporation Taxes Act 1988 could lead to the Company being subject to capital gains tax on the sale of its investments, whilst serious breach of other regulatory rules may lead to suspension from the Stock Exchange or to a qualified Audit Report. Other control failures, either by the Manager, the Investment Adviser 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 reported to the Board. The Board considers regularly all 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 Manager's Compliance Officer produces regular reports for review at the Company's Audit Committee and is available to attend meetings in person if required.

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

The Board meets as a team on a quarterly basis during the year. At each meeting they consider the asset allocation of the portfolio in order to minimise the risk associated with particular countries or instruments. The Investment Adviser has responsibility for selecting investments in accordance with the Company's investing objectives and seeks to ensure that individual stocks meets an absolute risk-named profile.

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

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

The Manager provides a shareholder analysis to every Board Meeting for Board consideration of action required in addition to regular reporting by the Company's stockbroker.

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

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

Prospects

Despite the recent market correction and the reversal in the value of the US dollar, the Board continues to believe that the prospects for the biotechnology sector remain good and that OrbiMed Advisors are well-placed to achieve good returns for the Company. The Board is also pleased that demand for the Company's shares through the recent Placing and Offer for Subscription was strong with a total £40.8 million being raised.

By order of the Board

Close Finsbury Asset Management Limited
Company Secretary
13 June 2006

TEN LARGEST INVESTMENTS

at 31 March 2006

Company	Country	2006 Market value £'000	2006 % of investments	2005 Market value £'000	2005 % of investments
Amgen	United States	3,071	8.3	–	–
MedImmune	United States	2,383	6.4	–	–
Genzyme	United States	2,261	6.1	–	–
Genentech	United States	1,900	5.1	–	–
Adolor Corporation	United States	1,590	4.3	–	–
Endo Pharmaceuticals	United States	1,548	4.2	–	–
Merlin Fund (unquoted) +	United Kingdom	1,505	4.1	2,773	9.1
Vertex Pharmaceuticals	United States	1,473	4.0	–	–
Basilea Pharmaceuticals	Switzerland	1,318	3.5	–	–
BioMarin Pharmaceutical	United States	1,278	3.5	–	–
Total		**18,327**	**49.5**	**2,773**	**9.1**

+ The Merlin Fund L.P. is a Jersey based limited partnership. All of the underlying holdings of the Merlin Fund are based in the United Kingdom

INVESTMENT PORTFOLIO

The investments as at 31 March 2006 were:

Investment	Country	Market value £'000	% of investments
Amgen	United States	3,071	8.3
MedImmune	United States	2,383	6.4
Genzyme	United States	2,261	6.1
Genentech	United States	1,900	5.1
Adolor Corporation	United States	1,590	4.3
Endo Pharmaceuticals	United States	1,548	4.2
Merlin Fund (unquoted) +	United Kingdom	1,505	4.1
Vertex Pharmaceuticals	United States	1,473	4.0
Basilea Pharmaceuticals	Switzerland	1,318	3.5
BioMarin Pharmaceutical	United States	1,278	3.5
Top 10 investments		**18,327**	**49.5**
Array BioPharma	United States	1,256	3.4
Gen-Probe	United States	1,239	3.4
OSI Pharmaceuticals	United States	1,201	3.2
Genmab	Denmark	1,182	3.2
Amylin Pharmaceuticals	United States	1,128	3.0
Vion Pharmaceuticals	United States	1,121	3.0
Millennium Pharmaceutical	United States	1,017	2.7
Onyx Pharmaceuticals	United States	983	2.7
Momenta Pharmaceuticals	United States	960	2.6
Pharmacopeia	United States	914	2.5
Top 20 investments		**29,328**	**79.2**
CV Therapeutics	United States	891	2.4
Kosan Biosciences	United States	879	2.4
Ariad Pharmaceuticals	United States	869	2.3
Tepnel Life Sciences*	United Kingdom	799	2.2
InterMune	United States	748	2.0
Panacos Pharmaceuticals	United States	708	1.9
Regeneron Pharmaceuticals	United States	575	1.6
Myogen	United States	542	1.5
Idera Pharmaceuticals*	United States	529	1.4
Savient Pharmaceuticals	United States	390	1.1
Top 30 investments		**36,258**	**98.0**
Biowisdom (unquoted)	United Kingdom	300	0.8
Cyclacel Pharmaceutical Inc	United States	283	0.7
Monogram Biosciences Inc	United States	202	0.5
Biovector Therapeutics	France	–	–
Total Investments		**37,043**	**100.0**

\+ The Merlin Fund L.P. is a Jersey based limited partnership. All of the underlying holdings of the Merlin Fund are based in the United Kingdom

* Includes warrants

All of the above investments are equities unless otherwise stated

INVESTMENT PORTFOLIO (continued)

Portfolio breakdown

The portfolio comprises of:

Investment	Market Value £'000	% of investments
Equities	36,746	99.2
Warrants	297	0.8
Total of all investments	**37,043**	**100.0**

The Merlin Fund L.P.

The Merlin Fund L.P. is a Jersey based limited partnership in which the Company has a 15 per cent. interest. The principal purpose of The Merlin Fund L.P. is to invest in early stage biotechnology companies.

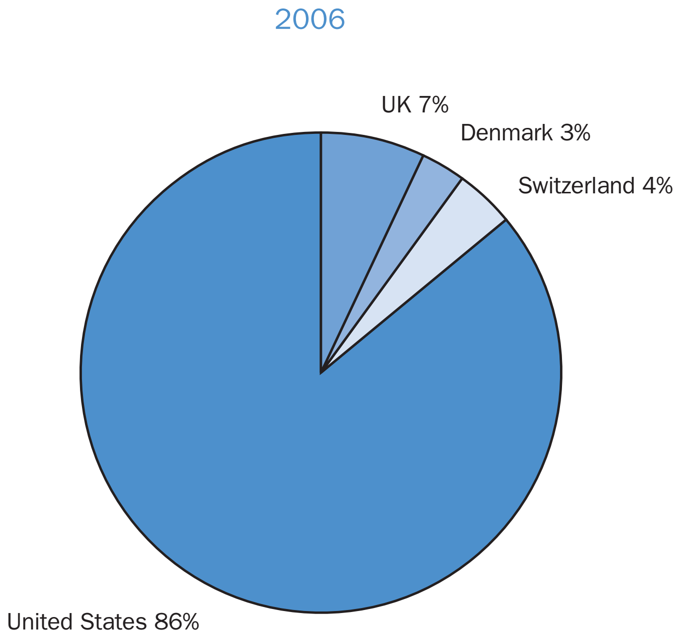
Investment	Value of Company £'000	% of investments
Microscience Ltd	3,000	29.9
Biovex Group	2,256	22.5
ReNeuron Group*	1,708	17.0
Ark Therapeutics Group*	1,271	12.7
Cyclacel Pharmaceutical*	1,259	12.6
KinderTec Ltd	–	–
Pantherix Ltd	–	–
Total Investments	**9,494**	**94.7**
Cash and other assets	535	5.3
Total of Merlin Fund L.P. Investments	**10,029**	**100.0**

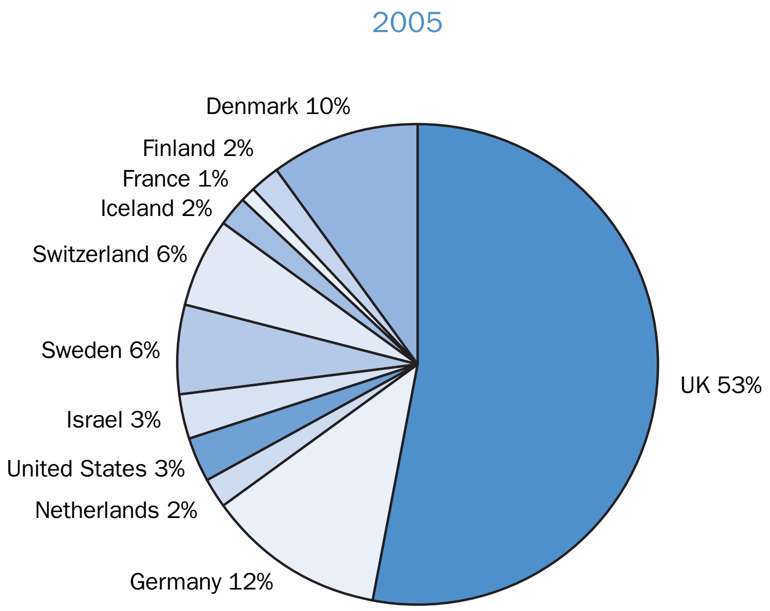
Quoted Investments

* As at 31 March 2006 the US$/£ exchange rate was 1.7346 (31 March 2005 – 1.8896)

ANALYSIS OF THE PORTFOLIO

Geographic Analysis
as at 31 March





THE BOARD

John Sclater CVO* (Chairman)

John Sclater, aged 65, has served on the Board as Chairman since the launch of the Company in June 1997; he is also Chairman of the Nominations and Remuneration Committees. He is currently self employed and is Chairman or Director of a number of companies. He was formerly a Trustee of The Grosvenor Estate, Chairman of Hill Samuel Bank Limited, Chairman of Foreign & Colonial Investment Trust PLC, First Church Estates Commissioner and President of The Equitable Life Assurance Society. He remains Chairman of Graphite Enterprise Trust PLC and Argent Group (Europe) Ltd and a Director of James Cropper PLC and Millenium & Copthorne Hotels PLC.

Sven Borho

Sven Borho, aged 39, joined the Board in March 2006. He is a founding General Partner of OrbiMed Advisors, LLC, the Company's Investment Adviser. He is a portfolio manager for OrbiMed's public equity funds and heads the firm's trading activities. He started his career in 1991 when he joined Mehta and Isaly as a Senior Analyst covering European pharmaceutical firms and biotechnology companies worldwide. Sven studied business administration at Bayreuth University in Germany and received an M.Sc (Econ.) from The London School of Economics.

Paul Gaunt

Paul Gaunt, aged 56, joined the Board in June 1997. He 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 BRIT Insurance Holdings PLC and of Oasis Healthcare plc. Paul is a Director of Finsbury Technology Trust PLC and Finsbury Worldwide Pharmaceutical Trust PLC, both of which are managed by CFAM the Company's Manager; the latter is also advised by OrbiMed Capital, LLC the Investment Adviser to the Company. Paul is not employed by and does not have any other connections with the Company's Manager or Investment Adviser and is not employed by any of the companies in which the Company holds an investment.

Dr John Gordon*

John Gordon, aged 61, joined the Board in June 1997 and has been designated as the Senior Independent Director. He is currently Chairman of, and employed by, Quercus Management Limited. 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.

Peter Keen*

Peter Keen, aged 48, has served on the Board as a Director since the launch of the Company in June 1997 and is Chairman of the Audit Committee. A chartered accountant, he is Chief Financial Officer of Cambridge biopharmaceutical company Arakis Limited, and has 20 years' experience in the management and financing of biotechnology businesses. He is also a Director of Ark Therapeutics Group plc and of Abcam plc and was previously UK Managing Director of and consultant to Merlin Biosciences Limited, the former Investment Adviser to the Company.

