

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you should consult an independent professional adviser authorised under the Financial Services and Markets Act 2000.**

If you have sold or transferred all of your Shares in The Biotech Growth Trust PLC, please forward this document with its accompanying form of proxy at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee. However this document should not be forwarded to or transmitted in or into the United States, Australia, Canada, the Republic of South Africa or Japan.

A copy of this document, which comprises a prospectus and a circular with regard to The Biotech Growth Trust PLC prepared in accordance with the listing rules and the prospectus rules made under sections 73A and 84 of the Financial Services and Markets Act 2000 and which has been approved by the Financial Services Authority, has been or will be filed with the Financial Services Authority and made available to the public for the purposes of section 85 of that Act and in accordance with Rule PR3.2 of those prospectus rules.

The Directors of The Biotech Growth Trust PLC, whose names appear on page 14 of this document, and the Company, accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and of the Company (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omissions likely to affect the import of such information.

Applications have been made to the Financial Services Authority in its capacity as competent authority (the "UK Listing Authority") for the purposes of the Financial Services and Markets Act 2000 for all of the New Ordinary Shares of The Biotech Growth Trust PLC to be admitted to the Official List and to the London Stock Exchange for all such New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities (being part of its regulated market). It is expected that such admissions will become effective, and that dealings in the New Ordinary Shares will commence, on 9 December 2009.

**The whole of this document should be read. Your attention is drawn in particular to the risk factors and other special considerations set out under the heading "Risk factors" on pages 8 to 11 of this document.**

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# The Biotech Growth Trust PLC

*(Incorporated and registered in England and Wales with registered number 3376377;  
an investment company under section 833 of the Companies Act 2006)*

## Placing and Offer for Subscription

*Sponsor*

**Winterflood Securities Limited**

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Winterflood Securities Limited, acting through its division Winterflood Investment Trusts, which is authorised and regulated by the Financial Services Authority, is acting exclusively for the Company in relation to the proposed Placing and Offer for Subscription described in this document and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Winterflood Securities Limited or for advising any such person in connection with the proposed Placing and Offer for Subscription described in this document. This disclaimer does not seek to limit the responsibilities and liabilities of Winterflood Securities Limited which may arise under the Financial Services and Markets Act 2000 or the regulatory regime established thereunder.

The proposed Placing and Offer for Subscription is conditional on Shareholder approval. Notice of a General Meeting of the Company to be held at 10.00 a.m. on Friday, 4 December 2009 at the offices of Dechert LLP, 160 Queen Victoria Street, London EC4V 4QQ is set out on pages 71 to 74 of this document. To be valid, the enclosed form of proxy for use at the General Meeting must be completed and returned by Shareholders in accordance with the instructions printed on it, to the Company's registrar, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and, in any event, so as to arrive not later than 10.00 a.m. on Wednesday, 2 December 2009. You can also appoint a proxy online to vote on your behalf as described in this document and in the form of proxy. If you hold your shares in CREST you may also appoint a proxy by completing and transmitting a CREST Proxy Instruction to the Registrar to the Company (Issuer's agent ID RA10) so that it is received not later than 10.00 a.m. on Wednesday, 2 December 2009. Completion and return of the Form of Proxy does not preclude the relevant Shareholder from attending and voting in person at the meeting should they wish to do so.

The terms and conditions of, and the procedure for, application under the Offer for Subscription are set out at the end of this document and an Application Form is attached.

16 November 2009

The distribution of this prospectus in certain jurisdictions may be restricted by law. No action has been taken by the Company or Winterflood Securities that would permit an offer of the New Ordinary Shares or possession or distribution of this prospectus or any other offering or publicity material in any jurisdiction where action for that purpose is required, other than in the United Kingdom. Persons into whose possession this prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

This document and any accompanying documents do not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, shares in any jurisdiction in which such offer or solicitation is unlawful and are not for distribution in or into the United States, Australia, Canada, the Republic of South Africa or Japan. The New Ordinary Shares described in this prospectus have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) (the "Securities Act") or the securities laws of any state of the United States or under any of the applicable securities laws of Australia, Canada, the Republic of South Africa or Japan. Accordingly, subject to certain exceptions, the New Ordinary Shares may not be offered, sold or delivered, directly or indirectly, in or into the United States, Australia, Canada, the Republic of South Africa or Japan or to or for the account or benefit of any US person (within the meaning of Regulation S under the Securities Act), or any person resident in Australia, Canada, the Republic of South Africa or Japan. In addition, the Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended and investors will not be entitled to the benefits of such Act.

Persons resident in territories other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any formalities to enable them to apply for, acquire, hold or dispose of New Ordinary Shares.

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## SUMMARY

# The Biotech Growth Trust PLC

## Placing and Offer for Subscription

### Prospectus summary

*This summary, which relates to the prospectus of The Biotech Growth Trust PLC dated 16 November 2009, should be read as an introduction to the full text of the prospectus and any investment decision relating to the Issue should be based on the consideration of the prospectus as a whole. Where a claim relating to information contained in a prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating the prospectus before legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation of this summary, but only if this summary is misleading, inaccurate or inconsistent when read together with other parts of this prospectus.*

### **The Company**

The Biotech Growth Trust PLC was incorporated in England and Wales on 20 May 1997 and is an investment trust company. The Company's Ordinary Shares are admitted to the Official List and to trading on the London Stock Exchange. Since 2005, the Company's Investment Manager to whom the discretionary management of the Company's investment has been delegated has been OrbiMed Capital LLC.

### **Investment Objective**

The investment objective of the Company is to seek capital appreciation through investment in the worldwide biotechnology industry, principally by investing in emerging biotechnology companies. The Company's performance is measured against The NASDAQ Biotechnology Index (sterling adjusted).

### **Summary of Investment Policy**

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

The majority of the emerging biotechnology companies that the Company will invest in are likely to be companies with a market capitalisation of less than US\$3 billion that have undergone an initial public offering but as yet are unprofitable. They will typically be focused on drug research and development, with their valuations driven by profitable developments, clinical trial results and partnerships.

The Company will not invest more than 15 per cent. of the portfolio in any one individual stock at the time of acquisition.

The largest 30 quoted stocks will normally represent at least 50 per cent. of the quoted portfolio.

The Company will not invest more than 10 per cent. of the portfolio in direct unquoted investments at the time of acquisition. This limit does not include any investment in private equity funds managed by the Investment Manager or any affiliate of such entity.

The Company may borrow, *inter alia*, to finance any short term borrowing requirements and, on a longer term basis, to enhance potential returns. Under the Articles, the maximum amount the Company may borrow is a sum equal to 33 per cent. of the adjusted total capital and reserves.

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

The foregoing is a summary only and does not represent the complete investment policy of the Company.

## **Investment Strategy**

The Investment Manager has invested the majority of the Company's assets in emerging biotechnology companies, being those companies which typically have a market capitalisation of less than US\$3 billion, with the remainder invested in major biotechnology companies. The portfolio comprised 41 holdings as at 12 November 2009.

The Investment Manager 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.

The Investment Manager 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.

Risk management is conducted via position size limits, geographic diversification and an appropriate weighting between major and emerging biotechnology.

## **Investment Trends and Outlook**

The Board, based on advice from the Investment Manager, believes that the outlook for the biotechnology sector in 2010 and beyond is positive. The average growth rate among the major biotechnology companies is approximately 16 per cent. (source: Thomson Financial), and the Directors believe such growth is sustainable. Valuation among the major biotech companies is at a historic low on both a price to earnings ("PE") and price to earnings growth ("PEG") basis. Major biotechnology companies as a whole currently trade at an approximately 15 times forward PE multiple and a PEG ratio of approximately 0.9. Uncertainty about healthcare reform in the United States has weighed on the sector and kept valuations low. Resolution of this issue is likely to occur by the end of 2009, whereupon it is expected there will be a "relief rally" in the sector as the reform overhang is lifted. Ultimately healthcare reform may actually be positive for biotech. Biotechnology companies are expected to benefit from the increased drug utilisation from broader insurance coverage and may get extra marketing exclusivity for their products.

A number of significant new products from biotechnology companies are approaching launch. Many of these target diseases with high unmet medical need or take novel approaches to manage disease. For example, Human Genome Sciences' Benlysta is expected to be the first drug approved by the US Food and Drug Administration for the treatment of Lupus in 40 years, and has the potential to be a multi-billion dollar product. Dendreon's Provenge is the first successful "cancer vaccine" which harnesses the body's immune system to fight cancer. There are a number of phase III trials expected to show results over the next year which will act as important catalysts for their respective companies' shares.

Mergers and acquisitions ("M&A") continues to be an important theme for the sector. To date in 2009, the Company's performance has benefited from three companies which have been acquired: Indevus Pharmaceuticals, Tepnel Life Sciences, and Cougar Biotechnology. The drug development pipeline within major pharmaceutical companies remains weak necessitating active business development to obtain rights to compounds being developed at biotechnology companies either through partnering or acquisition. Statements made by CEOs of pharmaceutical companies indicate a continued appetite for acquisitions. The Company's portfolio is currently positioned with a large exposure to companies in the "sweet spot" for M&A, that is companies close to product approval or in the early stage of product launch, such as Dendreon, Allos Therapeutics and Alexion Pharmaceuticals.

In summary, the Board, based on advice from the Investment Manager believes that the biotech sector is poised for strong performance due to robust organic growth, important new product launches, the lifting of the US health care reform overhang and a favourable climate for M&A.

## Performance

	<i>Year to date</i>	<i>12 months</i>	<i>3 years</i>	<i>Since the appointment of the Investment Manager</i>
Net Asset Value per Share	4.8%	14.8%	18.1%	41.7%
Share Price	9.2%	14.6%	14.6%	41.6%
Benchmark Index	-2.4%	7.3%	14.1%	30.9%

Source: Morningstar for NAV and Share price and Bloomberg for the Benchmark Index.

All numbers to 12 November 2009 (the latest practicable date before the publication of this document).

As at the close of business on 12 November 2009 (the latest practicable date before the publication of this document) the unaudited Net Asset Value per Share was 141.05 pence.

## The Proposals

The Company is seeking to raise a maximum of £50 million through the Placing and Offer for Subscription. The number of Shares being made available under the Issue has been determined so as to seek to avoid the need to scale back applications. The Issue is not being underwritten. The estimated costs of the Issue, assuming £50 million is raised, would represent approximately 2.0 per cent. of the gross proceeds. The net proceeds of the Issue will be invested in accordance with the Company's investment policy.

The Issue Price will be the Net Asset Value per Share of the Company on the Calculation Date plus a premium to reflect all the estimated expenses of the Issue and thus ensure that the interests of existing Shareholders are not diluted. The Ordinary Shares should be eligible to be held in a stocks and shares ISA, subject to applicable annual subscription limits.

The Issue will, *inter alia*, enable the Company to spread its fixed operating costs over a larger number of Shares, enhance liquidity in the Shares and will be well-timed for investing the proceeds of the Issue in a sector considered to have good growth prospects.

## Investment Manager

The Investment Manager, OrbiMed Capital LLC, was established in 1989 by Sam Isaly and is based in New York. The Investment Manager focuses exclusively on the healthcare sector, with approximately US\$4 billion in assets under management as at 31 October 2009 across a range of funds, including investment trusts, hedge funds and private equity funds.

## Manager

The Company's Manager, Frostrow Capital LLP, was established in 2006 and is authorised and regulated by the FSA. The Manager provides a range of management, marketing, administration and company secretarial services to five investment companies.

## Management Fees and Other Costs

The Company had a total expense ratio of approximately 1.6 per cent. in the 12 month period to 31 March 2009. The expense ratio for the year following the Issue, assuming the Issue is fully subscribed, is estimated to be 1.3 per cent.

The Investment Manager receives a periodic fee equal to 0.65 per cent. per annum of the Company's Net Asset Value. The Investment Manager also receives a performance fee equal to 15 per cent. of any outperformance of the Net Asset Value over the Benchmark Index.

The Manager receives a periodic fee equal to 0.30 per cent. per annum of the Company's market capitalisation, plus a fixed amount equal to £50,000 per annum. The Manager also receives a performance fee equal to 1.5 per cent. of any outperformance of the Net Asset Value over the Benchmark Index.

### **Further Issues of Ordinary Shares**

An ordinary resolution is being proposed at the General Meeting which will have the effect of authorising the allotment of further Ordinary Shares up to an amount equivalent to ten per cent. of the issued share capital following the Issue. If the Company issues these Ordinary Shares in order to meet demand in the secondary market, it will only do so at a premium to NAV per Share to ensure that the costs of such issues are met.

### **Share Buybacks**

The Board applies an active discount management policy, buying back for cancellation Ordinary Shares if the market price is at a discount greater than six per cent. to NAV per Share. The making and timing of any Ordinary Share buybacks is at the absolute discretion of the Board and subject to Shares being available in the market for repurchase.

In the financial year ended 31 March 2009, the Company repurchased and cancelled 11,089,550 Ordinary Shares. In the period from 31 March 2009 until 12 November 2009 (being the last practicable date prior to the date of this document), the Company repurchased and cancelled 1,168,950 Ordinary Shares.

### **Borrowings**

As at the date of this document, the Company does not have any borrowing outstanding. However, the Company is in discussion with Goldman, Sachs & Co., New York to provide a facility which may include borrowing, custody and certain rights of rehypothecation.

### **Risk Factors**

The principal risk factors affecting the Company that are known to the Directors are considered to include the risk factors set out below:

- Investment in companies in the emerging biotechnology sector carries particular high risks, such as limited product range, extensive regulation, product liability and substantial research and development spend which might be incapable of being exploited.
- The Company's assets will be subject to exchange rate risks. The Company does not currently hedge against currency exposure.
- Past performance is not necessarily an indication of future performance. Changes in economic conditions can substantially and adversely affect the value of investments.
- Any changes to the tax status and treatment of the Company and/or investors could affect the value of the Company's investments and its ability to provide returns to Shareholders.
- Potential investors should be aware that whilst the use of borrowings within the limits prescribed by the Board should enhance the Net Asset Value per Share where the value of the Company's underlying assets is rising at a rate sufficiently fast to offset the interest rate on the borrowings, to leave a surplus, it will have the opposite effect when those circumstances are reversed. This may increase the volatility of the Net Asset Value per Share.
- As the price of shares in an investment trust is determined by the interaction of supply and demand for those shares in the market, the Share price can fluctuate and may represent a discount to the Net Asset Value per Share.
- The Issue Price may be higher than the current market price.
- In the event the Issue does not proceed, the Company will have to bear certain costs associated with the Proposals.
- An investment in the Company is suitable only for investors capable of evaluating the merits and risks of the investment and who have sufficient resources to be able to bear any losses that may arise therefrom. An investment in the Company should be seen as long term in nature.

## RISK FACTORS

Shareholders should carefully consider all the information in this document including the risks described below. The Directors have identified these risks as the material risks relating to the Company, an investment in the Ordinary Shares and investing in worldwide biotechnology companies of which the Directors are aware as at the date of this document. Additional risks and uncertainties not presently known to Directors, or that the Board considers immaterial, may also adversely affect the Company's business, results of operations or financial condition. If any combination of the following risks materialise, the Company's business, financial condition, operational performance and share price could be materially adversely affected. In that case, the trading price of the Ordinary Shares could decline and potential investors could lose all of their investment. Prospective investors should consult their independent financial adviser authorised under the Financial Services and Markets Act 2000 before investing in the New Ordinary Shares.

### Investor Profile

The typical investors for whom the New Ordinary Shares are intended are professionally-advised private investors, institutional investors or financially-sophisticated non-advised private investors seeking capital growth from investment in worldwide biotechnology companies.

An investment in the Company is suitable only for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise therefrom (which may be equal to the whole amount invested). Such an investment should be seen as long term in nature and complementary to existing investments in a range of other financial assets and should not normally form a major part of an investment portfolio.

**Past performance of the Company, and of investments managed by Investment Manager, are not necessarily indicative of future performance.**

### Risk of Investing in the New Ordinary Shares

#### *General*

The market price of the New Ordinary Shares can fluctuate and can go down as well as up. There can be no guarantee that any appreciation in the value of the Company's investments will occur and investors may not get back the full value of their investment.

#### *Discount*

The price of shares in an investment trust is determined by the interaction of supply and demand for such shares in the market as well as the net asset value per share. The share price can therefore fluctuate and may represent a discount or premium to the net asset value per share. This discount or premium is itself variable as conditions for supply and demand for the shares change. This can mean that the share price can fall when the net asset value per share rises or *vice versa*.

The market price of a New Ordinary Share following the Issue, due to the potential presence of a "discount", may not fully reflect the Net Asset Value per Share. As explained in this document, the Company applies an active discount management policy, and has indicated an intention to seek to limit any discount by buying back Shares in the market, but the making and timing of any Share buy-back is at the absolute discretion of the Board and there can be no guarantee that this strategy will be successful.

#### *Issue Price*

The Issue Price will be determined so as to be a premium to the Net Asset Value per Share of the Company on the Calculation Date to reflect all the estimated expenses of the Issue. The Issue Price may therefore reflect a premium to the market value of the Shares and prospective investors in the New Ordinary Shares should therefore be aware that they may therefore be able to buy Shares in the market at a price lower than the Issue Price. By way of example, as at 12 November 2009 the offer price for Ordinary Shares on

the London Stock Exchange was 134p, whilst the Issue Price calculated as at that date and otherwise on the basis described in Part III of this document would have been 143.88p.

### ***Dividends***

The Company invests with the objective of achieving capital growth and it is expected that dividends, if any, are likely to be small. The Board intends only to pay dividends on the Shares to the extent required in order to maintain the Company's investment trust status. Dividends (if any) will therefore depend on the amount and timing of income which the Company receives on its investments.

### ***Investment Objective***

There is no guarantee that the Company's investment objective as described under the heading "Investment objective and policy" in Part II will be achieved or provide the returns sought by the Company. The net proceeds of the Issue will be invested as soon as reasonably practicable after their receipt by the Company, but the number, quality and size of investment opportunities may lead to delays in fully investing the net proceeds of the Issue. If equity prices rise or fall significantly before the net proceeds are fully invested, the potential returns available to Shareholders may differ from the returns which would have been available on the Company's existing portfolio of investments.

### ***Investments***

Changes in economic conditions (including, for example, interest rates and rates of inflation), industry conditions, competition, changes in law, political and diplomatic events and trends, tax laws, accounting practices and other factors can substantially and adversely affect the value of investments and therefore the Company's performance and prospects.

The Company's portfolio comprises, and will continue to comprise, stocks in biotechnology companies and related securities. Investing in companies in the biotechnology sector carries some particular high risks:

- Such companies may have limited product ranges and, consequently, any problems encountered on one product may have a particularly damaging effect on a company's prospects.
- Products in these sectors tend to be subject to extensive government regulation. Obtaining necessary approval for new products may be a lengthy process and carries uncertainty as to outcome.
- Notwithstanding that a product is approved by the relevant regulatory body, the commercial success of a product will depend on the extent to which the payors for healthcare, be they governments, health insurers, managed care programmes and other third party payors, are, if at all, prepared to pay. Significant uncertainty exists as to the reimbursement status of newly approved products as, globally, payors seek to limit healthcare costs by restricting the availability and level of reimbursement.
- Technological advances may render less valuable, or obsolete, existing products of companies in these sectors.
- Certain companies operating in the biotechnology sector may be exposed to potential product liability risks, particularly in relation to the testing, manufacture and sale of healthcare products.
- Companies operating within the sector tend to spend a considerable proportion of their resources on research and development which may be commercially unproductive or require the injection of further capital fully to exploit the results of their work. If access to capital is restricted or further capital becomes unavailable, shareholders in such companies, including the Company, may lose some or all of their investment.
- The rapid development of and changes in the biotechnology sector represent a particular risk as well as an opportunity.

The Company has one holding in an unquoted company; save for any investment in private equity funds managed by the Investment Manager or any affiliate of such entity, the Company would not normally envisage making new investments in unquoted companies. As the shares in such companies are not publicly traded or freely marketable they may be difficult to realise. Unquoted investments are generally subject to higher valuation uncertainties and liquidity risks than quoted investments.

The Company may invest or commit for investment a maximum of US\$15 million in private equity funds managed by the Investment Manager or an affiliate thereof. In addition to the valuation and illiquidity issues associated with investment in unquoted companies, referred to above, private equity funds are also generally illiquid.

### **Postage Risk**

Prospective investors in the New Ordinary Shares under the Offer should note that all share certificates and refund cheques will be sent to applicants by ordinary post at the risk of the applicant. In the event of loss the applicant may, as a condition of receiving a duplicate share certificate or other document, be required to indemnify the Company and the Registrar and/or pay a fee. Dealings by applicants in the New Ordinary Shares prior to receipt of share certificates is at their own risk.

### **Currency Risk**

A significant proportion of the Company's assets are, and will continue to be, invested in securities denominated in foreign currencies, principally US dollars. As the Shares are denominated and traded in sterling, the return to Shareholders will be affected by changes in the value of sterling relative to those foreign currencies. The Company does not currently hedge against any currency exposure.

### **Tax and Accounting**

Any change in the Company's tax status, including failure to satisfy the conditions of section 842 of the Income and Corporation Taxes Act 1988, or in taxation legislation or accounting practice could affect the value of the investments held by the Company and the Company's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders. Information in this document concerning the taxation of investors is based upon current tax law and practice which are, in principle, subject to change.

Although it is intended that the Company will be managed so as to qualify as an investment trust and retain such status, there is no guarantee that such status will be maintained. If the Company fails to meet the qualifying requirements for an investment trust, this could result in loss of tax relief in relation to corporation tax on capital gains made by the Company.

The Company prepares its accounts in accordance with IFRS and intends to continue to do so. IFRS is subject to change and this may have an affect on the Company's calculation of NAV. Changes in the accounting policies of the Company could adversely affect Shareholders. The Company has a policy of charging the periodic management fees, any loan interest and any performance fee earned under the terms of the Investment Management Agreement and the Management Agreement to the realised capital reserve. Other expenses of the Company, such as Directors' fees, fees for secretarial and administrative services, the auditor's remuneration, custody charges and loan non-utilisation fees, are entirely charged to revenue.

### **Gearing**

Some investment trusts employ gearing, that is, seeking to enhance returns to shareholders by borrowing funds for investment. Where an investment trust is geared, its net asset value and price performance would be expected to represent an amplification of any upward and downward movement in the investment trust's portfolio as a result of price changes of the investments contained therein.

The Company does not currently have any borrowings but the policy of the Company is that it may borrow, *inter alia*, to finance any short term borrowing requirements and, on a longer term basis, to enhance returns and potential investors should be aware of the implications of such "gearing". The Articles limit the amount of borrowing the Company may take on to an amount not exceeding a sum equal to 33 per cent. of the adjusted total capital and reserves. The Directors are currently limiting borrowings to a maximum of £15 million but intend to keep the level of gearing under review following completion of the Issue.

Whilst the use of borrowings within the limits prescribed by the Board should enhance the Net Asset Value per Share where the value of the Company's underlying assets is rising at a rate sufficiently fast to offset the interest rate on the borrowings, to leave a surplus, it will have the opposite effect when those circumstances are reversed. This may increase the volatility of the Net Asset Value per Share.

### ***Regulatory Risks***

The regulatory environment continues to evolve. Changes in applicable regulations, particularly the possible implementation of the European Commission's draft directive on Alternative Investment Fund Managers, in addition to other legal or tax changes, as well as judicial decisions, could adversely affect the Company and/or the investment strategies used by the Company. The effects of any regulatory changes or developments on the Company may affect the manner in which it is managed and may be substantial and adverse.

### ***Legal Risk***

The Company must also comply with the provisions of the Companies Acts and, as its shares are admitted to the Official List, the Listing Rules. A breach of the Companies Acts could result in the Company and/or the Directors being fined or being the subject of criminal proceedings. Breach of the UK Listing Authority Rules could result in the Company's shares being suspended from listing, which in turn would breach section 842 of the Income and Corporation Tax Act 1988.

### ***Exchange Controls and Withholding Tax***

The Company may from time to time purchase investments that will subject the Company to exchange controls or withholding taxes in various jurisdictions. In the event that exchange controls or withholding taxes are imposed with respect to any of the Company's investments, the effect will generally be to reduce the income received by the Company on such investments.

### ***Economic Conditions***

Changes in economic conditions including, for example, interest rates, rates of inflation, industry conditions, political and diplomatic events and trends and tax laws, can substantially and adversely or favourably affect the Company's prospects and the value of the Company's portfolio. In particular, in the biotechnology sector, a lack of access to cash by companies in which the Company invests in circumstances where such investee companies require funding to continue operations may lead to operational difficulties for such companies and even collapse.

### ***Risk of Rehypothecation***

As part of its current proposed borrowing arrangements, the Company may enter into agreements with a third party which may include borrowing, custody and certain rights of rehypothecation. Under such arrangements, such third parties may borrow, lend or otherwise use the Company's money, investments and other assets for its or their own purposes and may take such investments as collateral. Such assets will cease to be the property of the Company and, in the event of an insolvency of such third party may be available to creditors of such third party. As a result, the Company may not be able to recover such assets in full.

### ***Costs of the Issue***

In the event the Issue does not proceed, the Company will have to bear certain costs associated with the Proposals.

## IMPORTANT INFORMATION

Investors should rely only on the information in this document. No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company, the Directors, the Investment Manager, the Manager, the Placing Agent or any other person. Neither the delivery of this document nor any subscription or purchase of shares made pursuant to this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since, or that the information contained herein is correct at any time subsequent to, the date of this document.

The contents of this document are not to be construed as advice relating to legal, financial, taxation, investment or any other matter. Prospective investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer or other disposal of Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Ordinary Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Ordinary Shares. Prospective investors must rely upon their own advisers, including their own legal advisers and accountants, as to legal, financial, tax, investment or any other related matters concerning the Company and an investment therein.

An investment in the Company should be regarded as a long term investment. There can be no assurance that the Company's investment objectives will be achieved.

Investment in the Company will involve certain risks and special considerations including, in particular, the matters set out in the section entitled "Risk Factors". The investments of the Company may be subject to market fluctuations and risks inherent in investment generally as well as the specific risks described in this prospectus and there can be no assurance that an investment in the Company will retain its value or that appreciation will occur. The price of Ordinary Shares and the income from Ordinary Shares (if any) can go down as well as up and investors may not realise the value of their initial investment. Investors must be able and willing to withstand the loss of their entire investment.

All prospective Shareholders are entitled to the benefit of, are bound by and deemed to have notice of, the provisions of the memorandum of association and Articles of the Company, a copy of which can be obtained from the Administrator.

