Polar Capital Technology Trust plc

Annual Report & Financial Statements for the year ended 30 April 2013

Registered Number
3224867

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1 About Your Company

Objective

The investment objective is to maximise long-term capital growth through investing in a diversified portfolio of technology companies around the world

The investment policy is set out in full in the Directors Report

Rationale

Over the last three decades the technology industry has been one of the most vibrant, dynamic and rapidly growing segments of the global economy Technology companies offer the potential for substantially faster earnings growth than the broad market, reflecting the long-term secular uptrend in technology spending

Technology may be defined as the application of scientific knowledge for practical purposes and technology companies are defined accordingly While this offers a very broad and dynamic investing universe and covers many different companies, the portfolio will be focused on technology companies which use technology or which develop and supply technological solutions as a core part of their business models This includes areas as diverse as information, media, communications, environmental, healthcare and renewable energy, as well as the more obvious applications such as computing and associated industries

Investment Approach

Stocks are selected for their potential shareholder returns, not on the basis of technology for its own sake The Investment Manager believes in rigorous fundamental analysis and focuses on

- management quality
- the identification of new growth markets
- the globalisation of major technology trends
- exploiting international valuation anomalies and sector volatility

Benchmark*

The Company has a benchmark of the Dow Jones World Technology Index (total return, Sterling adjusted) against which NAV performance is measured for the purpose of assessing performance fees

* Please see Chairman s Statement for more information about the Benchmark from April 2013

Management

The Group is led by an experienced Board of directors with extensive knowledge of investment matters and the regulatory framework in which such activity is undertaken The Directors are all non-executive and have appointed various third party suppliers to provide a range of services including investment management, custody and administrative services to the Group

The role of the Board is to provide oversight of the Group s activities and to ensure the appropriate financial resources and controls are in place to deliver the investment objective Details of the Directors are given on page 42

Polar Capital LLP has been the appointed Investment Manager throughout the year Mr Ben Rogoff, the appointed fund manager, has been responsible for the Company s portfolio since 1 May 2006 and is supported by a team of technology specialists Details of the investment team are given on page 44

As at 30 June 2013 Polar Capital LLP managed $9 2bn across a range of funds and strategies including three investment trusts Polar Capital LLP is authorised and regulated by the Financial Conduct Authority

Fees

The Company pays both a basic management fee of 1% of total assets as well as a performance fee if performance is above a predetermined level Further details are given in the Directors Report

Share Price and Net Asset Value

The Company s Net Asset Value (NAV), diluted when applicable, is released daily, on the next working day, following the calculation date, to the London Stock Exchange

The mid-market price of the ordinary shares is published daily in the Financial Times in the Companies and Markets section under the heading Investment Companies

Share price information is also available from The London Stock Exchange Website www londonstockexchange co uk (PCT), Bloomberg (PCT LN), Datastream (PCT), Lipper (71000395) and Reuters (PCT L)

The SEDOL code for the ordinary shares is 0422002 and the ISIN is GB004220025

The SEDOL code for the subscription shares is B615W32 and the ISIN is GB00B615W327

Portfolio Details

Portfolio information is provided to the AIC for its monthly statistical information service (www theaic co uk) and monthly fact sheets, as well as previous copies of annual report and financial statements, are available on the Company s website www polarcapitaltechnologytrust co uk

A full portfolio listing is given in the annual, half year and interim management reports

Gearing

The Company uses gearing in the form of bank loans which are used on a tactical basis by the Investment Manager, when considered appropriate The overall level of net gearing is controlled by the Board and all bank facilities are subject to Board approval Any Net borrowings over 15% of the Company's net assets at the time of draw down will only be made after approval of the Board

1 About Your Company

Financial highlights

Net assets per ordinary share

412.41p
2012 392 56p

+5.1%

Price per ordinary share

398.50p
2012 387 00p

+3.0%

Total net assets

£528,845,000
2012 £503,292,000

+5.1%

Benchmark over the year to 30 April 2013

Dow Jones World Technology Index, total return Sterling adjusted

+6.0%

Financial Summary and Key Data

	As at 30 April 2013	As at 30 April 2012	Movement %
Total net assets	£528,845,000	£503,292,000	5 1%
Net assets per ordinary share	412 41p	392 56p	5 1%
Ordinary shares in issue	128,231,742	128,208,023	0 0%
Price per ordinary share	398 50p	387 00p	3 0%
Subscription shares in issue	24,774,460	24,798,179	(0 1%)
Price per subscription share	7 88p	12 75p	(38 2%)

Exchange rates	As at 30 April 2013	As at 30 April 2012
US$ to £	1 5564	1 6239
Japanese Yen to £	151 61	129 66
Euro to £	1 1805	1 2269

	For the year to 30 April	
	2013	2012
Ongoing charges ratio (see page 50)	1 19%	1 22%
Ongoing charges ratio including performance fee	1 19%	1 22%

Key data

	For the year to 30 April 2013	
Benchmark Change over the year to 30 April 2013	Local currency %	Sterling adjusted %
Dow Jones World Technology (total return)	1 6	6 0
Other Indices over the year to 30 April 2013 (total return)		
FTSE World	-	21 4
FTSE All-share	-	17 8
S&P 500 composite	16 9	22 0

1 About Your Company

Chairman's Statement

/ Michael Moule

Results

This has been a frustrating year for our managers, as the technology sector has not performed well, with our net asset value increasing by 5 1% and the share price by 3 0% over our financial year Our benchmark, the Dow Jones World Technology Index, showed an increase of just 1 6% in local currency and 6 0% in Sterling By contrast, leading equity markets have been surprisingly buoyant, with the FTSE World Index providing a Sterling adjusted total return of 21 4%

Review of the Past Year

Economic and political uncertainty subdued most equity markets for the first half of our financial year The cost of supporting Greece and some other Eurozone members increased the fears of a Euro breakup, whilst in the USA some concerns were evident over the run up to the presidential election and the outcome of the fiscal cliff In China, there was anxiety about the leadership change and the extent of the economic slowdown Despite the difficult macro backdrop, the FTSE World Index managed a small positive total return of 2 7% Technology shares had to contend with an unexpectedly difficult earnings season in the USA which was primarily responsible for a decline of 5 4% for our benchmark index

The final six months were assisted by a marked improvement in sentiment towards equity markets and a reduced appetite for bonds In Europe, there was rising confidence that the ECB and politicians would provide substantial support to the weaker Euro club members The news of an Obama second term reduced uncertainty and endorsed the view that QE and negative real interest rates would be sustained In Japan, determination by the new government and the central bank to put an end to deflation prompted a sharp fall in the Yen, and an explosive rise in its equity market Against this background, developed equity markets exceeded most expectations, with the FTSE World Index providing a second half Sterling return of 18 2%, but technology shares lagged the broader equity markets posting a return of 12 0%

A full explanation of markets and performance can be found in the manager s report on pages 8 to 21

EU Regulation

An unwelcome, but understandable by-product of the large losses sustained by European banks and their private clients on derivatives and certain hedge funds, has been a determined push by EU politicians for tighter regulation In an effort to prevent another Madoff scandal the EU has introduced a heavy handed edict called the AIFMD which will apply to a wide range of investment funds To comply with the new law, we will need to appoint an AIFM (Alternative Investment Fund Manager) and a Depositary by July 2014 In abiding by the new law, investment trusts will be required to add another, largely unnecessary, layer of oversight to an already transparent and heavily regulated sector The Board and our managers are looking to minimise the costs of this new unwarranted regulation