Anthony Townsend

Anthony Townsend, aged 58, joined the Board at the Company's launch in June 1997. He has spent over 35 years working in the City and was Chairman of The Association of Investment Trust Companies from 2001 to 2003. He is Chairman of iimia Investment Trust plc, British & American Investment Trust PLC and The Ukraine Opportunity Trust plc and a Director of Brit Insurance Holdings PLC and of F&C Smaller Companies PLC. He is also a Director of Finsbury Growth & Income Trust PLC, Finsbury Technology Trust PLC and Finsbury Worldwide Pharmaceutical Trust PLC, all of which are managed by CFAM, the Company's Manager.

Lord Waldegrave of North Hill*

Lord Waldegrave of North Hill, aged 59, joined the Board in June 1998. Lord Waldegrave has been employed by UBS since June 2003 as a vice-chairman in the Investment Banking Department. Lord Waldegrave was previously Chairman of the Global Financial Institutions Group at Dresdner Kleinwort Wasserstein. From 1979 to 1997 he was MP for Bristol West and held a number of Cabinet posts including Secretary of State for Health. Lord Waldegrave is Chairman of the National Museum of Science and Technology and a Director of Bank of Ireland Financial Services (UK) p.l.c.

* Member of the Audit, Nominations and Remuneration Committees

ORBIMED ADVISORS LLC

OrbiMed Advisors, LLC, based in New York, is an investment adviser focused exclusively on the healthcare sector, with US$5.8 billion in assets under management as at 31 March 2006 across a range of private equity funds, hedge funds and their investment vehicles. OrbiMed's investment advisory activities were founded in 1989 by Samuel D. Islay with a vision to invest across the industry spectrum on a global basis: from small privately held drug discovery and medical device companies to large publicly traded global pharmaceutical companies.

Investment Strategy

Finsbury Emerging Biotechnology Trust's objective is to seek capital appreciation through investment in the worldwide biotechnology industry principally by investing in emerging biotechnology companies.

Consistent with this mandate, OrbiMed has invested the majority of the Company's assets in emerging biotechnology companies with the remainder invested in major biotechnology companies. The portfolio comprises 34 holdings as at 31 March 2006.

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

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

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

The attainment of profitability frequently acts as a significant catalyst for biotech share price appreciation. As a result, OrbiMed believes superior returns can be achieved by investing in emerging biotechnology companies 2-3 years prior to sustainable profitability. Companies that turn profitable benefit from greater analyst research coverage, a wider institutional investor base, and reduced clinical development risk (since profitability typically coincides with a product approval and launch). OrbiMed would generally exit its investment when the general investor community starts to value the newly profitable biotechnology company in excess of its anticipated future growth.

Risk management will be conducted via position size limits, geographic diversification, and an appropriate weighting between major and emerging biotechnology. OrbiMed maintains adequate portfolio liquidity by limiting the firm's ownership to 10% of an individual company's equity and would not normally envisage making new investments in unquoted companies.

The OrbiMed Team

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

Samuel D. Isaly is a founder and the Managing Partner of OrbiMed. Mr. Isaly 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 Merrill Lynch, Legg Mason and SoGen Swiss International. Mr. Isaly created OrbiMed's asset management business in 1989 through OrbiMed's predecessor organisation, Mehta and Isaly. Mr. Isaly has a B.A. in Economics from Princeton University and a M.Sc. (Econ.) from The London School of Economics.

Sven H. Borho, CFA, is a founding General Partner of OrbiMed. Mr. Borho is a portfolio manager for OrbiMed's public equity funds and he heads the firm's trading efforts. He started his career in 1991 when he joined Mehta and Isaly as a Senior Analyst covering European pharmaceutical firms and biotechnology companies worldwide. Mr. Borho studied business administration at Bayreuth University in Germany and received a M.Sc. (Econ.) from The London School of Economics; he is a citizen of both Germany and Sweden.

ORBIMED ADVISORS LLC (continued)

Carl L. Gordon, Ph.D, CFA, is a founding General Partner of OrbiMed and Co-Head of Private Equity. Mr. Gordon is active in both private equity and small-capitalisation public equity investments. He was a senior biotechnology analyst at Mehta and Isaly from 1995 to 1997. He was a Fellow at The Rockefeller University from 1993 to 1995. Mr. Gordon received a Ph.D. in Molecular Biology from the Massachusetts Institute of Technology. His doctoral work involved studies of protein folding and assembly. He received a Bachelors degree from Harvard College.

Richard D. Klemm, Ph.D, CFA, joined OrbiMed in 2000 as a public biotechnology company analyst. He completed a Ph.D. from the Massachusetts Institute of Technology in Molecular Biology in 2000. Mr. Klemm has published scientific articles in the fields of DNA replication and transcription. He received a BA from the University of California, Berkeley in 1994 with majors in molecular and cell biology and economics.

Geoffrey C. Hsu, CFA, joined OrbiMed in 2002 as a public 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 AB degree summa cum laude from Harvard University and holds an MBA from Harvard Business School. Prior to business school, he spent two years studying medicine at Harvard Medical School.

OrbiMed's Growing Family

In an important expansion of its capabilities, two new hires at OrbiMed have recently taken place.

First, Scot Stevens was recruited to head its equity trading and options strategy efforts. Scot joined from Goldman Sachs, where he spent five years as a trader in both the derivatives group and the healthcare sector group. His investment focus is on expanding trading and options strategies.

Secondly, OrbiMed hired its first dedicated medical device analyst. Jason Kroll joined from Roth Capital, where he was head of medical device research. Jason has six years of experience and many industry accolades, including being named the top Industry Stock Picker for Health Care Equipment & Supplies in the 2004 Forbes.com survey. After over five years of successful medical device investments in its venture capital funds, OrbiMed is enthusiastic about extending its public equity resources to this sector as well.

REPORT OF THE DIRECTORS

The Directors present their report and the financial statements for the year ended 31 March 2006.

Status and Activities

During the year under review the Company has continued to conduct its affairs so as to qualify as an investment company, as defined under Section 266 of the Companies Act 1985, and an investment trust within the meaning of Section 842 of the Income and Corporation Taxes Act 1988. HM Revenue & Customs approval of the Company's status as an investment trust has been received for all years up to and including the year ended 31 March 2005. This is however subject to review should there be any enquiry under Corporate Tax Self Assessment. The Directors are of the opinion that the Company has subsequently directed its affairs so as to enable it to continue to obtain HM Revenue & Customs approval as an investment trust.

There has been no significant change in the activities of the Company during the year and the Directors anticipate that the Company will continue to operate in the same manner during the current year. A review of the business is set out on pages 5 to 12.

The Company currently manages its affairs so as to be a fully qualifying investment trust under the Individual Savings Account (ISA) rules. As a result, under current UK legislation, the shares qualify for investment via the stocks and shares component of an ISA up to the full annual subscription limit (currently £7,000 in each tax year up to and including 5 April 2010 for maxi-account ISAs and £4,000 for mini-account ISAs). The Company's shares are fully qualifying for inclusion in an existing general PEP. It is the present intention that the Company will conduct its affairs so as to continue to qualify for ISA and PEP products.

Results and Dividends

The results attributable to shareholders for the year and the transfer from reserves is shown on page 34. No dividend is proposed in respect of the year ended 31 March 2006 (2005: nil).

Fixed Asset Investments

The market value of the Company's investments, at 31 March 2006 was £37,043,000 (2005: £30,403,000 – see note 9). Taking these investments at this valuation, the net assets attributable to each Ordinary share amounted to 131.8p at 31 March 2006 (2005: 101.2p – see notes 13 and 17).

Directors

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

John Sclater (Chairman)
Sven Borho (appointed 27 March 2006)
Paul Gaunt
Dr John Gordon
Peter Keen
Anthony Townsend
Lord Waldegrave of North Hill

Information in relation to each Director can be found on page 17. Paul Gaunt and Dr John Gordon retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. John Sclater, Peter Keen and Anthony Townsend having served on the Board for more than nine years from the date of their first election, retire at the forthcoming Annual General Meeting in accordance with the provisions of the Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003 (the "Code") and, being eligible, offer themselves for re-election. Henceforth, Paul Gaunt and Dr Gordon will also stand for re-election annually as they have also served as Directors for more than nine years.

On 27 March 2006 Sven Borho, whose biographical details are shown on page 17, was appointed as a Director. He is a founding Partner of the Company's Investment Advisor. The Board believes that his extensive investment experience will contribute significantly to its deliberations. In accordance with the Company's Articles of Association he will retire at the forthcoming Annual General Meeting, being the first such meeting following his appointment and, being eligible, offers himself for election.

REPORT OF THE DIRECTORS (continued)

Independence

The Code discusses the circumstances under which a director may not be considered to be independent, including if the director holds cross-directorships or has significant links with other directors through involvement in other companies or bodies or has served on the Board for more than nine years from the date of first election. The Code provides however for the Board to state its reasons if it determines that a director is independent notwithstanding the existence of circumstances that may appear to determine otherwise. The Association of Investment Trust Companies ("AITC") Code on Corporate Governance ("AITC Code"), however, allows the Board more flexibility in respect of the length of service of a director.

Paul Gaunt and Anthony Townsend are non-executive Directors but are not considered to be independent by the Code or the Board. This position has been adopted as Paul Gaunt is also a Director of Finsbury Technology Trust PLC and Finsbury Worldwide Pharmaceutical Trust PLC, and Anthony Townsend is also a Director of Finsbury Growth & Income Trust PLC, Finsbury Technology Trust PLC and Finsbury Worldwide Pharmaceutical Trust PLC, all managed by CFAM, the Manager of the Company. Additionally, Anthony Townsend, until 1 October 2005 provided a consultancy service to Close Brothers Group plc, the parent company of CFAM, the Manager to the Company. In addition, both Paul Gaunt and Anthony Townsend have served on the Board for more than nine years from the date of his first election. Neither Paul Gaunt nor Anthony Townsend have any other connections with the Manager or Investment Manager and is not employed by any of the companies in which the Company holds an investment.

Sven Borho is a non-executive Director but is also not considered to be independent due to his position as General Partner of OrbiMed Advisors LLC, the Investment Adviser to the Company.

John Sclater, Dr John Gordon and Peter Keen have all served in excess of nine years on the Board since their first election and are not, therefore, considered by the Code to be independent. Nonetheless, the Board consider them to be independent in character and judgement and does not consider that the criterion of length of service should necessarily preclude them from being so considered. This position accords with the recommendation of the AITC that a director may be viewed as being independent notwithstanding service that could be considerably more than nine years. Accordingly, John Sclater, Dr John Gordon and Peter Keen are considered by the Board to be independent.

In accordance with best practice, notwithstanding the determination by the Board of independence, all Directors not considered by the Code to be independent will stand for re-election at the Annual General Meeting each year.

Board Evaluation

The Board carried out an evaluation process in February 2006, independently managed on behalf of the Board by Dr John Gordon who has been designated as the Senior Independent Director; Dr Gordon was evaluated by the rest of the Board and the Company Secretary. As a result of the evaluation the Board considers that all the current Directors contribute effectively and that all have skills and experience, which are relevant to the leadership and direction of the Company.