Statements made in this prospectus are based on the law and practice currently in force in England and Wales and are subject to changes therein.

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	<b>Date</b>
Latest time and date for receipt of Application Forms from Plan Participants	5.00 p.m. on 24 November 2009
Latest time and date for receipt of Letters of Direction from Plan Participants	5.00 p.m. on 27 November 2009
Latest time and date for receipt of Application Forms under the Offer	1.00 p.m. on 1 December 2009
Latest time and date for receipt of Forms of Proxy	10.00 a.m. on 2 December 2009
Issue Price calculated	as at close of business on 2 December 2009
General Meeting	10.00 a.m. on 4 December 2009
Issue Price and results of the Issue announced	4 December 2009
Admission and dealings in New Ordinary Shares commence and CREST accounts credited in respect of New Ordinary Shares issued in uncertificated form	8.00 a.m. on 9 December 2009
Certificates for New Ordinary Shares issued in certificated form despatched and return of funds in respect of any applications scaled back	Week commencing 14 December 2009

*Notes:*

- (1) Reference to times in this document are to London time unless otherwise stated.
- (2) The dates set out in the expected timetable of principal events above and mentioned throughout this document may be adjusted by The Biotech Growth Trust PLC in which event details of the new dates will be notified to Shareholders through a Regulatory Information Service provider.
- (3) If you have any questions relating to this document, and the completion and return of the forms of proxy, please telephone Capita Registrars between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday on 0871 664 0321 from within the UK or +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice.

## PLACING AND OFFER FOR SUBSCRIPTION STATISTICS \*

Net Asset Value	£70.7 million
Net Asset Value per Share	141.05p
Issue Price (on the basis of full subscription)*	143.88p
Estimated gross proceeds of the Issue (on the basis of full subscription)	£50 million
Estimated expenses of the Issue (on the basis of full subscription)	£0.98 million

\* on the basis of the Net Asset Value per Share as at 12 November 2009. The Issue Price will be calculated as at close of business on 2 December 2009.

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors (all non-executive)</b>	John Richard Sclater CVO ( <i>Chairman</i> ) Sven Heinz Borho Paul Gaunt John Laurie Gordon Peter Stephen Keen The Rt Hon Lord Waldegrave of North Hill  all of  One Wood Street London EC2V 7WS
<b>Company's website and telephone number</b>	<a href="http://www.biotechgt.com">http://www.biotechgt.com</a> +44 (0) 20 3008 4910
<b>Registered Office of the Company</b>	One Wood Street London EC2V 7WS
<b>Investment Manager</b>	OrbiMed Capital LLC 767 Third Avenue New York NY10017 USA
<b>Manager, Company Secretary and Administrator</b>	Frostrow Capital LLP 25 Southampton Buildings London WC2A 1AL
<b>Financial Adviser, Placing Agent and Sponsor</b>	Winterflood Securities Limited The Atrium Building Cannon Bridge 25 Dowgate Hill London EC4R 2GA
<b>Legal Advisers to the Company</b>	Dechert LLP 160 Queen Victoria Street London EC4V 4QQ
<b>Legal Advisers to the Financial Adviser, Placing Agent and Sponsor</b>	Norton Rose LLP 3 More London Riverside London SE1 2AQ
<b>Auditors</b>	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU
<b>Registrar</b>	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0GA
<b>Receiving Agent</b>	Capita Registrars Corporate Actions The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
<b>Custodian</b>	The Bank of New York Mellon One Canada Square London E14 5AL

## PART I

### LETTER FROM THE CHAIRMAN

# The Biotech Growth Trust PLC

*(Incorporated and registered in England and Wales with registered number 3376377;  
an investment company under section 833 of the Companies Act 2006)*

#### *Directors*

John Sclater CVO (*Chairman*)  
Sven Borho  
Paul Gaunt  
Dr John Gordon  
Peter Keen  
The Rt Hon Lord Waldegrave of North Hill

#### *Registered Office*

One Wood Street  
London EC2V 7WS

16 November 2009

Dear Shareholder

### **Placing and Offer for Subscription**

#### **Introduction**

On 25 September 2009 your Board announced that it was considering raising additional funds through a placing and offer for subscription of ordinary shares.

The Board has today announced proposals for an issue of up to £50 million of New Ordinary Shares by way of the Placing and the Offer for Subscription. The purpose of this letter is to provide you with details of the Issue. In order to proceed with the Issue, it will be necessary for Shareholders to pass the appropriate Resolutions (specifically, the Issue is conditional upon the passing of Resolutions 1, 2 and 3) in accordance with the requirements of the 2006 Act and the Listing Rules to be proposed at the General Meeting to be held on 4 December 2009. In addition Shareholders are being asked to approve changes to the Articles (as deemed amended following the coming fully into effect of the 2006 Act) and to update the Company's authority to repurchase shares, both in accordance with the requirements of the 2006 Act, and to release the Directors from their obligation to propose a continuation resolution at the annual general meeting to be held in 2010, which is a special resolution as required to vary the Articles. The notice convening the General Meeting is set out on pages 71 to 74 of this document.

This document also includes a detailed description of the Company and information on how Shareholders and Plan Participants can participate in the Issue if they wish to apply for New Ordinary Shares.

#### **Environment and Outlook**

The Board, based on advice from the Investment Manager, believes that the outlook for the biotechnology sector in 2010 and beyond is positive. The average growth rate among the major biotechnology companies is approximately 16 per cent. (source: Thomson Financial), and the Directors believe such growth is sustainable. Valuation among the major biotech companies is at a historic low on both a price to earnings ("PE") and price to earnings growth ("PEG") basis. Major biotechnology companies as a whole currently trade at an approximately 15 times forward PE multiple and a PEG ratio of approximately 0.9. Uncertainty about healthcare reform in the United States has weighed on the sector and kept valuations low. Resolution of this issue is likely to occur by the end of 2009, whereupon it is expected there will be a "relief rally" in the sector as the reform overhang is lifted. Ultimately healthcare reform may actually be positive for biotech. Biotechnology companies are expected to benefit from the increased drug utilisation from broader insurance coverage and may get extra marketing exclusivity for their products.

A number of significant new products from biotechnology companies are approaching launch. Many of these target diseases with high unmet medical need or take novel approaches to manage disease. For

example, Human Genome Sciences' Benlysta is expected to be the first drug approved by the US Food and Drug Administration for the treatment of Lupus in 40 years, and has the potential to be a multi-billion dollar product. Dendreon's Provenge is the first successful "cancer vaccine" which harnesses the body's immune system to fight cancer. There are a number of phase III trials expected to show results over the next year which will act as important catalysts for their respective companies' shares.

Mergers and acquisitions ("M&A") continues to be an important theme for the sector. To date in 2009, the Company's performance has benefited from three companies which have been acquired: Indevus Pharmaceuticals, Tepnel Life Sciences, and Cougar Biotechnology. The drug development pipeline within major pharmaceutical companies remains weak necessitating active business development to obtain rights to compounds being developed at biotechnology companies either through partnering or acquisition. Statements made by CEOs of pharmaceutical companies indicate a continued appetite for acquisitions. The Company's portfolio is currently positioned with a large exposure to companies in the "sweet spot" for M&A, that is companies close to product approval or in the early stage of product launch, such as Dendreon, Allos Therapeutics and Alexion Pharmaceuticals.

In summary, the Board, based on advice from the Investment Manager believes that the biotech sector is poised for strong performance due to robust organic growth, important new product launches, the lifting of the US health care reform overhang and a favourable climate for M&A.

For these reasons, the Directors believe there may be demand for the Company's Shares not able to be met through the secondary market.

## Performance

Since OrbiMed's appointment in April 2005, the Company has significantly outperformed its Benchmark Index.

	<i>Year to date</i>	<i>12 months</i>	<i>3 years</i>	<i>Since the appointment of the Investment Manager</i>
Net Asset Value per Share	4.8%	14.8%	18.1%	41.7%
Share Price	9.2%	14.6%	14.6%	41.6%
Benchmark Index	-2.4%	7.3%	14.1%	30.9%

Source: Morningstar for NAV and Share price and Bloomberg for the Benchmark Index.

All numbers to 12 November 2009 (the latest practicable date before the publication of this document).

As at the close of business on 12 November 2009 (the latest practicable date before the publication of this document) the unaudited Net Asset Value per Share was 141.05 pence.

## The Proposals

The Company is seeking to raise a maximum of £50 million through the Placing and Offer for Subscription. The number of Shares being made available under the Issue has been determined so as to seek to avoid the need to scale back applications. The Issue is not being underwritten. The estimated costs of the Issue (including VAT), assuming £50 million is raised, would represent approximately 2.0 per cent. of the gross proceeds. The net proceeds of the Issue will be invested in accordance with the Company's investment policy.

The Issue Price will be the Net Asset Value per Share of the Company on the Calculation Date plus a premium to reflect all the estimated expenses of the Issue and thus ensure that the interests of existing Shareholders are not diluted. The Ordinary Shares should be eligible to be held in a stocks and shares ISA, subject to applicable annual subscription limits.

The Issue will, *inter alia*, enable the Company to spread its fixed operating costs over a larger number of Shares, enhance liquidity in the Shares and will be well-timed for investing the proceeds of the Issue in a sector considered to have good growth prospects.

### **The Resolutions**

As a result of the Companies Act 2006 coming fully into force on 1 October 2009, the stated authorised share capital of the Company immediately prior to that date has become a deemed limitation in the Company's articles of association. Although it is not expected that this limitation will have any impact on the Issue, the opportunity of the General Meeting is being taken to propose an ordinary resolution to remove the limitation.

The Company also proposes, by means of an ordinary resolution to be proposed at the General Meeting, to seek authority under section 551 of the Act to allot up to 200 million New Ordinary Shares on or before 31 December 2009 in respect of the Placing and Offer for Subscription and to allot up to an additional 10 per cent. of the issued share capital of the Company following the Issue. Any unutilised part of this authority will lapse at the conclusion of the Company's next annual general meeting to be held in 2010 or, if earlier, 15 months after the General Meeting.

By means of a special resolution, the Company also seeks to disapply statutory pre-emption rights otherwise applicable to the New Ordinary Shares intended to be issued under the Placing and Offer for Subscription and to any further allotment of Shares by the Company following the Issue either by way of rights issue or equivalent offer or otherwise up to 10 per cent. of the issued share capital following the Issue, all such disapplications being limited to a maximum of 225,012,748 Shares, which represents 449 per cent. of the issued share capital of the Company as at the date of this document. This disapplication will also lapse in respect of any unutilised part of the section 551 authority referred to above at the conclusion of the Company's next annual general meeting to be held in 2010 or, if earlier, 15 months after the General Meeting.

The Company proposes to update the authority to make repurchases of the Company's Shares that was granted at the annual general meeting of the Company held on 23 July 2009. By means of a special resolution, the Company proposes to seek Shareholder approval for repurchases of up to 14.99 per cent. of the Company's issued share capital immediately following completion of the Issue. Any repurchase made pursuant to the authority will be made at a minimum price of 25 pence per Share and a maximum price of an amount equal to the greater of: (i) 105 per cent. of the middle market price per Share for the five Business Days preceding the date of purchase; and (ii) the higher of the price of the last independent trade in the Shares and the highest then current independent bid for the Shares on the London Stock Exchange. The authority being sought will last until the conclusion of the Company's next annual general meeting to be held in 2010 or, if earlier, 15 months after the General Meeting. The authority will be utilised, at the absolute discretion of the Board, as described under the heading "Share Buybacks" in Part II of this document.

Finally, under the Articles, a continuation vote is due to be held at the annual general meeting in 2010. In order to provide greater certainty in the context of the Issue it is proposed that a special resolution now be passed releasing the Directors from this obligation. The next scheduled continuation vote would then be in 2015.

### **Benefits of the Proposals**

The Board believes that the Proposals have the following principal benefits:

- Shareholders and new investors will be able to acquire Shares in the Company free of restraints of market liquidity, dealing spreads, secondary market commissions and stamp duty costs;
- the market capitalisation of the Company will increase following the Issue and it is anticipated that the liquidity of the Shares will therefore be enhanced through the wider shareholder base;
- the Issue will increase the size of the Company and enable it to spread its fixed operating expenses over a larger number of Shares, thus allowing its total expense ratio to fall;
- the timing is opportune for investing the proceeds of the Issue in accordance with the investment objective of the Company and providing the prospect of long term capital growth; and

- the proposed updating of the Board's buyback and issuance powers in line with the increased size of the Company will provide scope for the Board to continue its active discount management policy and if possible further to enlarge the Company without incurring significant costs.

### **Costs and expenses**

The costs incurred by the Company in connection with the Issue, which are estimated to be £0.98 million if the Issue is fully subscribed, will effectively be borne by the investors in the New Ordinary Shares through the premium to the Net Asset Value per Share included in the Issue Price.

### **Placing and Offer Arrangements**

#### ***Introduction***

The Issue will comprise an issue of New Ordinary Shares under the Placing and the Offer, subject to maximum issue gross proceeds of £50 million.

The actual number of New Ordinary Shares to be issued will depend upon the applications received pursuant to the Placing and the Offer and the Issue Price. Accordingly, the maximum number of New Ordinary Shares available under the Issue should not be taken as an indication of the number of New Ordinary Shares that will be issued. In the event that the Issue is over subscribed, the basis of allocation will be determined by the Placing Agent, in consultation with the Company. The Issue is not subject to any minimum condition and accordingly shares subscribed for may be allotted notwithstanding that the Issue is not subscribed for in full.

The result of the Issue will be announced prior to Admission through a Regulatory Information Service.

The Issue, is conditional, *inter alia*, on:

- the passing of Resolutions 1, 2 and 3 at the General Meeting;
- Admission; and
- the Placing Agreement not being terminated in accordance with its terms at any time prior to Admission.

#### ***Placing***

The Placing Agent has agreed under the Placing Agreement to use its reasonable endeavours to procure places for New Ordinary Shares on the terms and subject to the conditions set out in the Placing Agreement. The Placing is not being underwritten.

Payment for Shares issued under the Placing should be made through the Placing Agent on a delivery versus payment basis, and in any such case in accordance with settlement instructions to be notified to places by the Placing Agent. To the extent that any application is rejected in whole or in part, monies received will be returned without interest at the risk of the applicant.

#### ***Offer***

New Ordinary Shares are also being made available to investors (other than certain Overseas Investors) pursuant to the Offer. Your attention is drawn to the terms and conditions of application under the Offer. These terms and conditions should be read carefully before an application is made. Shares acquired pursuant to the Offer but not the Placing may be acquired by an ISA. Investors should consult their independent financial advisers if they are in doubt about the contents of this document or the acquisition of New Shares. The Offer is not being underwritten.

Application Forms, accompanied by a cheque or banker's draft payable to "Capita Registrars Limited re The Biotech Growth Trust PLC offer" and crossed "A/c payee" for the appropriate sum, should be returned to the Receiving Agent, Capita Registrars, by no later than 1.00 p.m. on 1 December 2009. Multiple applications are permitted.

The minimum application under the Offer is for £1,000. Applications in excess of this should be in multiples of £1,000.

### **General**

It is intended that the New Ordinary Shares will be issued at a price which ensures that the interests of existing Shareholders are not diluted. The Issue Price will be determined on the Calculation Date as set out in Part III of this document and will be the Net Asset Value per Share of the Company on the Calculation Date plus a premium to reflect all the estimated expenses of the Issue. The Issue Price may therefore reflect a premium to the market value of the Shares and prospective investors in the New Ordinary Shares should therefore be aware that they may be able to buy Shares in the market at a price lower than the Issue Price. By way of example, as at 12 November 2009 the offer price for Ordinary Shares on the London Stock Exchange was 134p, whilst the Issue Price calculated as at that date and otherwise on the basis described in Part III of this document would have been 143.88p.

In order to comply with the Listing Rules, if the calculation of the Issue Price as described in Part III of this document would result in the Issue Price being less than 90 per cent. of the closing middle market price of a Share on the Calculation Date, the Issue Price will instead be 90 per cent. of that closing middle market price.

The New Ordinary Shares will rank *pari passu* in all respects with the existing Shares. Fractions of New Ordinary Shares will not be issued. To the extent that the fixed sum specified in relation to any application for New Ordinary Shares exceeds the aggregate value, at the Issue Price, of the New Ordinary Shares issued pursuant to such application, the balance of such sum will be returned to the placee or applicant concerned, provided that amounts of £5.00 or less in each case will be retained for the benefit of the Company.

### **General Meeting**

You will find on pages 71 to 74 of this document a notice convening a General Meeting of the Company for 10.00 a.m. on Friday, 4 December 2009 at the offices of Dechert LLP, 160 Queen Victoria Street, London EC4V 4QQ. At this meeting resolutions will be proposed to authorise the Directors to allot relevant securities, disapply Shareholders' rights of pre-emption in respect of all allotments of equity securities for cash, renew the buyback authority and release the Directors from their continuation vote obligation in 2010, as described above.

### **Overseas Shareholders**

Shareholders who have registered addresses outside the UK, or who are citizens or residents of countries other than the UK, are being sent this document and the accompanying documents in connection with their entitlement to attend and vote at the General Meeting. However, no such person may treat this document or any Application Form received by them as constituting an offer or invitation to acquire New Ordinary Shares unless, in the relevant territory, such an offer or invitation can be made lawfully to that person. The attention of such Shareholders is drawn to paragraph 8 of the Terms and Conditions of Application.

### **Action to be taken**

#### **To vote at the General Meeting**

You will find enclosed a Form of Proxy for use at the General Meeting. Whether or not you propose to attend the General Meeting, you are requested to complete and return the Form of Proxy to the Company's registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible in accordance with the instructions printed thereon. To be valid, the Form of Proxy must be lodged not later than 10.00 a.m. on Wednesday, 2 December 2009. You can also appoint a proxy online to vote on your behalf via Capita Registrar's website <http://www.capitashareportal.com>. To vote online you will need to log in to your share portal account (or register for the share portal account if you have not already done so). To register for the share portal account you will need your Investor Code which is shown on your Form of Proxy. Once successfully registered you will immediately be able to vote. CREST members may choose to use the CREST electronic proxy appointment service to appoint a proxy

by completing and transmitting a CREST Proxy Instruction to the Registrar to the Company (Issuer's agent ID RA10) in accordance with the notes set out on the reverse of the Form of Proxy. Completion and return of the Form of Proxy will not prevent you from subsequently attending and voting in person at the General Meeting should you so wish.

Shareholders who hold their shares through Alliance Trust Savings will receive separately instructions as to how to participate in the Issue, together with a form of direction that they should complete and return in accordance with the instructions printed on it. To be valid, a form of direction must be lodged with Alliance Trust Savings Nominee Limited, PO Box 164, Asset Services (Shareholder Enfranchisement), 8 West Marketgait, Dundee DD1 9XA, by not later than 5.00 p.m. on 27 November 2009.

### **Additional Information**

Your attention is drawn to the information set out in the rest of this document, including in the section headed "Risk Factors" on pages 8 to 11 of this document and in the Terms and Conditions of Application.

**If you are in any doubt as to the action you should take, you should immediately consult an independent financial adviser authorised under FSMA**

### **Recommendation and voting intentions**

The Board, which has received financial advice from Winterflood Securities, believes that the Proposals described above are in the best interests of the Company and its Shareholders as a whole. In providing its financial advice, Winterflood Securities has taken into account the Board's commercial assessment of the Proposals. Accordingly, the Board unanimously recommends all Shareholders to vote in favour of the Resolutions to be proposed at the General Meeting.

The Directors intend to vote in favour of the Resolutions in respect of their own beneficial holdings, which amount in aggregate to 419,934 Ordinary Shares, representing approximately 0.84 per cent. of the total voting rights of the Ordinary Shares currently in issue.

Yours faithfully

John Sclater CVO  
*Chairman*

## PART II

### INFORMATION ON THE COMPANY

The Company is a closed-ended investment company. It was incorporated in England and Wales on 20 May 1997 with registered number 3376377 as a public limited company under the 1985 Act. The principal legislation under which the Company operates, and pursuant to which the New Ordinary Shares will be issued, is the Act. The Company carries on its business as an investment company and the Company's affairs have been conducted so as to satisfy the requirement for qualification as an investment company under section 833 of the Act. The Company's Ordinary Shares are admitted to the Official List and to trading on the London Stock Exchange.

The Company directs its affairs to enable it to seek approval from HMRC as an investment trust under section 842 of the Income and Corporation Taxes Act 1988. See "Investment Trust and Regulatory Status" below for further information.

#### **Investment Objective**

The investment objective of the Company is to seek capital appreciation through investment in the worldwide biotechnology industry, principally by investing in emerging biotechnology companies. The Company's performance is measured against The NASDAQ Biotechnology Index (sterling adjusted) (the "Benchmark Index").

#### **Investment Policy**

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

#### **Investment Restrictions**

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

- The Company will not invest more than 15 per cent. of the portfolio in any one individual stock at the time of acquisition.
- The largest 30 quoted stocks will normally represent at least 50 per cent. of the quoted portfolio.
- The Company will not invest more than 10 per cent. of the portfolio in direct unquoted investments at the time of acquisition. This limit does not include any investment in private equity funds managed by the Investment Manager or any affiliate of such entity.
- The majority of the emerging biotechnology companies that the Company will invest in are likely to be companies with a market capitalisation of less than US\$3 billion that have undergone an IPO (Initial Public Offering) but as yet are unprofitable. They will typically be focused on drug research and development, with their valuations driven by profitable developments, clinical trial results and partnerships.
- The Company may invest or commit for investment a maximum of US\$15 million, after the deduction of proceeds of disposal and other returns of capital, in private equity funds managed by OrbiMed Capital LLC, the Company's Investment Manager, or an affiliate thereof.
- The Company will not invest more than 10 per cent., in aggregate, of the value of its gross assets in other closed ended investment companies (including investment trusts) listed on the London Stock Exchange, except where the investment companies themselves have stated investment policies to invest no more than 15 per cent. of their gross assets in other closed ended investment companies (including investment trusts) listed on the London Stock Exchange.
- The Company will not invest more than 15 per cent., in aggregate, of the value of the gross assets of the Company in other closed ended investment companies (including investment trusts) listed on the London Stock Exchange.

### **Gearing Policy**

The Company may borrow, *inter alia*, to finance any short term borrowing requirements and, on a longer term basis, to enhance returns. Under the Articles, the maximum amount the Company may borrow is a sum equal to 33 per cent. of the adjusted total capital and reserves.

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

### **Investment Strategy**

The Company'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, the Investment Manager has invested the majority of the Company's assets in emerging biotechnology companies with the remainder invested in major biotechnology companies. The portfolio comprised 41 holdings as at 12 November 2009.

The Investment Manager 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.

The Investment Manager 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 Investment Manager 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, the Investment Manager 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, the Investment Manager believes superior returns can be achieved by investing in emerging biotechnology companies two to three years prior to sustainable profitability. Companies that become 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). The Investment Manager generally seeks to exit its investments when the wider investor community starts to value the newly profitable biotechnology company in excess of its anticipated future growth.

As at the date of this document, the Directors have committed \$5 million of the assets of the Company for investment in Caduceus Asia Partners L.P., a limited partnership managed by OrbiMed Asia G.P., L.P., an affiliate of the Investment Manager and are considering an investment of up to \$10 million in Caduceus Private Investments IV. LP, a new global limited partnership to be managed by an affiliate of the Investment Manager.

Risk management is conducted via position size limits, geographic diversification and an appropriate weighting between major and emerging biotechnology. Relevant limits are set out under "Investment Restrictions" above.

### **Investment Portfolio**

The Directors anticipate that the Investment Manager will generally manage the Company's portfolio such that it will comprise of approximately 30 to 40 positions, with approximately 60 to 80 per cent. of the portfolio consisting of investments that the Investment Manager considers constitute emerging biotech companies and the remainder of investments that the Investment Manager considers constitute major biotech companies.

As at the close of business on 12 November 2009 (being the latest practicable date before the publication of this prospectus) the largest investments of the Company and the portfolio allocation as between investee company size and geography were:

<i>Investment</i>	<i>Business Description</i>	<i>% of Company's Investments</i>
Amgen	Amgen is focused on development, manufacturing, and commercialisation of novel biotherapeutics in cancer, nephrology, inflammatory diseases and bone diseases	9.4
Gilead Sciences	Gilead Sciences is a leader in worldwide HIV therapeutics market	8.5
Celgene	Celgene is focused on developing and marketing therapies for the treatment of hematologic malignancies	8.3
Genzyme	Genzyme develops, manufactures, and markets therapies for the treatment of rare genetic diseases, kidney disease, cancer, orthopedics and immune diseases	5.1
Dendreon	Dendreon is an oncology focused biotechnology company developing therapeutics through harnessing the body's own immune system	5.1
Curis	Curis is focused on developing small-molecule-based therapies for cancer by targeting the hedgehog signaling pathways	4.8
Vertex Pharmaceuticals	Vertex is focused on discovery and development of new therapies for the treatment of HCV and cystic fibrosis	4.2
Alexion Pharmaceuticals	Alexion is focused on developing and commercialising novel drugs for ultra orphan diseases	3.6
Allos Therapeutics	Allos Therapeutics is a small-cap biotechnology company focused on discovering and developing treatments for cancer	3.4
Thermo Fisher Scientific	Thermo Fisher Scientific is the world's largest provider of consumables, analytical instruments and services used in scientific research, medical diagnostics, drug discovery, industrial processing, and environmental testing	3.1
		55.5
Next ten investments		24.8
Balance of 21 investments		19.5
Cash		0.2
Total		100.0

<i>Geographical exposure/Investee company size</i>	<i>% of Company's Investments</i>
<b>North America</b>	
Emerging Biotechnology	57.8
Major Biotechnology	36.4
	<hr/>
	94.2
<b>Europe</b>	
Emerging Biotechnology	2.6
Major Biotechnology	2.6
	<hr/>
	5.2
<b>Far East</b>	
Emerging Biotechnology	0.4
	<hr/>
	0.4
Cash	0.2
	<hr/>
<b>Total</b>	<u>100.0</u>

The above information is sourced from the Company's management accounts and is unaudited.

## **Management and Administration**

### **Directors**

Biographical details of each of the Directors are set out below.