Benchmark Adjustment

Technology companies, particularly in the USA, have historically concentrated on capital growth, with any excess cash flow being directed back into the business to fund acquisitions or to buy back stock Apple and other large technology companies have generated large cash positions and some more vocal shareholders are requesting directors should look at introducing dividends, either special or regular Our managers feel that, similar to other sectors, dividends will become a larger part of total return The managers have hitherto been at a tax disadvantage with our current benchmark, which is calculated on a gross total return basis assuming dividends are untaxed From May 2013, our benchmark, the Dow Jones World Technology Index, will be calculated with the relevant withholding tax deducted from dividends before the total return is calculated, providing a level playing field

Directors

Peter Dicks will be retiring from the Board at the AGM in September He has served the company with great distinction since the trust s inception in December 1996 and, on behalf of the Board and the management team, I would like to thank him for his lively and wise contribution over the past 17 years Peter also steps down as the Senior Independent Director and as Chairman of the Remuneration Committee To replace him in these roles I am delighted that Rupert Montagu, who has been a director since 2007, has agreed to accept these two appointments

Every three years the trust engages an external consultant to evaluate the Chairman and the Board of Directors This process was very thorough and also included contact with all our service providers and some of the largest shareholders I am pleased to report that we received a clean bill of health and some helpful observations The review also included a separate external appraisal on the level of Board remuneration which has not changed since 2011 The Board has accepted the recommendation that the fees for Chairman and Directors should rise by just over 8% from May 2013

AGM

The AGM will be held at 12 noon on Monday 2 September 2013 at the RAC Club, Pall Mall, London The Board and the management team look forward to meeting as many shareholders as possible Full details of the meeting are contained in a separate document that will be enclosed with this annual report

Management Team

Ben Rogoff is responsible for managing the total portfolio, assisted by a team of specialist managers and analysts who feature on page 44 Neil Taylor is our very experienced company secretary who seems to make light work of the extra regulation and the myriad of tasks to ensure the smooth running of the Company It is a great pleasure to work with such a positive and responsible team, and my thanks to them for all their hard work over the past year

Outlook

We are now just over four years on from the extreme low point in March 2009, in what has aptly been described as a stealth bull market There is no euphoria, indeed I cannot detect much enthusiasm for holding equities, only the grudging acceptance that equities are the least un-attractive option amongst asset classes, and do provide a modest and growing income and some inflation hedge characteristics, compared to the meagre returns on cash and shorter dated government bonds Given the levels of Government and personal debt in most developed economies, and hence a lack of growth, there is still a nagging fear that we are in a post financial crisis upswing in a protracted long-term bear market, which explains why there is so much cash sitting on the sidelines

In terms of valuation, the past seven months has lifted all equity boats, and it is difficult for value investors to find anything particularly cheap Conversely, apart from some of the mega cap consumer staples, nothing looks particularly expensive The good news is that investors are nervous about owning individual technology shares, consequently the sector is modestly rated compared to its historical average For our manager, the constant search for new growth ideas, while trying to avoid the many losers in this new paradigm is a massive challenge From my generalist viewpoint, the World Wide Web is a free fountain that keeps on giving We should not be ashamed to own more of the beneficiaries of the stupendous gift bestowed on the world by Sir Tim Berners-Lee

Michael Moule
Chairman

2 Manager's Report and Portfolio Analysis

Manager's Report
/ Ben Rogoff

Market Review

After a weak start global equities rallied during the remainder of the fiscal year with decisive intervention by the European Central Bank in July proving a turning point for both investor sentiment and the performance of risk assets, the FTSE World total return index rising 21 4% during the year Sterling based returns were augmented by US Dollar and Euro (both +4%) strength, partially offset by pronounced Yen weakness (-17%) Despite a number of significant challenges that presented themselves during 2012, the global economy expanded at a respectable 3 2%, led by emerging economies (+5 1%) with China (+7 8%) once again defying its critics despite the potential disruption of a leadership transition As expected, developed economies (+1 2%) remained pressured by austerity measures that were most keenly felt in the Eurozone (-0 6%) that additionally had to contend with regional challenges including a banking crisis in Cyprus

Fortunately, European weakness was offset by economic acceleration in the US (+2 2%), driven by labour and housing market improvement and the absence of fiscal consolidation that only began in earnest towards fiscal year end Japan (+2%) also made encouraging progress as early weakness relating to deteriorating relations with China over the Senkaku islands was soon forgotten following the decisive election victory by the LDP in December with new PM Shinzo Abe promising to end two decades of deflation via a programme of monetary expansion, fiscal stimulus and Yen depreciation Once again, corporate earnings outpaced the global economy as S&P earnings increased by more than 6% during the year

While the economic backdrop proved less deleterious than many had feared in 2012, this was largely due to policymakers proving alive to each major challenge that presented itself This was most apparent early in the fiscal year with the survival of the Eurozone once again resurfacing as a would-be existential issue ECB President Mario Draghi s July speech in which he made clear that the ECB would do whatever it takes to preserve the Euro was the key turning point for risk assets during the year It also proved the first of a series of critical market friendly interventions that all but removed worst-case scenarios

The normalisation that followed ECB intervention also allowed real economic progress to be made with most of the periphery countries making progress in closing the unit labour cost gap with Germany while some, such as Portugal, took advantage of sharply lower sovereign yields to cover their entire financing needs for 2013 This positive feedback loop was also evident post the election of Shinzo Abe in December with Japanese equities responding dramatically to market (if not currency) friendly policies designed to break the deflationary cycle that has stymied the Japanese economy since the 1990s Likewise, resolution of the so-called fiscal cliff' in January when

Congress agreed to a compromise that averted automatic spending cuts saw the Dow Jones Industrial index deliver its best January performance since 1989

The growing recognition that policymakers were likely to avert extreme outcomes allowed investor sentiment to recover dramatically from its 2012 nadir, despite the actual recovery remaining muted evidenced by ten year US Treasury yields that fell by C 0 25% during the fiscal year, ending the period at just 1 68% This improvement in sentiment was evident from equity mutual fund flows that in January registered their largest monthly inflow ($51bn) since February 2000, while M&A activity rebounded sharply in early 2013 with private equity buyers announcing deals to acquire both Dell and Heinz in January alone Companies also played their part via accelerated buybacks and increased dividends, the return of capital to shareholders proving a key micro development during the year This potent combination left equity markets largely impervious to negative developments as and when they occurred, a dynamic most apparent during the final third of the fiscal year when neither the Cypriot banking crisis nor US sequestration had more than an ephemeral impact on risk appetite During the year, the strongest regional returns (taking into account the impact of foreign exchange movements) were generated by Japanese stocks (+28%) following the LDP's decisive election victory in December European and US stocks performed broadly in line (+22% and +25% respectively) while Asian equity markets underperformed reflecting heightened tension on the Korean peninsula, market share concerns as a result of Yen depreciation and technology underperformance

Technology Review

In a reversal of last year s fortunes technology shares materially trailed the broader market, the Dow Jones World Technology index rising 6% in Sterling terms – only the second time the sector has underperformed over a fiscal year since the 2008/9 market lows The sector did manage to outperform during the weak start to the year, aided by large-caps including Apple, Samsung and TSMC with strong supporting roles played by so-called bond proxies such as IBM While the poor debut (and subsequent performance) of Facebook following its much anticipated IPO in May was unhelpful to sector progress, Mario Draghi s July speech that buttressed investor sentiment proved a more significant turning point as broader market participation diminished the technology sector s relative lustre