Having given careful consideration to the above, the Board unanimously supports the election of Sven Borho and the re-election of John Sclater, Paul Gaunt, Dr John Gordon, Peter Keen and Anthony Townsend.

REPORT OF THE DIRECTORS (continued)

Directors Interests

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

	Ordinary shares of 25p each	
	31 March 2006	31 March 2005 (or date of appointment if later)
John Sclater	9,410	9,355
*Sven Borho	221,218	221,218
Paul Gaunt	–	–
Dr John Gordon	50,000	20,000
Peter Keen	23,232	13,232
Anthony Townsend	60,000	50,000
Lord Waldegrave of North Hill	27,542	6,642

*Sven Borho was appointed as a Director on 27 March 2006.

The following Directors subscribed for shares in the Placing and Offer for Subscription, details of which were announced on 28 April 2006:

Peter Keen 9,353 shares
Anthony Townsend 11,700 shares
Lord Waldegrave of North Hill 23,524 shares

Otherwise there have been no changes in the interests of the Directors up to the date of this report. None of the Directors were granted or exercised rights over shares during the year. None of the Directors has any contract (including service contracts) with the Company. Sven Borho is a shareholder in OrbiMed Advisors, LLC, an associated entity of OrbiMed Capital, LLC which is party to the Investment Advisory Agreement with the Company and receives fees as described above.

Directors Fees

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

Share Capital

Details relating to the Company's share capital can be found in note 12 to the accounts. During the year a total of 2,610,000 shares were bought back for cancellation representing 8.7 per cent. of the then issued share capital. The purchases were made at prices ranging between £0.95 and £0.97 at an average discount of 6.2 per cent. 250,000 shares were issued during the year at a premium of 2.7 per cent. to net asset value per share.

On 10 March 2006 the Board announced that in the light of strong performance in terms of net asset value per share and share price, delivered since the Company's adoption of a global emerging biotechnology mandate in May 2005 and the encouraging outlook for biotechnology companies, the Company was exploring whether it could expand its size, thereby reducing its total expense ratio and improving the liquidity in its shares. On 28 April 2006, the Board announced proposals for an issue of up to £60 million of new shares by way of a Placing and Offer for Subscription. At an Extraordinary General Meeting, held on 24 May 2006, Shareholder approval was obtained to increase the Company's authorised share capital, to allot additional new shares in respect of the Placing and Offer for Subscription and also to allot up to an additional 10 per cent. of the issued share capital following this, to disapply statutory pre-emption rights otherwise applicable to the new shares intended to be issued in connection with the Placing and Offer for Subscription and to any further allotment of shares by the Company following the issue. The Company further obtained an update to the current authority to make repurchases of the Company's shares that was granted at the Annual General Meeting held last year. In order to keep these authorities refreshed, resolutions will be put to this year's Annual General Meeting to seek Shareholder approval to renew them. Shareholder approval has also been obtained to cancel the Company's

REPORT OF THE DIRECTORS (continued)

share premium account, immediately following the Placing and Offer for Subscription, in order to provide an increased distributable reserve out of which the Company's shares can be purchased if and when it is considered beneficial to do so. An application to do his has been made to the Court. As a result 38,172,263 new shares were issued on 31 May 2006 at a premium of 2.3 per cent. to net asset value per share. Following this there are now 65,912,263 shares in issue.

Substantial Shareholdings

As at 8 June 2006 the Company was aware of the following interests in the shares of the Company, which exceeded 3 per cent. of the issued share capital of that class:

Investment Manager	Registered holder	No. of shares	% of Issued Share Capital
East Riding of Yorkshire Council	East Riding of Yorkshire Council	5,056,098	7.67
M&G Investment Management	Prudential Client HSBC GIS Nominee/ Nortrust Nominees	4,738,415	7.19
Reliance Mutual Insurance Society	HSBC Global Custody Nominee (UK)	3,570,732	5.42
New Star Asset Management	HSBC Global Custody Nominee (UK)	3,135,365	4.76
Bank of England Pension Fund	Securities Management Trust Ltd	2,835,366	4.30
Brewin Dolphin	BDS Nominees/Brewin Nominees/ Brewin Nominees (Channel Islands)/ Brooks MacDonald Services/ Giltspur Nominees/North Castle Street Nominees	2,770,276	4.20
Insight Investment Management	Nortrust Nominees/State Street Nominees	2,408,431	3.65

Articles of Association

The Company's Articles of Association have remained substantially unchanged since the Company's incorporation in 1997. The Board believes that as a result of various legislative and regulatory developments the time is now right to refresh the Articles of Association to bring them into line with current best practice. A Special Resolution will be proposed at the Annual General Meeting which would have the effect of adopting new Articles of Association in place of the current version, replacing them in their entirety. The differences between the current and the proposed new Articles of Association are summarised in a separate circular to Shareholders.

Continuation Vote

It is not the Directors intention that the Company should have a limited life, and in accordance with the Company's Articles of Association, shareholders will have an opportunity to vote on the continuation of the Company at the AGM in 2010 and every five years thereafter.

Creditors' Payment Policy

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

Charitable and Political Donations

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

Environmental and Ethical Policy

The Company's primary objective is to achieve long term capital growth through investing in emerging biotechnology companies and the Board recognise that this should be done in an environmentally responsible way. The Board considers that companies in which the Company invests should, where possible, meet a broad range of ethical considerations.

REPORT OF THE DIRECTORS (continued)

Financial Instruments

Information on the Company's objectives and policies in relation to financial risk and its management of and exposure to price risk, credit risk, liquidity risk and cashflow risk is provided in note 14 to the accounts on pages 46 and 47.

Independent Auditors

RSM Robson Rhodes LLP have expressed their willingness to continue to act as Auditors to the Company and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

Awareness of Relevant Audit Information

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

Directors' Responsibilities

Company law in the United Kingdom requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and of the profit of the Company for that period. In preparing these financial statements, which have been prepared in accordance with IFRS, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- followed applicable international accounting standards.

The Directors are responsible for keeping proper 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 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The financial statements are published on the www.closefinsbury.com website, which is a website maintained by the Company's Manager, CFAM. The maintenance and integrity of the website maintained by Close Finsbury or any of its subsidiaries is, so far as it relates to the Company, the responsibility of Close Finsbury. 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 financial statements since they were initially presented on the website. Visitors to the website 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.

Corporate Governance

A formal statement on Corporate Governance is set out on pages 26 to 29.

REPORT OF THE DIRECTORS (continued)

Annual General Meeting

The formal Notice of Annual General Meeting is set out on pages 51 to 53.

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

(a) Adoption of New Articles of Association

Resolution 10 seeks Shareholder approval that new articles of association be adopted in substitution for, and to the exclusion of, the existing articles of association.

(b) Authority to allot shares

Resolution 11 gives the Directors authority to allot new shares, otherwise than by a pro rata issue to existing shareholders, up to an aggregate nominal amount of £823,903 such amount being equivalent to 5 per cent. of the present issued share capital. As such issues would only be made at prices greater than the fully diluted net asset value per share ("NAV") they increase the assets underlying each share and spread administrative expenses, other than those charged as a percentage of assets, over a greater number of shares.

(c) Disapplication of pre-emption rights

Resolution 12 seeks shareholder approval for the disapplication of pre-emption rights in respect of a) the allotment of shares or the sale by the Company of shares pursuant to a rights issue or a sale equivalent to a rights issue b) the allotment (other than as part of a rights issue) of shares for cash up to an aggregate nominal value of £823,903. No such allotment will be made at less than the NAV per share (as determined in the absolute discretion of the Directors).

(d) Authority to repurchase shares

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

At the Annual General Meeting the Company will seek shareholder approval to repurchase up to 9,880,248 shares, representing approximately 14.99 per cent. of the Company's issued share capital (the maximum permitted under the Listing Rules) at a price that is not less than 25p a share (the nominal value of each share) and not more than the higher of (a) 105 per cent. of the average of the middle market quotations for the five business days preceding the day of purchase; and (b) the higher of the price of the last independent trade in shares and the highest then current independent bid for shares on the London Stock Exchange. The decision as to whether to repurchase any shares will be at the absolute discretion of the Board.

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

The Directors consider that the resolutions relating to the above items of special business are in the best interests of shareholders as a whole. Accordingly, the Directors unanimously recommend to the shareholders that they vote in favour of the above resolutions to be proposed at the forthcoming Annual General Meeting.

By order of the Board
Close Finsbury Asset Management Limited
Secretary
13 June 2006

CORPORATE GOVERNANCE

The UK Listing Authority requires all listed companies to disclose how they have applied the principles and complied with the provisions of the Code. Throughout the year under review, the Code, issued by the Financial Reporting Council in July 2003, was in force.

In February 2006, the Financial Reporting Council endorsed the revised version of the AITC Code and the AITC Corporate Governance Guide for Investment Companies ("AITC Guide"). It further confirmed that AITC member companies, who reported against the AITC Code and who followed the AITC Guide, would be meeting their obligations in relation to the Combined Code and the associated disclosure requirements of the Listing Rules.

The Board welcomes the change to the reporting requirements and continues its commitment to high standards of Corporate Governance. It has noted the principles and recommendations contained in the AITC Code and sets out the Company's compliance with these, where relevant, in the following report.

The Board

The Board currently consists of seven members, all of whom are non-executive. The Directors biographical details, set out on page 17, demonstrate a breadth of investment, commercial and professional experience. John Sclater is the Chairman and Dr John Gordon has been designated as the Senior Independent Director.

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

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

The following table sets out the number of Directors' meetings (including committee meetings) held and attended during the year under review.

CORPORATE GOVERNANCE (continued)

Type and number of meetings held in 2005/6:	Board Committee (2)	Board (5)	Audit Committee (2)	Nominations Committee (1)	Remuneration Committee (2)	Management Engagement Committee (1)
John Sclater	0	4	1	1	2	1
Sven Borho *	N/A	N/A	N/A	N/A	N/A	N/A
Paul Gaunt	0	4	N/A	N/A	N/A	N/A
Dr John Gordon	1	5	2	1	2	1
Peter Keen	1	4	2	1	1	1
Anthony Townsend	1	4	N/A	N/A	N/A	N/A
Lord Waldegrave of North Hill	1	5	2	1	2	1

* Appointed on 27 March 2006

All of the Directors, with the exception of Peter Keen attended the Annual General Meeting held on 26 July 2005. All of the Directors, with the exception of John Sclater attended the Extraordinary General Meeting held on 19 May 2005. All of the Directors, with the exception of Anthony Townsend, attended the Extraordinary General Meeting held on 24 May 2006.

Mr Sven Borho, an investment professional and founding General Partner of the Company's Investment Adviser, was appointed during the year.

The Board is of the view that length of service does not itself impair a director's ability to benefit the Company as their long term perspective can add significant value to a well-balanced investment company board. No limit in the overall length of service of any of the Company's Directors, including the Chairman, has therefore been imposed.

The Board, through its Nomination Committee considers the structure and composition of the Board on an annual basis in addition to carrying out a full Board evaluation process to assess all individual contributions to the running of the Company; it also reviews regularly the independence of its members. In the opinion of the Board, each Director remains independent in character and judgement and there are no relationships or circumstances relating to the Company that are likely to affect their judgement.