**John Sclater CVO** (*Chairman*), aged 69, has served on the Board as Chairman since the launch of the Company in June 1997; he is also Chairman of the Nominations Committee. He was formerly a Trustee of The Grosvenor Estate, Chairman of Hill Samuel Bank Limited, Chairman of Foreign & Colonial Investment Trust PLC, Chairman of Graphite Enterprise Trust PLC, First Church Estates Commissioner, President of The Equitable Life Assurance Society and a director of other public companies. He remains a self-employed farmer and Chairman of Argent Group (Europe) Ltd and of Burner, Nicol & Co. Limited.

**Sven Borho**, aged 42, joined the Board in March 2006. He is a founding General Partner of the Investment Manager where he acts as a portfolio manager for the Investment Manager'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**, aged 60, joined the Board in June 1997. Paul is self-employed and has over 30 years' experience in the investment industry. He was formerly Senior Investment Manager and an Assistant General Manager of The Equitable Life Assurance Society and a director of Brit Insurance Holdings PLC and of Oasis Healthcare plc. Paul is a director of RCM Technology Trust PLC. He is also a director of Finsbury Worldwide Pharmaceutical Trust PLC to which the Investment Manager also acts as investment manager.

**Dr John Gordon**, aged 65, joined the Board in June 1997 and has been designated as the Senior Independent Director; he is also Chairman of the Remuneration Committee. Dr Gordon is Chairman of, and employed by, Quercus Management Limited and 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**, aged 52, has served on the Board as a Director since the launch of the Company in June 1997 and is Chairman of the Audit and Management Engagement Committee. A chartered accountant, he

has over 25 years' experience in the management and financing of biotechnology businesses and is Corporate Development and Finance Director of the privately held biopharmaceutical company Serentis Limited. He has served as a director of a number of biotechnology businesses and is currently a director of Ark Therapeutics Group plc and the Senior Independent Director of Abcam plc; he was previously UK Managing Director of, and consultant to, Merlin Biosciences Limited.

**The Rt Hon Lord Waldegrave of North Hill**, aged 63, joined the Board in June 1998. He is Provost of Eton College and acts as a consultant to investment bank UBS, where he was formerly Vice-Chairman of their Investment Banking Department. He is a director of Fleming Family & Partners Limited and was previously Chairman of the Global Financial Institutions Group at Dresdner Kleinwort Wasserstein. From 1979 to 1997, he was MP for Bristol West holding a number of Cabinet posts including Secretary of State for Health. Lord Waldegrave of North Hill is Chairman of the National Museum of Science and Technology and the Rhodes Trust.

## **General**

All of the Directors are members of the Audit and Management Engagement, Nominations and Remuneration Committees. All members of the Board are non-executive.

## **Management Arrangements**

### *(i) Responsibility for Management*

The Directors are responsible for the determination of the Company's investment objective and policy and have overall responsibility for its activities. The Company has, however, entered into arrangements under which the Investment Manager has responsibility for managing the Company's portfolio of assets on a discretionary basis, subject to the overall supervision of the Directors. In addition, the Company has entered into arrangements under which the Manager has responsibility for a range of management, marketing, administration and company secretarial services to the Company, subject to the overall supervision of the Directors.

### *(ii) Investment Manager*

The Company has delegated under the Investment Management Agreement to the Investment Manager, OrbiMed Capital LLC, the discretionary management of the Company's investments. The Investment Management Agreement may be terminated by either party giving notice of not less than 12 months. The Investment Manager under the terms of the Agreement provides, *inter alia*, the following services:

- seeking out and evaluating investment opportunities;
- recommending to the Company the manner by which its funds should be invested, disinvested, retained or realised;
- advising on how rights conferred by the Company's investments should be exercised;
- analysing the performance of investments made by the Company;
- advising the Company in relation to trends, market movements and other matters which may affect the investment policy of the Company;
- providing the Company and the Manager with a list of transactions concerning the Company on at least a quarterly basis; and
- advising the Company of all income expected from the Company's investments over the forthcoming 12 months.

The Investment Manager was established in 1989 by Sam Isaly and is based in New York. The Investment Manager focuses exclusively on the healthcare sector, with approximately US\$4 billion in assets under management as at 31 October 2009 across a range of funds, including investment trusts, hedge funds and private equity funds.

The Investment Manager is authorised and regulated by the US Securities and Exchange Commission. The Investment Manager'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 the Investment Manager. Sam has been active in global healthcare investing and analysis since 1968 when he joined Chase Manhattan Bank in New York. During his career, Sam has been a pharmaceutical analyst with Merrill Lynch, Legg Mason and SocGen Swiss International. Sam created the Investment Manager's asset management business in 1989 through the Investment Manager's predecessor organisation, Mehta and Isaly. Sam has a BA 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 the Investment Manager. Sven is a portfolio manager for the Investment Manager's public equity funds and he heads the firm's trading team. 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 a M.Sc. (Econ.) from The London School of Economics; he is a citizen of both Germany and Sweden.

**Carl L Gordon, Ph.D, CFA**, is a founding General Partner of the Investment Manager and co-Head of Private Equity. Carl 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. Carl 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 the Investment Manager in 2000 as a public biotechnology company analyst. He completed a Ph.D. from the Massachusetts Institute of Technology in Molecular Biology in 2000. Richard 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**, is a General Partner at the Investment Manager. He joined the Investment Manager in 2002 as a public biotechnology analyst. Prior to joining the Investment Manager, he worked as a financial analyst in the healthcare investment banking group at Lehman Brothers. Geoffrey 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.

### (iii) *Manager*

Under the Management Agreement, Frostrow Capital LLP provides certain administrative, secretarial and marketing services to the Company. The Manager was incorporated on 8 November 2006 and is authorised and regulated by the FSA. The Manager provides a range of management, marketing, administration and company secretarial services to five investment companies, including the Company. As at 12 November 2009, the Manager provided services to companies with approximately £1.3 billion of assets (on the basis of gross assets).

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

- marketing and shareholder services;
- administrative services;
- advice and guidance in respect of corporate governance requirements;
- maintaining adequate accounting records in respect of Company dealing, investments, transactions, dividends and other income, the income account, balance sheet and cash books and statements;
- preparation and despatch of the audited annual, and the unaudited interim, report and financial statements and interim management statements; and
- attending to general tax affairs where necessary.

*(iv) Periodic fees of the Investment Manager*

The Investment Manager receives a periodic fee equal to 0.65 per cent. per annum of the Company's Net Asset Value.

*(v) Periodic fees of the Manager*

The Manager receives a periodic fee equal to 0.30 per cent. per annum of the Company's market capitalisation, plus a fixed amount equal to £50,000 per annum.

*(vi) Performance fee*

Dependent on the level of performance achieved, the Investment Manager and the Manager are entitled to the payment of a performance fee. The performance fee is calculated by reference to the amount by which the Company's portfolio has outperformed the Benchmark Index.

The fee is calculated quarterly by comparing the cumulative performance of the Company's portfolio with the cumulative performance of the Benchmark Index since 30 June 2005. The Investment Manager receives a performance fee equal to 15 per cent. of any outperformance of the Net Asset Value over the Benchmark Index and the Manager receives a performance fee equal to 1.5 per cent. of such outperformance.

At each quarterly calculation date any performance fee payable is based on the lower of:

- (i) the cumulative outperformance of the portfolio over the benchmark index as at the quarter end date; and
- (ii) the cumulative outperformance of the portfolio over the benchmark as at the corresponding quarter end date in the previous year.

As at each quarterly calculation date, and on a daily basis, provision is made within the Company's Net Asset Value for all performance fees that could crystallise over the ensuing four performance fee calculation dates, assuming that any outperformance arising is maintained in full for a 12 month period from the quarterly calculation date. In the event that outperformance is not maintained then the provision is adjusted accordingly within the Company's Net Asset Value. In accordance with this arrangement, a performance fee of £224,000 was accrued as at 31 March 2009. Additional accruals of £195,000 and £99,000 were made as at 30 June 2009 and 30 September 2009 respectively. As at 30 September 2009, the total performance fee accrual was therefore £518,000. No performance fee was paid during the year ended 31 March 2009 (year ended 31 March 2008: £169,000) and no performance fee was paid during the six months ended 30 September 2009 (six months ended 30 September 2008: £Nil).

The proportion of the Company's assets committed for investment in Caduceus Asia Partners L.P., a limited partnership managed by OrbiMed Asia G.P., L.P., an affiliate of the Investment Manager, is excluded from the Investment Manager's share of the performance fee calculation.

*(vii) Other Fees*

The Company will pay fees and expenses to (i) the Custodian pursuant to the Custody Agreement, (ii) the Directors, as well as listing fees, regulatory fees, legal fees and other expenses. Further details of the Custody Agreement are set out in paragraph 11.4 of Part V.

The Company had a total expense ratio of approximately 1.6 per cent. in the 12 month period to 31 March 2009. The expense ratio for the year following the Issue, assuming the Issue is fully subscribed, is estimated to be 1.3 per cent.

## **Capital Structure**

### ***Share capital and duration***

The Company's share capital structure consists solely of Ordinary Shares. As at the date of this Prospectus, the Company had 50,127,463 Ordinary Shares in issue. The Ordinary Shares are in registered form and may be held in certificated or in uncertificated form.

The Company does not have a winding-up date, but in accordance with the Articles (and assuming the passing of the Resolutions), the Board is obliged to propose a continuation vote at its annual general meeting to be held in 2015 and every five years thereafter.

### **Further issues of Ordinary Shares**

An ordinary resolution is being proposed at the General Meeting which will have the effect of authorising the allotment of further Ordinary Shares up to an amount equivalent to ten per cent. of the issued share capital following the Issue. If the Company issues these Ordinary Shares in order to meet demand in the secondary market, it will only do so at a premium to NAV per Share. A special resolution is also being proposed at the General Meeting to disapply Shareholders' pre-emption rights over any unissued share capital, so that the Directors are authorised to allot up to a maximum amount equal to 10 per cent. of the Company's issued share capital following the Issue, without being obliged to offer such new Ordinary Shares to existing Shareholders on a basis pro rata to their existing holdings.

### **Borrowing Policy**

The Company's current policy in relation to borrowings is that it may borrow, *inter alia*, to finance any short term borrowing requirements and, on a longer term basis, to enhance returns. The Articles limit the amount of borrowing the Company may take on to an amount not exceeding a sum equal to 33 per cent. of the adjusted total capital and reserves. As at the date of this document, the Company does not currently have any borrowings outstanding. However, the Company is in discussion with Goldman, Sachs & Co., New York to provide a facility which may include borrowing, custody and certain rights of rehypothecation.

Under the current proposed arrangement with Goldman, Sachs & Co., the Company's borrowing requirements could be met through a loan facility, repayable on demand, provided by Goldman, Sachs & Co. Interest on the facility would be charged at the Federal Funds effective rate plus one week overnight indexed swap spread, plus 35 basis points. Collateral in respect of the amount of the facility drawn down would be provided by the Company to Goldman, Sachs & Co. at the rate of 140 per cent. of the amount of the debt. The actual terms which the Company may agree with Goldman, Sachs & Co. may however differ from these.

As at 12 November 2009 (being the latest practicable date prior to the publication of this document) no funds were drawn down under any loan facility and the Company's actual leverage level was 0 per cent.

The Directors are currently limiting borrowings to a maximum of £15 million but intend to keep the level of gearing under review following completion of the Issue.

### **Share Buybacks**

The Board applies an active discount management policy, buying back for cancellation Ordinary Shares if the market price is at a discount greater than six per cent. to NAV per Share. The making and timing of any Ordinary Share buybacks is at the absolute discretion of the Board and subject to Shares being available in the market for repurchase.

In the financial year ended 31 March 2007, the Company repurchased and cancelled 335,000 Ordinary Shares. In the financial year ended 31 March 2008, the Company repurchased and cancelled 3,191,300 Ordinary Shares. In the financial year ended 31 March 2009, the Company repurchased and cancelled 11,089,550 Ordinary Shares. In the period from 31 March 2009 until 12 November 2009 (being the last practicable date prior to the date of this document), the Company repurchased and cancelled 1,168,950 Ordinary Shares.

Pursuant to an authority granted at the extraordinary general meeting on 23 July 2009, the Company may buy back up to 14.99 per cent. of the issued share capital of the Company. A renewal of this authority to reflect the Company's enlarged size will be sought at the General Meeting and, in the event that the Board buys back the maximum permitted amount of 14.99 per cent. of its issued ordinary share capital, the Board will seek approval of Shareholders to renew further this authority.

## **Use of Treasury Shares**

As at the date of this document, no Shares are or have been held in treasury by the Company. However, the Company is able to hold in treasury any Shares purchased by the Company in the market. Shares will only be sold from treasury where the price obtained through the sale is at a premium to the prevailing Net Asset Value per Share. This could provide the Company with additional flexibility in the management of its capital base.

## **Dividend Policy**

As the Company's principal investment objective is to achieve capital appreciation, the Board does not anticipate the Company paying any dividends. However, dividends will be paid to the extent necessary to maintain the Company's investment trust status.

## **Valuation Policy**

The Manager is responsible for determining and calculating the NAV per Share. The NAV per Share is calculated on each Business Day and is announced to a Regulatory Information Service.

The NAV is calculated in accordance with IFRS, the SORP and other guidelines published by the Association of Investment Companies. All of the Company's listed investments are valued at the closing bid prices or last trade prices on the relevant stock exchange.

The Company's investments in limited partnerships, managed either by the Investment Manager or any of its affiliates or to whom the Investment Manager or any affiliate acts as general partner, are valued on the basis of the net asset value of such limited partnership(s) as reported by their (respective) general partner(s).

Calculation of the NAV per Share will be suspended only in any circumstances in which the underlying data necessary to value the investments of the Company cannot readily or without undue expenditure be obtained. Any such suspension will be announced to a Regulatory Information Service.

## **Shareholder Information**

The Company's annual report and accounts are prepared up to 31 March each year and copies are normally sent to Shareholders in June of the same year. Shareholders also receive an unaudited interim report covering the six months to 30 September each year which is expected to be despatched in November that year. The unaudited NAV per Share is published daily and information on performance, holdings and investment activity is published on a monthly basis by the Manager in the form of a factsheet.

## **Investment Trust and Regulatory Status**

The Directors intend to continue to conduct the affairs of the Company so as to satisfy the conditions for approval as an investment trust under section 842 of the Income and Corporation Taxes Act 1988 in respect of each of its accounting periods. Such approval is granted by HMRC retrospectively for each accounting period in which the requirements of section 842 are satisfied. The Company will be exempt from UK corporation tax on chargeable gains in respect of each accounting period for which such approval is granted to the Company. HMRC 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 2008. This is however subject to review should there be any enquiry under Corporation 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 HMRC approval as an investment trust. The Company is not (and is not required to be) regulated or authorised by the FSA under FSMA but, in common with other investment trusts listed on the Official List, is subject to the Listing Rules and is bound to comply with applicable laws including the Act and FSMA.

## **Custody Arrangements**

The Company has appointed The Bank of New York Mellon as its custodian under the Custodian Agreement, further details of which are set out in paragraph 11.4 of Part V.

## **Corporate Governance**

The Board is responsible for ensuring the appropriate level of corporate governance and considers that the Company complies with the best practice provisions of the Combined Code, except with regard to the fact that the Chairman of the Company is Chairman of the Nominations Committee and as set out below.

The Company is committed to high standards of corporate governance and the Board has considered the principles and recommendations of the Association of Investment Companies' Code of Corporate Governance ("AIC Code") by reference to the Association of Investment Companies' Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code), will provide better information to shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code throughout the year ended 31 March 2009 and up to the date of this document, except with regard to the composition of its committees and as set out below.

The Combined Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Guide, and in the preamble to the AIC Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

## **Board Independence, Composition And Tenure**

The Board, chaired by John Sclater, currently consists of six non-executive Directors. The Directors' biographical details, set out on pages 24 and 25, demonstrate a breadth of investment, commercial and professional experience. Dr John Gordon has been designated as the Senior Independent Director. The Directors review their independence annually. The Directors retire by rotation at every third annual general meeting and any Directors appointed to the Board since the previous annual general meeting also retire and stand for election. Any Director who has served on the Board for more than nine years is subject to annual re-election. Paul Gaunt is a Director of Finsbury Worldwide Pharmaceutical Trust PLC for which the Investment Manager also acts as investment manager; he has also served on the Board for over nine years and he is therefore not considered by the Board to be an independent director. Sven Borho is a Founding General Partner of the Investment Manager and is also not considered to be an independent director. Mr Sclater, Dr Gordon, Lord Waldegrave of North Hill and Mr Keen have all served on the Board for over nine years. The Board, however, considers them to be independent in character and judgement and, in accordance with the AIC Code, does not believe that the criterion of length of service should preclude them from being considered independent; they have no other links to the Investment Manager and have a wide range of other interests.

None of the Directors has a service contract with the Company. New Directors are appointed with the expectation that they will serve for a minimum period of three years. Any Director may resign in writing to the Board at any time. The terms of their appointment are detailed in a letter sent to them when they join the Board. These letters are available for inspection at the offices of the Company's Manager. When a new Director is appointed to the Board, they are provided with all relevant information regarding the Company and their duties and responsibilities as a Director. In addition, a new Director will also spend time with representatives of the Investment Manager and the Manager in order to learn more about their processes and procedures. The Board also receives regular briefings from, amongst others, the Auditors and the Company Secretary regarding any proposed developments or changes in laws or regulations that could affect the Company and/or the Directors.

## **The Board's Responsibilities**

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 all aspects of the Company's affairs, including the setting of parameters for and the monitoring of the investment strategy, the review of investment performance and investment policy. It also has responsibility for all corporate strategy issues, dividend policy, share buy-back policy, gearing, share price and discount/premium monitoring and corporate governance matters.

## **Committees of the Board**

Following a review by the Board in 2007, it was agreed, that, due to the Board's size, the membership of the Remuneration and Nominations Committees should comprise the whole Board (provided that a majority of the Directors present are independent). The Remuneration Committee is chaired by Dr John Gordon and the Nominations Committee is chaired by the Chairman of the Company, John Sclater.

The Audit and Management Engagement Committee, under the chairmanship of Peter Keen, also comprises the whole Board (provided that a majority of the Directors present are independent). This decision was taken to utilise fully the broad experience of the Board whilst ensuring that a majority of independent Directors formed the quorum for its meetings.

## **Nominations Committee**

The Nominations Committee is responsible for the Board appraisal process and for making recommendations to the Board on the appointment of new Directors. Where appropriate, each Director is invited to submit nominations and external advisers may be used to identify potential candidates.

## **Remuneration Committee**

The level of Directors' fees is reviewed on a regular basis relative to other comparable investment companies and in the light of Directors' responsibilities.

## **Audit and Management Engagement Committee**

The Audit and Management Engagement Committee meets at least twice a year and is responsible for the review of the interim and annual financial statements, the nature and scope of the external audit and the findings therefrom and the terms of appointment of the Auditors, including their remuneration and the provision of any non-audit services by them. In addition, the Committee is responsible for the review of the Company's financial controls and of the Investment Management Agreement and the Management Agreement and of the services provided by the Investment Manager and the Manager. The Audit and Management Engagement Committee meets representatives of the Investment Manager and the Manager and their Compliance Officers who report as to the proper conduct of business in accordance with the regulatory environment in which the Company, Investment Manager and Manager operate. The Company's external Auditors also attend meetings of this Committee at its request and report on their work procedures and their findings in relation to the Company's statutory audit. They also have the opportunity to meet with the Committee without representatives of the Investment Manager or the Manager being present.

The Audit and Management Engagement Committee reviews the need for non-audit services and authorises such fees on a case by case basis, having consideration to the cost effectiveness of the services and the independence and objectivity of the Auditors. The Board has concluded, on the recommendation of the Audit and Management Engagement Committee, that the Auditors continue to be independent and their reappointment was approved at the Company's last annual general meeting.

## **Internal Controls**

The Combined Code requires the Directors, at least annually, to review the effectiveness of the Company's system of internal control and to report to shareholders that they have done so. This encompasses a review of all controls, which the Board has identified as including business, financial, operational, compliance and risk management. This accords with the FRC's Internal Control Guidance for Directors.

The Directors are responsible for the Company's system of internal control which is designed to safeguard the Company's assets, maintain proper accounting records and ensure that financial information used within the business, or published, is reliable. Such a system, however, 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.

Unlike the boards of most other listed companies, the boards of investment trust companies obtain the majority of their evidence as to whether internal controls are operating effectively from third party suppliers to whom investment management, custody, administration, accounting and secretarial matters have been delegated. This means that an understanding of the internal controls for an investment trust company requires Directors to consider information from a number of independent sources, rather than from a consolidated single source covering a typical listed company's system of internal control.

The Company does not have an internal audit function. The Audit and Management Engagement Committee considers annually whether there is any need for such a function. As most of the Company's functions are delegated to third parties, it has been agreed that it is inappropriate for the Company to have its own internal audit function.

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 their approval.

The Investment Manager and the Manager have established an internal control framework to provide reasonable assurance on the effectiveness of the internal controls operated on behalf of their clients. Their compliance monitoring programmes assess the effectiveness of and provide 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 including the Company's custodian). Business risks have been analysed and recorded in a Risk Register, which is reviewed at each meeting of the Audit and Management Engagement Committee and at other times as necessary.

## **Taxation**

Information concerning the tax issues of the Company and the taxation of Shareholders is contained in paragraph 12 of Part V of this document. If any potential investor is in any doubt about the tax consequences of his/her acquiring, holding or disposing of Shares, he/she should seek advice from his/her own independent professional adviser.

## PART III

### CALCULATION OF THE ISSUE PRICE

Subject always to Note 8 in this Part III, the Issue Price of a New Ordinary Share pursuant to the Placing and Offer will be calculated as at the Calculation Date at close of business UK time (unless otherwise stated), and will be the Net Asset Value per Share on that date plus a premium to cover the expenses of the Issue, as follows:

$$\text{Issue Price} = \frac{(A+B+C+D+E+F+G)-(H+I+J)}{K} \times \frac{L}{L-M}$$

where:

- A is the value of those investments of the Company, as at the close of business on the Calculation Date, which are listed or dealt in on a recognised stock exchange, calculated by reference to the bid quotations or last trade prices as at the Calculation Date (the quotation or last trade price shall be taken from the principal stock exchange or market where the relevant investment is listed or dealt in, as shown by the relevant exchange's or market's recognised method of publication of prices for such investments as at the close of business on the Calculation Date);
- B is the value of all those traded options and futures contracts to which the Company is party as at the Calculation Date which are traded on a stock, commodities, financial futures or other securities exchange, calculated by reference to the official closing middle market quotations or prices as at the Calculation Date, as shown by the relevant exchange's recognised method of publication of such prices;
- C is the value of all other investments of the Company which will be valued as at the Calculation Date at fair values as determined by the Directors;
- D is the value of all cash and deposits with and balances at banks of the Company and the value of all money market instruments and other short term securities issued by UK clearing banks, UK treasury bills and other debt securities not included in A above (which will be valued at par, together with any interest accrued less any tax payable thereon) as at 5.00 p.m. (UK time) on the Calculation Date;
- E is the actual amount as at 5.00 p.m. (UK time) on the Calculation Date of any sums due from debtors (for these purposes including any dividends receivable on investments quoted as ex-dividend and any accrual of interest, up to the Calculation Date, on deposits) and any tax recoverable (including, without limitations, value added tax) and prepayments but excluding any dividend, distribution or interest which, in the opinion of the Directors, is unlikely to be received and also excluding any amount which has been taken into account in the value of any of the investments comprised in A, B or C above;
- F is the fair value of any other tangible assets of the Company as at 5.00 p.m. (UK time) on the Calculation Date not otherwise accounted for, as determined by the Directors;
- G is the amount of any fees or expenses of the Issue already paid (all such costs including irrecoverable VAT where applicable);
- H is the amount recorded in the Company's books as the principal amount as at 5.00 p.m. (UK time) on the Calculation Date of any outstanding borrowings of the Company plus accrued but not paid interest, commitment fees incurred but not paid and other charges up to and including that time;
- I is the amount, determined by the Directors, which fairly reflects as at 5.00 p.m. (UK time) on the Calculation Date all other accrued liabilities of the Company including a fair provision for any contingent liabilities or losses (including disputed claims) in so far as not otherwise taken into account, but excluding any amounts referred to in M below whether or not accrued;
- J is the amount, determined by the Directors, of any taxation payable to any taxation authority including the HM Revenue & Customs, including (without prejudice to the generality of the foregoing) corporation tax on profits for the period from the start of the current accounting period to (and including) the Calculation Date, and offsetting from such sum any recoverable foreign withholding taxes and recoverable United Kingdom corporation tax;

- K is the number of Shares in issue on the Calculation Date (and which, for the avoidance of doubt, will not include any New Ordinary Shares to be issued as a result of the Issue nor any Shares held by the Company in treasury);
- L is the gross proceeds receivable pursuant to the Issue; and
- M is the amount, determined by the Directors, of all fees and expenses payable by the Company in relation to the Issue (all such costs to include irrecoverable VAT where applicable).

*Notes:*

1. The value of assets and liabilities denominated in currencies other than sterling shall be notionally converted at the middle market rates of exchange in London between sterling and such other currencies as at 11.59 p.m. (UK time) on the Calculation Date.
2. In the case of A and B above, if there has been any general suspension of trading on the relevant stock exchange or market, or if it was closed for business, on the relevant date for the purpose of calculating the Issue Price, the value shall be taken as at the close of business on the immediately preceding date on which there was trading on the relevant stock exchange or market, except that, if there has been a material change in the financial position of the underlying investment, a fair adjustment by the Company shall be made to reflect the change in the value of the investment.
3. Subject to note 2 above, in the case of A and B above, where no price is quoted in respect of any such investment, traded option or futures contract or where dealings in such investment, traded option or futures contract have been suspended on any relevant date, the value will be determined on the same basis as C above (other than in respect of Caduceus Asia Partners L.P.).
4. In the case of A and B above, where any such investment, traded option or futures contract is, as at the Calculation Date, subject to any legally binding obligation on the Company to dispose of the same at a price less than that determined in accordance with A or B (or note 2 above), as appropriate, or to a legally binding entitlement of the Company to dispose of the same at a price higher than that so determined, then such investment shall be valued at such other price unless such obligation or entitlement is unconditionally and irrevocably waived or lapses before the Calculation Date.
5. The Manager will prepare, or will procure the preparation of, the calculation of the Issue Price as at the Calculation Date for the approval of the Directors. Such calculation approved by the Directors shall be final and binding on all persons.
6. Notwithstanding any of the above provisions, in the event that the valuation of any investment or asset of the Company in accordance with any of the provisions in this Part III, or the amount of any deduction made, is, in the opinion of the Directors, incorrect or unfair, they may agree, after consultation with the Company's auditors, to adopt an alternative method of valuation or deduction, as the case may be.
7. The Issue Price shall be expressed in pence, rounded up to two decimal places.
8. If the formula for calculating the Issue Price set out above would result in the Issue Price being less than 90 per cent. of the closing middle market price of a Share on the Calculation Date then, notwithstanding such formula, the Issue Price shall be the price equal to 90 per cent. of the closing middle market price of a Share on the Calculation Date.
9. In respect of the Company's investment in Caduceus Asia Partners L.P., the valuation will be based on the net asset value of such limited partnership as reported by its general partner.