This healthy if adverse rotation became more fundamentally driven in September following the release of the iPhone 5 that concurrently marked the peak of Apple s share price This rather evolutionary new handset was followed by two disappointing quarterly earnings reports from the company with gross margins pressured by demand shifting in favour of lower priced products such as the iPad mini

Manager's Report

continued

As the largest constituent of market-cap weighted indices (and accounting for c 18% of our benchmark at its zenith) the 37% decline in Apple s share price post its September high and the associated impact this had on its supply chain and other smartphone-related stocks weighed heavily on the overall technology sector

In addition to Apple-related weakness, the sector's relative progress was hampered by cautious capital spending trends due to mixed macroeconomic conditions and uncertainty associated with Europe, US Presidential elections, fiscal consolidation and the Chinese leadership transition This uncertainty resulted in overall IT budgets increasing by just 1 2% during 2012 as compared to early expectations of c 3 7%, creating a significant growth headwind made all too apparent by challenging Q3 12 and Q1 13 reporting seasons As is the norm, weaker IT spending disproportionately impacted legacy technologies such as servers and personal computers (PC) that also had to contend with tablet substitution, IDC reporting that PC units shipped fell 14% year over year in 1Q13 – the industry s worst quarterly performance on record However, PC-related stocks (and a number of other mega-cap incumbents such as Cisco) performed materially better than their underlying markets by delivering earnings growth via restructuring and/or significantly increasing their payout ratios via buybacks and dividends

This trend was epitomised by Apple s announcement in April that it would return $100bn to shareholders via dividends and buybacks over the next three years This new found capital discipline, together with news in January that private equity investors Silver Lake intended to take Dell private in a $24bn transaction, resulted in strong second-half performances from a number of value-orientated incumbents including Cisco, Hewlett Packard, Microsoft and Symantec

While 2012 proved a quieter year for M&A within the technology sector (and the broader market) there were a number of thesis affirming transactions such as IBM s acquisition of software-as-a-service vendor Kenexa and Oracle s curious purchase of two telecom-related assets, Acme Packet and Tekelec The healthy take-out premiums associated with these and other M&A transactions helped technology small-caps outperform their larger peers by c 9% (as measured by the Russell 2000 and 1000 technology indices respectively) However, just as large-cap outperformance in FY2012 was exaggerated by Apple s ascent, so its 23% decline this year flattered the magnitude of small-cap outperformance the average large-cap performing materially better than headlines suggest – the MLO (an unweighted index of large and mid-cap companies) actually outpacing small-caps over the fiscal year At the sector level, smartphone-related growth helped Internet stocks perform strongly while semiconductor capital equipment companies benefited from increased capital spending plans at Intel as it attempted to outmuscle ARM and its foundry partners such as TSMC Consolidation and supply-side discipline resulted in better than expected pricing and strong stock price performances from hard-drive (HDD) and memory vendors such as Seagate, Hynix, Micron and SanDisk Weakest performance was reserved for telecom vendors as service provider spending remained lacklustre while enterprise-orientated hardware and software companies fared poorly due to cautious capital spending trends

Our Performance

Weaker than anticipated capital spending negatively impacted a number of our favoured infrastructure stocks which left the Trust modestly trailing its benchmark during the year, our own net asset value rising 5% Companies such as Citrix (-24%), F5 Networks (-40%) and VMware (-34%) that had previously been strong contributors to performance were all caught up in the capital spending hiatus resulting in sharp share price corrections as investors questioned whether they remained secular growth companies Relative performance was also hindered by a pronounced rotation in favour of value during the second half of the fiscal year assisting incumbents such as Microsoft (+11%), Symantec (+53%) and Yahoo (+66%) The Trust was also negatively impacted by its exposure to communication equipment stocks as hopes for improved service provider capex proved overly optimistic, equipment spending contracting during 2012 as carriers postponed purchases

In terms of positives, the Trust was aided by its overweight exposure to off-benchmark Internet companies such as Amazon (+14%), eBay (+33%) and LinkedIn (+85%) that benefited from growth in e-commerce and online advertising, in part due to smartphone-related usage Relative performance was also generated by an underweight position in Apple, which was reduced further following the iPhone 5 launch and subsequent earnings disappointments The Trust continued to benefit from its underweight PC exposure as tablet substitution and a poor reception to Windows 8 weighed on companies such as Hewlett-Packard and Intel Relative performance was also generated by M&A activity with five of our holdings (Acme Packet, Kenexa, OPNET, Pervasive Software and Springsoft) being acquired during the year at premiums that ranged from 24-56%

Economic Outlook

Despite recent economic deceleration related to US fiscal consolidation and associated uncertainty, we remain hopeful that the global economy (forecast to grow 3 3%) will continue to muddle through in 2013 once again led by emerging economies with modest contribution from advanced markets given ongoing Eurozone weakness

Manager's Report

continued

Critical to our (long-held) sanguine view is the fact that inflation continues to look well contained, at least in developed economies, due to slack labour markets and well-anchored inflation expectations which – with policymakers focused on downside risk – should ensure monetary policy in developed economies remains remarkably accommodative

While the US economy is expected to decelerate modestly in 2013, current GDP forecasts of 1 9% capture the impact of fiscal withdrawal, estimated at 1 25% of GDP, obscuring likely underlying improvement in both labour and housing markets Ongoing fiscal adjustment will likely see the Eurozone economy contract by a further 0 3% in 2013 although this modest recession belies deeper contractions in Italy and Spain offset by growth in Germany Fortunately, Asia looks likely to accelerate over the coming year with China and India expected to grow at 8 0% and 5 7% respectively Although recent Chinese data has been more mixed, the absence of inflation should afford the new government sufficient monetary and fiscal firepower to stimulate growth if required Japan – the world s third largest economy – is also likely to provide a positive impetus in 2013 due to Yen weakness and improving external demand While growth is currently pegged at 1 6%, estimates remain highly dependent on where the Yen settles given that about half of Japan s GDP growth comes from export industries

In contrast to last year, risks to this constructive economic outlook have diminished due to decisive action taken by policymakers to defuse the two most significant threats to the global economy – a Eurozone break-up and a severe fiscal contraction associated with the US fiscal cliff However another systemic challenge could emerge during the coming year, a possibility that increases commensurate with the duration of the current economic 'soft patch Europe is likely to remain a focus given that its structural issues remain largely unresolved while prolonged stagnation may lead to more social unrest and electoral setbacks that could force governments to reverse course on austerity While the January fiscal cliff deal was a significant step in the right direction, the US fiscal consolidation process is far from complete with negotiations over spending cuts and the debt ceiling set to take place over the coming months

Although these battles are likely to be hard fought, we are hopeful that there will be a little less drama during the next round of political negotiations Another systemic challenge could come from currency wars should countries look to target exchange rates for competitive purposes, a risk brought into focus by recent Yen weakness Although talk of a currency war appears premature, the risk of one developing increases with every year of sub-trend growth Additional risks include inflation that could jeopardise record low interest rates and limit policy options (particularly in developing economies) and renewed focus on high fiscal deficits and debt in both the US and Japan As in previous years, political risk remains the most potent exogenous factor particularly in the Middle East where prospects of an oil shock remain heightened