Board Committees

Copies of the full Terms of Reference of each Committee can be viewed on the website of the Company's Manager, CFAM (website: www.closefinsbury.com). The maintenance and integrity of the website maintained by Close Finsbury or any of its subsidiaries is, so far as it relates to the Company, the responsibility of Close Finsbury. Copies can also be obtained from the Company Secretary and will also be available for inspection at the Annual General Meeting.

Audit Committee

The Company's Audit Committee meets at least twice per year, is chaired by Peter Keen, and comprises all independent Directors (namely Peter Keen, Dr John Gordon, John Sclater and Lord Waldegrave) the non-independent Directors are invited to attend when required by the Chairman. John Sclater, the Chairman of the Company, continues to be a member of the Audit Committee due to his extensive knowledge and experience which has proven to be of great value when making its deliberations. The Audit Committee is responsible for the review of the annual report and the interim report, the nature and scope of the external audit and the findings therefrom and the terms of appointment of the auditors, including their remuneration. The Audit Committee also reviews the need for non-audit services and authorises such on a case-by-case basis, having consideration to the cost effectiveness of the services and the independence and objectivity of the auditors. The Audit Committee meets representatives of the Manager and its Compliance Officer who report as to the proper conduct of business in accordance with the regulatory environment in which both the Company and the Manager operate. The Company's external Auditors also attend this Committee at its request and report on their work procedures, the quality and effectiveness of the Company's accounting records and their findings in relation to the Company's statutory audit.

CORPORATE GOVERNANCE (continued)

Management Engagement Committee

The Management Engagement Committee meets at least once per year under the Chairmanship of John Sclater, and is composed of the independent Directors (namely John Sclater, John Gordon, Peter Keen and Lord Waldegrave) and, by invitation, the non-independent Directors. The Management Engagement Committee is responsible for the regular review of the terms of the contracts with the Manager and Investment Manger and for making recommendations to the Board in respect of such contracts.

Nominations Committee

The independent Directors (namely John Sclater, John Gordon, Peter Keen and Lord Waldegrave) fulfil the function of a Nominations Committee under the Chairmanship of John Sclater, to which the non-independent Directors may be invited to attend. The Nominations Committee is responsible for the Board appraisal process and for making recommendations 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. Directors are not appointed for specified terms, but are subject to re-election, in accordance with the Company's Articles of Association new Directors stand for election at the first Annual General Meeting following their appointment and as agreed by the Board at every third Annual General Meeting thereafter.

Remuneration Committee

The Board as a whole fulfils the function of a Remuneration Committee, which is chaired by Dr John Gordon. The level of Directors' fees is reviewed on a regular basis relative to other comparable companies and in the light of Directors' responsibilities. Details of the fees paid to the Directors in the year under review are detailed in the Directors Remuneration Report on pages 30 and 31.

Tenure Policy

None of the Directors has a service contract with the Company. New Directors are appointed with the expectation that they will serve for a period of three years. Directors' appointments are reviewed formally every three years by the Nomination Committee. Any Director may resign by notice in writing to the Board at any time. There are no set notice periods. No compensation is payable on leaving office.

The Articles of Association provide that one-third of the directors must retire by rotation and may offer themselves for re-election at each Annual General Meeting. The terms of the Directors' appointment also provide that a Director shall retire and be subject to election at the first Annual General Meeting after appointment and at least every three years thereafter.

Director Training

When a Director is appointed he or she is offered an induction briefing, which is organised by the Manager. Directors are also provided, on a regular basis, with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise.

Board Appraisal

The Board carried out an evaluation process in February 2006, managed on behalf of the Board by Dr John Gordon who has been designated as the Senior Independent Director. As a result of the evaluation the Board considers that all the current Directors contribute effectively and that all have skills and experience, which are relevant to the leadership and direction of the Company.

Internal Control

The Directors are responsible for overseeing the effectiveness of the internal control systems for the Company, which are designed to ensure that proper accounting records are maintained, that the financial information on which the business decisions are made and which are issued for publication is reliable, and that the assets of the Company are safeguarded. Such a system of internal control is designed to manage rather than eliminate the risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

CORPORATE GOVERNANCE (continued)

The Directors, through the procedures outlined below, have kept the effectiveness of the Company's internal controls under review throughout the period covered by these financial statements and up to the date of approval of the Annual Report and Financial Statements. The Board has identified risk management controls in the key areas of business objectives, accounting, compliance, operations and secretarial as areas for the extended review. This accords with the guidance in "Internal Control – Guidance for Directors on the Combined Code" (the "Turnbull Report") published in September 1999 and revised in September 2005.

The Board recognises its ultimate responsibilities for the Company's system of internal controls and for monitoring its effectiveness. The Manager has established an internal control framework to provide reasonable assurance on the effectiveness of the internal controls operated on behalf of its clients. The Manager's compliance and risk department on an ongoing basis assess the effectiveness of the internal controls. The Manager provides the Board with regular reports on all aspects of internal control (including financial, operational and compliance control, risk management and relationships with external service providers). Business risks have been analysed and recorded in a Risk Map, which is reviewed at each Audit Committee and at other times as necessary. It is believed that an appropriate framework is in place to meet the requirements of the Turnbull Report and the AITC Code.

The Company does not have an internal audit department. The Company does not have any employees and all of the Company's management and administrative functions are delegated to independent third parties and it is therefore felt there is no need for the Company to have an internal audit facility. However this need is reviewed periodically.

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 Investment Adviser. The Chairman also meets institutional shareholders from time to time. 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 and the Chairman of the Board chairs the Annual General Meeting. Details of the proxy votes received in respect of each resolution are made available to shareholders at the meeting. The Investment Adviser attends to give a presentation to the meeting. The Company has adopted a nominee share code, which is set out on page 52.

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

The Annual and Interim Reports and the Monthly Factsheet are available to all shareholders. The Board considers the format and content of the Annual and Interim 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, which includes the Notice of AGM, is sent to shareholders to provide a minimum of 20 working days notice, subject to unforeseen circumstances.

Exercise of Voting Powers

The Board has delegated authority to the Investment Adviser to vote the shares held by the Company through it's nominee, The Bank of New York (Nominees) Limited, which accords with current best practice whilst maintaining a primary focus on financial returns. The Investment Adviser may refer to the Board on any matters of a contentious nature.

Accountability and Audit

The Directors' statement of responsibilities in respect of the accounts is set out on page 24. The report of the auditors is set out on pages 32 and 33. The Board has delegated contractually to external agencies, including the Manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the day to day accounting, company secretarial and administration requirements and the registration services.

Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company. The Board receives and considers regular reports from the Manager and ad hoc reports and information are supplied to the Board as required.

DIRECTORS' REMUNERATION REPORT

For the year ended 31 March 2006

The Board has prepared this report, in accordance with the requirements of Schedule 7A to the Companies Act 1985. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires your Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in their report on pages 32 and 33.

Remuneration Committee

The Company has seven non-executive Directors. The Board as a whole fulfils the function of a Remuneration Committee. The Board has appointed Dr John Gordon as Chairman, and the Board may utilise the services of the Company Secretary, Close Finsbury Asset Management Limited, or external advisers when they consider the level of Directors' fees.

The Board has decided in the year under review, on the advice of the Company Secretary and the Remuneration Committee that the amounts paid to the Directors' should remain unchanged at present. The Board will next review the level of Directors' fees later this year.

Policy on Directors' Fees

The Board's policy is that the remuneration of non-executive Directors should reflect the responsibilities and experience of the Board as a whole. Regard will be given to fees paid by other investment trusts that are similar in size, have a similar capital structure (Ordinary shares), and have a similar investment objective. It is intended that this policy will continue for the year ending 31 March 2006 and subsequent years.

The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of Association, the maximum aggregate amount currently being £100,000. As part of a wider review of the Company's Articles of Association, it is proposed to increase the aggregate amount paid to non-executive Directors in respect of fees from £100,000 to £150,000. This proposal is contained in a new set of Articles of Association, the adoption of which, Shareholders will be asked to vote in favour of at the Company's Annual General Meeting. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

The Company, in respect of the Directors, holds Directors' and Officers Liability Insurance cover.

Directors' Service Contracts

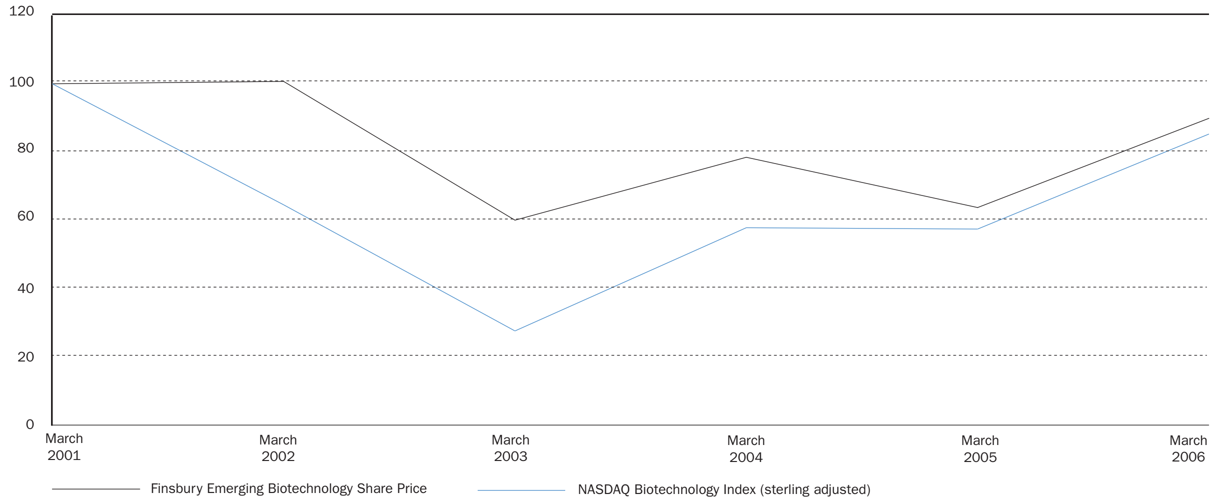
It is the Board's policy that none of the Directors has a service contract. The terms of their appointment provide that Directors shall retire and be subject to re-election at the first annual general meeting after their appointment and at least every three years thereafter. The terms also provide that a Director may resign by one month's notice in writing to the Board at any time and may be removed without notice and that compensation will not be due on leaving office. The Company's policy is for the Directors to be remunerated in the form of fees payable quarterly in arrears, to the Director personally or to a specified third party.

Your Company's Performance

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

DIRECTORS' REMUNERATION REPORT (continued)

Five Year Total Return Performance to 31 March 2006



Rebased to 100 as at 31 March 2001. All figures are total return, sterling adjusted
Source: S&P Micropal

Directors' Emoluments for the Year (audited)

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

	Fees 2006 £'000	Fees 2005 £'000
John Sclater (Chairman of the Board)	20	18
* Sven Borho	–	–
Paul Gaunt	15	13
** Dr John Gordon	17	23
Anthony Townsend	15	13
Peter Keen	16	13
Lord Waldegrave of North Hill	16	13
	99	93

* Sven Borho was appointed as a Director on 27 March 2006

** Fees in respect of Dr John Gordon's services were paid to Quercus Management Limited. Otherwise no Directors fees were paid to third parties.

