

The Biotech Growth Trust PLC

NEWS RELEASE

31 May 2011

Preliminary Audited Results for the year ended 31 March 2011

The Biotech Growth Trust PLC (Company Registration Number 3376377) today announces preliminary audited results for the year ended 31 March 2011.

	31 March 2011	31 March 2010	% change
Shareholders' funds (£'000)	120,818	120,417	+0.3
Net asset value per share	186.0p	182.6p	+1.9
Share price	166.0p	175.8p	-5.6
Discount of share price to net asset value per share	10.8%	3.7%	-
NASDAQ Biotechnology Index (sterling adjusted)	647.9	618.1	+4.8
Total expense ratio *	1.2%	1.2%	-

*Based on the average amount of shareholders' funds during the year – excludes performance fee accrued/written back –see note 3.

For and on behalf of Frostrow Capital LLP - Company Secretary

31 May 2011

- ENDS -

The following are attached:

- Chairman's Statement
- Review of Investments
- Income Statement
- Statement of Changes in Equity
- Statement of Financial Position
- Statement of Cash Flows
- Notes to the Financial Statements

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Chairman's Statement

PERFORMANCE

During the year ended 31 March 2011, the Company's net asset value per share rose by 1.9% compared to a rise of 4.8% in the Company's benchmark during the same period. The Company's share price, however, fell by 5.6%, as the discount of share price to net asset value per share widened from 3.7% at 31 March 2010 to 10.8% at the year-end.

This disappointing result was due in part to the strong performance of a small number of stocks which were in the Index against which we measure our performance but which were not in our own portfolio. We also suffered from being underweight in some mid capitalisation stocks which performed particularly well in the second half of the year and overweight in major biotechnology companies which underperformed the mid and small capitalisation companies. A weakening of the U.S. dollar during the year had a negative impact on the Company's absolute performance. Further information on the Company's investments can be found in the Review of Investments.

Active management of a portfolio will inevitably lead to periods of relative out and underperformance. For example in the two preceding financial years our net asset value per share rose by 32.4% and 33.4% respectively, substantially outperforming the Index throughout that period.

RETURN PER SHARE AND DIVIDEND

The total return per share amounted to 3.0p for the year (2010: return of 51.8p), comprising a revenue deficit of 0.5p per share (2010: deficit of 0.6p) and a capital gain of 3.5p (2010: gain of 52.4p). No dividend is recommended in respect of the year ended 31 March 2011 (2010: Nil).

GEARING

Following a change in the Company's custodian in December 2009, the Company's borrowing requirements are met through a loan facility, negotiated on competitive terms, provided by the custodian Goldman Sachs & Co, New York. This loan facility was used by the Company at various times during the year but on 31 March 2011 it was undrawn.

CAPITAL

The Board has continued to implement its policy of active discount management and to buy back shares when necessary in the event of the market price being at a discount greater than 6% to the net asset value per share. During the year, a total of 1,005,180 shares was bought back for cancellation, at an average discount to net asset value per share of 7.9%. The cost was £1,601,000 (including expenses).

As mentioned above, the discount of the Company's share price to the net asset value per share was 10.8% at the year-end, emphasising that the discount can sometimes temporarily exceed the target of 6%. This reflects the overall balance between supply and demand for the Company's shares in the secondary market and the volatility of the biotechnology asset class.

The average month end share price discount during the year was 6.1% and the execution and timing of any share buy-backs will continue to be at the absolute discretion of the Board.

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Shareholder approval to renew the authority to buy-back shares will be sought at the Annual General Meeting.

DEVELOPMENTS IN THE INVESTMENT TRUST SECTOR

HM Treasury's review of the tax and company law rules affecting investment trusts set out in its consultation document last summer has now resulted in sensible and beneficial amendments which should be advantageous to the whole industry. These amendments include a softening of the rules so that inadvertent and minor breaches that are remedied without delay will not cause the investment trust concerned to suffer adverse tax consequences. Our trade association, the Association of Investment Companies (AIC), played a leading role in reaching this satisfactory conclusion of the review.

The Alternative Investment Fund Managers Directive was passed into law by the European Parliament last summer, but there is much detail still to emerge before this Directive takes effect in 2013. It is, however, clear that much of the over-bureaucratic regulation first proposed has been abandoned in favour of more pragmatic measures and the AIC again played a major role in achieving this.