Market Outlook

Although markets have got off to a strong start in 2013, we are optimistic that equities can add to their gains over the remainder of the fiscal year The recovery in investor sentiment and risk appetite that has driven the revaluation of risk assets has seen equity valuations expand materially over the past twelve months, the forward PE on the S&P increasing from 12x to C 14 6x today While absolute valuations are therefore less compelling today than they were a year ago, they reflect an outlook that has become significantly less uncertain In the US, stocks appear well supported by a 1 9% dividend yield that has historically grown at a C 5% CAGR (1994–2012) helping them look more attractive than risk free alternatives where negative real returns appear all but guaranteed Having generated more than $570bn in free cash flow during the past year US non-financial companies are today sitting on more than $1 7tr in cash This is likely to be deployed on further buybacks, which totaled $375bn over the trailing twelve months to 3Q 12 representing 65% of aggregate free cash flow, resulting in share counts in the S&P 500 reaching their lowest level since 2008 Excess corporate cash is also likely to continue to fuel additional M&A activity with more than $285bn of deals announced during the first six weeks of 2013 alone The return of private equity and mega-LBOs (such as the $24bn management buyout of Dell and the $23bn acquisition of Heinz) should further support equity valuations

As we move further from the 2008/9 crisis and echoes' become more muted, lower volatility may see equity valuations drift higher by allowing for more rational comparison of risk and risk-free assets This process appears to be already underway with investors pouring a record $51bn into equity mutual funds in January which may prove a key turning point given that investors are said to be holding C $10tr of cash at a time when household ownership of equities has fallen dramatically from 2000 levels With spreads having essentially normalised, bond markets look increasingly susceptible to further economic and/or sentiment improvement As such talk of a so-called great rotation (from bonds into equities) – recently derided as evidence of complacency – may be better understood as a rallying cry similar to the speech given by Imperial Tobacco fund manager George Ross Goobey in 1956 that reminded investors that it is possible to lose capital in gilts and that equities should yield less than bonds

Manager's Report
continued

Given that bond funds captured 75% and 85% of net fund inflows in the US and UK in 2012 we are hopeful that equity allocations will continue to improve this year, particularly now that the Federal Reserve appears to have begun the (long) process of disentanglement by articulating what they are targeting (employment) while even a modest uptick in inflation is likely to eliminate real returns given low nominal yields, a point unlikely to be lost on asset allocators

While we are confident that a new secular bull market has commenced, there are a number of potential headwinds that could challenge this prognosis Having enjoyed a strong run from their late 2012 lows, equity markets appear a little extended versus their longer-term moving averages making them more susceptible to profit taking, particularly given strong seasonal tendencies (sell in May) Although investor sentiment remains well below levels associated with complacency, other contrarian indicators such as IPO activity and mutual fund cash levels point to modestly elevated risk of a pullback. A more significant risk relates to loss of policymaker support given that our bullish prognosis since 2009 has depended heavily on the unusual alignment of interests between policymakers and investors equally keen to hold deflationary forces at bay Our sense is that extremely accommodative policy is likely to prevail until growth is deemed to have become self-sustaining, or as BoE Governor Mark Carney described it, until economies have achieved escape velocity While there may be headline risk associated with loss of support, investors should be able to stomach the eventual loss of the so-called Fed put in exchange for a real recovery A further risk relates to corporate tax reform with the legal exploitation of tax loopholes appearing increasingly anachronistic given widespread belt tightening' While we believe that wholesale (and therefore effective) tax reform will prove impossible, the issue has become highly politicised with PM David Cameron (in a thinly veiled reference to Starbucks) warning those that pay no tax in Britain to wake up and smell the coffee

Technology Outlook

Given that a number of the systemic challenges that acted as spending headwinds last year have diminished, we expect to see some recovery in capital spending which, at 10% of GDP, is at the lower end of the 9-14% range that has prevailed since 1947 With C 60% of industry revenues coming from business spending, the technology sector should be a prime beneficiary of any rebound in capex However, while forecast IT budget growth of 3% represents welcome acceleration, absolute levels of spending are likely to remain depressed due to lingering uncertainty (a function of the fragility of the recovery) and the deflationary impact of a new technology cycle With low-single digit IT spending growth entirely at odds with computing needs that continue to grow inexorably we are likely to see further reallocation of IT budgets in favour of cheaper technologies and vendors at the expense of incumbents

Rapid adoption of key technologies such as smartphones and tablets over the past year has left the new cycle' looking increasingly pernicious as technology alternatives begin to substitute, rather than complement, existing solutions We expect this headwind to strengthen over the coming year as the basis of computing shifts further from the enterprise in favour of the Cloud This is likely to result in more uneven value creation and elevated (and expensive) M&A activity as incumbents attempt to ameliorate the deflationary impact of the new cycle

Although the technology sector participated in the overall re-rating of equities, it continues to look inexpensive with US technology stocks currently trading on 12 9x forecast next twelve month earnings This not only continues to look favourable versus history (the median forward PE post 1976 has averaged C 15 3x) but once the sector s superlative balance sheet is considered, cash-adjusted PEs look more attractive still Although aggregate valuations continue to be flattered by a number of inexpensive large-caps, this appears to be well understood by investors given that the sector is currently trading at a rare discount to the market While absolute valuations may drift higher over the coming year (inline with our expectations for the broader market), the sector s increased economic sensitivity and slowing growth trajectory make it difficult to argue for a significant relative re-rating That said, a number of incumbents have at least begun to acknowledge their slower growth profiles, evident from increased buybacks (that reduced technology shares outstanding by 4% in 2012) and dividends such that our benchmark today sports a C 1 8% gross dividend yield This positive trend looks set to continue given sector margins, bloated balance sheets (ISI estimate the top tech companies had $512bn of cash in 3Q 12) and with more than $1tr of technology shares available for purchase under announced buyback plans

While we have been pleasantly surprised by this trend of incumbents returning capital to shareholders, it has done little to alter our view that a number of them are likely to look anachronistic as enterprises more fully adopt public cloud computing To date, new cycle deflation has largely been limited to hardware commoditisation but as units of computing (workloads) continue to move beyond the enterprise this is likely to impact the broader enterprise IT market For instance, Hadoop may already be impacting demand for existing data tools such as ETL while Amazon's cloud data warehouse offering (RedShift') is said to cost 1/10th of an equivalent enterprise system

Manager's Report
continued

With adoption of Software-as-a-service likely to accelerate now that market penetration has reached C 12%, legacy software vendors are also likely to feel the impact of the new cycle more fully As such we expect to take advantage of the recent revaluation of legacy assets by continuing to reposition the portfolio in favour of next-generation companies with much to gain and little to lose from the new cycle While this may be at odds with the present investor appetite for yield and value, we remain deeply suspicious of the efficacy of this approach within the technology sector given the empirical lack of corporate longevity In terms of key sector risks, IT budgets remain highly sensitive to the state of the global economy and associated business confidence Effective tax reform represents an additional threat to technology earnings given that the sector has benefitted disproportionately from global tax arbitrage, evidenced by low effective tax rates and large overseas cash balances.

New Cycle Update

The new technology cycle continues to be driven by three core themes cloud computing, Internet applications and mobility, with big data likely to join this list in the future This view was once again well supported by a recent Gartner CIO survey that revealed the top three IT priorities were business analytics, cloud computing and mobile technologies, unchanged from last year With cloud penetration estimated at 10%, adoption appears to be ready to inflect now that companies have virtualised their workloads (60% penetrated today) and have become more comfortable with the risks associated with public clouds This process began a few years ago as enterprises built out so-called private clouds that aped the purer form of cloud computing already deployed by Internet companies such as Google Not only did this drive the fortunes of direct beneficiaries such as VMware but it also helped a myriad of infrastructure vendors as enterprises refreshed their datacentres.