Approval

The Directors' Remuneration Report on pages 30 and 31 was approved by the Board of Directors on 13 June 2006 and signed on its behalf by Lord Waldegrave of North Hill *(Director)*.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FINSBURY EMERGING BIOTECHNOLOGY TRUST PLC

We have audited the Group and parent Company financial statements ("the financial statements") on pages 34 to 50. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditors' 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Report of the Directors, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, Business Review, the Corporate Governance Statement and the Five Year Performance Record. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

We report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information given in the Report of the Directors includes that specific information presented in the Business Review.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material

INDEPENDENT AUDITORS' REPORT (continued)

misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the EU, of the state of affairs of the group as at 31 March 2006 and of its profit for the year then ended;
- the parent Company financial statements give a true and fair view, in accordance with IFRS as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of affairs of the parent Company as at 31 March 2006;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
London, England
13 June 2006

SHAREHOLDER ANALYSIS

as at 31 March

	2006 number of shares	2006 % of issued share capital	2005 number of shares	2005 % of issued share capital
Nominee Companies*	20,350,304	73.4	22,029,761	73.2
Other Institutions, Investment Funds and Companies	5,747,797	20.7	2,249,875	7.5
Private Individuals	785,628	2.8	877,237	2.9
Bank and Bank Nominees	856,271	3.1	4,943,127	16.4
Total shares in issue	27,740,000	100.0	30,100,000	100.0
* includes Close Finsbury Savings Scheme, PEP and ISA Clients	2,088,767	7.5	2,249,840	7.5

CONSOLIDATED AND COMPANY INCOME STATEMENTS

for the year ended 31 March

	Notes	2006 Revenue return £'000	2006 Capital return £'000	2006 Total return £'000	2005 Restated (see note 17) Revenue return £'000	2005 Restated (see note 17) Capital return £'000	2005 Restated (see note 17) Total return £'000
Investment income							
Investment income	*2*	93	–	93	75	–	75
Other income	*2*	18	–	18	20	–	20
Total income		111	–	111	95	–	95
Gains and losses on investments							
Gains/(losses) on investments held at fair value through profit or loss	*9*	–	9,774	9,774	–	(2,218)	(2,218)
Exchange losses on currency balances		–	(207)	(207)	–	(31)	(31)
Expenses							
Investment management fees	*3*	–	(752)	(752)	–	(391)	(391)
Other expenses	*4*	(605)	–	(605)	(508)	–	(508)
(Loss)/profit before finance costs and taxation		(494)	8,815	8,321	(413)	(2,640)	(3,053)
Finance costs	*5*	(16)	(21)	(37)	(8)	–	(8)
(Loss)/profit before taxation		(510)	8,794	8,284	(421)	(2,640)	(3,061)
Taxation	*6*	–	–	–	(2)	–	(2)
(Loss)/profit for the year		(510)	8,794	8,284	(423)	(2,640)	(3,063)
Earnings/(loss) per Ordinary share	*7*	(1.9)p	32.0p	30.1p	(1.4)p	(8.8)p	(10.2)p

The total column of this statement represents the Group's Income Statement, prepared in accordance with International Financial Reporting Standards (IFRS). The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Trust Companies. All items in the above statement derive from continuing operations.
All income is attributable to the equity holders of Finsbury Emerging Biotechnology Trust PLC, the parent company. There are no minority interests.

The accompanying notes are an integral part of this statement.

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March

		Group – 2006						
	Notes	Ordinary share capital £'000	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
At 31 March 2005 (as restated)	*17*	7,525	–	21,679	–	2,414	(1,169)	30,449
Net profit/(loss) for the year		–	–	–	–	8,794	(510)	8,284
Buy back of ordinary shares		(653)	–	(2,512)	653	–	–	(2,512)
Issue of ordinary shares		63	272	–	–	–	–	335
At 31 March 2006		6,935	272	19,167	653	11,208	(1,679)	36,556

	Company – 2006						
	Ordinary share capital £'000	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
At 31 March 2005 (as restated)	7,525	–	21,679	–	2,407	(1,162)	30,449
Net profit/(loss) for the year	–	–	–	–	8,794	(510)	8,284
Buy back of ordinary shares	(653)	–	(2,512)	653	–	–	(2,512)
Issue of ordinary shares	63	272	–	–	–	–	335
At 31 March 2006	6,935	272	19,167	653	11,201	(1,672)	36,556

		Group – 2005						
	Notes	Ordinary Share capital £'000	Share premium £'000	Special reserve £'000	Capital Redemption reserve £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
At 31 March 2004 (as restated)	*18*	7,525	–	21,679	–	5,054	(746)	33,512
Net loss for the year		–	–	–	–	(2,640)	(423)	(3,063)
At 31 March 2005		7,525	–	21,679	–	2,414	(1,169)	30,449

	Company – 2005						
	Ordinary Share capital £'000	Share premium £'000	Special reserve £'000	Capital Redemption reserve £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
At 31 March 2004 (as restated)	7,525	–	21,679	–	5,046	(738)	33,512
Net loss for the year	–	–	–	–	(2,639)	(424)	(3,063)
At 31 March 2005	7,525	–	21,679	–	2,407	(1,162)	30,449

CONSOLIDATED AND COMPANY BALANCE SHEETS

as at 31 March

	Notes	Group 2006 £'000	Company 2006 £'000	Group Restated (see note 17) 2005 £'000	Company Restated (see note 17) 2005 £'000
Non current assets					
Investments held at fair value through profit or loss	*9*	37,043	37,043	30,403	30,403
Current assets					
Other receivables	*10*	1,295	1,302	39	46
Cash and cash equivalents		729	729	301	301
		2,024	2,031	340	347
Total Assets		39,067	39,074	30,743	30,750
Current liabilities					
Other payables	*11*	1,362	1,369	294	301
Bank overdrafts		1,149	1,149	–	–
		2,511	2,518	294	301
Net assets		36,556	36,556	30,449	30,449
Equity attributable to equity holders					
Ordinary share capital	*12*	6,935	6,935	7,525	7,525
Share premium		272	272	–	–
Special reserve		19,167	19,167	21,679	21,679
Capital redemption reserve		653	653	–	–
Capital reserve		11,208	11,201	2,414	2,407
Retained earnings		(1,679)	(1,672)	(1,169)	(1,162)
Total equity		36,556	36,556	30,449	30,449
Net asset value per ordinary share		131.8p	131.8p	101.2p	101.2p

The financial statements on pages 34 to 50 were approved by the Board on 13 June 2006 and were signed on its behalf by:

Lord Waldegrave of North Hill
Director

The accompanying notes are an integral part of this statement.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

for the year ended 31 March

	2006 Group £'000	2006 Company £'000	(Restated see note 17) 2005 Group £'000	2005 Company £'000
Operating activities				
Profit/(loss) before tax	8,284	8,284	(3,061)	(3,061)
Add back interest paid	37	37	8	8
Less: (gain)/loss on investments held at fair value through profit or loss and currency balances	(9,567)	(9,567)	2,249	2,249
Net sales of investments held at fair value through profit or loss	2,979	2,979	990	990
Decrease in other receivables	22	22	3	3
(Decrease)/increase in other payables	(62)	(62)	99	99
Net cash inflow from operating activities before interest and taxation	1,693	1,693	288	288
Interest paid	(37)	(37)	(8)	(8)
Tax on overseas income	1	1	(2)	(2)
Net cash inflow from operating activities	1,657	1,657	278	278
Financing activities				
Issue of ordinary shares	335	335	–	–
Buy-backs of ordinary shares	(2,512)	(2,512)	–	–
Net cash outflow from financing	(2,177)	(2,177)	–	–
(Decrease)/increase in cash and cash equivalents	(520)	(520)	278	278
Cash and cash equivalents at start of year	301	301	54	54
Effect of foreign exchange rate changes	(201)	(201)	(31)	(31)
Cash and cash equivalents at end of year	(420)	(420)	301	301

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

The financial statements of the Company and the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), together with interpretations of the International Accounting Standards and Standing Interpretations Committee approved by the International Accounting Standards Committee ("IASC") that remain in effect, to the extent that IFRS have been adopted by the European Union. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in notes 17 and 18.

(a) Accounting Convention

The financial statements have been prepared under the historical cost convention, except where stated in (b) and (c) below. Where presentational guidance set out in the revised Statement of Recommended Practice ("the SORP") for Investment Trust Companies produced by the Association of Investment Trust Companies ("AITC") dated December 2005 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) Basis of Consolidation

The consolidated financial statements comprise the accounts of the Company and its subsidiary undertaking made up to 31 March 2006. In the Company's financial statements, the investment in its subsidiary is stated at fair value.

(c) Accounting Policy

The Company has changed its accounting policy for the valuation of listed investments and the recognition of dividends payable to equity shareholders in accordance with provisions of IAS 39 Financial Instruments: Recognition and Measurement and IAS 10 Events after the Balance Sheet date. These changes in policy and the associated impact on the results of the Company are referred to below.

(d) Investments

Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value.

Investments have been designated by the Board as held at fair value through profit or loss and accordingly are valued at fair value, deemed to be bid market prices. 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, listed equities and fixed interest income securities are designated as fair value through profit or loss on initial recognition. 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 Group is provided internally on this basis to the entity's key management personnel.

Financial assets 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.

On disposal, realised gains and losses are also recognised in the Income Statement.

The total transaction costs for the year were £209,000 (31 March 2005: £91,000) broken down as follows: purchase transaction costs for the year to 31 March were £119,000, (31 March 2005: £51,000), sale transaction costs were £90,000 (31 March 2005: £40,000) These costs comprise of mainly stamp duty and commission.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(e) Presentation of Income Statement

In order to better reflect the activities of an investment trust company, and in accordance with guidance issued by the AITC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. In accordance with the Company's status as a UK investment company under section 266 of the Companies Act 1985, net capital returns may not be distributed by way of dividend. Additionally, the net revenue is the measure the Directors believe appropriate in assessing the Group's compliance with certain requirements set out in section 842 of the Income and Corporation Taxes Act 1988.

(f) 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.

Fixed returns on non-equity shares are recognised on a time apportionment basis so as to reflect the effective yield, provided there is no reasonable doubt that payment will be received in due course.

Underwriting commission is recognised as income in so far as it relates to shares not required to be taken up. Where a proportion of the shares underwritten are required to be taken up the same proportion of commission received is treated as a deduction from the cost of the shares taken up, with the balance being taken to the Income Statement and allocated to revenue.

(g) Expenses and Finance costs

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

(i) expenses which are incidental to the acquisition or disposal of an investment are charged to the income statement and allocated to the capital reserve;

(ii) expenses are charged to the income statement and allocated to the capital reserve where a connection with the maintenance or enhancement of the value of the investments can be demonstrated, and accordingly;

(iii) investment management fees and related irrecoverable VAT are charged to the income statement and allocated to capital reserve as the Directors expect that in the long term virtually all of the Company's returns will come from capital, and

(iv) 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.