OUTLOOK

The outlook for most markets has tended to improve over the last two years, not least on account of the expansive monetary policies adopted by many central banks. The Company's share price has risen from 130.5p to 180.0p since 31 March 2009. Serious structural problems still persist, however, in many industrial countries, particularly in the United States and in Europe. The dangers of inflation remain another growing source of concern.

OrbiMed, our Investment Manager, believes that the outlook for the healthcare sector is good although volatility in the sector may increase if the Republicans decide to reform the current U.S. healthcare bill. But healthcare shares in general, and mature biotechnology shares in particular, are at historically low levels as measured by criteria such as a company's price/earnings to growth ratio and OrbiMed are well positioned to take advantage of the investment opportunities which arise. Continued merger and acquisition activity and the release of important product data will both be key drivers for the sector. In addition, there are a number of expected high profile and innovative product approvals due in 2011 which could prove very significant for the sector.

Despite disappointing performance in the year under review your Board is confident that the Company is well positioned to take advantage of current market conditions.

Our focus continues to be on the selection of stocks with strong prospects for capital enhancement and we continue to believe that the long term investor in our sector will be well rewarded.

ANNUAL GENERAL MEETING

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The Annual General Meeting of the Company will be held at the Barber-Surgeons' Hall, Monkwell Square, Wood Street, London EC2Y 5BL on Thursday, 14 July 2011 at 12 noon, and we hope as many shareholders as possible will attend. This will be an opportunity to meet the Board and to receive a presentation from our Investment Manager.

John Sclater, CVO

Chairman

Review of Investments

The Company's net asset value per share increased by 1.9% during the year. A weakening of the U.S. dollar negatively impacted the Company's absolute performance by approximately 5%. The Company's benchmark index, the NASDAQ Biotechnology Index (measured on a sterling adjusted basis), rose 4.8% during this period. The underperformance is partially attributed to a relative overweight position in major biotechnology companies which underperformed the mid and small capitalisation companies during the year.

The top contributors to performance in the portfolio were Ariad Pharmaceuticals, Genzyme, Pharmasset, Illumina, and Shire. Ariad reported positive results from two programmes during the year which drove positive share performance: Ponatinib showed strong activity against the treatment of refractory chronic myelogenous leukaemia and Ridaforolimus demonstrated a benefit in sarcoma. Genzyme was acquired by Sanofi-Aventis at a 40% premium to the price before rumours of the unsolicited bid emerged. Pharmasset reported positive results from early stage trials for two of its HCV (Hepatitis C) polymerase inhibitors, PSI-7977 and PSI-938. Over the course of the year, it has become clear that Pharmasset is a front-runner among the next "wave" of direct acting antiviral drugs for HCV, and has the potential to be the first company with an all-oral combination regimen for HCV. Illumina's share price performance was driven by the launch of the company's new HiSeq 2000 next generation sequencing system in early 2010, which exceeded sales expectations over the course of the fiscal year. There has been keen investor interest in next generation genetic sequencing for both research and diagnostic purposes and Illumina remains the leading company in that area. Shire's share price performance was driven by earnings upside due to manufacturing difficulties at a key competitor and the absence of broad generic competition to its legacy attention deficit disorder compound Adderall XR.

The largest losses were from positions in Allos Therapeutics, Curis, Amgen, and Celgene. Allos' shares were weak as the launch of their drug Folutyn for peripheral T-cell lymphoma came in below estimates. Furthermore, they reported underwhelming data for Folutyn for the treatment of lung cancer, a key expansion indication. We continue to hold the shares as we believe that the reset expectations for Folutyn in 2011 are achievable. Curis reported negative data for their "hedgehog inhibitor" licensed to Roche in colorectal cancer. This failure suggests that the drug may be limited to the relatively small market of basal cell carcinoma, where it does possess dramatic activity. Amgen's shares remained subdued during the year due to a slower-than-anticipated launch of its osteoporosis drug Prolia, investor concerns about the company's capital allocation policy and continued headwinds for the company's anaemia franchise. Celgene's shares underperformed during the year as investors began to question the longer term growth potential of the company. Additionally, data presented in December caused some concern about the potential for Revlimid, Celgene's lead drug for myeloma, to cause secondary cancers and thus limit uptake in the maintenance setting.