However, enterprise focus appears to have shifted to so-called hybrid clouds, Gartner predicting that 70% of enterprises will pursue a hybrid cloud strategy by 2015 In this approach internal IT generates the baseload, which they augment with the public cloud (own the base, rent the spike) The hybrid approach will require computing to become increasingly automated and software driven which should benefit next-generation IT operations vendors like ServiceNow, as well as companies like Infoblox who help automate DNS, DHCP and IP address management It also helps explain the excitement over software-defined networks epitomised by VMware s $1 3bn acquisition of Nicira However, traditional enterprise vendors are likely to fare less well because marginal capacity is likely to gravitate towards cheap, mass produced computing delivered by the likes of Amazon s Elastic Compute Cloud that not only exemplifies the on-demand computing utility model but is also setting the pace for the rest of the IT world by dramatically lowering the marginal cost of computing

Internet applications are also likely to enjoy strong growth over the coming year as penetration rates remain unproblematic in key categories such as online advertising, e-commerce, and Software-as-a-Service (SaaS) The explosion in new ways to access the Internet has driven user engagement, which should remain a key positive for e-commerce companies such as Amazon, eBay and Priceline com Although online advertising companies such as Facebook and Google benefit from greater smartphone and tablet usage (helping Facebook increase its monthly active users by 25% y/y in Q4 12) the shift from desktop to mobile is less unequivocally positive given lower monetisation today, Kleiner Perkins recently suggesting that the effective CPM (cost per impression) for desktop Internet remains 4x greater than on mobile Over time local and/or more targeted adverts could command a premium but for now the mismatch between mobile usage and advertising spend (10% vs 1% respectively) looks likely to persist Despite this, Google continues to look well positioned due to its higher share of mobile search (C 90%) while the proliferation of Android-based devices should further reduce its traffic acquisition costs (TAC)

Increased smartphone usage is also continuing to fuel remarkable growth in new applications made possible by the Cloud that are reinventing markets as diverse as messaging (WhatsApp, Snapchat), music (Spotify, SoundCloud), recruitment (LinkedIn), storage (Dropbox) and video (YouTube, Netflix) The need to support mobile devices bought by employees (bring your own device') appears to be accelerating broader application migration to the Cloud as a way to secure networks that no longer have a formal perimeter This should continue to benefit SaaS vendors at the expense of incumbents threatened by share loss and/or the shift to a rental model, which is likely to fuel additional M&A activity

Although we expect mobility to remain a key industry driver over the coming year, we have materially reduced our smartphone exposure as penetration has reached a stage where unit growth is likely to slow and competition may intensify With smartphone penetration reaching 42% in Q4 12 – and significantly higher in markets and demographic groups that matter most – 2013 may well prove to be the last year where new users (rather than replacement demand) are the main driver of growth Pricing trends are also likely to deteriorate given higher penetration rates and the slower pace of innovation (evidenced by the iPhone 5) which also opens the door to new competition from the likes of Amazon who are already disrupting the tablet market with good enough' devices sold at near breakeven prices

Manager's Report
continued

Slower smartphone growth and a shift towards cheaper devices has already caught up with Apple given its dominance of the high-end (>$600 devices) evidenced by declining market share and downward pressure on gross margins While a lower-end device (expected later this year) will help address the mass market, it might prove cannibalistic and could introduce risk to Apple s (luxury) brand As such we have continued to reduce our Apple holding such that today it is our largest underweight position versus the benchmark That said it continues to represent a C 6% of net assets which not only reflects our benchmark awareness but also the company s remarkable balance sheet that will fund $100bn of capital return over the next three years, a large and valuable customer base and optionality associated with new product releases that could either expand the market (TV, watch) or obsolete the installed base.

While we have pared our overall smartphone and tablet exposure, we continue to favour the mobility theme and this remains well represented across the portfolio Within devices, we are focused on faster growing segments such as China (which should favour Taiwanese chipmaker Mediatek) and 4G/LTE where handsets are forecast to grow to 243m units this year, an increase of 180% year over year DRAM manufacturers also look to be unlikely beneficiaries of the next wave of smartphone growth as higher-end devices may have two-thirds of the DRAM as a PC by 2016 and at least three times as many units Given that the industry has consolidated down to three major players, pricing should remain relatively benign which should help companies such as Micron and SK Hynix Smartphone growth, together with technology innovation and a strong push by innovation leaders such as eBay and Starbucks is also likely to advance the cause of mobile payments which are forecast to grow at a 42% CAGR reaching $617bn by 2016 This should continue to benefit eBay via its PayPal offering, technology enablers such as Gemalto and Ingenico and the card networks as the $11tr cash payment market is disrupted We also remain hopeful that continued data traffic growth, forecast to increase thirteen fold between 2012 and 2017, together with the adoption of 4G/ LTE devices (that today generate 19x more traffic than non 4G connections) should eventually translate into improved spending on next-generation wireless networks and the network core (100G)

In addition to our core exposure, there are a number of additional themes that are well represented within the portfolio One of the more significant of these is security as cloud computing, device proliferation and bring your own device (BYOD) have made traditional security techniques focused on the network perimeter look increasingly outmoded While the cyber threat is already significant today, it is likely to only increase as more and more devices become connected to the Internet (the so-called Internet of Things) As electrical systems, industrial plant and payment systems become Internet-enabled so they become targetable by criminals/countries, evidenced by Russia s attack on Estonia s infrastructure in 2007 and Israel s use of cyber-worms to frustrate Iran s nuclear efforts This threat, together with growing evidence of Chinese state sponsored cyber-espionage, is driving increased political and regulatory focus on security helping the overall market grow at a 9% CAGR with smaller vendors such as Imperva, Proofpoint and Sourcefire growing significantly faster

Another unrelated though equally fascinating theme relates to *Moore's* Stress, a term used to describe the growing difficulty faced by the semiconductor industry in keeping to *Moore s* Law, the observation made in 1965 by Intel co-founder Gordon Moore that transistor count on semiconductor circuits would double every two years While this dynamic may hinder companies whose success has been reliant on leading edge foundry manufacturing, greater manufacturing complexity has induced supply discipline and more rational pricing elsewhere, for instance in the memory market Moore s Stress is also likely to continue to benefit the semiconductor capital equipment industry given that increased capital intensity is unlikely to reverse ahead of the introduction of Extreme Ultraviolet Lithography (EUV) and 450mm wafers

Within the portfolio we also have exposure to a number of exciting, emerging themes such as 3D printing, or additive manufacturing that enable the creation of physical objects from three-dimensional digital designs using additive processes as opposed to traditional subtractive production methods such as CNC machining and injection moulding While 3D printers have traditionally been used in prototyping (helping accelerate the design process) the real excitement involves their use in making end products (direct digital manufacturing) that account for C 20% of printers today which is forecast to reach 50% by 2020 Whether or not 3D printing can genuinely revive the US manufacturing industry (according to President Obama) remains to be seen, but as the technology improves it looks increasingly likely that parts and products will be stored and delivered digitally and manufactured locally

We have also reinitiated modest exposure to the renewable/environmental theme due to renewed interest in clean energy initiatives from governments and investors alike Having gone through their own boom and bust cycles, it is not hard to understand why we are excited about investment opportunities in clean energy given large addressable markets and low penetration of both solar (<2% of global generation capacity) and LED lighting (<10%).