(h) Taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the Balance Sheet date, unless such treatment is not permitted by International Accounting Standard 12.

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 return column.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(i) 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 Group. Transactions involving currencies other than Sterling, are recorded at the exchange rate ruling on the transaction date. At each Balance Sheet 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 Balance Sheet date:

- 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.

(j) Reserves

Capital reserves

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

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

2. Income

	2006 £'000	2005 £'000
Income from listed investments		
Unfranked interest	91	54
Franked dividends	–	8
Overseas dividends	2	13
	93	75
Other operating income		
Interest receivable	18	13
Other income	–	7
	18	20
Total income	111	95
Total income comprises:		
Dividends	2	21
Interest	109	67
Other income	–	7
	111	95

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Investment Management Fees

	Revenue 2006 £'000	Capital 2006 £'000	Total 2006 £'000	Revenue 2005 £'000	Capital 2005 £'000	Total 2005 £'000
Periodic fee	–	519	519	–	336	336
Performance fee	–	168	168	–	–	–
Irrecoverable VAT thereon	–	65	65	–	55	55
	–	752	752	–	391	391

Management services are provided to the Company by Close Finsbury Asset Management Limited. At the commencement of the period under review, under the terms of the management agreement, the Manager was entitled to a periodic fee of 1.25 per cent. per annum on the gross value of the portfolio (other than assets allocated to The Merlin Fund L.P.) payable quarterly in arrears on gross assets up to £50 million, reducing to 1 per cent. on gross assets (other than assets allocated to The Merlin Fund L.P.) in excess of £50 million. The Investment Advisers (Reabourne and Merlin) were also entitled to a performance fee under the terms of this agreement equal to 20 per cent. of the amount by which the Company's net asset value (excluding the carrying value of any investment in The Merlin Fund L.P.) at the end of each successive three year period exceeds the level equivalent to the growth during the same period in the Company's benchmark index, the high watermark is £50 million. With effect from 1 April 2003, the benchmark of the FTSE All-Share Index plus 8 per cent. was replaced with the Lehman's UK and European Biotechnology Index. The agreement detailed above was terminated on 19 May 2005. Details of the new Management and Investment Advisory Agreements, and the associated fees, are given in the Business Review on pages 9 to 10.

4. Other Expenses

	Revenue 2006 £'000	Capital 2006 £'000	Total 2006 £'000	Revenue 2005 £'000	Capital 2005 £'000	Total 2005 £'000
Directors' emoluments	99	–	99	93	–	93
Secretarial services	50	–	50	50	–	50
Marketing	33	–	33	33	–	33
Close Finsbury ISA, Savings Scheme and PEP Plan expenses	22	–	22	26	–	26
Printing	25	–	25	26	–	26
Auditors' remuneration for audit services	18	–	18	16	–	16
Auditors' remuneration for non-audit services	4	–	4	1	–	1
Legal	5	–	5	25	–	25
Advisory and Consultancy*	217	–	217	100	–	100
Other including irrecoverable VAT	132	–	132	138	–	138
	605	–	605	508	–	508

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

*The total expense ratio, shown on page 1, excludes exceptional expenses of £193,000 in 2006 and £75,000 in 2005 incurred in connection with identification and appointment of a new Investment Adviser.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Finance Costs

	Revenue 2006 £'000	Capital 2006 £'000	Total 2006 £'000	Revenue 2005 £'000	Capital 2005 £'000	Total 2005 £'000
Bank overdraft	16	–	16	8	–	8
Bank loan interest	–	21	21	–	–	–
	16	21	37	8	–	8

6. Taxation on Ordinary Activities

(a) Analysis of charge for year

	Revenue 2006 £'000	Capital 2006 £'000	Total 2006 £'000	Revenue 2005 £'000	Capital 2005 £'000	Total 2005 £'000
Overseas tax	–	–	–	3	–	3
Overseas tax reclaims	–	–	–	(1)	–	(1)
	–	–	–	2	–	2

(b) Factors affecting current tax charge for year

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

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 30% (2005: 30%). The differences are explained below:

	2006 £'000	2005 £'000
Revenue account loss on ordinary activities before tax	(510)	(421)
Loss on ordinary activities multiplied by standard tax rate of corporation tax	(153)	(126)
Effects of:		
Non-taxable UK investment income	–	(2)
Overseas withholding tax written off	–	2
Expenses charged to capital account available to be utilised	(232)	(117)
Excess expenses unused	312	202
Disallowed expenses	73	43
Current tax charge	–	2

(c) Provision for deferred tax

No provision for deferred taxation has been made in the current or prior year.

The Company has not recognised a deferred tax asset of £2,755,000 (2005: £2,440,000) arising as a result of excess management expenses and excess business charges. These expenses will only be utilised if the Company generates sufficient taxable income in the future.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Earnings per Ordinary Share

	Revenue 2006 £'000	Capital 2006 £'000	Total 2006 £'000	Revenue 2005 £'000	Restated Capital 2005 £'000	Total 2005 £'000
Earnings per Ordinary Share	(1.9)p	32.0p	30.1p	(1.4)p	(8.8)p	(10.2)p

Total earnings per Ordinary share of 30.1p is based on total earnings attributable to equity shareholders of £8,284,000 (2005: £3,063,000 loss).

Revenue loss per Ordinary share of 1.9p is based on the revenue loss attributable to equity shareholders of £510,000 (2005: £423,000 loss).

Capital gain per Ordinary share of 32.0p is based on the capital gain attributable to equity shareholders of £8,794,000 (2005: £2,640,000 loss as restated).

Total earnings, revenue loss and capital gain are based on the weighted average numbers of Ordinary shares in issue during the year of 27,490,000 (2005: 30,100,000).

8. Subsidiary Undertaking

The Company has an investment in the following subsidiary undertaking

Name of undertaking	Principal activity	Country of incorporation and operation	Description of shares held	Proportion of nominal value of issued share and voting rights held by: Company (%)
FLIT Investments Limited	Investment dealing	England & Wales	Ordinary	100

There was no change in the year to 31 March 2006 to the loss in the subsidiary of £6,733 (2005: £6,733).

No share dealing activity was undertaken by the subsidiary during the year. As it is no longer required, the subsidiary is in the process of being struck off.

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Investments Held at Fair Value Through Profit and Loss

	Listed Equity £'000	Listed Non-equity £'000	AIM £'000	Unlisted £'000	Total £'000
Cost at 1 April 2005	20,712	1,033	2,946	7,369	32,060
Opening unrealised appreciation/ (depreciation)	1,350	(7)	267	(3,267)	(1,657)
Valuation at 1 April 2005 (as restated)	22,062	1,026	3,213	4,102	30,403
Movement in the year					
Purchases at cost	34,500	11,831	–	270	46,601
Sales – proceeds	(30,981)	(12,809)	(2,840)	(3,105)	(49,735)
– realised gains/(losses)	2,898	(55)	605	44	3,492
Transfer from unlisted	624	–	–	(624)	–
Movement in unrealised appreciation/ (depreciation)	5,213	7	(353)	1,415	6,282
Valuation at 31 March 2006	34,316	–	625	2,102	37,043
Closing book cost at 31 March 2006	27,753	–	711	3,954	32,418
Closing unrealised appreciation/ (depreciation)	6,563	–	(86)	(1,852)	4,625
Valuation at 31 March 2006	34,316	–	625	2,102	37,043

The unquoted investments include the following investment which is one of the ten largest investments of the Company.

Jersey Limited Partnership	Total net Assets £'000	Latest audited accounts	Dividends	% of investment owned by the Company	Cost of Investment £'000	Value of Investment as at 31/3/06
Merlin Fund L.P.	14,929	31/12/05	–	15%	3,265	1,505

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Other Receivables

	Group 2006 £'000	Company 2006 £'000	Group 2005 £'000	Company 2005 £'000
Future settlements sales	1,282	1,282	–	–
Other debtors	5	5	3	3
Amounts due from subsidiary undertakings	–	7	–	7
Prepayments and accrued income	8	8	36	36
	1,295	1,302	39	46

11. Other Payables

	Group 2006 £'000	Company 2006 £'000	Group 2005 £'000	Company 2005 £'000
Future settlements – purchases	1,124	1,124	–	–
Provision for loss in subsidiary undertaking				
(see note 8)	–	7	–	7
Other creditors and accruals	238	238	294	294
	1,362	1,369	294	301

12. Share Capital

	2006 £'000	2005 £'000
Allotted, called up, issued and fully paid:		
27,740,000 Ordinary shares of 25p (2005: 30,100,000)	6,935	7,525
Authorised:		
50,000,000 Ordinary shares of 25p each	12,500	12,500

At the date of this report the Company had 27,740,000 Ordinary shares of 25p in issue. During the year 2,610,000 Ordinary shares were repurchased for cancellation at a cost of £2,512,000 and on 24 February 2006 250,000 Ordinary shares were issued for proceeds of £335,000.

13. Net Asset Value per Ordinary Share

	2006 £'000	2005 restated £'000
Net asset value per Ordinary share	131.8p	101.2p

The net asset value per Ordinary share is based on the net assets attributable to equity shareholders of £36,556,000 (2005: £30,449,000 as restated) and on 27,740,000 (2005: 30,100,000) Ordinary Shares in issue at 31 March 2006.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Derivatives and Other Financial Instruments

Background

The Group's financial instruments comprise securities, cash balances, and debtors and creditors that arise from its operations, e.g. in respect of sales and purchases awaiting settlement and debtors for accrued income.
The Group has little exposure to credit and cash flow risk. Fixed asset investments (other than listed investments) in the portfolio are subject to liquidity risk. This risk is taken into account by the Directors and fund managers when making their investment decisions. The principal risks the Group faces in its portfolio management activities are:

– foreign currency risk,
– interest rate risk,
– market price risks i.e. movements in the value of investment holdings caused by factors other than interest rate or currency movement,
– currency exposure.

The Manager's policies for managing these risks are summarised below and have been applied throughout the year.

Financial assets

	Floating rate cash balances 2006 £'000	Non interest bearing investments 2006 £'000	Other assets £'000	Total 2006 £'000	Floating rate cash balances 2005 £'000	Fixed interest investments 2005 £'000	Non interest bearing investments 2005 £'000	Other assets £'000	Total 2005 £'000 Restated
Sterling	729	2,604	1,287	4,620	301	1,026	15,109	30	16,466
US Dollars	–	31,939	–	31,939	–	–	2,483	–	2,483
Euros	–	–	–	–	–	–	5,309	–	5,309
Danish Kroner	–	1,182	–	1,182	–	–	2,961	–	2,961
Swedish Kroner	–	–	–	–	–	–	1,796	–	1,796
Swiss Francs	–	1,318	–	1,318	–	–	1,719	–	1,719
	729	37,043	1,287	37,059	301	1,026	29,377	30	30,734

Stock

	2006 Weighted Average Interest rate	2006 Weighted Average years to maturity	2005 Weighted Average Interest rate	2005 Weighted Average years to maturity
UK Treasury 8.5% 07/12/05	–	–	8.50	0.69

Financial liabilities

	Floating rate cash balances 2006 £'000	Other liabilities 2006 £'000	Total 2006 £'000	Floating rate cash balances 2005 £'000	Other liabilities 2005 £'000	Total 2005 £'000
Sterling	–	(1,362)	(1,362)	–	(294)	(294)
US$	(1,149)	–	(1,149)	–	–	–
	(1,149)	(1,362)	(2,511)	–	(294)	(294)

Floating rate cash balances are immediately accessible and receive interest at the Bank of New York treasury rate. The non-interest bearing investments represent the equity element of the investment portfolio.