Outlook: new product momentum continues

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The outlook for new innovative products from the biotechnology sector remains strong. A number of the drugs approved or expected to be approved in 2011 have “blockbuster” potential (conventionally defined, a blockbuster is a drug with over \$1 billion in annual sales). We would highlight four new products that will be launched in 2011: Benlysta, Esbriet, Telaprevir, and Ruxolitinib.

- Benlysta, from Human Genome Sciences and partnered with GlaxoSmithKline, is an anti-BLyS antibody for the treatment of lupus, an autoimmune disease with high unmet need. It is the first drug to be approved in the United States for lupus in 50 years.
- Esbriet, from InterMune, has been approved in Europe for idiopathic pulmonary fibrosis, a fatal lung disease with no other effective drug therapy.
- Telaprevir, from Vertex Pharmaceuticals, is a protease inhibitor for Hepatitis C. This drug dramatically increases the cure rate compared with current standard of care and will greatly expand the number of patients treated annually for Hepatitis C.
- Ruxolitinib, from Incyte, is a Janus kinase inhibitor for myelofibrosis, a progressive scarring of the bone marrow. The drug has shown impressive activity in reducing spleen size and improving symptoms of the disease.

The number of holdings in the portfolio remains at approximately 40, exclusive of unquoted investments and warrants. The geographic distribution of assets is 90% North America, 9% Europe and 1% Asia. Currently approximately 45% of the Company’s assets are invested in major biotechnology, and 55% are invested in emerging biotechnology. We believe that the level of high profile new drug launches, the favourable valuation of major biotechnology companies and the potential for continued merger and acquisition activity will drive strong performance in the coming year.

Sven Borho
OrbiMed Capital LLC
Investment Manager

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for the year ended 31 March

	2011			2010		
	Revenue	Capital	Total	Revenue	Capital	Total
	£000	£000	£000	£000	£000	£000
Income						
Investment income (note 2)	69	-	69	31	-	31
Other income (note 2)	-	-	-	34	-	34
Total income	69	-	69	65	-	65
Gains and losses on investments						
Gains on investments held at fair value through profit or loss	-	2,691	2,691	-	30,979	30,979
Exchange gains/(losses) on currency balances	-	402	402	-	(725)	(725)
Expenses						
Investment management, management and performance fees (note 3)	-	(752)	(752)	-	(1,365)	(1,365)
Refund of VAT previously paid on management fees	-	-	-	-	168	168
Other expenses	(398)	-	(398)	(417)	-	(417)
(Loss)/profit before finance costs and taxation	(329)	2,341	2,012	(352)	29,057	28,705
Finance costs	(11)	-	(11)	(3)	(13)	(16)
(Loss)/profit before taxation	(340)	2,341	2,001	(355)	29,044	28,689
Taxation	(1)	-	(1)	-	-	-
(Loss)/profit for the year	(341)	2,341	2,000	(355)	29,044	28,689
Basic and diluted /(loss) earnings per share (note 4)	(0.5)p	3.5p	3.0p	(0.6)p	52.4p	51.8p

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

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

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

All items in the above statement derive from continuing operations.

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Statement of Changes in Equity

For the year ended 31 March 2011

	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital redemptio n reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 31 March 2010	16,490	19,298	32,021	4,642	50,970	(3,004)	120,417
Net profit/ (loss) for the year	-	-	-	-	2,341	(341)	2,000
Issue costs refunded	-	2	-	-	-	-	2
Buyback of shares	(251)	-	(1,601)	251	-	-	(1,601)
At 31 March 2011	16,239	19,300	30,420	4,893	53,311	(3,345)	120,818

For the year ended 31 March 2010

	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital redemptio n reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 31 March 2009	12,824	-	33,800	4,307	21,926	(2,649)	70,208
Net profit/ (loss) for the year	-	-	-	-	29,044	(355)	28,689
Issue of shares	4,001	19,877	-	-	-	-	23,878
Issue costs	-	(579)	-	-	-	-	(579)
Buyback of shares	(335)	-	(1,779)	335	-	-	(1,779)
At 31 March 2010	16,490	19,298	32,021	4,642	50,970	(3,004)	120,417

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Statement of Financial Position