Manager's Report
continued

For now we have dipped our (investment) toe back into this exciting subsector via a holding in Impax Environmental Markets (acquired in late 2012) augmented by a number of smaller positions with direct exposure to LED, solar and smart grid end markets

Conclusions

With recent global equity markets at or just below all-time highs, we are hopeful that the so-called wall of worry will prove a less formidable obstacle to returns over the coming year However, given the fragility of the recovery investors are likely to have to contend with more growth scares and associated echoes (of the prior crisis) As previously, sentiment (and therefore market resilience) will depend heavily on the action of policymakers While support will inevitably have to be tapered at some point, we are confident that this will not occur meaningfully until economies can return to a self-sustaining growth trajectory – unlikely to prove a 2013 event, in our view Although returns have been driven primarily by PE expansion over the past year, equity valuations can continue to drift higher as new buyers enter the fray While markets may experience set backs over the year, as at present, we expect the setbacks are likely to prove more modest than in the past given our view that a new secular bull market has commenced As such we expect to remain fairly fully invested given the improved backdrop, undemanding equity valuations relative to cash and bonds and reflecting the fact that markets remained overbought for extended periods during the 1990s equity bull market

Turning to technology, our view that the new cycle would become more disruptive has so far been exemplified by the weakest PC market on record and downward revisions to IT budgets at least in part due to new cycle deflation This belief drove our decision to begin moving more significantly away from our underlying benchmark to – at least so far – mixed effect

While it has been right to reduce our Apple (and overall smartphone exposure), PE expansion in the broader market has disproportionately benefited cheap, large-caps that have further helped their cause by returning more of their excess cash to shareholders While it may be at odds with the current market concentration on defensives and yield, we remain focused on identifying key beneficiaries of technologies and themes that are taking hold We also remain convinced that value investing within technology is a dangerous pursuit due to the sector s relative lack of corporate longevity This feels particularly true today given that cloud penetration has reached a point often associated with rapid subsequent adoption If so, the new cycle is likely to begin to impact incumbents that have hitherto co-existed with next generation technologies and vendors Unfortunately for us – at least recently – this finesse has been overwhelmed by investors reallocating to equity markets looking for cash flow generative, dividend paying alternatives to their money market or bond funds This has resulted in some of the poorest positioned technology companies (at least as we perceive them) generating some of the strongest recent performances, a dynamic likely exacerbated by hedge fund repositioning While we cannot know when this odd (and so far uncomfortable) set of events will play out, we remain convinced that a less benchmark sensitive approach is required now that disruption associated with the new technology cycle is becoming apparent

Ben Rogoff

Unprecedented Volume

IT'S HAPPENING AGAIN Just as the ability to process low-grade ore from open pits has transformed mining so big data and the potential automation of knowledge may transform the economics of many industries over the coming years

The mining industry has been engaged in a continuous battle to extract value from ever diminishing ore grades through more efficient mineral processing and the use of larger scale equipment A key breakthrough in this battle was the advent of heap leaching which made open-cut mining economically viable The world s first open pit mine, shown above, - established at Bingham Canyon, Utah in 1906 - demonstrated that by processing vast quantities of rock it was possible to extract value from low-grade ore To date, the Kennecott mine (as it is now known) has yielded more than 18 1m tons of copper from 6bn tons of rock extracted and at 2 ¾ miles wide and more than ¾ of a mile deep, is one of only two man-made objects distinctly visible from space Today, open-pit mining dominates the industry, accounting for C two-thirds of current gold production and (together with placer operations) C 85% of total tonneage

Every two days we generate 5 quintillion byes of data - about the same amount it took from the dawn of civilisation until 2003 to create This explosion of data - aptly labelled big data - has been substantially driven by Internet and smartphone usage, augmented by machine-generated data and the so-called Internet of Things (IoT)

10^{21} (10,000,000,000,000,000,000,000)

Bytes of data expected to be created in 2013

46bn

Estimated number of webpages in Google s index

Photo Bingham Canyon open pit copper mine Utah USA

2 Manager's Report and Portfolio Analysis

Elementary, my dear (IBM) Watson:
Big data and the demise of expertise

Last year we discussed how cheap and plentiful bandwidth, together with the adoption of smartphones and tablets and a plethora of new applications had enabled the Internet to become truly ubiquitous, using the post-war experience of the aviation industry as a guide This year we turn our attention to a derivative of the mass adoption of IT and one of the hottest topics within technology today, so-called 'big data' – a term used to refer to huge datasets created by smartphones and other Internet-connected devices that are too large to manage using traditional solutions Just as we have previously used historical experiences of other industries to help us illustrate changes that are unfolding within our sector, this year we reference mining, an industry (like IT) driven by the need to continually extract value (business insight) While we are not the first to articulate some of these parallels – an excellent IBM white paper a few years ago first outlining the analogy with gold mining – we are fascinated by how the combination of cheap, scalable computing, together with new tools developed by Internet companies is making it possible to extract value from data sources that just a few years ago would have been uneconomic to (data) mine Just as the ability to process low-grade ore from open pits has transformed the mining industry, so big data and the potential to automate knowledge work is likely to transform the economics of many industries"over the coming years

Every two days we generate 5 quintillion bytes of data – about the same amount it took from the dawn of civilization until 2003 to create Growth has been so dramatic that 90% of the data in the world today is said to have been created in the last two years alone In addition to its unprecedented volume, big data is also defined by its variety (both structured and unstructured), velocity (real-time analysis) and veracity (the need to establish trust in the data) Growth has been substantially driven by 2 4bn global Internet users and 1 5bn smartphone subscribers that between them undertake 5 1bn daily searches on Google, watch 6bn hours of video every month on YouTube and receive 145bn emails every day Social media has also played a very significant role, evidenced by 12bn terabytes of daily tweets and 300m photos uploaded daily to Facebook, while on New Year s Eve, mobile messaging app WhatsApp delivered 18bn messages

Machine-generated data (such as web logs, call records, financial trades, network events and sensor readings) is likely to create even larger datasets as the number of networked devices is forecast to be twice the size of the global population by 2015 This so-called Internet of Things (IoT) is being driven by the use of sensors, actuators and cheap connectivity with more than 30bn RFID (radio frequency identification) tags in circulation at the end of 2011 While the IoT is today best understood as a collection of interesting niche applications, the GE vision of an Industrial Internet does not seem like a distant one

The prospect of extracting value from these untapped sources has led data to be described as the next natural resource while others have gone further in declaring it to be a new class of economic asset, like currency or gold

Elementary, my dear (IBM) Watson:
Big data and the demise of expertise continued

Data scientists – a term coined by the head of analytics at LinkedIn in 2008 to describe the analysts that prepare, crunch and interpret data – are in short supply, while a recent Harvard Business Review article titled, Data scientist – the sexiest job of the 21st century captured the *zeitgeist* perfectly

While there is little new about the concept of data mining' (a term that has been in circulation since the early 1990s), the advent of cheap storage and massively parallel computing has made it possible to consider what we might unearth now that we are able to ask questions of the 99% of the world s data that isn't analysed today However, during its short life the IT industry has been almost exclusively concerned with capturing, storing and processing high-value structured data such as sales orders, employee information or inventory data Structured data growth since the 1970s – fuelled by the shift from paper to digital records – saw the birth of the relational database (pioneered by Oracle and IBM), database tool companies (such as Computer Associates and BMC Software) and some years later, business analytics vendors including Cognos and Business Objects that enabled their customers to analyse (or at least generate reports on) this structured data