## PART IV

### FINANCIAL INFORMATION RELATING TO THE COMPANY

#### 1. Statutory accounts for three financial years ended 31 March 2009

The Company's auditors, Grant Thornton LLP, Chartered Accountants and Registered Auditor, of 30 Finsbury Square, London EC2P 2YU, have given unqualified opinions that the statutory accounts of the Company for the financial years ended 31 March 2009 and 31 March 2008 give a true and fair view of the state of affairs of the Company and of its total return and cash flows for the relevant year and have been properly prepared in accordance with the 1985 Act. The Company's auditors for the financial year ended 31 March 2007 were RSM Robson Rhodes LLP who gave an unqualified opinion in relation to such period. Grant Thornton LLP is a member of the Institute of Chartered Accountants in England and Wales.

#### 2. Published annual reports and accounts for three financial years ended 31 March 2009

##### 2.1 Historical financial information

The published annual reports and audited accounts for the Company for the three financial years ended 31 March 2009, which have been incorporated in this document by reference, included, on the pages specified in the table below, the following information:

<i>Nature of information</i>	<i>Annual report and accounts for the year ended 31 March</i>		
	<i>2007</i>	<i>2008</i>	<i>2009</i>
	<i>Page no(s)</i>	<i>Page no(s)</i>	<i>Page no(s)</i>
Report of the Independent Auditor	30-31	28-29	25-26
Income statement	32	30	27
Statement of changes in equity	33	31	28
Balance sheet	34	32	29
Cash flow statement	35	33	30
Accounting policies	36-38	34-36	31-32
Notes to the financial statements	36-44	34-45	31-39

##### 2.2 Selected financial information

The key audited figures that summarise the financial condition of the Company in respect of the three financial years ended 31 March 2009, which have been extracted without material adjustment from the "Income statement" and the "Balance sheet of the Company" set out in the Company's annual report and audited accounts for the respective financial years on the pages referred to in paragraph 2.1 of this Part IV are set out in the following table:

<i>Capital</i>	<i>As at or for the year ended 31 March</i>		
	<i>2007</i>	<i>2008</i>	<i>2009</i>
Net assets (£'000)	76,803	64,497	70,208
NAV per Share (pence)	117.1	103.4	136.9
<i>Revenue</i>			
(Loss)/return on ordinary activities after taxation (£'000)	(331)	(270)	(376)
(Loss)/return per Share (pence)	(0.5)	(0.4)	(0.7)
<i>Total</i>			
(Loss)/return on ordinary activities after taxation (£'000)	700	(8,928)	17,976
(Loss)/return per Share (pence)	1.2	(13.8)	32.0

##### 2.3 Operating and financial review

The Company's published annual reports and accounts for the three financial years ended 31 March 2009 included, on the pages specified in the table below, descriptions of the Company's financial condition (in both capital and revenue terms); details of the Company's investment activity and portfolio exposure and changes in its financial condition for each of those years.

<i>Nature of information</i>	<i>Annual report and accounts for the year ended 31 March</i>		
	<i>2007</i>	<i>2008</i>	<i>2009</i>
	<i>Page no(s)</i>	<i>Page no(s)</i>	<i>Page no(s)</i>
Chairman's statement	3-4	3-4	3
Review of investments (including causes of material changes in the capital value of the Company's assets in such period)	8-11	8-10	6-7
Portfolio analysis	12-13	11-12	8
Performance, discount and financial record	2	2	2

#### 2.4 **Availability of annual reports and accounts for inspection**

Copies of the Company's annual reports and audited accounts for the three financial years ended 31 March 2009 are available for inspection at the Company's principal place of business, 25 Southampton Buildings, London WC2A 1AL.

### 3. Interim financial information

- 3.1 The published unaudited interim reports of the Company for the six months ended 30 September 2009 included, on the pages specified in the table below, descriptions of the Company's financial condition (in both capital and revenue terms), changes in its financial condition and details of the Company's portfolio of investments for each of those periods and are incorporated into this document. The corresponding figures in respect of the six months ended 30 September 2008, also set out on the pages specified in the table below, are similarly incorporated into this document and have been included for comparative purposes.

<i>Section</i>	<i>Interim report for the six months ended 30 September</i>	
	<i>2008</i>	<i>2009</i>
	<i>Page no(s)</i>	<i>Page no(s)</i>
Interim management report	4	4
Income statement	9	8
Statement of changes in equity	10	9
Balance sheet	11	10
Cash flow statement	12	11
Accounting policies	13	12
Notes to the financial statements	13-15	12-14

#### 3.2 **Selected Financial Information**

The key unaudited figures that summarise the financial condition of the Company in respect of the six months ended 30 September 2009 and 2008, which have been extracted directly on a straightforward basis from the "Income statement" and the "Balance sheet" set out in the Company's interim report for the six months ended 30 September 2009 and 2008 at the page numbers referred to in paragraph 3.1 of this Part IV are set out in the following table.

	<i>As at 30 September</i>	
	<i>2008</i>	<i>2009</i>
Investments (£'000)	72,657	77,434
Total assets (£'000)	73,397	79,560
Net assets (£'000)	70,543	76,933
NAV per Share (p)	126.4	153.5
Earnings per Share revenue and capital (p)	22.1	16.4

Copies of the Company's unaudited interim reports for the six months ended 30 September 2009 and 2008 are available for inspection at the addresses set out in paragraph 17 of Part V of this document.

### 3.3 **Operating and financial review**

The Company's unaudited interim reports for each of the six months ended 30 September 2009 and 2008 included, on the pages specified in the table below, descriptions of the Company's financial condition (in both capital and revenue terms); details of the Company's investment activity and portfolio exposure and changes in its financial condition for each of those periods.

<i>Nature of information</i>	<i>Interim report for the period ended 30 September</i>	
	<i>2008 Page no(s)</i>	<i>2009 Page no(s)</i>
Chairman's statement	2-3	2-3
Review of investments (including causes of material changes in the capital value of the Company's assets in such period)	5-6	5-6
Investments	7-8	7
Performance, discount and financial record	1	1

## PART V

### ADDITIONAL INFORMATION

#### 1. The Company

- 1.1 The Company was incorporated and registered with limited liability in England and Wales under the 1985 Act on 20 May 1997 as a public limited company with the name "Reabourne Merlin Life Sciences Investment Trust PLC" and with registered number 3376377. The Company's name was changed on 22 September 1999 to "Finsbury Life Sciences Investment Trust PLC", on 19 May 2005 to "Finsbury Emerging Biotechnology Trust PLC" and on 26 July 2007 to "The Biotech Growth Trust PLC". The Company's registered office is at One Wood Street, London EC2V 7WS and its telephone number is +44 (0)20 3008 4910.
- 1.2 The principal legislation under which the Company operates, and pursuant to which the New Ordinary Shares will be issued, is the Act.
- 1.3 On 9 June 1997 the Registrar of Companies issued a certificate under section 117 of the 1985 Act enabling the Company to do business and exercise borrowing powers.
- 1.4 It is the intention of the Directors to conduct the affairs of the Company so that it satisfies the requirements for qualification as an investment company under section 833 of the Act and an investment trust within the meaning of Section 842 of the Income and Corporation Taxes Act 1988. HMRC 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 2008. This is however subject to review should there be any enquiry under Corporation 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 HMRC approval as an investment trust.

#### 2. Share Capital

- 2.1 The authorised share capital of the Company as at 31 March 2009 (being the date of the last audited balance sheet of the Company) was £25,000,000 divided into 100,000,000 ordinary shares of 25 pence each, of which £12,824,103.25 divided into 51,296,413 Shares were in issue. As at the date of this prospectus, the issued share capital of the Company comprises £12,531,865.75 divided into 50,127,463 Ordinary Shares.
- 2.2 The Company's issued share capital history during the past three financial years and since 31 March 2009 is as follows:
  - 2.2.1 in the financial year ended 31 March 2007, on 31 May 2006, the Company issued 38,172,263 Ordinary Shares for proceeds of £39,872,000. It repurchased and cancelled 335,000 Ordinary Shares at a cost of £364,000 (including expenses). As at 31 March 2007, the Company had 65,577,263 Ordinary Shares in issue;
  - 2.2.2 in the financial year ended 31 March 2008, the Company repurchased and cancelled 3,191,300 Ordinary Shares at a cost of £3,378,000 (including expenses). As at 31 March 2008, the Company had 62,385,963 Ordinary Shares in issue;
  - 2.2.3 in the financial year ended 31 March 2009, the Company repurchased and cancelled 11,089,550 Ordinary Shares at a cost of £12,265,000 (including expenses). As at 31 March 2009, the Company had 51,296,413 Ordinary Shares in issue; and
  - 2.2.4 in the period from 31 March 2009, the Company repurchased and cancelled 1,168,950 Ordinary Shares: 569,000 on 3 April 2009, 185,500 on 17 April 2009, 20,500 on 8 May 2009, 24,500 on 15 May 2009, 91,700 on 3 July 2009, 67,000 on 28 August 2009, 38,900 on 4 September 2009, 113,600 on 18 September 2009 and 58,250 on 25 September 2009. As at 12 November 2009, the Company had 50,127,463 Ordinary Shares in issue.

All Shares that have been repurchased by the Company have been cancelled and, therefore, as at the date of this document, no Shares were held in treasury.

- 2.3 The issued ordinary share capital of the Company (all of which will be fully paid up) immediately following the Issue (assuming the Issue is subscribed in full and that the Issue Price is 143.88 pence, as estimated in Part I) will be as follows:

*Issued and to be issued fully paid*

*Nominal Value                      Number*

£21,219,661                      84,878,644

On such assumptions the Board would have authority to allot 8,487,864 Shares pursuant to the Resolutions following completion of the Issue.

- 2.4 All the issued New Ordinary Shares will be fully paid.
- 2.5 The Ordinary Shares are in registered form and are capable of being held in certificated or uncertificated form. Temporary documents of title will not be issued. The ISIN of the Ordinary Shares is GB0000385517.

- 2.6 By a special resolution passed on 23 July 2009, the Shareholders resolved to disapply the statutory pre-emption rights provisions of section 89(1) of the 1985 Act in respect of authorised but unissued Share capital of the Company. It is the Directors' intention to seek Shareholder approval to disapply pre-emption rights in relation to Ordinary Shares of the Company at the General Meeting and if the Resolutions are passed at the General Meeting the resolutions passed at the annual general meeting held on 23 July 2009 will cease to apply. Subject to the passing of the Resolutions:

2.6.1 the current limit on the Company's ability to issue further Ordinary Shares deemed to be imposed by the Company's articles of £12,468,134.25 will be removed;

2.6.2 in substitution for the authority granted on 23 July 2009, the Directors will be generally and unconditionally authorised to allot shares in the Company or to grant rights to subscribe for, or to convert any security into, shares in the Company up to a maximum aggregate nominal amount of £56,253,187, provided that the exercise of such authority shall be limited to:

- (a) the allotment of up to 200 million New Ordinary Shares on or before 31 December 2009 pursuant to the Issue; and
- (b) the allotment, otherwise than pursuant to the Issue, of shares in the Company or the grant of rights to subscribe for, or to convert any security into, shares in the Company up to a maximum aggregate nominal amount equal to ten per cent. of the issued share capital of the Company immediately following the Issue,

provided that such authority will expire at the conclusion of the annual general meeting of the Company to be held in 2010 or 15 months from the date of the passing of the Resolution whichever is earlier;

2.6.3 the Directors will be empowered (with such power expiring at the conclusion of the next annual general meeting of the Company or 15 months from the date of the passing of the Resolution whichever is earlier) (1) to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by the Resolution mentioned in paragraph 2.6.2 above as if subsection (1) of section 561 of the Act did not apply to any such allotment or (2) to sell ordinary shares (within the meaning of section 560 of the Act) if, immediately before such sale such shares ("Treasury Shares") are held by the Company as treasury shares for the purposes of section 724 of the Act for a cash consideration (having the meaning in section 727(2) of the Act) as if sub-section (1) of section 561 of the Act did not apply to any such sale, provided that such power will be limited to:

- (a) the allotment for cash or up to 200 million New Ordinary Shares pursuant to the Issue;
- (b) the allotment of equity securities and the sale of Treasury Shares to holders of ordinary shares in the capital of the Company where the equity securities and/or Treasury Shares respectively attributable to the interests of the Company's shareholders are in proportion (as nearly as may be) to their respective existing holdings of ordinary shares but subject to the Directors having a right to make such exclusions or other arrangements in connection with the offer as they deem necessary or expedient: (i) to

deal with equity securities representing fractional entitlements; and (ii) to deal with legal or practical problems arising in any overseas territory; and

- (c) the allotment (otherwise than described at paragraphs 2.6.3(a) and (b) above) of equity securities up to an aggregate nominal amount equal to ten per cent. of the issued share capital of the Company immediately following the Issue;

2.6.4 the Company will be generally and unconditionally authorised to purchase Ordinary Shares provided that:

- (a) the maximum aggregate number of Ordinary Shares to be purchased is 37,494,106 or, if less, the number representing 14.99 per cent. of the allotted ordinary share capital of the Company on the date of Admission;
- (b) the minimum price which may be paid for an Ordinary Share is 25 pence;
- (c) the maximum price which may be paid for an Ordinary Share is an amount equal to the greater of: (i) 105 per cent. of the middle market price per Ordinary Share; and (ii) the higher of the price of the last independent trade in the Ordinary Shares and the highest then current independent bid for an Ordinary Share on the London Stock Exchange;
- (d) such authority will expire at the conclusion of the annual general meeting of the Company to be held in 2010 or 15 months from the date of the passing of the Resolution whichever is earlier; and
- (e) the Company may make a contract to purchase Ordinary Shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of Ordinary Shares in pursuance of any such contract.

2.7 It is expected that the New Ordinary Shares will be allotted pursuant to a resolution of the Board (or a duly authorised committee thereof) to be passed on or before 8 December 2009 conditionally upon Admission.

2.8 Save for the proposed Issue of New Ordinary Shares described in this document, no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.

2.9 Save as set out in Part II, the Directors have no present intention of issuing Ordinary Shares other than pursuant to the Issue.

### **3. Listing**

3.1 Application has been made to the UK Listing Authority for the New Ordinary Shares to be issued under the Issue to be admitted to the Official List and to the London Stock Exchange for admission to trading of those New Ordinary Shares on its main market (a regulated market for listed securities). It is expected that such admissions will become effective and that dealings in the New Ordinary Shares will commence on 9 December 2009.

3.2 The Issue is of up to 200 million of New Ordinary Shares. The Placing Agent, on behalf of the Company, expects on 4 December 2009 to notify applicants for New Ordinary Shares under the Placing of the number of New Ordinary Shares allotted under the Placing. Dealings in New Ordinary Shares allotted under the Placing may not begin until such notification is made and Admission has occurred.

#### 4. Directors

4.1 In addition to their directorships of the Company, the Directors hold or have held the following directorships (excluding subsidiaries), and are or were members of the following partnerships, over or within the past five years:

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
John Sclater	Argent Group Europe Limited Berner, Nicol & Co Limited Sutton Hall Farms	Allchurches Trust Ltd Brambletye School Trust Limited Deva Group Limited Deva Holdings Limited F&C Group (Holdings) Limited Foreign & Colonial Enterprise Trust PLC Foreign & Colonial Investment Trust PLC Foreign & Colonial Private Equity Trust PLC Graphite Enterprise Trust PLC Graphite Private Equity Trust PLC Grosvenor Group Limited Holker Estates Company Limited IBIS (201) Limited James Cropper PLC Millennium & Copthorne Hotels PLC The Equitable Life Assurance Society Wates Group Limited
Sven Borho	OrbiMed Capital LLC	–
Paul Gaunt	Bernouli Capital LLP Finsbury Worldwide Pharmaceutical Trust PLC RCM Technology Trust PLC	Norwich Group Limited
John Gordon	Nurin Limited Quercus Management Limited	Biovex Limited
Peter Keen	Abcam PLC Ark Therapeutics Group PLC Serentis Limited	BioProgress PLC Esprit Capital Partners LLP Prelude Trust PLC
Lord Waldegrave of North Hill	Fleming Family & Partners Limited Henry Sotheran Limited Waldegrave Farms Limited	Bank of Ireland Financial Services (UK) plc Bristol & West plc

4.2 Mr Sclater was a director of Graphite Private Equity Trust PLC, which was placed in members' voluntary liquidation on 17 September 2002.

4.3 At the date of this document none of the Directors:

4.3.1 has in the last five years any convictions in relation to fraudulent offences;

4.3.2 has been bankrupt or entered into an individual voluntary arrangement;

4.3.3 has (save as disclosed in paragraph 4.2 above) been associated with any bankruptcies, receiverships or liquidations of any partnership or company through acting in the capacity as a member of the administrative, management or supervisory body or as a partner, founder or senior manager of such partnership or company;

4.3.4 was a partner in a partnership at the time of or within the 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership;

4.3.5 has had any of his assets the subject of any receivership or was a partner in a partnership at the time of or within the 12 months preceding any assets thereof being the subject of a receivership; or

4.3.6 has in the last five years been the subject of any official public incrimination and/or sanctions by any statutory or regulatory authority (including any designated professional body) nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

## 5. Directors' and other interests

5.1 As at the date of this document, the Directors listed below held the following interests in the share capital of the Company.

<i>Name of Director</i>	<i>Ordinary Shares</i>
John Sclater	25,000
Sven Borho	221,218
Dr John Gordon	70,000
Peter Keen	45,000
Lord Waldegrave of North Hill	58,716

5.2 Mr Borho is a general partner of the Investment Manager, which will receive fees for its services as described in paragraph 11.3 below. As such, Mr Borho will put himself forward for re-election as a Director annually, as required by the Listing Rules. Mr Gaunt is a director of Finsbury Worldwide Pharmaceutical Trust PLC, an investment trust to whom the Investment Manager acts as investment manager. Save as disclosed in this paragraph, none of the Directors has any conflict of interest between any duties to the Company and his private interests and any other duties.

5.3 The total emoluments receivable by the Directors and payable by the Company in respect of the accounting period of the Company ended on 31 March 2009 were £119,000 (as compared with £112,000 for the year ended 31 March 2008), as follows:

	<i>Fees for 2008/2009 £'000</i>	<i>Fees for 2007/2008 £'000</i>
John Sclater (Chairman)	25	25
Sven Borho	18	–
Paul Gaunt	18	18
Dr John Gordon (Senior Independent Director)	20	20
Peter Keen (Chairman of Audit & Management Engagement Committee)	20	20
Anthony Townsend (retired 8 November 2007)	–	11
Lord Waldegrave of North Hill	18	18
	119	112

5.4 Each Director other than Mr Borho has entered into terms of appointment with the Company dated 6 August 2004 under which he is appointed as a non-executive director (or in the case of Mr Sclater, as chairman and non-executive director). Mr Borho entered into a letter of appointment with the Company dated 27 March 2006. In all cases, the appointment is subject to the Articles, and continues until either (i) it is terminated at the discretion of either party on one month's notice; or (ii) his position as a director ceases in accordance with the Articles or if the Director is not re-elected to the Board at an annual general meeting, when it will terminate without notice. The Director is subject to a confidentiality undertaking without limitation of time. He must also communicate to the Board any conflict of interest or potential conflict of interest.

- 5.5 As at 12 November 2009 (being the latest practicable date prior to the publication of this document) the Company was aware of the following interests in the Ordinary Shares of the Company which exceeded three per cent. of the issued share capital of the Company:

<i>Shareholder</i>	<i>Registered Holder</i>	<i>No. of Shares</i>	<i>% of Issued Share Capital</i>
East Riding of Yorkshire Council	Nortrust Nominees	7,500,000	14.96
M&G Investment Management	Various Nominees	4,738,415	9.45
JP Morgan Asset Management	Chase Nominees/Bank of New York Nominees	4,676,829	9.33
Reliance Mutual Insurance Society	HSBC Global Custody Nominee (UK)	4,070,732	8.12
Baillie Gifford & Co.	BNY (OCS) Nominees	3,273,781	6.53
Hansa Capital Partners	Mellon Nominees (UK)/ State Street Nominees	3,106,098	6.20
Insight Investment	Nortrust Nominees	2,248,415	4.49
Northern Trust Global Investments	Nortrust Nominees	2,000,000	3.99

- 5.6 None of the investors referred to in paragraph 5.5 above will have different voting rights from other Shareholders.
- 5.7 The Directors are not aware of any person who immediately following the Placing could, directly or indirectly, jointly or severally, exercise control over the Company.
- 5.8 No loan or guarantee has been granted or provided by the Company to or for the benefit of any Director.

## **6. Investment Restrictions**

In addition to the investment restrictions set out under the heading “Investment Policy” in Part II, the Company is subject to the Listing Rules which apply to closed-ended investment funds. As required under Listing Rule 15.4.2, the Company will at all times invest and manage its assets in a way which is consistent with its objective of spreading investment risk and in accordance with its published investment policy as set out in Part II.

In accordance with Listing Rule 15.2.3A, the Company (and, if applicable, its subsidiary undertakings) must not conduct any trading activity which is significant in the context of its group as a whole, but this rule does not prevent the businesses forming part of the Company’s investment portfolio from conducting trading activities themselves.

In order to gain approval as an investment trust under section 842 of the Taxes Act 1988, the Company is required to operate under certain constraints. These include the following limits on investments and operations:

- (a) no single investment may exceed 15 per cent. of the Company’s investments at the time of investment;
- (b) no more than 15 per cent. of the Company’s total net assets may be invested in open-ended funds;
- (c) the Company may not retain more than 15 per cent. of its eligible investment income;
- (d) at least 70 per cent. of income must be eligible investment income, consisting of income deriving from shares and securities or eligible rental income but not bank deposit income; and
- (e) the Company may not distribute capital profits by way of dividend.

In the event of any material breach of the investment restrictions applicable to the Company, Shareholders will be informed of the actions to be taken by the Investment Manager through an announcement via a Regulatory Information Service.

The Company will not take legal or management control over investments in its portfolio.

## 7. Working Capital

In the opinion of the Company its working capital is sufficient for its present requirements (that is, for the 12 months from the date of this document).

## 8. Capitalisation and Indebtedness

8.1 The following table, sourced from the Company's internal accounting records, shows the Company's unaudited indebtedness (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) as at the close of business on 12 November 2009 (being the latest practicable date prior to the publication of this document) and the Company's unaudited capitalisation as at 30 September 2009 (being the last date in respect of which the Company has published financial information).

	<i>12 November 2009</i> <i>£'000</i>
<i>Total current debt</i>	
Guaranteed	0
Secured	0
Unguaranteed/unsecured	0
Total current debt	<u>0</u>
<i>Non-current debt (excluding current portion of long-term debt)</i>	
Guaranteed	0
Secured	0
Unguaranteed/unsecured	0
Total non-current debt	<u>0</u>
	<i>30 September 2009</i> <i>£'000</i>
<i>Shareholders' equity</i>	
Share capital	12,532
Special reserve	32,325
Other reserves*	32,076
Total Shareholders' equity	<u>76,933</u>

\*"Other reserves" includes the Company's revenue reserve of £(2.882 million).

As at 12 November 2009 (being the latest practicable date prior to the publication of this prospectus), there has been no material change in the audited capitalisation of the Company as at 30 September 2009 (being the last date in respect of which the Company has published financial information).

The following table shows, sourced from its internal accounting records, the Company's unaudited net indebtedness as at 12 November 2009 (being the latest practicable date prior to the publication of this prospectus). There is no secured or guaranteed indebtedness nor any indirect or contingent liabilities.

	12 November 2009 £'000
A. Cash	162
B. Cash equivalent	–
C. Trading Securities	70,190
D. Liquidity (A+B+C)	70,352
E. Current financial receivables	–
F. Current bank debt	–
G. Current portion of non-current debt	–
H. Other current financial debt	–
I. Current financial debt (F+G+H)	–
J. Net current financial indebtedness (I-E-D)	Nil
K. Non-current bank loans	–
L. Bonds issued	–
M. Other non-current loans	–
N. Non-current financial indebtedness (K+L+M)	Nil
O. Net financial indebtedness (J+N)	Nil

## 9. Memorandum and articles of association

The Company's principal objects, which are contained in its memorandum of association and (under the Act) deemed to form part of the Articles, include the carrying on of the business of an investment trust company. The objects of the Company are set out in full in clause 4 of the memorandum of association, which is available for inspection at the address specified in paragraph 16 below.

The Articles contain, *inter alia*, provisions to the following effect:

### 9.1 **Share Capital**

#### 9.1.1 *Power to attach rights:*

Subject to the Companies Acts and to the rights attached to existing shares, new shares may be allotted or issued with or have attached to them such special rights or restrictions as the Company may by ordinary resolution decide, or, if no resolution is passed, as the Directors may decide.

#### 9.1.2 *Redeemable shares*

Subject to the Companies Acts and to the rights attached to existing shares, shares may be issued on terms that they are to be redeemed or, at the option of the Company or the holder, are liable to be redeemed.

#### 9.1.3 *Variation of rights*

Subject to the Companies Acts, the rights attached to a class of shares may be varied in such manner as may be provided by those rights or, if no provision is made, either with the consent in writing of the holders of at least three fourths of the nominal amount of the issued shares of that class or with the sanction of a resolution passed at a separate meeting of the holders of the issued shares of that class validly held in accordance with the Articles, but not otherwise.

#### 9.1.4 *Alteration of capital*

- (a) The Company may by ordinary resolution increase, consolidate or divide its share capital or may sub-divide all or any of its share capital into shares of a smaller amount, which may have a preference or other advantage or be subject to a restriction, or may cancel shares which have not been taken. By special resolution the Company may reduce its capital.

- (b) Where members become entitled to fractions of a share the Directors may deal with such fractions as they think fit.
- (c) Subject to the Companies Acts and the requirements of the London Stock Exchange, the Company may purchase shares of any class (including redeemable shares) in its own capital in any way.