The non-interest bearing assets are the equity and non-equity investments which neither pay interest nor have a maturity date. Floating rate and other assets and liabilities do not have a maturity date or have a maturity date of less than 1 year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Policy

Foreign Currency Risk

A proportion of the Group's portfolio is invested in overseas securities and their sterling value may be significantly affected by movements in foreign exchange rates. The Group does not normally hedge against foreign currency movements affecting the value of the investment portfolio, but takes account of this risk when making investment decisions.

Interest Rate Risk

Interest rate risk is managed by the utilisation of borrowing facilities via short term loans.

Market Price Risk

By the nature of its activities, the Group's investments are exposed to market price fluctuations. Further information on the investment portfolio and investment policy is set out in the Investment Review section of the Business Review.

Use of Derivatives

It is not the Group's policy to enter into derivative contracts.

Financial Liabilities

At the year-end the Group had an uncommitted revolving credit facility of £5,000,000 with Allied Irish Bank plc. Interest is charged at LIBOR plus 0.95% per annum. The interest period is agreed at the time of drawing. The facility with Allied Irish Banks plc is for an indefinite period. The facility is utilised on an ad hoc basis to meet either settlement timing differences or to take advantage of market conditions. At the year end the level of the loan facility utilised was nil (2005: nil).

Currency Exposure

The currency denomination of the Group's financial assets are shown on page 46. Current assets and liabilities, which are excluded, are predominantly denominated in sterling which is the functional currency of the Group.

	Net monetary liability 2006 £'000	Overseas investments 2006 £'000	Monetary liabilities £'000	Total 2006 £'000	Net monetary liability 2005 £'000	Overseas investments 2005 £'000	Total 2005 as restated £'000
US Dollars	(1,149)	31,939	(1,124)	29,666	–	2,483	2,483
Euros	–	–	–	–	–	5,309	5,309
Danish Kroner	–	1,182	–	1,182	–	2,961	2,961
Swedish Kroner	–	–	–	–	–	1,796	1,796
Swiss Francs	–	1,318	–	1,318	–	1,719	1,719
	(1,149)	34,439	(1,124)	32,166	–	14,268	14,268

Fair value of Financial Assets and Liabilities

All financial assets and liabilities are held at fair value.

All net monetary assets and liabilities are included (i.e. short-term debtors and creditors).

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Related Parties

Notice to terminate the management and investment advisory agreements, which were terminable on 12 months' notice, was given early in 2005, and payments were required to be made to Merlin Biosciences Limited and Reabourne Technology Investment Management Limited, which amounted to £202,352 (excluding VAT) in aggregate. No termination fee was payable to CFAM, the investment manager, who made an allowance against its future management fees of £20,000. The administrative and secretarial services fee payable to CFAM for the year ended 31 March 2006 was £50,000 excluding VAT (2005: £50,000) of which £nil (2005: £nil) was outstanding at the year end. Sven Borho is a Director of the Company, as well as a Partner of the Company's Investment Adviser, OrbiMed Advisors, LLC. During the year ended 31 March 2006, OrbiMed Advisors, LLC received £188,000 in respect of the Periodic Fee and £153,000 in respect of a Performance Fee, of which, £58,000 in respect of the Periodic Fee and £66,000 in respect of the Performance Fee was outstanding at the year end.

16. Substantial Interests

The Company holds interests in 3 per cent. or more of any class of capital in the following companies:

Company	Shares held	% of issued share capital	Market value £'000
Tepnel Life Sciences*	10,000,000	4.7	625

Excludes warrants. A total of 8,840,000 warrants were held as at 31 March 2006.

* None of these investments are considered significant in the context of these accounts.

17. Restatement of Balances as at and for the Year Ended 31 March 2005

At 1 April 2005 the company adopted International Financial Reporting Standards. In accordance with IFRS 1 (First Time Adoption of Financial Reporting Standards) the following is a reconciliation of the results as at and for the year ended 31 March 2005, previously reported under the applicable UK Accounting Standards and the SORP, to the restated IFRS results.

(a) Reconciliation of the Balance Sheets as at 31 March 2005

	Note	Previously reported 31 March 2005 £'000	Effect of transition to IFRS £'000	Restated 31 March 2005 £'000
Investments	1	30,492	(89)	30,403
Current assets		340	–	340
Creditors : amounts falling due within one year		(294)	–	(294)
Total assets less current liabilities		30,538	(89)	30,449
Capital and reserves				
Called up share capital				
Ordinary shares		7,525	–	7,525
Special reserve		21,679	–	21,679
Capital reserve – realised		3,772	(3,772)	–
Capital reserve – unrealised		(1,269)	1,269	–
Capital reserve	1	–	2,414	2,414
Revenue reserve		(1,169)	–	(1,169)
		30,538	(89)	30,449

1 Investments are classified as held at fair value under IFRS and are carried at bid prices which total their fair value of £30,403,000. Previously, under UK GAAP, they were carried at mid prices.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Notes to the reconciliation

(b) Reconciliation of the Statement of Total Return to the Income Statement for the period ended 31 March 2005

Under IFRS the Income Statement is the equivalent of the Statement of Total Return as reported previously.

	Note	2005 £'000	EPS Impact Pence
Total transfer from reserve per Statement of Total Return		(3,079)	–
Change from mid to bid basis at 31 March 2004	1	105	0.35
Change from mid to bid basis at 31 March 2005	1	(89)	(0.30)
Net loss per Income Statement		(3,063)	0.05

Note to the reconciliation

1 The portfolio valuations at 31 March 2004 and 31 March 2005 are required to be valued at fair value under IFRS. Using this basis, there will be a reduction from the previous valuations of £105,000 and £89,000 respectively.

(c) Reconciliation of the Cash Flow Statement for the year ended 31 March 2005

	Note	Previously Reported Cash flows 2005 £'000	Effect of transition to IFRS £'000	Adjusted Cash flows 2005 £'000
Net cash outflow from operating activities	1	(705)	(7)	(712)
Returns on investments and servicing of finance	1	(8)	8	–
Taxation	1	1	(1)	–
Net cash inflow from financial investment		990	–	990
Net cash inflow before financing		278	–	278
Financing	1	–	–	–
Increase in cash		278	–	278

Note to the reconciliation

1 Servicing of finance and taxation have now been analysed within operating activities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Restatement of Opening Balances as at 31 March 2004

At 1 April 2005 the company adopted International Financial Reporting Standards. In accordance with IFRS 1 (First Time Adoption of Financial Reporting Standards) the following is a reconciliation of the results as at and for the year end 31 March 2004, previously reported under the applicable UK Accounting Standards and the SORP, to the restated IFRS results.

	Note	Previously reported 31 March 2004 £'000	Effect of transition to IFRS £'000	Restated 31 March 2004 £'000
Investments	1	33,748	(105)	33,643
Current assets		331	–	331
Creditors : amounts falling due within one year		(462)	–	(462)
Total assets less current liabilities		33,617	(105)	33,512
Capital and reserves				
Called up share capital				
Ordinary shares		7,525	–	7,525
Special reserve		21,679	–	21,679
Capital reserve – realised		8,079	(8,079)	–
Capital reserve – unrealised		(2,920)	2,920	–
Capital reserve	1	–	5,054	5,054
Revenue reserve		(746)	–	(746)
		33,617	(105)	33,512

Notes to the reconciliation

1 Investments (excluding derivatives) are classified as held at fair value under IFRS and are carried at bid prices which total their fair value of £33,643,000. Previously, under UK GAAP, they were carried at mid prices.

19. Events after the Balance Sheet Date

At an Extraordinary General Meeting, held on 24 May 2006, the necessary resolutions were approved by Shareholders to enable the Placing and Offer for Subscription, involving the issue of new shares, to proceed. Full details of this can be found in the Report of the Directors on pages 22 and 23.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of Finsbury Emerging Biotechnology Trust PLC (the "Company") will be held at 10 Crown Place, London EC2A 4FT on Wednesday, 19 July 2006 at 12 noon, for the following purposes:

Ordinary Business

1 To receive and consider the audited accounts and the Report of the Directors for the year ended 31 March 2006.

2 To re-elect Paul Gaunt, who retires by rotation, as a Director of the Company.

3 To re-elect Dr John Gordon, who retires by rotation, as a Director of the Company.

4 To re-elect John Sclater as a Director of the Company.

5 To re-elect Anthony Townsend as a Director of the Company.

6 To re-elect Peter Keen as a Director of the Company.

7 To elect Sven Borho as a Director of the Company.

8 To re-appoint RSM Robson Rhodes LLP as the Company's auditors and to authorise the Directors to determine their remuneration.

9 THAT the Directors' Remuneration Report be, and is hereby approved.

Special Business

To consider, and if thought fit, pass the following resolutions, of which resolutions 10, 12 and 13 will be proposed as special resolutions:

Adoption of New Articles of Association

10 THAT the articles of association contained in the document produced to the meeting and signed by the Chairman for the purposes of identification be approved and adopted as the new articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association.

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 80 of the Companies Act 1985 (the "Act") to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Act) up to a maximum aggregate nominal amount of £823,903 (being 5 per cent. of the issued share capital at the date of the notice convening the meeting at which this resolution is proposed) provided that this authority shall at the conclusion of the next Annual General Meeting after the passing of this resolution, unless previously revoked, varied or renewed, by the Company in general meeting and provided that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board 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 Section 95 of the Companies Act 1985 (the "Act") to allot equity securities (within the meaning of Section 94 of the Act) for cash pursuant to the authority conferred by resolution 11 above or otherwise as if sub-section (1) of Section 89 of the Act did not apply to any such allotment provided that this power shall be limited to:

(a) the allotment of equity securities whether by way of a rights issue, open offer or otherwise in favour of the Ordinary shareholders where the equity securities respectively attributable to the interests of the Ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary 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) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £823,903 such amount being equivalent to 5 per cent. of the present issued share capital at the date of the notice convening the meeting at which this resolution is proposed

and shall expire at the conclusion of the next Annual General Meeting after the passing of this resolution, save 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 Board 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 166 of the Companies Act 1985 (the“Act”) to make one or more market purchases (within the meaning of section 163(3) of the Act) of Ordinary Shares of 25p each in the capital of the Company (“Ordinary Shares”) provided that:

(a) the maximum aggregate number of Ordinary Shares authorised to be purchased is 9,880,248 (representing approximately 14.99 per cent. of the issued ordinary 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 an Ordinary Share is 25p;

(c) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share is an amount equal to the greater of (a) 105 per cent. of the average of the middle market quotations for an Ordinary 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 Ordinary Share is purchased; and (b) the higher of the price of the last independent trade in shares and the highest then current independent bid for Shares on the London Stock Exchange;

(d) the authority hereby conferred shall expire at the conclusion of the annual general meeting of the Company to be held in 2007 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 Ordinary 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 Ordinary Shares in pursuance of any such contract.