However the advent of big data has left these existing solutions looking somewhat anachronistic now that 80% of the world's data is said to be unstructured Not only does this data not lend itself to being stored in a rigid database, but per byte it is also intrinsically far less valuable which makes it near impossible to justify the cost of storing vast quantities in an expensive relational database or enterprise data warehouse Instead of storing everything – a necessary pre-condition for big data to prove transformative – enterprises are retaining only the data they perceive to be of sufficient value (estimated at just C 5% of the total) while discarding the rest The need for new solutions able to cheaply process large volumes of low-grade data is highly reminiscent of the most significant challenge faced by the mining industry

The mining industry knows all too well about having to retool in order to continue to extract value from lower quality sources At the time of the California gold rush (which began when John Sutter discovered gold at his sawmill in 1848) the alluvial gold deposited in riverbeds was so richly concentrated that the so-called forty-niners (miners who had arrived in California during 1849) simply panned for gold However, by 1850 most of the easily accessible gold had been mined leaving deposits more closely resembling the wider mining industry that was already engaged in a continuous battle to extract value from ever diminishing ore grades Today gold ore in Australia and South Africa is just 10% and 25% as rich respectively as it was a century ago with ongoing gradual declines anticipated in most metals and minerals To give some perspective on how significantly ore grades have diminished, it is rarer today to find a one-ounce nugget of gold than a five-carat diamond The need to counter lower grade and more intractable ore has driven technology progress in both mining and smelting throughout the ages, generating demand for cheaper inputs, improved capital equipment and new metallurgical processes

While the history of mining technology is well beyond the remit of this paper, the most critical advances have focused on seeking out richer ore grades and extending mine life (by allowing shafts to be sunk deeper), improving the rate of extraction and converting more mined rock into metal In the case of deeper mines, the use of shafts and tunnels was greatly enhanced by lifts, improved ventilation and the use of explosives that had become commonplace by the end of the 17th century Unfortunately, as shafts sank further into the earth and discovered subterranean streams, managing water became more critical leading to the use of vacuum pumps that replaced buckets and chains previously used to recover water from mine shafts However, as mines extended further below ground so new problems were encountered in the form of greater travel time' – in the 18th century it might take a miner two hours to reach the face

Worse still, ores became increasingly intractable necessitating new metallurgical processes to justify underground extraction While liquation had helped liberate silver from copper (by first combining it with lead) as early as 1453, mercury amalgamation developed a century later changed the entire economics of the (silver) industry' by working on low-grade ore and tailings that had previously been considered waste The next major advancement came in the late 19th century using water and oil to separate sulphide minerals from waste rock Known as flotation , this technique allowed Broken Hill (the BH in BHP Billiton) to become one of the world's major sources of zinc However, it was the development of carbon-in-pulp heap leaching that used cyanide to dissolve metallic gold that revolutionised the mining industry in the early 20th century by making it economical to mine gold at just 0 75 ppm (parts per million) facilitating the development of large, low-grade deposits through open-cut mining

The first open pit mine established at Bingham Canyon, Utah in 1906 to exploit copper captivated the mining world by demonstrating how mass production techniques could extract value from rock that would previously not have attracted a second glance Since then, the Kennecott Copper Mine (as it is now known) has become the world s largest open pit mine yielding more than 18 1m tons of copper from 6bn tons of rock extracted to date Six billion tons of rock represents a scale difficult to convey but at 2¾ miles wide and more than ¾ of a mile deep, the Kennecott open mine (once the cornerstone of the Guggenheim empire) is one of only two man-made objects distinctly visible from space Widespread adoption of open pit mining required a significant re-tooling of the industry as focus shifted from targeting richer ores in favour of processing vast quantities of lower grades

New Tools

IT'S HAPPENING AGAIN. Cheap, scalable and schema-later distributed file systems and NoSQL databases have significantly reduced the upfront costs of data storage, just as open pit mining dispensed with the need to dig shafts and tunnels before extraction could commence

The need to counter lower grade and more intractable ore has driven technology progress in both mining and smelting throughout the ages Prior to the 20th century new tools had been focused on seeking out richer ore grades at deeper depths, driving advances in ventilation, vacuum pumps and lifts to name a few However, the advent of open-pit mining required a significant re-tooling of the industry as focus shifted from targeting richer ores in favour of processing vast quantities of lower grades This has been a boon for capital equipment providers such as Caterpillar, Komatsu and Terex who supply the electric shovels, wheel excavators and haul trucks because open pits produce 8–10x as much waste rock as underground mines

Dramatic cost declines in storage, compute and networking has made it economically viable to store information that would have been previously discarded or ignored Internet companies such as Google, Yahoo and Facebook have also played a critical role in pioneering open-source tools such as Hadoop that make it possible to economically process large volumes of low-grade data

C.80%

Amount of the world s data believed to be unstructured

$16.9bn

Estimated value of the big data market by 2015

Photo Truck being loaded with ore

Elementary, my dear (IBM) Watson:

Big data and the demise of expertise continued

This has been a boon for the likes of Bucyrus, Caterpillar and Terex because open pits produce 8–10x as much waste rock as underground mines and therefore require significantly larger scale capital equipment As a result, haul truck payloads have increased from 200t in 1990 to almost 350t today while the bucket volume of wheel excavators has increased from 25m³ to 40m³ over the past five years alone While Shakespeare once warned that all that glitters is not gold', it may also now be true that all that is gold does not glitter given that two-thirds of current production is mined in open-pits at 1–2ppm, gold only being visible to the eye at 30ppm!

This ability to extract value from low-grade ore is remarkedly analogous to the promise of big data' – that when datasets are huge, even low quality *bytes* are likely to prove valuable This observation would be an academic one but for the dramatic cost declines in storage, compute and networking that have made it economically viable to store information that would have previously been discarded or ignored, just as cyanide / heap leaching made open-pit mining a possibility Equally as critical has been the work of large Internet companies who pioneered new technologies able to handle massive datasets that were overwhelming traditional approaches This work has significantly advanced the cause of open-source NoSQL databases such as *HBase* modelled on Google s *Bigtable*, its proprietary data storage system) and *Cassandra* (originally created by Facebook) Unlike traditional relational databases that require data to be indexed on ingestion, NoSQL alternatives allow data to be stored as is , allowing schema to be applied at the point of request which significantly reduces front-end costs, just as open pit mining dispensed with the need to dig shafts and tunnels (akin to columns and rows in a database) before extraction could commence However, the best example of the role played by Internet companies is *Hadoop*, an open source framework for distributed file system processing Originally spawned by Yahoo who were struggling with Internet-scale data processing on large centralised servers and named after creator Doug Cutting s son s stuffed toy elephant, *Hadoop* allows commodity hardware (a node) to be unified into a single cluster enabling what is known as massively parallel computing

This new software – open sourced and able to run on commodity hardware – has drastically reduced the cost of storing and managing data making it economically viable to retain and process low-grade data In addition – like larger haul trucks and steam shovels – these new tools have been designed for dramatically greater volumes, evidenced by Dremel, Google s ad-hoc query system for structured data that can run queries over trillion-row tables in seconds and scales to thousands of CPUs and petabytes of data Wrestling with some of the largest datasets and reticent to discard any data, Internet companies have naturally been some of the earliest and most significant adopters of these new technologies