## 9.2 **Transfer of shares**

9.2.1 Certificated shares may be transferred by instrument of transfer in writing in any usual form or in another form approved by the Directors. The instrument of transfer must be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid) by or on behalf of the transferee.

9.2.2 Uncertificated shares may be transferred in accordance with the CREST Regulations.

9.2.3 Subject to the requirements of the London Stock Exchange, the Directors may, in their absolute discretion, refuse to register the transfer of a certificated share which is not fully paid or on which the Company has a lien. In addition, the Directors may, in their absolute discretion, refuse to register a transfer of a certificated share unless:

- (a) it is in respect of only one class of shares; and
- (b) it is in favour of a single transferee or not more than four joint transferees; and
- (c) it is duly stamped (if required); and
- (d) it is delivered for registration to the Company's registered office or such other place as the Directors may decide, accompanied by the certificate for the shares to which it relates (except in the case of a transfer by a recognised person where a certificate has not been issued) and such other evidence as the Directors may reasonably require to prove the title of the transferor and the due execution by him of the transfer or, if the transfer is executed by some other person on his behalf, the authority of that person to do so.

9.2.4 If the Directors refuse to register the transfer of a certificated share they must, as soon as is practicable and, in any event, within two months after the date on which the transfer was lodged with the Company, send notice of the refusal to the transferee, together with reasons for the refusal. The Directors shall also provide the transferee with such further information about the reason for the refusal as the transferee may reasonably request.

9.2.5 Subject to the Acts and the requirements of the London Stock Exchange the registration of transfers may be suspended at such times and for such period (not exceeding 30 days in any one year) as the Directors may decide and either generally or in respect of a particular class of shares.

## 9.3 **Compulsory transfer of shares**

9.3.1 If it shall come to the notice of the Directors that any share or shares:

- (a) are or may be owned or held directly or beneficially by any person whose ownership or holding or continued ownership or holding of those shares (whether on its own or in conjunction with any other circumstance appearing to the Board to be relevant) might in the sole and conclusive determination of the Board cause a pecuniary or tax disadvantage to the Company or any other holder of shares or other securities of the Company; or
- (b) are or may be owned or held directly or beneficially by any person that is (i) an employee benefit plan subject to Part 4 of Title I of the United States Employee Retirement Income Security Act of 1974, as amended ("ERISA"); or (ii) a plan to which Section 4975 of the United States Internal Revenue Code of 1986, as amended, applies; or (iii) an entity whose underlying assets include plan assets by reason of a plan's investment in such entity, (collectively, "Benefit Plan Investors"), and either: (1) in the opinion of the Board the assets of the Company may be considered "plan assets" within the meaning of ERISA and regulations adopted thereunder; or (2) based on information provided to the Board, the Board determines that 15 per cent. or more of the relevant class of shares is or may be held by Benefit Plan Investors; or

- (c) are or may be owned or held directly or beneficially such that the aggregate number of United States Persons (as defined in the Articles) who are holders or beneficial owners (which for these purposes shall include beneficial ownership by attribution pursuant to Section 3(c)(1)(A) of the United States Investment Company Act of 1940) of shares or other securities of the Company is or may be more than 75; or
- (d) are or may be owned or held directly or beneficially by any person to whom a transfer of shares or whose ownership or holding of any shares might in the opinion of the Directors require registration of the Company as an investment company under the United States Investment Company Act of 1940,

the Directors may serve a notice (hereinafter called a "Transfer Notice") upon the person (or any one of such persons where shares are registered in joint names) appearing in the register as the holder (the "Vendor") of the share, shares or any of the shares concerned (the "Relevant Shares") requiring the Vendor within 21 days (or such extended time as in all the circumstances the Directors consider reasonable) to transfer (and/or procure the disposal of interests in) the Relevant Shares to another person who, in the sole and conclusive determination of the Directors, would not fall within paragraph (a), (b) or (d) above and whose ownership or holding of such share or shares would not result in the aggregate number of United States Persons who are beneficial owners or holders of shares or other securities of the Company being 75 or more (such a person being hereinafter called an "Eligible Transferee"). On and after the date of such Transfer Notice, and until registration of a transfer of the Relevant Share to which it relates pursuant to the provisions referred to in this paragraph or paragraph 9.3.2 below, the rights and privileges attaching to the Relevant Shares will be suspended and not capable of exercise.

- 9.3.2 If within 21 days after the giving of a Transfer Notice (or such extended time as in all the circumstances the Directors consider reasonable) the Transfer Notice has not been complied with to the satisfaction of the Directors, the Company may sell the Relevant Shares on behalf of the holder or holders thereof, by instructing a member of the London Stock Exchange to sell them in accordance with the best practice then obtaining to any Eligible Transferee or Eligible Transferees. For this purpose the Directors may authorise in writing any officer or employee of the Company to transfer the Relevant Shares on behalf of the holder or holders thereof to the purchaser or purchasers and an instrument of transfer executed by that person will be as effective as if it had been executed by the holder of, or the person entitled by transmission to, the Relevant Shares. The purchaser will not be bound to see to the application of the purchase moneys nor will his title to the Relevant Shares be affected by any irregularity or invalidity in the proceedings relating to the sale. The net proceeds of the sale of the Relevant Shares shall be received by the Company, whose receipt will be a good discharge for the purchase moneys, and will belong to the Company and, upon their receipt, the Company will become indebted to the former holder of, or person who is entitled to the shares by transmission or by law to, the Relevant Shares for an amount equal to the net proceeds of transfer upon surrender by him or them of the certificate for the Relevant Shares which the Vendor shall forthwith be obliged to deliver to the Company. No trust will be created in respect of the debt and no interest will be payable in respect of it and the Company will not be required to account for any moneys earned from the net process of transfer which may be employed in the business of the Company or as it thinks fit. The Company may register the transferee or transferees as holder or holders of the Relevant Shares and issue to him or them a certificate for the same and thereupon the transferee or the transferees will become absolutely entitled thereto.
- 9.3.3 A person who becomes aware that he falls within any of paragraphs 9.3.1(a), 9.3.1(b) or 9.3.1(d) above or, being a United States Person and a beneficial owner or holder of shares, becomes aware that the aggregate number of United States Persons who are beneficial owners or holders of shares or other securities of the Company is more than 75, shall forthwith, unless he has already received a Transfer Notice pursuant to the provisions referred to in paragraph 9.3.1 above either transfer the shares to one or more Eligible Transferees or give a request in writing to the Directors for the issue of a Transfer Notice in accordance with the provisions referred to in paragraph 9.3.1 above. Every such request shall, in the case of certificated shares, be accompanied by the certificate(s) for the shares to which it relates.

9.3.4 Subject to the provisions of the Articles, the Directors will, unless any Director has reason to believe otherwise, be entitled to assume without enquiry that none of the shares are held in such a way as to entitle the Directors to serve a Transfer Notice in respect thereof. The Directors may, however, at any time and from time to time call upon any holder (or any one of joint holders) of shares by notice in writing to provide such information and evidence as they require upon any matter connected with or in relation to such holder of shares. In the event of such information and evidence not being so provided within such reasonable period (not being less than 21 days after service of the notice requiring the same) as may be specified by the Directors in the said notice, the Directors may, in their absolute discretion, treat any share held by such a holder or joint holder as being held in such a way as to entitle them to serve a Transfer Notice in respect thereof.

9.3.5 The Directors will not be required to give any reasons for any decision, determination or declaration taken or made in accordance with these provisions. The exercise of the powers conferred by the provisions referred to in paragraph(s) 9.3.1 and/or 9.3.2 and/or 9.3.4 above may not be questioned or invalidated in any case on the grounds that there was insufficient evidence of direct or beneficial ownership or holding of shares by any person or that the true direct or beneficial owner or holder of any shares was otherwise than as appeared to the Directors at the relevant date provided that the said powers have been exercised in good faith.

#### 9.4 **Failure to disclose interests in shares**

If a member, or any other person appearing to be interested in shares held by that member, has been issued with a notice pursuant to section 793 of the Act and has failed in relation to any shares (the “default shares”) to give the Company the information thereby required within 14 days from the date of the notice, the following sanctions will apply unless the Directors otherwise determine:

9.4.1 the member is not entitled in respect of the default shares to be present or to vote (in person or by proxy) at any general meeting or at any separate meetings of the holders of any class of shares or on a poll; and

9.4.2 where the default shares represent at least 0.25 per cent. of the nominal value of the issued shares of their class, a dividend or any other amount payable in respect of the default shares will be withheld by the Company, which will have no obligation to pay interest on it, and the member is not entitled to elect to receive shares instead of a dividend. No transfer, other than an excepted transfer, as specified in the Articles, of any of the default shares held by the member will be registered unless the member is not himself in default in supplying the information required and he proves to the satisfaction of the Directors that no person in default in supplying the information required is interested in any of the shares the subject of the transfer.

#### 9.5 **General meetings**

The Company shall hold annual general meetings which shall be convened by the Directors, in accordance with the Companies Acts. The Directors may convene a general meeting whenever they think fit.

Subject to the Companies Acts, an annual general meeting of the Company shall be called by not less than 21 clear days’ notice and all other general meetings of the Company will be called by not less than 14 clear days’ notice.

Subject to the Companies Acts, the notice of meeting will specify, *inter alia*, whether the meeting is an annual general meeting or a general meeting and the place, the date and the time of the meeting.

Every member can attend a general meeting in person or by proxy.

Without prejudice to any other power which he may have under the provisions of the Articles or at common law, the chairman may, without the consent of the meeting, interrupt or adjourn a meeting from time to time and from place to place or for an indefinite period if he decides that it has become necessary to do so in order to (i) secure the proper and orderly conduct of the meeting, (ii) give all persons entitled to do so a reasonable opportunity of speaking and voting at the meeting, or (iii) ensure that the business of the meeting is properly disposed of.

## 9.6 **Voting rights**

Subject to special terms as to voting on which shares have been allotted or issued, or a suspension or abrogation of voting rights pursuant to the Articles, and subject to the provisions of the Companies Acts, at a general meeting every member present in person or by proxy has on a show of hands one vote and every member present in person or by proxy has on a poll one vote for every Share of which he is holder.

Unless otherwise decided by the Directors, no member is entitled in respect of a share held by him to be present or vote at a general meeting or a separate meeting of the holders of a class of shares if a call or other amount due and payable in respect of the share is unpaid.

## 9.7 **Directors**

### 9.7.1 *Appointment of Directors*

Directors may be appointed by an ordinary resolution of the Company or by the Directors. A Director appointed by the Directors will hold office only until the dissolution of the next following annual general meeting (unless he is reappointed during that meeting) and will not be taken into account in determining the Directors who are to retire by rotation at that meeting.

Unless otherwise decided by the Company by ordinary resolution the number of Directors is not subject to a maximum but will not be less than two.

### 9.7.2 *Executive Directors*

Subject to the Companies Acts, the Directors may appoint one or more of their number to hold employment or executive office (including, without limitation, that of managing director) for such term and on any other conditions as the Directors think fit. The Directors may revoke or terminate an appointment, without prejudice to a claim for damages for breach of contract or otherwise.

### 9.7.3 *Retirement by rotation*

At each annual general meeting one-third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third, shall retire from office. If there are fewer than three Directors who are subject to retirement by rotation, at least one must retire from office.

Subject to the Companies Acts and the above, the Directors to retire by rotation shall include any Director who wishes to retire and those who have been longest in office since their last appointment or reappointment. Where two or more Directors have been in office for an equal length of time, the Director to retire shall be determined by agreement between them or by lot.

### 9.7.4 *Removal by resolution*

The Company may by ordinary resolution remove a Director before the expiration of his period in office.

### 9.7.5 *Remuneration expenses and pensions*

Unless otherwise decided by ordinary resolution the Company shall pay the Directors (but not alternate directors) such amount of aggregate fees as the Directors shall determine (not exceeding £200,000 per annum or sum larger amount as the company may by ordinary resolution decide). The Directors shall decide the proportion to be paid to each Director or, if no decision is made, the aggregate fees shall be divided equally.

A Director who, at the request of the Directors, goes or resides abroad, makes a special journey or performs a special service on behalf of the Company may be paid such reasonable additional remuneration and expenses as the Directors may decide.

A Director is entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in the performance of his duties as Director, including without limitation expenses incurred in attending meetings of the Directors or of committees of the Directors or general meetings or separate meetings of the holders of a class of shares or debentures.

The fee payable to an alternate director is payable out of the fee payable to his appointor.

The salary or remuneration of a Director appointed to hold employment or executive office within the Company may be a fixed sum of money, or wholly or in part governed by business done or profits made, or as otherwise decided by the Directors, and may be in addition to or instead of a fee payable to him for his services as a Director.

The Directors may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities (by insurance or otherwise) for a person who is or has at any time been a director of: (i) the Company, (ii) a company which is or was a subsidiary undertaking of the Company, (iii) a company which is or was allied to or associated with the Company or a subsidiary undertaking of the Company, or (iv) a predecessor in business of the Company or of a subsidiary undertaking of the Company (in each case, for any member of his family, including a spouse or former spouse, or a person who is or was dependent on him). For this purpose the Board may establish, maintain, subscribe and contribute to any scheme, trust or fund and pay premiums. The Board may arrange for this to be done by the Company alone or in conjunction with another person.

#### 9.7.6 *Avoiding conflicts of interests*

Where the existence of a Director's relationship with another person is authorised by the Board pursuant to the Articles (and subject to any limits or conditions imposed by therein) and his relationship with that person gives rise to a conflict of interest or possible conflict of interest, the Director shall not be in breach of the general duties he owes to the Company under the Act because he: (i) absents himself from meetings of the Directors at which any matter relating to the conflict of interest or possible conflict of interest will or may be discussed; and (ii) makes arrangements not to receive documents and information relating to any matter which gives rise to the conflict of interest or possible conflict of interest sent or supplied by the Company and/or makes arrangements for such documents and information to be received and read by a professional adviser, for so long as he reasonably believes such conflict of interest or possible conflict of interest subsists.

#### 9.7.7 *Interested Director not to vote*

A Director may not vote or be counted in the quorum on a resolution of the Directors or committee of the Directors concerning a contract, arrangement, transaction or proposal to which the Company is or is to be a party and in which he has an interest which is, to his knowledge, a direct or material interest (otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company), but this prohibition does not apply to any resolution where (a) such interest cannot reasonably be regarded as likely to give rise to a conflict of interest or (b) concerns any of the following matters:

- (a) the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (b) the giving of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
- (c) the giving of any other indemnity where all other Directors are also being offered indemnities on substantially the same terms;
- (d) a resolution concerning the Company funding his expenditure on defending proceedings or the Company doing something to enable him to avoid incurring such expenditure where all other Directors are being offered substantially the same arrangements;
- (e) a resolution about a contract relating to a pension fund, superannuation or similar scheme or retirement, death or disability benefits scheme or employees' share scheme which gives the Director benefits which are also generally given to the employees to whom the fund or schemes relates;
- (f) a contract, arrangement, transaction or proposal concerning an offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings for subscription or purchase, in which offer he is or may be entitled to participate as a

holder of securities or in the underwriting or sub underwriting of which he is to participate;

- (g) a contract, arrangement, transaction or proposal to which the Company is or is to be a party concerning another company (including a subsidiary undertaking of the Company) in which he is interested (directly or indirectly) and whether as an officer, shareholder, creditor or otherwise, if he does not to his knowledge hold an interest in shares representing one per cent. or more of either any class of the equity share capital of or the voting rights in the relevant company (calculated exclusive of any shares of that class in that company held as Treasury Shares);
- (h) a contract, arrangement, transaction or proposal for the benefit of employees of the Company or any of its subsidiary undertakings (including, but not limited to, a pension fund, a superannuation or similar scheme, a retirement, death or disability benefits scheme, or an employees' share scheme) which does not award him a privilege or benefit not generally awarded to the employees to whom it relates; and
- (i) a contract, arrangement, transaction or proposal concerning the purchase or maintenance of any insurance policy under which he may benefit.

#### 9.7.8 *Directors may have interests*

Provided that paragraph 9.7.9 below and, where appropriate, paragraph 9.7.10 below is complied with, a Director, directly or indirectly:

- (a) may enter into or otherwise be interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested either in connection with his tenure of an office or place of profit or as seller, buyer or otherwise;
- (b) may hold any other office or place of profit with the Company (other than the office of auditor of the Company or any subsidiary thereof) in conjunction with the office of Director and may act by himself or through his firm in a professional capacity to the Company or any such other company, and in any such case on such terms as to remuneration and otherwise as the Board may arrange, either in addition to or in lieu of any remuneration provided for by any other article;
- (c) may be a director or other officer of, or employed by, or a party to any contract, transaction or arrangement with or otherwise interested in, any company promoted by the Company or in which the Company is otherwise interested or as regards which the Company has any powers of appointment; and
- (d) shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any office or employment or from any contract, transaction, arrangement or proposal or from any interest in any body corporate, and no such transaction, arrangement or proposal shall be liable to be avoided on the grounds of any such interest or benefit nor shall the receipt of any such profit, remuneration or any other benefit constitute a breach of his duty under the Act or under the law not to accept benefit from third parties. For the avoidance of doubt, the Company shall have no claim arising from, or in consequence of, the Director's interest in any contract, arrangement or transaction within the scope of this provision, and the Director shall not breach any of his duties to the Company as a result of having that interest.

#### 9.7.9 *Declaration of interests*

A Director who, to his knowledge, is in any way (directly or indirectly) interested in: (i) a proposed contract, arrangement or transaction with the Company; or (ii) a contract, arrangement or transaction that has already been entered into by the Company (unless the interest has already been declared under (i)), may (in respect of (i)) and shall (in respect of (ii)), make a declaration of interest at a meeting of the Directors or by general or specific notice to the Directors in accordance with the Act.

#### 9.7.10 *Power of the Board to authorise conflicts of interest*

The Directors may (subject to such terms and conditions, if any, as they may think fit to impose from time to time, and subject always to their right to vary or terminate such authorisation) authorise, to the fullest extent permitted by law: (i) any matter which would otherwise result in a Director infringing his duty to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of

the Company and which may reasonably be regarded as likely to give rise to a conflict of interest (including a conflict of interest and duty or conflict of duties); and (ii) a Director to accept or continue in any office, employment or position in addition to his office as a Director of the Company and without prejudice to the generality of (i), may authorise the manner in which a conflict of interest arising out of such office, employment or position may be dealt with, either before or at the time that such a conflict of interest arises.

Any such authorisation will only be effective if: (i) any requirement as to quorum at the meeting at which the matter is considered is met without counting the Director in question or any other interested Director; and (ii) the matter was agreed to without their voting or would have been agreed to if their votes had not been counted.

A Director shall not, by reason of his office, be accountable to the Company for any benefit which derives from any matter, or from any office, employment or position, which has been approved by the Directors pursuant to this article (subject in any such case to any limits or conditions to which such approval was subject).

#### 9.7.11 *Borrowing powers*

Subject to restrictions imposed by the Articles, the Directors may exercise all the powers of the Company to borrow and to mortgage or charge all or part of the undertaking, property and assets (present or future) and uncalled capital of the Company and, subject to the Companies Acts, to issue debentures and other securities, whether outright or as collateral security for a debt, liability or obligation of the Company or of a third party.

The Directors shall restrict the borrowings of the Company and shall exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to ensure (as regards subsidiary undertakings, to the extent possible) that the aggregate principal amount from time to time outstanding in respect of all moneys borrowed (as defined in the Articles) by the group (exclusive of borrowing intra-group) does not at any time without the previous sanction of an ordinary resolution of the Company exceed a sum equal to 33 per cent. of the adjusted capital and reserves of the Company (as more particularly referred to in the Articles).

#### 9.8 **Dividends**

Subject to the Companies Acts and the Articles, the Company may by ordinary resolution declare a dividend to be paid to the members according to their respective rights and interests, but no dividend may exceed the amount recommended by the Directors.

No dividend shall be payable except out of the profits of the Company and otherwise in accordance with the Companies Acts or in excess of the amount recommended by the Directors, but capital profits and surpluses arising from the realisation of investments will not be available for dividend or, subject as referred to in paragraph 9.9 below, other distribution.

Subject to the Companies Acts, the Directors may declare and pay such interim dividends as appear justified by the profits of the Company available for distribution. If the share capital is divided into different classes, the Board may pay interim dividends on shares which rank after shares conferring preferred rights with regard to dividend, as well as on shares with preferred rights unless at the time of payment a preferential dividend is in arrear.

Except as otherwise provided by the rights attached to shares, a dividend will be declared and paid according to the amounts paid up on the shares in respect of which the dividend is declared and paid, but no amount paid up on a share in advance of a call may be treated for these purposes as paid up on the share. Except as otherwise so provided by the rights attached to shares, dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

Dividends unclaimed for a period of 12 years after having been declared or become due for payment are forfeited and cease to remain owing by the Company.

Subject to the Companies Acts, the Directors may, if authorised by an ordinary resolution, offer those shareholders of a particular class of shares in respect of any dividend the right to elect to receive shares by way of scrip dividend instead of cash.

## 9.9 **Capital reserve**

The Directors shall establish a reserve to be called the “capital reserve” and will either carry to the credit of such reserve from time to time, or apply in providing for depreciation of contingencies, all capital profits realised on or derived or arising from the sale, transfer, conversion, payment off or realisation of any investments or other capital assets of the Company in excess of the book value thereof, all other capital profits (having the same meaning as in section 266 of the Act), and all unrealised appreciation of investments or other assets representing or in the nature of accretion to capital assets. Any losses realised on the sale, transfer, conversion, payment off or realisation of any investment or other capital assets and provisions in respect of the diminution in value or depreciation in the value of capital assets shall be carried to the debit of the capital reserve except in so far as the Directors may in their discretion decide to make good the same out of other funds of the Company. The Directors may determine whether any amount received by the Company is to be dealt with as income or capital or partly one and partly the other. No part of the capital reserve or any other moneys in the nature of accretion to capital shall in any event be transferred to revenue account or be regarded or treated as profit of the Company available for distribution as dividend (having the same meaning as in section 842 of the Income and Corporation Taxes Act 1988) or otherwise applied in paying dividends on any shares in the Company’s capital or, subject as follows, be available for distribution (within the meaning given by section 833 of the Act).

Notwithstanding any other provision of the Articles, the Company is not prohibited from redeeming or purchasing its own shares in accordance with the Act out of its capital profits or other amounts standing to the capital reserve.

## 9.10 **Capitalisation of profits**

Subject to the Companies Acts, the Directors may with the authority of an ordinary resolution resolve to capitalise an amount standing to the credit of reserves whether or not available for distribution, appropriate the sum resolved to be capitalised to the members in proportion to the nominal amount of ordinary shares (whether or not fully paid) held by them respectively and apply that sum on their behalf in or towards paying up amounts unpaid on shares held by them or paying up in full unissued shares or debentures of a nominal amount equal to that sum and the Directors may make any arrangements they think fit to resolve a difficulty arising in the distribution of a capitalised reserve.

## 9.11 **Duration of the Company**

9.11.1 At the annual general meeting of the Company falling in the calendar year 2010 and, if the Company has not then been liquidated, unitised or reconstructed, at each fifth annual general meeting of the Company convened by the Directors thereafter, the Directors shall propose an ordinary resolution that the Company should continue as an investment trust for a further five year period.

9.11.2 If any such ordinary resolution is not passed, the Directors shall draw up proposals for the voluntary liquidation, unitisation or other reorganisation of the Company for submission to the members of the Company at a general meeting to be convened by the Directors for a date not more than three months after the date of the meeting at which such ordinary resolution was not passed.

9.11.3 The Directors shall ensure that such proposals for the liquidation, unitisation or reconstruction of the Company as are approved by special resolution are implemented as soon as is reasonably practicable after the passing of such resolution.

## 9.12 **Distribution of assets on liquidation**

As the Company has only one class of shares, the holders of its shares will under general law be entitled to participate in any surplus assets in a winding up in proportion to their shareholdings.

On a winding up the liquidator may, on obtaining any sanction required by law, divide among the members in kind the whole or any part of the assets of the Company. For this purpose, the liquidator may set the value he deems fair on a class or classes of property, and may determine on the basis of that valuation and in accordance with the then existing rights of members how the division is to be carried out or vest the whole or any part of the assets in trustees upon such trust for the benefit of the contributories as the liquidator, with the like sanction, shall think fit. The liquidator may not

distribute to a member without his consent an asset to which there is attached a liability or potential liability for the owner.

9.13 **Untraced shareholders**

The Company may, after advertising its intention in the manner and for such period as is prescribed in the Articles and subject to the CREST Regulations, sell any shares if the shares have been in issue for at least 12 years and during that period at least three cash dividends have become payable on them, no cheque or warrant or money order payable on the share sent to the member has been cashed, no payment made by the Company has been claimed or accepted and the Company has not received any communication during the relevant period from the member or the person entitled to them by transmission. Upon such sale, the Company will become indebted to the former holder of the shares or the person entitled to them by transmission for an amount equal to the net proceeds of sale.

9.14 **Indemnity**

Subject to the Companies Acts, but without prejudice to an indemnity to which he may be entitled, every person who is a director, alternate director or secretary of the Company shall be indemnified out of the assets of the Company against all costs, charges, losses, expenses and liabilities incurred by him (whether in connection with any negligence, default breach of duty or breach of trust or otherwise) in the proper execution of his duties or the proper exercise of his powers, authorities and discretions in relation to the Company or its affairs.

9.15 **Non United Kingdom shareholders**

Members with registered addresses outside the United Kingdom are not entitled to receive notices from the Company unless they have given the Company an address within the United Kingdom at which such notices may be served.

9.16 **Corporate representatives**

A company which is a member may, by resolution of its directors or other governing body, authorise a person to act as its representative at a meeting or at a separate meeting of the holders of a class of shares (the "representative"). Each representative is entitled to exercise on behalf of the company (in respect of that part of the company's holding of shares to which the authorisation relates) those powers that the company could exercise if it were an individual member. The company is for the purposes of the Articles deemed to be present in person at a meeting if the representative is present. A director, the secretary or other person authorised for the purpose by the secretary may require the representative to produce a certified copy of the resolution of authorisation before permitting him to exercise his powers.

## 10. **Placing Arrangements**

10.1 By a placing and offer agreement dated 16 November 2009 between the Company, the Investment Manager, the Manager and the Placing Agent, the Placing Agent has undertaken as agent of the Company, subject to certain conditions, (i) to use its reasonable endeavours to procure subscribers in the Placing for New Ordinary Shares at the Issue Price and (ii) to effect the Offer. If the Placing Agent does not procure subscribers the Placing Agent is under no obligation to subscribe itself.