As at 31 March

	2011	2010
	£'000	£'000
Non current assets		
Investments held at fair value through profit or loss	128,346	132,618
Current assets		
Other receivables	1,161	304
Cash and cash equivalents	5,691	-
	6,852	304
Total assets	135,198	132,922
Current liabilities		
Other payables	14,380	4,016
Bank loan	-	8,489
	14,380	12,505
Net assets	120,818	120,417
Equity attributable to equity holders		
Ordinary share capital	16,239	16,490
Share premium account	19,300	19,298
Special reserve	30,420	32,021
Capital redemption reserve	4,893	4,642
Capital reserve	53,311	50,970
Revenue reserve	(3,345)	(3,004)
Total equity	120,818	120,417
Net asset value per share (note 5)	186.0p	182.6p

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Statement of Cash Flows

For the year ended 31 March

	2011 £'000	2010 £'000
Operating activities		
Profit before tax	2,001	28,689
Add back interest paid	11	16
Less: gain on investments held at fair value through profit or loss	(2,691)	(30,979)
Add exchange (gains)/losses on currency balances	(402)	725
Purchases of investments held at fair value through profit or loss	(98,383)	(109,571)
Sales of investments held at fair value through profit or loss	115,677	82,788
Increase in other receivables	(15)	(17)
(Decrease)/increase in other payables	(810)	667
Net cash inflow/(outflow) from operating activities before interest and taxation	15,388	(27,682)
Interest paid	(11)	(16)
Taxation paid	(1)	-
Net cash inflow/(outflow) from operating activities	15,376	(27,698)
Financing activities		
Refund of issue costs	2	-
Issue of shares	-	23,299
Buy-back of shares	(1,600)	(2,387)
(Repayment)/drawdown of bank loan	(8,489)	5,350
Net cash (outflow)/inflow from financing	(10,087)	26,262
Increase/(decrease) in cash and cash equivalents	5,289	(1,436)
Cash and cash equivalents at start of year	-	2,161
Effect of foreign exchange rate changes	402	(725)
Cash and cash equivalents at end of year	5,691	-

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Notes to the Financial Statements

1 Basis of Preparation

This preliminary announcement of the Company has been prepared in accordance with International Financial Reporting Standards (“IFRS”) and using the same accounting policies as those in the last published annual accounts, being those to 31 March 2010.

2 Income

	2011 £'000	2010 £'000
Investment Income		
Money market dividends	-	2
Overseas income	69	29
	69	31
Other operating income		
Interest receivable (including interest on VAT repayment from HMRC)	-	34
Total Income	69	65

3 Investment Management, Management and Performance Fees

	Revenue 2011 £'000	Capital 2011 £'000	Total 2011 £'000	Revenue 2010 £'000	Capital 2010 £'000	Total 2010 £'000
Investment Management fee	-	711	711	-	544	544
Management fee	-	322	322	-	247	247
Performance fee (written back) /accrued	-	(281)	(281)	-	574	574
	-	752	752	-	1,365	1,365

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Notes to the Financial Statements (continued)

4 Basic and diluted (loss)/earnings per share

Total gain per share of 3.0p (2010: gain 51.8p) is based on the total gain attributable to equity shareholders of £2,000,000 (2010: gain £28,689,000).

The revenue loss per share of 0.5p (2010 loss: 0.6p) is based on the revenue loss attributable to equity shareholders of £341,000 (2010: £355,000).

The capital gain per share of 3.5p (2010: gain 52.4p) is based on the capital gain attributable to equity shareholders of £2,341,000 (2010: gain £29,044,000).

The total gain, revenue loss and capital gain per share are based upon the weighted average number of shares in issue during the year of 65,687,388 (2010: 55,422,574).

5 Net asset value per share

The net asset value per share is based on the net assets attributable to equity shareholders of £120,818,000 (2010: £120,417,000) and on 64,954,681 (2010: 65,959,861) shares in issue at 31 March 2011.

6 Financial information

This preliminary statement is not the Company's statutory accounts. The above results for 2011 have been agreed with the Auditors and are an abridged version of the Company's full accounts which have not yet been filed with the Registrar of Companies. The 2011 accounts have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The statutory accounts for the year end 31 March 2010 have been delivered to the Registrar of Companies and those for 31 March 2011 will be despatched to shareholders shortly. The 2011 accounts received an audit report which was unqualified, did not include a reference to any matter to which the auditors drew attention without qualifying the report, and did not contain statements under Section 498 of the Companies Act 2006.

Frostrow Capital LLP
Company Secretary
31 May 2011

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