By order of the Board

10 Crown Place
London EC2A 4FT

Close Finsbury Asset Management Limited
Company Secretary
13 June 2006

Nominee share code

Where notification has been provided in advance, the Company will arrange for copies of shareholder communications to be provided to the operators of nominee accounts. Nominee investors may attend general meetings and speak at meetings when invited to do so by the Chairman.

Investors who hold shares through the Close Finsbury Savings Scheme, PEP or ISA receive all shareholder communications and a letter of direction is provided to facilitate voting at general meetings of the Company.

NOTICE OF ANNUAL GENERAL MEETING (continued)

Notes

1 Attendance at Meeting

Ordinary shareholders, proxies and authorised representatives of corporations which are Ordinary shareholders are entitled to attend the meeting. Shareholders' names must be entered on the register by 12 noon on 17 July 2006, so that they may have the right to vote at the meeting.

2 Appointment of Proxies

A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and, upon a poll, to vote instead of him/her. A proxy need not also be a member.

3 To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members at 12 noon on 17 July 2006 ('the specified time'). If the meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If however the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members at the time which is 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.

4 The Register of Directors' interests is available at the Company's registered office during normal business hours on any weekday and will be available for inspection at the above Meeting.

Location of Annual General Meeting

to be held at 10 Crown Place, London EC2A 4FT on
Wednesday, 19 July 2006 at 12 noon

COMPANY INFORMATION

Directors
John Sclater, Chairman
Sven Borho
Paul Gaunt
Dr John Gordon
Peter Keen
Anthony Townsend
Lord Waldegrave of North Hill

Company Registration Number
3376377 (Registered in England)

Registered Office
10 Crown Place
London EC2A 4FT
Telephone: 020 7426 4000

Manager and Company Secretary
Close Finsbury Asset Management Limited
10 Crown Place, London EC2A 4FT
Authorised and regulated by the Financial Services Authority, a member of the Close Brothers Group

Investment Adviser
OrbiMed Advisors, LLC
767 Third Avenue, 30th Floor
New York
New York NY10017
Registered under the US Securities Exchange Commission

Auditors
RSM Robson Rhodes LLP
30 Finsbury Square
London EC2P 2YU

Stockbrokers
Winterflood Investment Trusts
The Atrium Building
Cannon Bridge
25 Dow Gate Hill
London EC4R 2GA

Registrars
Capita IRG plc
The Registry, 34 Beckenham Road
Beckenham, Kent BR3 4TU
Telephone: 0870 162 3100
Facsimile: 020 8639 2342
E-Mail: ssd@capitaregistrars.com

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

Close Finsbury Savings Scheme, MileStones Plan, ISA and PEP
Block C, Western House
Lynchwood Business Park
Peterborough PE2 6BP

Investor Helpline: 0800 169 6968*
Intermediary Helpline: 020 7426 4372
E-Mail: info@closefinsbury.com
Website: www.closefinsbury.com

* calls to this number are recorded for monitoring purposes

Please contact the Close Finsbury Investor Helpline to obtain information and literature concerning the Company or other Close Finsbury investment trusts, or if you have a query concerning a Close Finsbury Savings Scheme, MileStones Plan, ISA or PEP account.

Online investment and account management is available for the Close Finsbury Savings Scheme, MileStones Plan, ISA and PEP at www.closefinsbury.com

Share Price Listings
The price of your shares can be found in various publications including the Financial Times under the heading Investment Companies and in the Daily Telegraph under the heading Investment Trusts.

The Company's Net Asset Value per share is announced daily and is available on the Close Finsbury website at www.closefinsbury.com and on the TrustNet website at www.trustnet.com

Identification Codes

Ordinary shares	SEDOL	:	0038551
	ISIN	:	GB0000385517
	BLOOMBERG	:	FEB LN
	EPIC	:	FEB

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 IRG plc, 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 020 8639 2062. 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.

GLOSSARY OF TERMS

Investment Trust Terms

Net Asset Value (NAV)

The value of the Company's assets, principally investments made in other companies and cash being held, minus any liabilities for which the Company is responsible, eg money owed to other people. The NAV is also described as 'shareholders' funds'. The NAV is often expressed in pence per share after being divided by the number of shares which have been issued. The NAV per share is unlikely to be the same as the share price which is the price at which the Company's shares can be bought or sold by an investor. The share price is determined by the relationship between the demand and supply for the shares.

Discount or Premium

A description of the situation when the share price is lower or higher than the NAV per share. The size of the discount or premium is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage (%) of the NAV per share. If the share price is higher than the NAV per share, this situation is called a premium.

Gearing

Also known as leverage, particularly in the USA. Gearing is the process whereby capital growth (and conversely any capital depreciation) and income to the ordinary shareholders of the Company are boosted by borrowings, which provide some scope for additional investment but which carry a fixed liability. The return on this extra investment minus the cost of borrowing the money gives the shareholder an enhanced or geared profit or loss.

Initial Public Offering (IPO)

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

Potential Gearing

The directors may choose to arrange a loan facility (or draw down a loan) which is less than the amount they are able to draw under the terms of the Prospectus. This is usually due to the market conditions. Potential gearing is the amount currently available for the Company to use by way of loan already arranged.

Actual Gearing

Actual gearing is the term used to describe the amount of available loan facility that has been invested in the stock market and is not being held in cash.

Total Assets

Total assets give an indication of the total value of all the Company's investments before deducting any borrowings used for gearing/investment purposes.

Biotechnology Terms

Angiogenesis

Formation of new blood vessels, required for tumor growth. Blocking angiogenesis slows the growth of tumors.

Antibody

A protein produced in the body, as part of the immune system, which recognises and attaches itself to a foreign chemical or organism.

Antigen

A substance that stimulates an immune response, usually by binding to an antibody.

Cell

The fundamental structural unit of most living organisms. Although most cells contain a complete set of an organism's genetic material, most organisms are made up of many specialised cells of diverse function.

Chromosome

A large chain of DNA containing many genes.

Clone

Collection of genes, cells or organisms produced from a common ancestor and all genetically identical.

Biotechnology

The industrial practice of creating and developing techniques that use living organisms, or substances from those organisms, to make or modify a therapeutic product by microbial and biochemical processes. Biotechnology products include antibiotics, insulin and monoclonal antibodies.

GLOSSARY OF TERMS (continued)

COX-2 Inhibitors
Nonsteroidal anti-inflammatory pain medications that are thought to cause less gastrointestinal irritation and bleeding than many traditional pain medications.

DNA
The chemical material in a cell which contains the coded genetic information specifying all life processes.

FDA
Food and Drug Administration, the government agency that regulates drug licensing in the United States.

Gene
The instructions for making one protein - the basic unit of inheritance.

Gene Therapy
Treating disease by supplying a gene to a patient, either transiently or permanently.

Genome
The total chromosomal DNA of a particular organism.

Genomics
The study of genomes and the genes they contain.

Hormone
A chemical messenger that instructs a cell to undertake a certain task.

Human Papilloma Virus (HPV)
A sexually-transmitted virus responsible for causing cervical cancer in women

Ileus
Impaired bowel function associated with surgery

Lysosomal Storage Disease
A disease caused by lack of proper enzyme function in lysosomes, which are responsible for breaking down cellular waste products. Lysosomal storage diseases include Gaucher's disease, Fabry's disease, and Mucopolysaccaridosis I (MPS I).

Monoclonal Antibody
A defined antibody that may be mass-produced in cell culture.

Pathogen
An organism capable of causing disease. Examples include bacteria, viruses, fungi, parasites, etc.

Peptide
A small protein, typically with fewer than 100 amino acids.

Phase I Clinical Trial
Examines safety in healthy volunteers.

Phase II Clinical Trial
Examines preliminary efficacy as well as safety and dosing. A variety of indications may be examined.

Phase III Clinical Trial
Examines definitive efficacy and broader safety measures in a target patient population. Usually pivotal.

Protein
A basic building-block of cells composed of long chains of amino acids.

Proteomics
The study of the proteins encoded by the genome generally taken to mean the high throughput systematic separation, identification and characterisation of proteins.

Stem Cells
Cells which can develop into a wide range of tissues.

Virus
A very small non-cellular infectious particle which requires a host cell for its reproduction.

INVESTING WITH FINSBURY EMERGING BIOTECHNOLOGY TRUST PLC

There are a variety of ways you can buy shares in the Company. You have the choice of lump sum or regular savings within a Close Finsbury Savings Scheme, MileStones Plan and ISA. There is also a PEP transfer facility if you already hold a PEP. Alternatively you can buy shares direct through your stockbroker or bank.

Although the Company does not anticipate paying dividends, if you hold other shares within the Close Finsbury Schemes, you have the benefit of automatic income reinvestment, therefore compounding your returns.

The ***CLOSE FINSBURY SAVINGS SCHEME***
– is open to lump sum investment or regular savings

INVESTING FOR CHILDREN 'MILESTONES PLAN'
– is available within the Savings Scheme with a lower investment entry level

The ***CLOSE FINSBURY ISA***
– enables investors to invest tax free up to £7,000 each year

Investment in the ISA and Savings Scheme can be made by lump sum from £1,000 or regular monthly savings from as little as £100 per month. Once invested, you can top up your Schemes at any time subject to a minimum of £100. For the Investing for Children plan, the minimums are £25 monthly savings, or £100 lump sums or top ups.

The ***CLOSE FINSBURY PEP TRANSFER***
– can be used to transfer the value of your existing PEP. A minimum of £1,000 can be invested in shares of the Company.

You can open an account and deal ***ONLINE*** for the ISA and Savings Scheme (but not the MileStones Plan or PEP) on the Close Finsbury website **www.closefinsbury.com**. Account management for all the Investment Schemes is also available on the website. This enables you to:

Access your account 24 hours a day	Amend your personal details
Obtain up-to-date valuations	Change Direct Debit details
View current and historic statements	Set up income payments
Purchase online by debit card	Sell online

To find out more either:

Phone: **0800 169 6968***

Click: **www.closefinsbury.com**

Email: **info@closefinsbury.com**

All of the Close Finsbury managed investment trusts are available within the Close Finsbury Savings Scheme, MileStones Plan, ISA or PEP. The range includes:

Close Finsbury EuroTech Trust PLC
Finsbury Growth & Income Trust PLC
Finsbury Emerging Biotechnology Trust PLC
Finsbury Technology Trust PLC
Finsbury Worldwide Pharmaceutical Trust PLC

*calls to this number are recorded for monitoring purposes

Close Finsbury Asset Management Limited is authorised and regulated by the Financial Services Authority

Past performance is not a guide to future performance. Changes in the rates of exchange between currencies may cause the value of investments to fluctuate. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. When investing in shares in the pharmaceutical and biotechnology sectors it is important to note that shares in these sectors can be particularly volatile. The price of shares and any income from them may fall as well as rise and is not guaranteed. The investor may not get back the original amount invested. This document does not constitute an offer or invitation to purchase shares in the Company.

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