10.2 The obligations of the Placing Agent under the Placing Agreement are subject, *inter alia*, to the passing of the Resolutions numbered 1, 2 and 3 at the General Meeting, the UK Listing Authority admitting the New Ordinary Shares to the Official List and the London Stock Exchange admitting the New Ordinary Shares to trading, in each case by 9 December 2009, or such later date, not being later than 31 December 2009, as shall be agreed between the Company and the Placing Agent.

10.3 Under the Placing Agreement, the Company will pay to the Placing Agent (i) a fee of 0.4 per cent. of the aggregate value at the Issue Price of the New Ordinary Shares issued and paid for pursuant to the Issue for its corporate finance advice in connection with the Issue and Admission, and (ii) a commission of 1 per cent. of the aggregate value at the Issue Price of the New Ordinary Shares issued and paid for pursuant to the Issue, out of which the Placing Agent will pay any commission due to placees as provided in paragraph 10.4 below.

- 10.4 Placees subscribing £10 million or more will receive a rebate equal to 0.25 per cent. of their placing subscription and, in the case of placees subscribing in excess of £15 million, an additional 0.25 per cent. of amounts above £15 million. Such rebate will be payable either in cash or, at the election of the placee, by such amount being applied in subscribing for further New Ordinary Shares at the Issue Price.
- 10.5 The Company shall reimburse the Placing Agent for all costs and expenses of or incidental to the Issue and Admission.
- 10.6 Under the Placing Agreement, which may be terminated by the Placing Agent in certain circumstances prior to Admission, certain warranties and indemnities have been given to the Placing Agent by the Company, the Investment Manager and the Manager. Such warranties and indemnities are customary for an agreement of this nature.

## **11. Material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) are contracts to which the Company has been a party during the two year period prior to the date of this document and are, or may be, material and there are no other contracts entered into by the Company which include an obligation or entitlement which is material to the Company at the date of this document:

- 11.1 an investment management agreement dated 26 April 2005, as amended, (the "Investment Management Agreement") between the Company, the Investment Manager and the Company's former investment manager, Close Finsbury Asset Management Limited and as amended and restated by the Company and the Investment Manager by agreement dated 5 April 2007. Under the Investment Management Agreement, the Company appointed the Investment Manager to act as investment manager and provide the Company with discretionary investment management services in consideration for which the Investment Manager receives the fees described in paragraph 11.3 below.

Either party may terminate the Investment Management Agreement by giving to the other not less than 12 months' written notice (or such shorter period of written notice as the other party may accept).

The Investment Management Agreement contains provisions under which the Company and the Manager exempts the Investment Manager from liability and the Company indemnifies the Investment Manager against liability in the absence of negligence, wilful default or fraud. These exemptions from liability and indemnities are of a customary nature for contracts of this type;

- 11.2 a management, administrative and secretarial services agreement dated 5 April 2007 between the Company and the Manager (the "Management Agreement") whereby the Manager was appointed the Company's manager and shall provide management, administrative, secretarial and other services to the Company and provide advice to the Board generally in relation to trends in the investment trust sector, and such other corporate, financial, legal, regulatory, accounting and other issues as are likely to affect policies of strategies of the Company in consideration for which the Manager receives the fees described in paragraph 11.3 below.

Either party may terminate the Management Agreement by giving to the other not less than 12 months' written notice (or such shorter period of written notice as the other party may accept). It may also be terminated with immediate effect by the Company or the Manager in certain circumstances, including if there is material or persistent breach of the Management Agreement which is not rectified within 30 days of written notice or upon the insolvency of the Manager or the winding up of the Company.

The Management Agreement contains provisions under which the Company exempts the Manager from liability and indemnifies the Manager against liability in the absence of negligence, wilful default or fraud or material breach of its obligations under the Management Agreement and permits the Manager and its associates to deal with parties other than the Company. These exemptions from liability and indemnities are of a customary nature for contracts of this type;

11.3 the Investment Manager and the Manager are entitled to the following fees from the Company for the services provided under the Investment Management Agreement and the Management Agreement respectively:

11.3.1 a periodic fee (the “Periodic Fee”) which is currently paid as set out below. Such Periodic Fee shall accrue on each Calculation Date and on the Termination Date in respect of the period beginning on the day following the last preceding Calculation Date and ending on that Calculation Date or the Termination Date (as the case may be). The Periodic Fee is subject to annual review;

11.3.2 a Performance Fee equal to the amount (if any) by which Cumulative Performance Amounts as at the relevant Calculation Date or, if less, Cumulative Performance Amounts as at the Calculation Date (if any) falling in the same month in the previous year exceeds Cumulative Fees Paid as at the relevant Calculation Date; and

11.3.3 in respect of the Termination Date, a Performance Fee equal to the amount (if any) by which the Cumulative Performance Amount exceeds Cumulative Fees Paid as at the Termination Date.

For the purpose of this paragraph 11.3 only:

“**Adjusted NAV**” means as at any Calculation Date NAV as at that date plus the aggregate amount of net dividends and other distributions paid or made by the Company to Shareholders and amounts paid by the Company to purchase or redeem its own Shares (whether or not such Shares are held as Treasury Shares or cancelled) since the last Calculation Date increased or decreased in proportion to the increase or decrease in NAV between the last Business Day in the month in which such dividends and/or distributions were paid or made and/or such Shares were purchased or redeemed (as the case may be) and the Calculation Date;

“**Calculation Date**” means 31 March, 30 June, 30 September and 31 December in each year or, if any such date is not a Business Day, the last preceding Business Day;

“**Cumulative Fees Paid**” means at any Calculation Date the aggregate of all Performance Fees which shall have become due and payable to that Calculation Date;

“**Cumulative Performance Amounts**” means as at any Calculation Date the aggregate of the Performance Amounts as at each Calculation Date up to and including that Calculation Date (calculated by adding all positive Performance Amounts and deducting all negative Performance Amounts);

“**financial year**” includes any period shorter or longer than a year for which audited accounts of the Company are prepared;

“**Fund Value**” means as at any Calculation Date the value of the Company’s portfolio as at that date, calculated valuing listed investments at mid market price and unlisted investments at Directors’ valuation and otherwise in accordance with the Company’s accounting policies applied on a consistent basis and in accordance with applicable accounting standards. For the purpose of calculating the Periodic Fee and the Performance Fee, the Company’s portfolio shall be deemed to exclude any holding in any investment fund of which the Investment Manager or any associate of the Investment Manager is for the time being the investment manager, investment adviser or general partner;

“**Indexed NAV**” means as at any Calculation Date an amount equal to NAV as at the preceding Calculation Date, after deducting any Performance Fees paid, due and payable or which will become payable on delivery of an appropriate invoice by the Investment Manager or the Manager in respect of the period from that preceding Calculation Date to the current Calculation Date, or any previous period, (to the extent that such Performance Fees have not otherwise been deducted in the calculation of Indexed NAV as at that or any preceding Calculation Date), increased or decreased in proportion to the increase or decrease in the Index in the period from the preceding Calculation Date to the Calculation Date as at which Indexed NAV is to be calculated;

“**Index**” means the NASDAQ Biotechnology Index (sterling adjusted);

“**NAV**” means as at any Calculation Date the assets of the Company as of that date (on a non consolidated basis) net of:

- (a) any revenue account items for the then current financial year of the Company;
- (b) (for the avoidance of doubt) any Performance Fee paid, due and payable or which will become payable upon delivery of an appropriate invoice by the Investment Manager or the Manager under the Investment Management Agreement or the Management Agreement for any period up to the preceding Calculation Date to the extent that such Performance Fees have not otherwise been deducted in the calculation of NAV as at that date or any preceding Calculation Date; and
- (c) but adding back any deduction, provision or accrual fee for any Performance Fee which may be paid or payable under the Management Agreement or the Investment Advisory Agreement in respect of the period from the preceding Calculation Date to the Calculation Date as at which NAV is being calculated;

**“negative Performance Amounts”** means all Performance Amounts in the calculation of which Adjusted NAV is less than Indexed NAV;

**“Performance Fee”** means the performance fee payable to the Investment Manager and the Manager as described in sub-paragraphs (a) and (b) above;

**“positive Performance Amounts”** means all Performance Amounts in the calculation of which Adjusted NAV exceeds Indexed NAV;

**“Termination Date”** means the date of termination of the Management Agreement or the Investment Advisory Agreement (as applicable) or if any such date is not a Business Day the last preceding Business Day; and

**“the Performance Amount”** means as at any Calculation Date an amount equal to 1.5 per cent. of the sum of Adjusted NAV minus Indexed NAV.

In relation to the Periodic Fee, the Investment Manager receives a fee equal to 0.65 per cent. per annum of the Company’s Net Asset Value and the Manager receives a fee equal to 0.30 per cent. per annum of the Company’s market capitalisation plus a fixed fee of £50,000 per annum accruing daily and payable quarterly in arrear.

In relation to the Performance Fee, the Investment Manager receives a fee equal to 15 per cent. of any outperformance of the Net Asset Value over the Benchmark Index and the Manager receives a fee equal to 1.5 per cent. of such outperformance.

Contributions to the Net Asset Value attributable to the Company’s investment in limited partnerships to whom the Investment Manager acts as general partner are excluded for the purposes of calculating any Periodic Fee or Performance Fee payable to the Investment Manager.

The Periodic Fee and Performance Fee shall be paid as soon as practicable after the relevant Calculation Date following receipt of an invoice therefor from the Investment Manager or the Manager, as appropriate;

- 11.4 a custody agreement dated 24 June 1997, as amended, between the Company, the Manager and the Custodian (“Custody Agreement”) whereby the Company appointed the Custodian to act as custodian of securities and other investments of the Company and the Custodian accepted responsibility for the safe custody of such securities and investments. Pursuant to a novation agreement dated 31 March 1999 between the Company, the Manager, the Custodian and Close Private Asset Management Limited (then called Rea Brothers (Investment Management) Limited) (“CPAM”), the Manager novated its duties and obligations under the Custody Agreement to CPAM. Pursuant to a separate novation agreement dated 16 June 2000 between the same parties, CPAM novated its duties and obligations under the Custody Agreement to Close Investment Limited (“CIL”). Pursuant to a further separate novation agreement dated 10 April 2007 between the Company, the Custodian, CIL and the Manager, CIL novated its duties and obligations under the Custody Agreement to the Manager.

The Custodian receives an administration and safekeeping fee and a transaction fee which varies depending on the jurisdiction in which the security is held. The fees of the Custodian are paid by the Company. The Custody Agreement contains an indemnity in favour of the Custodian against certain losses incurred in claims against it by third parties except to the extent that such losses are not

caused as a direct result of the negligence, fraud or wilful default of the Custodian and the Custodian's losses extend to taxes on or attributable to its fee income.

The Custody Agreement may be terminated by either party giving to the other not less than 90 days' notice in writing or, where the Company is dissolved, automatically upon its dissolution.

The Custodian is authorised to hold the securities and other investments of the Company at any of its branches and, subject to its duty to exercise reasonable care in their selection and continued appointment, to cause those investments to be held by any other institution acting as securities depository, clearing house or system or sub-custodian on such terms as such sub-custodian may require. The applicable sub-custodians who are appointed by the Custodian as at the date of this prospectus and who are relevant for the purposes of holding the Company's investments are:

<i>Country</i>	<i>Name of sub-custodian</i>	<i>Regulatory status of sub-custodian</i>
Canada	CIBC Mellon Global Securities Services	The Offices of the Superintendent of Financial Institutions Canada
Denmark	Danske Bank	The Danish Financial Supervisory Authority (Finanstilsynet)
Sweden	Skandinaviska Enskilda Banken AB	The Swedish Financial Supervisory Authority (Finansinspektionen)
United Kingdom	Bank of New York Mellon	The Financial Services Authority; and

11.5 the Placing Agreement referred to in paragraph 10 of this Part V.

## **12. Taxation**

### **12.1 Introduction**

The following statements are based upon current United Kingdom tax law and what is understood to be the current practice of HMRC, both of which are subject to change, possibly with retrospective effect. The statements are intended only as a general guide and may not apply to certain Shareholders, such as dealers in securities, insurance companies, collective investment schemes or Shareholders who have (or are deemed to have) acquired their shares by virtue of an office or employment, who may be subject to special rules. They apply only to Shareholders resident and ordinarily resident for United Kingdom tax purposes in the United Kingdom (except in so far as express reference is made to the treatment of non-United Kingdom residents), who hold Shares as an investment rather than trading stock and who are the absolute beneficial owners of those Shares.

The information contained in this Prospectus relating to taxation matters is a summary of the taxation matters which the Directors consider should be brought to the attention of Shareholders and is based upon the laws and practice currently in force and is subject to changes therein. All Shareholders, and in particular those who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the United Kingdom should consult their own professional advisers on the potential tax consequences of holding, transferring or otherwise disposing of Ordinary Shares under the laws of their country and/or state of citizenship, domicile or residence.

### **12.2 The Company**

It is the intention of the Directors to conduct the affairs of the Company so that it satisfies and continues to satisfy the conditions necessary for it to be approved by HMRC as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988. However, neither the Manager nor the Directors can guarantee that this approval will be maintained. One of the conditions for a company to qualify as an investment trust is that it is not a close company. The Directors consider that the Company should not be a close company immediately following the Issue. In respect of each accounting period for which the Company continues to be approved by HMRC as an investment trust, the Company will be exempt from United Kingdom taxation on its capital gains. The Company will, however, be liable to United Kingdom corporation tax on its income in the normal way. Income arising from any overseas investments may be subject to foreign withholding tax at the relevant jurisdiction's applicable rate but relief may be available under the terms of an applicable double tax treaty.

### 12.2.1 *Taxation of capital gains*

Individual Shareholders who are resident or ordinarily resident in the United Kingdom for tax purposes will generally be subject to capital gains tax at the flat rate of 18 per cent. in respect of any gain arising on a disposal or deemed disposal of their Ordinary Shares. No indexation allowance will be available to such Shareholders. However, each individual has an annual exemption such that capital gains tax is chargeable only on gains arising from all sources during the tax year in excess of this figure. The annual exemption is £10,100 for the tax year 2009-2010.

Shareholders who are individuals and who are temporarily non-resident in the United Kingdom may, under anti-avoidance legislation, still be liable to United Kingdom tax on any capital gains realised (subject to any available exemption or relief).

Corporate Shareholders who are resident in the United Kingdom for tax purposes will generally be subject to corporation tax on chargeable gains arising on a disposal of their Shares. The indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax but may not create or increase any allowable loss.

Capital losses realised on a disposal of Ordinary Shares must be set, as far as possible, against chargeable gains for the same tax year (or accounting period in the case of a corporate Shareholder), even if this reduces an individual Shareholder's total gain below the annual exemption. Any balance of losses is carried forward without time limit and set off against net chargeable gains (that is, after deducting the annual exemption) in the earliest later tax year. Losses cannot generally be carried back with the exception of losses accruing to an individual Shareholder in the year of his death.

### 12.2.2 *Taxation of dividends*

Under current tax law, the Company will not be required to withhold tax at source when paying a dividend.

An individual Shareholder who is resident in the United Kingdom for tax purposes and who receives a dividend from the Company should generally be entitled to a tax credit which may be set off to the appropriate extent against the Shareholder's total income tax liability on the dividend. An individual United Kingdom resident Shareholder will be liable to income tax on the sum of the tax credit and the dividend (the gross dividend) which will be treated as the top slice of the individual's income for United Kingdom income tax purposes. The tax credit equals 10 per cent. of the gross dividend. The tax credit therefore also equals one-ninth of the cash dividend received.

A United Kingdom resident individual Shareholder who is liable to income tax at the basic rate will be subject to tax on the dividend at the rate of 10 per cent. of the gross dividend. This means that the tax credit will satisfy in full a Shareholder's liability to income tax on the dividend.

The rate of income tax applied to dividends received by a United Kingdom resident individual Shareholder liable to income tax at the higher rate will be 32.5 per cent. to the extent that such dividends, when treated as the top slice of the Shareholder's income, fall above the threshold for higher rate income tax (up to the threshold for additional rate income tax, which is being introduced with effect from 6 April 2010). In the case of such Shareholder's liability, the tax credit will be set against, but will not fully match, the tax liability on the gross dividend. After taking account of the 10 per cent. tax credit, such Shareholder will have to account for additional tax equal to 22.5 per cent. of the gross dividend (which equals 25 per cent. of the cash dividend received) to the extent that it falls above the threshold for higher rate income tax (but, from 6 April 2010, does not exceed the threshold for additional rate income tax).

With effect from 6 April 2010, a new additional tax rate of 50 per cent. will be introduced for taxable non-savings and savings income above £150,000. From that date onwards, if and to the extent that the gross dividend received by a United Kingdom resident individual falls above the threshold for income tax at the new 50 per cent. rate, that individual will be subject

to tax on the gross dividend at the rate of 42.5 per cent. That individual would be able to set the tax credit off against part of this liability, and the effect of that set-off of the tax credit would be that such an individual would have to account for additional tax equal to 32.5 per cent. of the gross dividend (which is also equal to approximately 35 per cent. of the cash dividend received) to the extent that the gross dividend fell above the threshold for this additional rate of income tax.

Shareholders will not generally be entitled to claim a repayment of the tax credit attaching to dividends paid by the Company.

United Kingdom resident corporate Shareholders will generally not be subject to corporation tax on dividends paid by the company.

The new legislation introduced for dividends paid on or after 1 July 2009 to shareholders within the charge to United Kingdom corporation tax removes the current blanket exemption from corporation tax which generally applies to a dividend paid by one United Kingdom resident company to another. However, dividends paid on the Ordinary Shares to United Kingdom resident corporate shareholders should continue to qualify for exemption from United Kingdom corporation tax.

#### 12.2.3 *Stamp Duty and Stamp Duty Reserve Tax*

Transfers on sale of Ordinary Shares will generally be subject to United Kingdom stamp duty at the rate of 0.5 per cent. of the consideration given for the transfer. The purchaser normally pays the stamp duty.

An agreement to transfer Ordinary Shares will normally give rise to a charge to stamp duty reserve tax (SDRT) at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer. If a duly stamped transfer in respect of the agreement is produced within six years of the date on which the agreement becomes unconditional, any SDRT paid is repayable, generally with interest, and otherwise the SDRT charge is cancelled. SDRT is, in general, payable by the purchaser.

Paperless transfers of Ordinary Shares within the CREST system are generally liable to SDRT rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. Euroclear is obliged to collect SDRT on relevant transactions settled within the CREST system. Deposits of shares into CREST will not generally be subject to SDRT, unless the transfer into CREST is itself for consideration.

Where Ordinary Shares are issued or transferred (a) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty or SDRT will be payable at the higher rate of 1.5 per cent. of the amount or value of the consideration given or, in certain circumstances, the value of the Ordinary Shares. This liability for stamp duty will strictly be payable by the clearance service or depositary receipt operator or their nominee, as the case may be, but will, in practice, be payable by the participants in the clearance service or depositary receipt scheme.

#### 12.2.4 *ISAs*

The Ordinary Shares should be eligible to be held in a stocks and shares ISA, subject to applicable annual subscription limits (£7,200 for the 2009-2010 tax year (except for those aged 50 or over, for whom it is £10,200 from October 2009) and £10,200 for the 2010-2011 tax year). Investments held in ISAs will be free of United Kingdom tax on both capital gains and income. The opportunity to invest in Ordinary Shares through an ISA is restricted to certain United Kingdom resident individuals aged 18 or over.

Sums received by a Shareholder on a disposal of Ordinary Shares would not count towards the Shareholder's annual ISA subscription limit. However, a disposal of Ordinary Shares held in an ISA will not serve to make available again any part of the annual subscription limit that has already been used by the Shareholder in that tax year.

Individuals wishing to invest in Ordinary Shares through an ISA should contact their professional advisers regarding their eligibility.

#### 12.2.5 *Self-Invested Personal Pensions (SIPPs)*

The Ordinary Shares in the Company will constitute permitted investments for SIPPs.

### **13. Mandatory Bid Rules and Squeeze Out Rules**

The City Code is issued and administered by the Panel. The Panel has been designated as the supervisory authority to carry out certain regulatory functions in relation to takeovers pursuant to the Takeovers Directive. Following the implementation of the Takeovers Directive, the rules set out in the City Code which are derived from the Takeovers Directive now have a statutory basis.

The City Code applies to all takeover and merger transactions, however effected, where the offeree company has its registered office in the UK, the Isle of Man or the Channel Islands if the Company has its securities admitted to trading on a regulated market in the United Kingdom or on any stock exchange in the Channel Islands or the Isle of Man. The City Code therefore applies to the Company.

Under Rule 9 of the City Code, where (a) any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with him are interested) carries 30 per cent. or more of the voting rights of a company subject to the City Code, or (b) any person who, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. but not more than 50 per cent. of the voting rights of such a company, if such person, or any person acting in concert with him acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested, then, except with the consent of the Panel, he, and any person acting in concert with him, must make a general offer in cash to the other shareholders to acquire the balance of the shares not held by him and his concert party.

An offer under Rule 9 of the City Code must be in cash and at the highest price paid within the preceding 12 months for any shares in the Company by the person required to make the offer or any person acting in concert with him.

Under the Act, an offeror in respect of a takeover offer for the Company has the right to buy out minority shareholders where he has acquired (or unconditionally contracted to acquire) 90 per cent. in value of the shares to which the offer relates. The notice to acquire shares from minority shareholders must be sent within three months of the last day on which the offer can be accepted. The squeeze out of minority shareholders can be completed at the end of six weeks from the date the notice has been given.

In addition, where there has been a takeover offer for the Company, minority shareholders can require the offeror to purchase the remaining shares provided that at any time before the end of the period within which the offer can be accepted, the offeror has acquired (or contracted to acquire) at least 90 per cent. in value of all voting shares in the Company, which carry not less than 90 per cent. of the voting rights. A minority shareholder can exercise this right at any time until three months after the period within which the offer can be accepted. An offeror shall give the remaining shareholders notice of their rights within one month from the end of the period in which the offer can be accepted.

### **14. General**

14.1 The effect of the Issue on the Company's assets will depend upon the proceeds raised. By way of example only (based on the NAV as at the close of business on 12 November 2009 of £70.7 million, sourced from unaudited internal management accounting records maintained by the Manager on behalf of the Company), if the Issue was fully subscribed the NAV would increase by 69.3 per cent. to £119.7 million. The Company will not incur any liabilities as a result of the Issue and the Issue is not expected to materially affect the earnings per Share.

14.2 The Company has not at any time in the 12 months immediately preceding the date of this prospectus been engaged in any governmental, legal or arbitration proceedings, and the Company is not aware of any governmental, legal or arbitration proceedings pending or threatened by or

against the Company, nor of any such proceedings having been pending or threatened at any time in the 12 months immediately preceding the date of this prospectus in each case which may have, or have had in the recent past, a significant effect on the Company's financial position or profitability.

- 14.3 There has been no significant change in the financial or trading position of the Company since 30 September 2009, being the end of the last financial period for which interim financial information has been published.
- 14.4 Assuming the Issue is fully subscribed, the costs and expenses of, and incidental to, the Placing and Offer and the admission of the New Ordinary Shares to the Official List of the UK Listing Authority and to trading on the London Stock Exchange (including any irrecoverable VAT thereon) are expected to amount to approximately £0.98 million, which would represent approximately 2.0 per cent. of the gross proceeds of the Issue. Assuming the Issue is fully subscribed, the net proceeds of the Placing and Offer will be approximately £49.02 million and will be available for investment by the Company in accordance with the Company's investment objective and policy.
- 14.5 The Company is not dependent on patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Company's business or profitability.
- 14.6 The Company has no subsidiary or parent undertakings, associated companies or employees and neither owns nor leases any premises.
- 14.7 The annual fees of the auditors in respect of audit services for the financial year ended 31 March 2009 were £22,000 (excluding VAT). Apart from these fees and the fees payable as disclosed in paragraphs 5.4 and 11.3 above there are no other material fees payable by the Company.
- 14.8 An investment in the Company is suitable for investors seeking to obtain capital growth from investment in worldwide biotechnology companies and who are capable of understanding the risks and merits of such an investment and who have sufficient resources to bear any loss which might result from such an investment. Investors should be aware that they may lose their entire investment. Investors and prospective investors should consult their own professional advisers on the suitability of an investment in the Company if they are in any doubt as to its nature. The Directors believe that the profile of a typical investor in the Company is an institution or professionally advised individual or financially sophisticated non-advised private investors seeking to obtain capital growth and who understands and accepts the relatively high risks inherent in the Company's investment policy.
- 14.9 The registered office of the Company is at One Wood Street, London EC2V 7WS which is also the business address of the Directors. The Company's statutory records are maintained at 25 Southampton Buildings, London WC2A 1AL.
- 14.10 No application is being made for the New Ordinary Shares to be listed or dealt in on any stock exchange or investment exchange other than to the Official List of the UK Listing Authority and to trading on the London Stock Exchange.
- 14.11 Certificates in respect of New Ordinary Shares are expected to be despatched from 14 December 2009. Stock accounts of participants in the Placing and applicants in the Offer who elect to receive their New Ordinary Shares through the CREST System are expected to be credited on 9 December 2009.
- 14.12 All New Ordinary Shares to be made available in connection with the Placing and the Offer are offered for subscription. No New Ordinary Shares are offered for sale.
- 14.13 The Company's obligation to issue New Ordinary Shares will be conditional on (a) the passing of Resolutions 1, 2 and 3 at the General Meeting, (b) Admission occurring and (c) the Placing Agreement having become unconditional in all respects and not having been terminated in accordance with its terms before Admission. For the purposes of section 578 of the 2006 Act, the shares the subject of the Issue may be allotted if the conditions specified in this paragraph are satisfied, whether or not the Issue is subscribed in full.
- 14.14 The Issue is not divided into tranches and there is no pre-determined policy of offering preferential treatment as between applications to any investor or potential investor (whether specifically, as part

of a class, by reason of the identity of the person through whom the application is made or otherwise).

- 14.15 There is no over-allotment or green-shoe facility.
- 14.16 The New Ordinary Shares will be issued on a non-pre-emptive basis to facilitate the raising of funds to allow the Company to pursue its investment objective.
- 14.17 The Company is not (and is not required to be) regulated or authorised by the FSA under FSMA but, in common with other investment trusts listed on the Official List, is subject to the Listing Rules and the Disclosure Rules made by the FSA and is bound to comply with applicable law including the Act and FSMA.
- 14.18 The Manager is authorised and regulated by the FSA with firm reference number 460360. It is a limited liability partnership incorporated and domiciled in England and Wales. Its registration number is OC323835. It was incorporated on 8 November 2006 and its principal place of business is at 25 Southampton Buildings, London WC2A 1AL and its telephone number is +44 (0) 203 008 4910.
- 14.19 The Investment Manager is regulated by the United States Securities Exchange Commission in the conduct of its business. It is a limited liability corporation based in New York. It was incorporated on 22 November 1984 and its registered office is at 767 Third Avenue, New York, NY 10017, United States of America and its telephone number is +1 212 739 6400.
- 14.20 The Bank of New York Mellon is the custodian of the Company's assets. Its headquarters are in New York, USA, and it was registered at Companies House in the UK as a branch in England and Wales with company registration branch number BR000818 on 1 June 1965 and as an overseas company in England and Wales with registered foreign company number: FC005522 on 11 September 1964. The Custodian is authorised and regulated in the UK by the FSA under FSMA with firm reference number 122467.
- 14.21 No person has been authorised to give any information or to make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised. This document and any accompanying documents do not constitute an offer to sell or the solicitation of an offer to buy any securities in any circumstances in which such offer or solicitation is unlawful. The delivery of this document shall not under any circumstances imply that the information contained herein is correct as at any time subsequent to the date hereof or that there has not been any change in the affairs of the Company since the date hereof.
- 14.22 Winterflood Securities Limited is acting as sponsor, financial adviser and broker to the Issue. Winterflood Securities has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.
- 14.23 In relation to information provided by or sourced from Thomson Financial, Morningstar and Bloomberg, the Company confirms that such information has been accurately reproduced and as far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the information reproduced inaccurate or misleading.

## **15. Overseas Investors**

This document and any accompanying documents do not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, shares in any jurisdiction in which such offer or solicitation is unlawful and are not for distribution in or into the United States, Australia, Canada, the Republic of South Africa or Japan. The New Ordinary Shares have not been, and will not be, registered under the Securities Act or the securities laws of any state of the United States or under any of the applicable securities laws of Australia, Canada, the Republic of South Africa or Japan. Accordingly, subject to certain exceptions, the New Ordinary Shares may not be offered, sold or delivered, directly or indirectly, in or into the United States, Australia, Canada, the Republic of South Africa or Japan or to or for the account or benefit of any US person (within the meaning of Regulation S under the Securities Act), or any person resident in Australia, Canada, the Republic of South Africa or Japan. In addition, the Company has not been and will not be

registered under the United States Investment Company Act and investors will not be entitled to the benefits of such Act.

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a “Relevant Member State”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”), an offer of Shares described in this Prospectus may not be made to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Shares that has been approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that, with effect from and including the Relevant Implementation Date, an offer of securities may be offered to the public in that Relevant Member State at any time:

- (i) to any legal entity that is authorised or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities; or
- (ii) to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (iii) in any other circumstances that do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

Each purchaser of Shares described in this Prospectus located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 21(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe the securities, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Persons resident in territories other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any formalities to enable them to apply for, acquire, hold or dispose of New Ordinary Shares.

## **16. Availability of the prospectus**

Copies of this document are available for viewing only during normal business hours, free of charge at The Document Viewing Facility, The Financial Services Authority, 25 North Colonnade, Canary Wharf, London E14 6HS and from the Manager at 25 Southampton Buildings, London WC2A 1AL. Copies of this document may also be collected, free of charge during normal business hours, from the Manager at 25 Southampton Buildings, London WC2A 1AL.

## **17. Documents for inspection**

Copies of the following documents may be inspected at the principal place of business of the Company at 25 Southampton Buildings, London WC2A 1AL during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document until Admission:

- 17.1 the Memorandum and Articles of Association of the Company;
- 17.2 the terms of appointment of Directors referred to in paragraph 5.4 above;
- 17.3 the material contracts referred to in paragraph 11 above;
- 17.4 the audited accounts of the Company for the financial years ended 31 March 2007, 31 March 2008 and 31 March 2009 respectively; and
- 17.5 this document.

DATED: 16 November 2009

## PART VI

### DETAILS OF DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated in this document by reference and are available at the Company's website (<http://www.biotechgt.com>) and at the principal place of business of the Company as set out in paragraph 17 of Part V of this document.

<i>Document</i>	<i>Date published through Regulatory News Services</i>
Audited report and accounts of the Company for the year ended 31 March 2007	31 July 2007
Audited report and accounts of the Company for the year ended 31 March 2008	24 June 2008
Unaudited interim report and financial statements of the Company for the six months ended 30 September 2008	28 November 2008
Audited report and accounts of the Company for the year ended 31 March 2009	30 July 2009
Unaudited interim report and financial statements of the Company for the six months ended 30 September 2009	16 November 2009

## DEFINITIONS

In this document the following expressions shall have the meanings set out below, save where the context may otherwise require:

“1985 Act”	the Companies Act 1985, as amended;
“2006 Act”	the Companies Act 2006, as amended;
“Act”	the 2006 Act and all statutes and subordinate legislation made thereunder for the time being in force concerning companies and affecting the Company;
“Admission”	admission of the New Ordinary Shares both to the Official List and to trading on the London Stock Exchange becoming effective in accordance, respectively, with LR3.2.7G of the Listing Rules and paragraph 2.1 of the Admission and Disclosure Standards;
“Admission and Disclosure Standards”	the requirements contained in the publication “Admission and Disclosure Standards” containing, <i>inter alia</i> , the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange’s main market for listed securities;
“Application Form”	the application form to be completed by new investors in respect of the Offer for Subscription and which is found at the end of this document;
“Articles”	the articles of association of the Company in force from time to time;
“Auditors”	Grant Thornton LLP;
“Benchmark Index”	The NASDAQ Biotechnology Index (sterling adjusted);
“Business Day”	any day on which the London Stock Exchange is open for business;
“Calculation Date”	the date and time at which the Issue Price is to be calculated, expected to be at close of business on 2 December 2009;
“Capita Registrars”, “Receiving Agent” or “Registrar”	a trading name of Capita Registrars Limited;
“certificated” or “in certificated form”	in relation to a share or other security, a share or other security, title to which is recorded in the relevant register of the share or other security concerned as being held in certificated form (that is, not in CREST);
“City Code”	the City Code on Takeovers and Mergers issued and administered by the Panel;
“Combined Code”	the UK Combined Code on Corporate Governance, comprising the principles of good governance and the code of best practice annexed to the Listing Rules;
“Companies Acts”	has the meaning ascribed thereto in section 2 of the 2006 Act, namely: the company law provisions of the Act, Part 2 of the Companies (Audit, Investigations and Community Enterprise) Act 2004 (community interest companies) and the provisions of the

Companies Act 1985 and the Companies Consolidation (Consequential Provisions) Act 1985 that remain in force;

“Company”	The Biotech Growth Trust PLC;
“CREST”	the relevant system (as defined in the CREST Regulations) to facilitate the paperless settlement of share transfers and the holding of shares in uncertificated form;
“CREST Manual”	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996 and as amended from time to time);
“CREST member”	a person who has been admitted to CREST as a system-member (as defined in the CREST Regulations);
“CREST participant”	a person who is, in relation to CREST, a system participant (as defined in the CREST Regulations);
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended);
“CREST sponsor”	a CREST participant admitted to CREST as a CREST sponsor;
“CREST sponsored member”	a CREST member admitted to CREST as a sponsored member;
“Custodian”	The Bank of New York Mellon;
“Custody Agreement”	the custody terms and conditions dated 24 June 1997, as amended, between the Company, the Manager and the Custodian, further details of which are set out in Part V;
“Directors” or “Board”	the directors of the Company or the board of directors from time to time of the Company (or a duly authorised committee thereof), as the case may require; and “Director” is to be construed accordingly;
“Disclosure Rules”	the disclosure and transparency rules of the UK Listing Authority made in accordance with section 73A of the FSMA;
“Enlarged Issued Share Capital”	the issued ordinary share capital of the Company following completion of the Placing and Offer for Subscription;
“Euroclear”	Euroclear UK & Ireland Limited, the operator of CREST;
“Existing Shares”	the Ordinary Shares in issue at the date of this document;
“Form of Proxy”	the form of proxy accompanying this document for use by Shareholders in relation to the General Meeting;
“FSA”	the UK Financial Services Authority;
“FSMA”	the UK Financial Services and Markets Act 2000, as amended;
“General Meeting”	the general meeting of the Company convened for 10.00 a.m. on 4 December 2009, notice of which is set out on pages 71 to 74 of this document and including any adjournment thereof;

“HMRC”	Her Majesty’s Revenue and Customs and, where relevant, any predecessor body which carried out part of its functions and references to any approval by HMRC shall, where appropriate, include approval by an officer of Her Majesty’s Revenue and Customs;
“IFRS”	International Financial Reporting Standards;
“Investment Manager” or “OrbiMed”	OrbiMed Capital LLC;
“Investment Management Agreement”	the investment advisory agreement dated 26 April 2005 between the Company and the Investment Manager as amended and restated by agreement between the Company and the Investment Manager dated 5 April 2007, further details of which are set out in Part V;
“ISA”	Individual Savings Account;
“ISA Regulations”	the Individual Savings Account Regulations 1998 (SI 1998/1870) (as amended);
“Issue”	the issue of New Ordinary Shares pursuant to the Placing and the Offer for Subscription;
“Issue Price”	the price per share at which the New Ordinary Shares are to be issued as described in Part III of this document;
“Listing Rules”	the rules, including the listing rules, the Prospectus Rules and the Disclosure Rules, made by the UK Listing Authority under section 73A of the FSMA;
“London Stock Exchange”	London Stock Exchange plc or its main market (being part of its regulated market for listed securities), as the context may require;
“Management Agreement”	the management, administrative and secretarial services agreement dated 5 April 2007 between the Company and the Manager, further details of which are set out in Part V;
“Manager”, “Administrator” or “Company Secretary”	Frostrow Capital LLP;
“member account ID”	the identification code or number attached to any member account in CREST;
“Money Laundering Regulations”	the Money Laundering Regulations 2007 (SI 2007/2157) (as amended);
“NAV per Share” or “Net Asset Value per Share”	the Net Asset Value of the Company divided by the number of Shares in issue;
“NAV” or “Net Asset Value”	the aggregate value of the net assets of the Company (that is, the value of its assets less the amount of its liabilities), calculated in accordance with the Company’s normal accounting and reporting policies from time to time;
“New Ordinary Shares”	new Shares to be issued pursuant to the Issue;
“Offer for Subscription” or “Offer”	the offer for subscription of New Ordinary Shares, details of which are contained in this document;
“Official List”	the Official List of the UK Listing Authority;

“Ordinary Shares” or “Shares”	ordinary shares of 25 pence each in the capital of the Company;
“Overseas Investor”	a person who is not resident in, or who is outside or who has a registered address outside, the United Kingdom;
“Panel”	the Panel on Takeovers and Mergers;
“participant ID”	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant;
“Placing”	the placing of New Ordinary Shares, details of which are contained in this document;
“Placing Agent” or “Winterflood Securities”	Winterflood Securities Limited, acting through its division, Winterflood Investment Trusts;
“Placing Agreement”	the placing and offer agreement dated 16 November 2009 between the Company, the Investment Manager, the Manager and the Placing Agent, further details of which are set out in Part V;
“Plan Participants”	persons holding shares through Alliance Trust Savings Limited;
“Proposals”	the Placing and Offer for Subscription and the other matters referred to under the heading “The Resolutions” in Part I;
“Prospectus Rules”	the prospectus rules made by the FSA under sections 73A and 84 of the FSMA;
“Receiving Agent”	Capita Registrars;
“Regulation S”	Regulation S under the US Securities Act;
“Regulatory Information Service”	one of the regulatory information services authorised by the UK Listing Authority to receive, process and disseminate regulatory information in respect of listed companies;
“Resolutions”	the resolutions to be proposed at the General Meeting, as set out in the notice of General Meeting on pages 71 to 74 of this document;
“Shareholders”	holders of Ordinary Shares;
“SIPPS”	a self-invested personal pension scheme as previously defined in Regulation 3 of the Retirement Benefits Schemes (Restriction on Discretion to Approve) (Permitted Investments) Regulations 2001 and now governed by Part 4 of the Finance Act 2004;
“SORP”	the Statement of Recommended Practice for Financial Statements of Investment Trust Companies issued by the Association of Investment Companies;
“stock account”	an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited;
“Terms and Conditions of Application”	the Terms and Conditions of Application under the Offer for Subscription set out at pages 75 to 82 of this document;
“UK Listing Authority” or “UKLA”	the FSA acting in its capacity as the competent authority for the purposes of Part VI of the FSMA or any successor enactment;
“uncertificated” or “in uncertificated	in relation to a share or other security, title to which is recorded in

form”	the relevant register of the share or other security concerned as being held in uncertificated form (that is, in CREST) and title to which may be transferred by means of CREST;
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland (including the Channel Islands and the Isle of Man);
“United States” or “US”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
“US Person”	has the meaning assigned to it in Regulation S under the US Securities Act;
“US Securities Act”	the US Securities Act of 1933, as amended; and
“VAT”	value added tax under the Value Added Tax Act 1994.

In this document, unless otherwise specified, all references to “**sterling**”, “**pounds**” or “**£**” are to United Kingdom pounds sterling, all references to “**pence**” or “**p**” are to United Kingdom pence sterling and all references to “**\$**”, “**US\$**”, “**dollars**” or “**US dollars**” are to the lawful currency of the US.

All references to time in this document are to London local time unless otherwise specified.

## NOTICE OF GENERAL MEETING

# The Biotech Growth Trust PLC

*(Incorporated and registered in England and Wales with registered number 3376377;  
an investment company under section 833 of the Companies Act 2006)*

**NOTICE IS HEREBY GIVEN** that a General Meeting of The Biotech Growth Trust PLC (the “**Company**”) will be held at 10.00 a.m. on Friday, 4 December 2009 at the offices of Dechert LLP, 160 Queen Victoria Street, London EC4V 4QQ to consider, and if thought fit, pass the following resolutions, of which resolutions 1 and 2 will be proposed as ordinary resolutions and resolutions 3, 4 and 5 will be proposed as special resolutions:

### **Ordinary Resolution – Removal of limit on shares that may be allotted**

1. THAT the articles of association of the Company be and are hereby amended by removing the provision that is treated, by virtue of paragraph 42(2) of Schedule 2 to The Companies Act 2006 (Commencement No. 8, Transitional Provisions and Savings) Order 2008, as a provision restricting the maximum amount of shares that may be allotted by the Company.

### **Ordinary Resolution – Authority to allot shares**

2. THAT in substitution for all existing authorities the directors of the Company be and are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for, or to convert any security into, shares in the Company up to a maximum aggregate nominal amount of £56,253,187, provided that the exercise of such authority shall be limited to:
  - (a) the allotment of up to 200,000,000 New Ordinary Shares on or before 31 December 2009 pursuant to the Placing and Offer for Subscription (as those terms are defined in the prospectus (the “**Prospectus**”) of the Company accompanying the notice convening the meeting at which this resolution is proposed); and
  - (b) the allotment, otherwise than pursuant to such Placing and Offer for Subscription (as so defined), of shares in the Company or the grant of rights to subscribe for, or to convert any security into, shares in the Company up to a maximum aggregate nominal amount equal to 10 per cent. of the issued share capital of the Company immediately following the Issue (as defined in the Prospectus),

and provided that this authority shall, unless previously revoked, varied or renewed by the Company in general meeting, expire at the conclusion of the annual general meeting of the Company to be held in 2010 or 15 months from the date of the passing of this resolution whichever is earlier, and that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might require shares to be allotted after such expiry and the Board may allot shares pursuant to such offer or agreement as if the authority conferred hereby had not expired

### **Special Resolution – Disapplication of pre-emption rights**

3. THAT, subject to the passing of resolution 2 set out in the notice convening the meeting at which this resolution is proposed and in substitution for all existing powers, the directors of the Company be and are hereby generally empowered pursuant to sections 570 and 573(2) of the Companies Act 2006 (the “**Act**”) (1) to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by such resolution 2 as if subsection (1) of section 561 of the Act did not apply to any such allotment or (2) sell ordinary shares (within the meaning of section 560 of the Act) if, immediately before such sale such shares (“**Treasury Shares**”) are held by the Company as treasury shares for the purposes of section 724 of the Act for a cash consideration (having the meaning in section 727(2) of the Act) as if sub-section (1) of section 561 of the Act did not apply to any such sale, provided that the power conferred by this resolution shall be limited to:
  - (a) the allotment for cash of up to 200,000,000 New Ordinary Shares pursuant to the Placing and Offer for Subscription (as those terms are defined in the prospectus of the Company accompanying the notice convening the meeting at which this resolution is proposed);

- (b) allotments of equity securities and the sale of Treasury Shares whether by way of a rights issue, open offer or otherwise to holders of ordinary shares in the capital of the Company where the equity securities and/or Treasury Shares respectively attributable to the interests of the Company's shareholders are in proportion (as nearly as may be) to their respective existing holdings of ordinary shares but subject to the directors having a right to make such exclusions or other arrangements in connection with the offer as they deem necessary or expedient:
  - (i) to deal with equity securities representing fractional entitlements; and
  - (ii) 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
- (c) the allotment (otherwise than pursuant to sub-paragraphs (a) or (b)) of equity securities up to a maximum aggregate nominal amount equal to 10 per cent. of the issued share capital of the Company following the Issue (as defined in the Prospectus),

and shall expire at the conclusion of the annual general meeting of the Company to be held in 2010 or 15 months from the date of the passing of this resolution whichever is earlier, 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 for cash or Treasury Shares to be sold after such expiry and the Board may so allot equity securities or sell Treasury Shares pursuant to such offer or agreement as if the power conferred hereby had not expired.

#### **Special Resolution – Purchase of own shares**

4. THAT the Company be generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 (the “**Act**”) to make one or more market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 25 pence in the capital of the Company (“**ordinary shares**”) provided that:
  - (a) the maximum aggregate number of ordinary shares authorised to be purchased is 37,494,106 or, if less, the number representing 14.99 per cent. of the allotted ordinary share capital of the Company on the date on which the New Ordinary Shares (as defined in the prospectus of the Company accompanying the notice convening the meeting at which this resolution is proposed) are first admitted to the Official List of the UK Listing Authority;
  - (b) the minimum price which may be paid for an ordinary share is 25 pence;
  - (c) the maximum price which may be paid for an ordinary share is an amount equal to the greater of (i) 105 per cent. of the middle market price per 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 (ii) the higher of the price of the last independent trade in the ordinary shares and the highest then current independent bid for an ordinary share on the London Stock Exchange;
  - (d) this authority expires at the conclusion of the next annual general meeting of the Company to be held in 2010 or 15 months from the date of the passing of this resolution whichever is earlier; and
  - (e) the Company may make a contract to purchase ordinary shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of ordinary shares in pursuance of any such contract.

#### **Special Resolution – Release from continuation vote in 2010**

5. THAT the Company continue as an investment trust for a further five year period (from the annual general meeting in 2010) and that the Directors be released from their obligation under article 151(A) of the articles of association of the Company to propose an ordinary resolution to that effect at the annual general meeting falling in the calendar year 2010.

By Order of the Board  
  
Frostrow Capital LLP  
*Company Secretary*

*Registered Office*  
One Wood Street  
London EC2V 7WS

16 November 2009

Notes:

#### **Entitlement to attend and vote**

1. Pursuant to Regulation 41 of the CREST Regulations, the Company has specified that to be entitled to attend and vote at the meeting (and for the purposes of determination by the Company of the number of votes they may cast), only members entered on the Company's register of members:

- (a) by 5.30 p.m. on 2 December 2009; or
- (b) if this meeting is adjourned, at 5.30 p.m. on the day two days prior to the adjourned meeting,

shall be entitled to attend and vote at the meeting. Changes to entries on the register of members after 5.30 p.m. on that date shall be disregarded in determining the rights of any person to attend and vote at the meeting.

#### **Website giving information regarding the Meeting**

2. Information regarding the meeting, including the information required by section 311A of the Act, is available from <http://www.biotechgt.com>.

#### **Attending in person**

3. If a member wishes to attend the meeting in person, on arrival at the venue for the meeting you should register your attendance with the Company's registrars.

#### **Appointment of Proxies**

4. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote in his stead. Where more than one proxy is appointed, each proxy must be appointed to exercise the rights attached to a different share or shares. A proxy need not be a member of the Company. In order to be valid an appointment of proxy must be returned by one of the following methods:

- (a) in hard copy form by post, by courier or by hand to the Company's registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; or
- (b) via Capita Registrar's website <http://www.capitashareportal.com>;
- (c) in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below,

and in each case to be received by the Company not less than 48 hours before the time of the meeting. Appointment of a proxy does not prevent a member from attending and voting at this meeting.

5. Recipients who are not members of the Company but who have been nominated by a member of the Company to enjoy information rights under section 146 of the Act do not have any right to appoint any proxies under the procedures set out in this "Appointment of Proxies" section. Please read the section "Nominated persons" below.

#### **Appointment of Proxies using the Form of Proxy**

6. A Form of Proxy is enclosed. To be effective, a Form of Proxy must be completed, signed and lodged with Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the meeting. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
7. Details of how to appoint the Chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If a member wishes their proxy to speak on their behalf at the meeting they will need to appoint their own choice of proxy (not the Chairman) and give instructions directly to them.

#### **Electronic appointment of proxies**

8. As an alternative to completing the hard-copy proxy form, you can appoint a proxy electronically via Capita Registrar's website <http://www.capitashareportal.com>. To vote online you will need to log in to your share portal account (or register for the share portal account if you have not already done so). To register for the share portal account you will need your Investor Code which is shown on your hard copy Form of Proxy. Once successfully registered you will immediately be able to vote. For an electronic proxy appointment to be valid, your appointment must be received by Capita Registrars no later than 10.00 a.m. on 2 December 2009.

#### **Appointment of proxies through CREST**

9. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (available from <https://www.euroclear.com/site/public/EUI>). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
10. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in this document. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

11. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
12. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the CREST Regulations.

#### **Appointment of proxy by joint members**

13. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

#### **Changing proxy instructions**

14. To change their proxy instructions a member needs to submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.
15. If a member submits more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

#### **Termination of proxy appointments**

16. In order to revoke a proxy instruction a member will need to inform the Company by sending a signed hard copy notice clearly stating the member's intention to revoke their proxy appointment to Capita Registrars at Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
17. In either case, the revocation notice must be received by Capita Registrars not more than one hour prior to the time for holding the meeting or adjourned meeting. If a member attempts to revoke their proxy appointment but the revocation is received after the time specified then, unless the member attends the meeting in person, such proxy appointment will remain valid. If a member has appointed a proxy and attends the meeting in person, any proxy appointment will automatically be terminated.

#### **General**

18. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, a member's proxy will vote or abstain from voting at their discretion. A member's proxy will vote (or abstain from voting) as they think fit in relation to any other matter which is put before the meeting.

#### **Corporate representatives**

19. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

#### **Nominated persons**

20. If the recipient is a person (a "**Nominated Person**") who has been nominated under section 146 of the Act to enjoy information rights: (i) the recipient may have a right under an agreement between the recipient and the member (the "**Relevant Member**") of the Company who has nominated the recipient to have information rights to be appointed or to have someone else appointed as a proxy for the Meeting; and (ii) if the recipient either does not have such a right or if the recipient has such a right but does not wish to exercise it, the recipient may have a right under an agreement between the recipient and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights.

#### **Communication**

21. Members may not use any electronic address (within the meaning of section 333(4) of the Act) provided in this Notice (or in any related documents including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

#### **Questions at the Meeting**

22. Under section 319A of the Act, the Company must answer any question a member asks relating to the business being dealt with at the meeting unless: (i) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (ii) the answer has already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

#### **Issued shares and total voting rights**

23. As at close of business on 12 November 2009, the Company's issued share capital comprised 50,127,463 Ordinary Shares of 25 pence each. Each Ordinary Share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at that date is 50,127,463.

## TERMS AND CONDITIONS OF THE OFFER FOR SUBSCRIPTION

### 1. Introduction

In the case of a joint Application, references to “you” or the “applicant” in these terms and conditions of Application are to each of you, and your liability is joint and several. Please ensure you read these terms and conditions in full before completing the Application Form. Save where the context otherwise requires and unless otherwise defined, words and expressions defined in the prospectus dated 16 November 2009 issued by The Biotech Growth Trust PLC have the same meanings when used in the Application Form and these terms and conditions.

If you have any queries then please contact Capita Registrars on 0871 664 0321 from within the UK or on + 44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute plus your service provider’s network extras. Lines are open 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday. Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide any financial, legal or tax advice.

If you apply for New Ordinary Shares under the Offer, you will be agreeing with the Company, Winterflood Securities and the Receiving Agent as follows:

### 2. Offer to purchase New Ordinary Shares

2.1 Applications must be made on the Application Form attached at the end of this document. By completing and delivering an Application Form, you, as the applicant, and, if you sign the Application Form on behalf of another person or a corporation, that person or corporation:

- 2.1.1 offer to subscribe for the number of New Ordinary Shares (rounded down to the nearest whole number) as shall have an aggregate value, at the Issue Price, equal to the amount specified in your Application Form (or such lesser number for which your application is accepted) on the terms and subject to the conditions (including these Terms and Conditions of Application) set out in this document, the memorandum of association of the Company and the Articles;
- 2.1.2 agree that, in consideration of the Company and Winterflood Securities agreeing to process your application, your application may not be revoked until after 31 December 2009 and that this paragraph 2.1.2 shall constitute a collateral contract between you, the Company and Winterflood Securities which will become binding upon dispatch by post to or, in the case of delivery by hand, on receipt by the Receiving Agent of your Application Form;
- 2.1.3 warrant that the cheque or banker’s draft accompanying your Application Form may be presented for payment on receipt and that it will be honoured on first presentation and agree that if it is not so honoured you will not be entitled to have the New Ordinary Shares applied for in uncertificated form credited to a CREST account or to receive a certificate for the New Ordinary Shares applied for in certificated form or to enjoy or receive any rights in respect of such securities unless and until you make payment in cleared funds for the New Ordinary Shares subscribed for by you and such payment is received and accepted by the Company (which acceptance shall be in its absolute discretion and on the basis that you indemnify the Company and the Receiving Agent against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and that, at any time prior to the unconditional acceptance by the Company of such late payment, the Company may (without prejudice to any other rights it may have) avoid the agreement to allot such New Ordinary Shares and may issue or allot them to some other person, in which case you will not be entitled to any refund or payment in respect thereof (other than the refund to you at your risk of any proceeds of the remittance, once honoured, which accompanied your Application Form, without interest);
- 2.1.4 agree that the crediting to a CREST account of any New Ordinary Shares in uncertificated form to which you may become entitled may be delayed by, and that any certificate in respect of any New Ordinary Shares in certificated form to which you or, in the case of joint applicants,

any of the persons specified by you in your Application Form, may become entitled and monies returnable may be retained by, the Receiving Agent:

- (a) pending clearance of your remittance;
- (b) pending investigation of any suspected breach of the warranties contained in paragraph 6.1, 6.2, 6.6, 6.8 or 6.9 of these Terms and Conditions of Application or any other suspected breach of these Terms and Conditions of Application; or
- (c) pending completion of any verification of identity which is, or which Winterflood Securities or the Receiving Agent consider may be, required for the purposes of the Money Laundering Regulations;

and any interest accruing on any retained monies shall accrue to and for the benefit of the Company;

- 2.1.5 undertake to provide satisfactory evidence of identity within such reasonable time (in each case to be determined in the absolute discretion of the Company and the Receiving Agent) to ensure compliance with Money Laundering Regulations;
  - 2.1.6 agree, on the request of Winterflood Securities or the Receiving Agent, to disclose promptly in writing to them such information as Winterflood Securities or the Receiving Agent may request in connection with your application and authorise Winterflood Securities and the Receiving Agent to disclose any information relating to your application which they may consider appropriate;
  - 2.1.7 agree that, if evidence of identity satisfactory to Winterflood Securities and/or the Receiving Agent is not provided to the Receiving Agent within a reasonable time following a request therefor, the Company or Winterflood Securities may terminate the agreement with you to allot New Ordinary Shares and, in such case, the New Ordinary Shares which would otherwise have been allotted to you may be re-allotted and your application monies will be returned by cheque to the first-named applicant, without interest;
  - 2.1.8 agree that you are not applying on behalf of a person engaged in money laundering;
  - 2.1.9 undertake to ensure that, in the case of an Application Form signed by someone else on your behalf, the original of the relevant power of attorney (or a complete copy certified by a solicitor or notary) is enclosed with your Application Form;
  - 2.1.10 undertake to pay interest at the rate described in paragraph 3.3 of these Terms and Conditions of Application if the remittance accompanying your Application Form is not honoured on first presentation;
  - 2.1.11 authorise the Receiving Agent to credit the CREST account specified in the Application Form with the number of New Ordinary Shares for which your application is accepted or, if that box is not completed, send a definitive certificate in respect of the number of New Ordinary Shares for which your application is accepted by post to your address (or that of the first-named applicant) as set out in your Application Form;
  - 2.1.12 agree that in the event of any difficulties or delays in the admission of the New Ordinary Shares to CREST or the use of CREST in relation to the Issue, the Company and Winterflood Securities may agree that all of the New Ordinary Shares should be issued in certificated form;
  - 2.1.13 authorise the Receiving Agent to send a crossed cheque for any monies returnable by post to your address (or that of the first-named applicant) as set out in your Application Form;
  - 2.1.14 confirm that you have read and complied with the restrictions and undertakings, including the provisions of paragraph 8, of these Terms and Conditions of Application; and
  - 2.1.15 agree that your Application Form is addressed to the Company and to Winterflood Securities.
- 2.2 Any application may be limited, scaled down or rejected in whole or in part.

### **3. Acceptance of your Offer**

- 3.1 Winterflood Securities may, on behalf of the Company, accept your offer to subscribe (if your application is received, valid (or treated as valid), processed and not rejected) either:
- 3.1.1 by notifying a Regulatory Information Service of the basis of allocation (in which case the acceptance will be on that basis); or
  - 3.1.2 by notifying acceptance to the Receiving Agent.
- 3.2 The basis of allocation will be determined by the Company in consultation with Winterflood Securities. The right is reserved notwithstanding the basis so determined to reject in whole or in part and/or scale down or limit any application. The right is also reserved to treat as valid any application not complying fully with these Terms and Conditions of Application or not in all respects completed or delivered in accordance with the instructions accompanying the Application Form, including if the accompanying cheque or banker's draft is for the wrong amount. In particular, but without limitation, the Company may accept an application made otherwise than by completion of an Application Form where you have agreed with the Company in some other manner to apply in accordance with these Terms and Conditions of Application. The Company reserves the right (but shall not be obliged) to accept Application Forms and accompanying remittances which are received through the post after 1.00 p.m. on 1 December 2009. Dealings prior to the issue of New Ordinary Shares will be at the risk of Applicants. A person so dealing must recognise the risk that an application may not be accepted to the extent anticipated or at all.
- 3.3 The right is reserved to present all cheques for payment on receipt by the Receiving Agent and to retain documents of title and surplus application monies pending clearance of successful applicants' cheques. Winterflood Securities may, as agent of the Company, require you to pay interest or its other resulting costs (or both) if the cheque accompanying your application is not honoured on first presentation. If you are required to pay interest, you will be obliged to pay the amount determined by Winterflood Securities to be the interest on the amount of the cheque from the date on which the basis of allocation under the Offer for Subscription is publicly announced until the date of receipt of cleared funds. The rate of interest will be the then published bank base rate of a clearing bank selected by Winterflood Securities plus 2 per cent. per annum.
- 3.4 Fractions of New Ordinary Shares will not be issued. To the extent that the fixed sum specified in relation to any application for New Ordinary Shares, whether through the Placing or under the Offer, exceeds the aggregate value, at the Issue Price, of the New Ordinary Shares issued pursuant to such application, the balance of such sum will be returned by cheque to the placee or applicant concerned, provided that amounts, otherwise returnable, of £5.00 or less will be retained for the benefit of the Company.

### **4. Conditions**

- 4.1 The contracts created by the acceptance of applications (in whole or in part) under the Offer for Subscription will be conditional upon:
- 4.1.1 the passing of Resolutions 1, 2 and 3 at the General Meeting;
  - 4.1.2 admission of the New Ordinary Shares to the Official List of the UK Listing Authority and to trading on the London Stock Exchange by 8.00 a.m. on 9 December 2009 (or such later time or date, not being later than 31 December 2009, as the Company and Winterflood Securities may agree); and
  - 4.1.3 the Placing and Offer Agreement referred to in paragraph 10 of Part V of this document becoming unconditional and the obligations of Winterflood Securities thereunder not being terminated.
- 4.2 You will not be entitled to exercise any remedy of rescission for innocent misrepresentation (including pre-contractual representations) at any time after acceptance. This does not affect any other right you may have.

## **5. Return of Application Monies**

If any application is rejected, or is accepted in part only or if any contract created by acceptance does not become unconditional, the application monies or, as the case may be, the balance of the amount paid on application will be returned, without interest, by returning your cheque, or by crossed cheque in favour of the first-named applicant, by post at the risk of the person(s) entitled thereto. In the meantime, application monies will be retained by the Receiving Agent in a separate account.

## **6. Warranties**

By completing an Application Form, you:

- 6.1 warrant that, if you sign the Application Form on behalf of somebody else or on behalf of a corporation, you have due authority to do so on behalf of that other person or corporation and that such other person or corporation will be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these Terms and Conditions of Application and undertake to enclose your power of attorney or other authority or a complete copy thereof duly certified by a solicitor or notary;
- 6.2 if the laws of any territory or jurisdiction outside the United Kingdom are applicable to your application, warrant that you have complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory or jurisdiction and that you have not taken any action or omitted to take any action which will or may result in the Company, Winterflood Securities or the Receiving Agent or any of their respective officers, agents or employees acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside the United Kingdom in connection with the Offer for Subscription or in respect of your application;
- 6.3 confirm that, in making an application, neither you nor any person on whose behalf you are applying is relying on any information or representations in relation to the Company other than those contained in this document (on the basis of which alone your application is made) and, accordingly, you agree that no person responsible solely or jointly for this document or any part of it shall have any liability for any such other information or representation;
- 6.4 agree that, having had the opportunity to read this document, you shall be deemed to have had notice of all information and representations contained in it;
- 6.5 acknowledge that no person is authorised in connection with the Offer for Subscription to give any information or make any representation other than as contained in this document and, if given or made, any information or representation must not be relied upon as having been authorised by the Company or Winterflood Securities;
- 6.6 warrant that you are not under the age of 18 on the date of your application;
- 6.7 agree that all documents and monies sent by post to, by or on behalf of the Company, Winterflood Securities or the Receiving Agent will be sent at your risk and, in the case of documents and returned monies to be sent to you, may be sent to you at your address (or in the case of joint applicants, the address of the first-named applicant) as set out in your Application Form;
- 6.8 warrant that you are not applying as, or as nominee or agent of, a person who is or may be a person mentioned in any of sections 67, 70, 93 or 96 of the Finance Act 1986 (depository receipts and clearance services); and
- 6.9 confirm that you have reviewed the restrictions contained in paragraph 8 of these Terms and Conditions of Application and warrant, to the extent relevant, that you (and any person on whose behalf you apply) comply or have complied with the provisions in that paragraph.

## **7. Money Laundering**

- 7.1 To ensure compliance with the Money Laundering Regulations, the Receiving Agent at its absolute discretion, may require verification of identity from any applicant, and, without prejudice to the generality of the foregoing, in particular from any person who appears to the Receiving Agent to be acting on behalf of some other person. This may involve verification of his/her name and address through a reputable agency.

The Company is entitled to treat as invalid and reject an Application Form if (on the basis of the expected timetable) by 1.00 p.m. on 1 December 2009 the Receiving Agent has determined pursuant to procedures maintained under the Money Laundering Regulations that satisfactory evidence as to identity has not been and is unlikely to be received within a reasonable period of time in respect of the Application Form in question.

Where possible applicants should make payment by a cheque drawn on an account in their own name. Cheques and banker's drafts must be drawn in sterling on an account at a bank branch in the United Kingdom or the Channel Islands and must bear a United Kingdom bank sort code number in the top right hand corner. Your payment must relate solely to this application. No receipt will be issued. The following is provided by way of guidance to reduce the likelihood of difficulties, delays and potential rejection of an Application Form (but without limiting the Receiving Agent's right to require verification of identity as indicated above):

- 7.1.1 if a banker's draft or building society cheque is used, the Applicant should ensure that the bank or building society endorses the name of the applicant on the back of the banker's draft or building society cheque and add the branch stamp;
- 7.1.2 if an Applicant makes the application as agent for one or more persons, he should indicate on the Application Form whether he is a UK or EU regulated person or institution (for example, a bank or stockbroker) and specify his status. If an Applicant is not a UK or EU regulated person or institution, he should contact the Receiving Agent; and
- 7.1.3 if an Applicant lodges an Application Form by hand, but the accompanying payment is not a cheque drawn in his own name, he should ensure that he has evidence of identity including his photograph (e.g. passport).

All original documents will be returned by post at the applicant's risk.

- 7.2 If you are making the application as agent for one or more persons, you should provide evidence with the Application Form that you are subject to the Money Laundering Directive, confirming your regulated status and naming the regulatory authority of your home state or jurisdiction.
- 7.3 Cheques, which must be drawn on a personal account to which you have sole or joint title to the funds, should be made payable to "Capita Registrars Limited – A/C The Biotech Growth Trust PLC". Third party cheques, other than building society cheques or banker's drafts where the building society or bank has complied with the requirements in paragraph 7.1.1 above, will not be accepted. Payments must be made by cheque or banker's draft in pounds sterling drawn on a branch in the UK of a bank or building society that is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques to be cleared through the facilities provided for the members of either of those companies and must bear the appropriate sort code in the top right-hand corner. Cheques may be cashed immediately upon receipt. Post-dated cheques will not be accepted.

## **8. Overseas Investors**

- 8.1 No person receiving a copy of the Application Form in any territory other than the UK may treat the same as constituting an invitation or offer to him; nor should he in any event use an Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or the Application Form could lawfully be used without contravention of any, or compliance with any unfulfilled, registration or other legal or regulatory requirements. It is the responsibility of any person outside the UK wishing to apply for New Ordinary Shares under the Offer for Subscription to satisfy himself as to the full observance of the laws of any relevant territory in connection with any such application, including obtaining any requisite governmental or other consents, observing any other

formalities requiring to be observed in any such territory and paying any issue, transfer or other taxes required to be paid in any such territory.

- 8.2 This document and any accompanying documents do not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, shares in any jurisdiction in which such offer or solicitation is unlawful and are not for distribution in or into the United States, Australia, Canada, the Republic of South Africa or Japan. The New Ordinary Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States or under any of the applicable securities laws of Australia, Canada, the Republic of South Africa or Japan. Accordingly, subject to certain exceptions, the New Ordinary Shares may not be offered, sold or delivered, directly or indirectly, in or into the United States, Australia, Canada, the Republic of South Africa or Japan or to or for the account or benefit of any US person (within the meaning of Regulation S under the US Securities Act), or any person resident in Australia, Canada, the Republic of South Africa or Japan. In addition, the Company has not been and will not be registered under the United States Investment Company Act and investors will not be entitled to the benefits of such Act.
- 8.3 Persons resident in territories other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any formalities to enable them to apply for, acquire, hold or dispose of New Ordinary Shares.
- 8.4 In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a “Relevant Member State”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”), an offer of Shares described in the Prospectus may not be made to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Shares that has been approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that, with effect from and including the Relevant Implementation Date, an offer of securities may be offered to the public in that Relevant Member State at any time:
- 8.4.1 to any legal entity that is authorised or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities; or
- 8.4.2 to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- 8.4.3 in any other circumstances that do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.
- 8.5 Each purchaser of Shares described in the Prospectus located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 21(1)(e) of the Prospectus Directive.
- 8.6 For purposes of these terms and conditions, the expression an “offer to the public” in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe the securities, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.
- 8.7 In making your application under the Offer you will, unless the Company and Winterflood Securities agree otherwise in writing, be deemed to represent and warrant to the Company that you are not a US Person or a person that is (a) an employee benefit plan subject to Part 4 of Title I of the United States Employee Retirement Income Security Act of 1974, as amended; (b) a plan to which Section 4975 of the United States Internal Revenue Code of 1986, as amended, applies; or (c) an entity whose underlying assets include plan assets by reason of a plan’s investment in such entity, and that you are not subscribing for such New Ordinary Shares for the account of any US Person and will not offer, sell, renounce, transfer or deliver, directly or indirectly, any New Ordinary Shares in the United

States or to any US Person. No application will be accepted if it bears an address in the United States.

## **9. Data Protection**

- 9.1 The Company will operate a data protection policy in accordance with the provisions of the Data Protection Act 1998. By completing the Application Form you consent to the processing of your personal data and other information in accordance with the remainder of this section 9 and any additional purpose set out in the Company's data protection policy (as amended from time to time). For the purposes of the Data Protection Act 1998, the data controller in respect of any personal information provided for investors in the Company shall be the Company. In this notice "we", "us" and "our" means the Company, its delegates, sub-contractors and functionaries, its subsidiaries and parent companies and associates and their officers, secretaries and employees.
- 9.2 The personal information that you provide to us may be used for a number of different purposes including to manage and administer the Company, to comply with legal or regulatory requirements in the United Kingdom or elsewhere, including verifying identity to prevent fraud or other financial crime and to identify you when you contact us. We may use external third parties to process your personal information on our behalf in accordance with these purposes.
- 9.3 Where you have notified us of your adviser, the personal information provided may be shared with such adviser. You must notify us in writing if you no longer wish us to share your personal information with your adviser or of any change to your adviser. Your adviser should have its own arrangements with you about its use of your personal information. The personal information provided may also be shared with other organisations in order for us to comply with any legal or regulatory requirements. In addition, we may share your personal information with the companies within the same corporate group for the purposes set out in this notice.
- 9.4 If we undergo a group reorganisation or are sold to a third party, the personal information provided to us may be transferred to that reorganised entity or third party and used for the purposes highlighted above.
- 9.5 We may transfer your personal information to countries located outside of the European Economic Area (the "EEA"), this may happen when our servers, suppliers, agents and/or service providers are based outside of the EEA. The data protection laws and other laws of these countries may not be as comprehensive as those that apply within the EEA.
- 9.6 With limited exceptions, you have the right to ask for a copy of the information that we hold on you. There may be a charge for this (if a charge is permitted). If any of the information that we hold about you is wrong, please tell us and we will put it right. You can write to the Company to change your details at its registered address.

## **10. Miscellaneous**

- 10.1 To the extent permitted by law, all representations, warranties and conditions, express or implied and whether statutory or otherwise (including, without limitation, pre-contractual representations but excluding any fraudulent representations), are expressly excluded in relation to the New Ordinary Shares and the Offer for Subscription.
- 10.2 The rights and remedies of the Company, Winterflood Securities and the Receiving Agent pursuant to these Terms and Conditions of Application are in addition to any rights and remedies which would otherwise be available to any of them, and the exercise or partial exercise of one will not prevent the exercise of others.
- 10.3 The Company reserves the right to delay the closing time of the Offer for Subscription from 1.00 p.m. on 1 December 2009 by giving notice to the UK Listing Authority. In this event, the revised closing time will be published in such manner as the Company, in consultation with Winterflood Securities, determines subject, and having regard, to the requirements of the UK Listing Authority.

- 10.4 Either of the Company or Winterflood Securities may terminate the Placing and Offer Agreement prior to Admission. If such right is exercised, the Offer for Subscription will lapse and any monies will be returned to you, without interest.
- 10.5 You agree that Winterflood Securities is acting for the Company in connection with the Issue and for no-one else and that Winterflood Securities will not treat you as its customer by virtue of such application being accepted or owe you any duties concerning the price of New Ordinary Shares or concerning the suitability of New Ordinary Shares for you or otherwise in relation to the Issue.
- 10.6 You authorise the Receiving Agent, Winterflood Securities or any person authorised by them or the Company, as your agent, to do all things necessary to effect registration of any New Ordinary Shares for which your application is accepted into your name(s) or into the name(s) of any person(s) in whose favour the entitlement to any such New Ordinary Shares has been transferred and authorise any representative(s) of the Receiving Agent or of Winterflood Securities to execute and/or complete any document required therefor.
- 10.7 You agree that all applications, acceptances of applications and contracts resulting therefrom under the Offer for Subscription shall be governed by and construed in accordance with English law and that you irrevocably submit to the jurisdiction of the English courts and agree that nothing shall limit the right of the Company, Winterflood Securities or the Receiving Agent to bring any action, claim or proceedings arising out of or in connection with any such applications, acceptances and contracts in any other manner permitted by law or in any court of competent jurisdiction.
- 10.8 The dates and times referred to in these Terms and Conditions of Application may be altered by the Company so as to be consistent with the Placing and Offer Agreement (as the same may be altered from time to time in accordance with its terms).
- 10.9 Save where the context requires otherwise, terms used in these Terms and Conditions of Application shall bear the same meanings as are ascribed to them elsewhere in this document.
- 10.10 No commissions are available to intermediaries applying under the Offer on behalf of clients.

## PROCEDURE FOR APPLICATION

**Before completing the Application Form, ALL APPLICANTS should read notes 1-5, 7 and 8 below. JOINT APPLICANTS should also read note 6 below.**

### 1. Application

Fill in (in figures) the fixed sum, in sterling, being the aggregate value at the Issue Price, of the New Ordinary Shares for which you wish to apply under the Offer. There is no maximum application value (save that the Issue is limited to £50 million in aggregate). The minimum application under the Offer is £1,000. Applications should be in multiples of £1,000.

Applicants may make multiple applications under the Offer.

### 2. Personal Details

Fill in (in BLOCK CAPITALS) the full name and address of the applicant. If this application is being made jointly with other persons, please read note 6 below before completing Box 2.

### 3. Signature

The applicant named in Box 2 must date and sign Box 3.

The Application Form may be signed by another person on your behalf if that person is duly authorised to do so under a power of attorney. The original of the relevant power of attorney (or a complete copy certified by a solicitor or notary) must be enclosed for inspection. A corporation should sign under the hand of a duly authorised official whose representative capacity should be stated.

### 4. How to Pay

**Attach a cheque, building society cheque or banker's draft for the exact amount shown in Box 1 to your completed Application Form. Your cheque, building society cheque or banker's draft must be made payable to "Capita Registrars Limited re: The Biotech Growth Trust PLC" and crossed "A/C Payee".**

Your payment must relate solely to this application. No receipt will be issued.

Your cheque, building society cheque or banker's draft must be drawn in sterling on an account at a bank branch in the United Kingdom, the Channel Islands or the Isle of Man and must bear a United Kingdom bank sort code number.

Verification of identity would not usually be required from any person lodging an Application Form who tenders payment by way of personal cheque. However, applications by the same applicant with a combined value of €15,000 (currently equivalent to approximately £13,000) or greater which are to be settled by way of a building society cheque or banker's draft (any such building society cheque or banker's draft must be endorsed by the building society/bank with the name, address and account number of the person whose account is being debited on the reverse of the cheque or banker's draft) may be subject to the United Kingdom's verification of identity requirements which are contained in the Money Laundering Regulations. For UK applicants, this may involve verification of names and addresses (only) through a reputable agency. For non-UK applicants, verification of identity may be sought from your bankers or from another reputable institution or professional adviser in the applicant's country of residence. However, if you follow the advice on the reverse side of the relevant Application Form, it is unlikely that anything further will be required.

If satisfactory evidence of identity has not been obtained within a reasonable time, and in any event (unless the relevant Offer is extended) by 1.00 p.m. on 1 December 2009, your application may not be accepted.

## **5. CREST**

If you wish to register your New Ordinary Shares directly into your CREST account you should insert the relevant details in Box 5. If you do not complete Box 5, you will receive your New Ordinary Shares in certificated form.

## **6. Joint Applicants**

If you make a joint application, you will not be able to transfer your New Ordinary Shares into an ISA. If you are interested in transferring your New Ordinary Shares into an ISA, you should apply in your name only.

If you do wish to apply jointly, you may do so with up to three other persons. Boxes 2 and 3 must be completed by one applicant. All other persons who wish to join in the application must complete and sign Box 6.

Another person may sign on behalf of any joint applicant if that other person is duly authorised to do so under a power of attorney. The original of the relevant power of attorney (or a complete copy certified by a solicitor or notary) must be enclosed for inspection. Certificates, cheques or other correspondence will be sent to the address in Box 2.

## **7. Contact Telephone Number**

Insert in Box 7 a daytime contact telephone number, including STD code (and, if different, from the person named in Box 2, the name of the person to contact) in the case of any queries regarding your application.

## **8. Instructions for Delivery of Completed Application Forms**

Completed Application Forms should be returned, by post (or, during normal business hours only, by hand) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received by no later than 1.00 p.m. on 1 December 2009, together, in each case, with payment in full in respect of the application. If you post your Application Form, you are recommended to use first class post and to allow at least three Business Days for delivery. Application Forms received after 1.00 p.m. on 1 December 2009 may be rejected and returned.

## APPLICATION FORM

# The Biotech Growth Trust PLC

Please return the completed form, by post (or, during normal business hours only, by hand) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received no later than 1.00 p.m. on 1 December 2009.

**IMPORTANT: Before completing this form, you should read the notes set out in the "Procedure for Application" section of this document. All applicants must complete Boxes 1 to 4. Joint applicants should also complete Box 6.**

If you have a query concerning completion of this Application Form, please call Capita Registrars on 0871 664 0321 (or, if calling from outside the UK, +44 20 8639 3899).

If you have any questions relating to this document, and the completion and return of the Application Form, please telephone Capita Registrars between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (except UK public holidays) on 0871 664 0321 from within the UK or +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice.

### 1. Application

I/We offer to subscribe the amount specified below for New Ordinary Shares, or such lesser amount for which my/our application may be accepted, on and subject to the Terms and Conditions of Application set out in the Prospectus dated 16 November 2009 and subject to the memorandum of association of the Company and the Articles.

£	Write, in figures, the aggregate value, at the Issue Price, of the New Ordinary Shares that you wish to subscribe for.
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### 2. Personal Details (Complete in BLOCK CAPITALS)

(Mr, Mrs, Miss or Title)	(Surname)
(Forename(s), in full)	
(Address, in full)	
	(Post Code)

### 3. Signature

(Date)	2009	(Signature)
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### 4. How to Pay

	Attach your cheque, building society cheque or banker's draft here for the exact amount shown in Box 1 above. Your cheque, building society cheque or banker's draft must be made payable to "Capita Registrars Limited re: The Biotech Growth Trust PLC" and crossed "A/C Payee". Your payment must relate solely to this application. No receipt will be issued. The right is reserved to reject any application in respect of which the applicant's cheque, building society cheque or banker's draft has not been cleared on first presentation. Please also see note 7 in the Terms and Conditions of Application section of the Prospectus, and the additional notes below, relating to compliance with the requirements of the UK Money Laundering Regulations.
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**5. CREST Details** (Only complete this section if you wish to register the New Ordinary Shares issued pursuant to your application directly into your CREST account)

(CREST Participant ID)	(CREST Member Account ID)
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**6. Joint Applicants** (Where the application is being made jointly by more than one person, the proposed first-named holder should complete Boxes 2 and 3 above, and all other applicants (subject to a maximum of three) must complete in BLOCK CAPITALS and sign this Box 6)

(Mr, Mrs, Miss or Title)	(Mr, Mrs, Miss or Title)	(Mr, Mrs, Miss or Title)
(Surname)	(Surname)	(Surname)
(Forename(s), in full)	(Forename(s), in full)	(Forename(s), in full)
(Signature)	(Signature)	(Signature)

**7. Contact Telephone Number**

(Telephone Number)	<i>Insert a daytime contact telephone number, including STD (and, if different from the person named in Box 2 above, the name of the person to contact), in the case of any queries regarding your application</i>
(Contact Name)	

**United Kingdom Money Laundering Regulations – Applications in Excess of €15,000**

Verification of identity will not usually be required for applications where payment is tendered by way of personal cheque.

However, if you use a building society cheque or banker's draft and the value of the New Ordinary Shares which you are applying for, whether in one or more applications, exceeds in aggregate €15,000 (currently approximately equivalent to £13,000) you should ensure that the bank or building society enters the name, address and account number of the person whose account is being debited on the reverse of the building society cheque or banker's draft and adds its stamp and authorised signature. **Please note that if the above requirements are not fulfilled and suitable evidence of identity cannot be obtained within a reasonable time, your application will be rejected.**