Elementary, my dear (IBM) Watson:
Big data and the demise of expertise continued

The adoption of NoSQL databases is already widespread within this constituency. Cassandra is being used by Netflix to store 95% of its data, processing on average 2 1bn reads and 4 3bn writes (to their databases) every day while music streaming service Spotify uses it to manage more than one billion playlists Hadoop – described by eBay as an amazing technology stack – has also been widely adopted by Internet companies with Yahoo reported to have over 40,000 nodes storing more than 40 petabytes of data While Twitter uses MySQL (a more traditional, relational database) to store its tweets, it also utilises both Cassandra and Hadoop and the open-source library *Lucene* to process 2 1bn daily search queries Although it doesn t disclose which big data enabling technologies it employs, Amazon S3 (its Simple Storage Service) stores a remarkable 2trillion objects today while handling peak requests of more than 1 1m per second

In contrast to Internet companies with a pressing need for new tools to manage vast quantities of low quality data, enterprises have been relatively slow to embrace big data' largely because their traditional focus on high value structured data has left them looking a little like underground miners at the turn of the 20th century – bristling with over-engineered tools designed for mining rich seams just at the point when low-grade open pit mining was about to take off However, as early big data successes by Internet companies become better known and newer technologies mature, enterprises are unlikely to be able to resist the vastly lower costs associated with these emerging solutions, estimated to be 85–90% cheaper than traditional ones from the likes of Oracle

Just as new metallurgical processes transformed what was once considered waste rock into a valuable and plentiful source , so significantly lower costs associated with these new software tools are making it possible for companies to store everything in a distributed file system such as Hadoop, rather than discard it as in the past For example, US retailer Sears used to retain their data for between 90 days and two years but having adopted Hadoop keep everything In addition, companies such as Amazon Web Services (AWS) now offer hosted, pay-as-you-go versions of a number of these new solutions including Elastic Map Reduce (a Hadoop framework) and Redshift, a cloud-based data warehouse (DW) said to be a tenth of the cost of a traditional DW The ability to access these new tools as a service is likely to accelerate both enterprise adoption and the development of new applications that combine cloud and big data technologies, such as the platform by Illumina that leverages AWS infrastructure to help customers extract value from the massive datasets created by their DNA sequencing tools

As they become more widespread, we concur with Forrester s assessment that big data solutions will allow companies to deploy predictive models to improve business performance or mitigate risk Likewise we agree with IBM that organisations that can run analytics against their entire data sets definitively have an advantage over those that do not" However, neither statement comes close to capturing our enthusiasm for big data, which is driven instead by what we believe becomes possible once analysis can be applied to population, rather than sample data As the mining experience demonstrates, massive datasets fundamentally challenge our basic assumptions about the value of data because when n' (the sample size) is exceptionally large there will be enormous value to be extracted from the dataset even where the individual data points or bytes appear worthless A good example of this phenomenon is Twitter where the value of a small number of tweets is essentially zero but when n = 500m (the number of daily tweets) the value of this vast dataset is enormous, evidenced by the $10bn valuation currently being applied to the company Likewise, we are unlikely to be able to extract any value from a handful of till receipts, but with billions we could create the world s best recommendation engine However, Google represents the best example of the value that can be derived from analysing population data because while the value of indexing one webpage is negligible, cataloguing 46bn webpages helped the company generate $40bn in revenues last year

In addition to being able to apply analytics to population data, big data tools are making it possible to provide near-real time analysis, often across multiple datasets Companies such as Splunk are helping their 4,800 customers to collect, monitor, index and analyse machine data generated by IT infrastructure (servers, routers) sensors, RFID tags and security systems This enables real-time visibility into what is happening across a firm s IT systems and infrastructure, what Splunk calls operational intelligence Palantir (a private company whose software is based on technology developed by PayPal to detect fraud) delivers intelligence augmentation allowing analysts to quickly explore data from multiple sources

According to reports, Palantir is used by the US military to better predict the location of improvised explosive devices (IEDs) in Afghanistan and was a major factor in the successful raid on Osama bin Laden in May 2011 Twitter is using the open-source event-processing system *Storm* to extract emerging trends from tweets in real-time so that when a story begins to emerge, it will be identified by its trending topics algorithm Similarly the remarkable number of search queries allows Google to predict regional outbreaks of flu up to ten days earlier than they are reported by the Centres of Disease Control and Prevention while Waze, a community-driven navigation app provides real-time routing and traffic updates by monitoring users journey times In addition, visualisation tools from the likes of Qlik Technology and Tableau should help identify aberrations earlier, which could have profound implications for fraud detection and medical diagnosis

Being able to inexpensively question and cross-reference massive datasets of varying data types should also result in previously unknown relationships being discovered

2 Manager's Report and Portfolio Analysis

Elementary, my dear (IBM) Watson:

Big data and the demise of expertise continued

The University of Ontario Institute of Technology is helping a Toronto hospital to monitor the health of babies by collecting more than 1,000 pieces of diagnostic information per second in order to detect life-threatening infections a day earlier than previously possible by cross-referencing multiple data streams that are operating within normal parameters instead of just looking for extreme readings or "outliers". Big Data is also likely to be used by doctors to predict outcomes particularly now that the Affordable Care Act has shifted pay from service to outcomes. It will also likely transform the way that genomic data is used in research and clinical applications, particularly now that millions of DNA base pairs can be sequenced in a very short time using highly parallel systems on a $5000 machine that ten years ago cost nearly $3bn.

The ability to cross-reference patient data, curated content and previous clinical trials should also make it significantly easier to identify biomarkers. Drug discovery and biotechnology research could be accelerated while personalised medicine could finally become a reality. In the marketing domain, the ability to ask questions of aggregated anonymous Facebook data will allow would-be advertisers to discover previously undiscovered relationships to exploit. Being able to cross reference separate databases should also help identify relationships that should not exist which will be of particular interest to law enforcement and intelligence agencies while helping to reduce fraud that in healthcare alone is said to cost US taxpayers $60bn a year.

Over time, the decisions and predictions made possible by "big data" are likely to prove superior to those traditionally made by humans reliant on using sample sets, probability theory and "gut feel". Just as the Internet has arguably diminished the value of knowledge, so "big data" has the potential to reduce the value of decision-making and expertise. For instance, the age old skill of being able to recognise a tune from just a few notes has been eliminated by Shazam, a mobile app that can identify any song by creating a unique signature that is cross-referenced against its database of 11m songs. The app is used by 250m people using smartphones to recognise three billion songs annually while artists such as Lady GaGa uses the data generated by apps like Shazam and Spotify to help tailor tour routes and live sets for specific shows. Zillow is an online real estate company that is able to produce its own estimate of a home's value (a "zestimate") by combining user submitted data with its own database of 110m US homes. PRO Holdings uses massive datasets to help its customers optimise pricing across a range of industries. Amazon uses algorithms to "heavily customise the browsing experience for returning customers" while Netflix analysed the viewing habits of its 33m users to (correctly) predict the success of its hit TV series "House of Cards", commissioning the $100m project without seeing one scene first. However, the most remarkable example of diminution of expertise is provided by IBM's Watson, a supercomputer that in 2011 appeared on US game show *Jeopardy!*, beating two former champions. Watson is comprised of a cluster of ninety IBM Power 750 servers with 2880 POWER7 processor cores while its 16 TBs of memory allow it to store 200m pages of content and 500 gigabytes of pre-processed information Able to understand natural language and learn from its success and failure, Watson s use of Hadoop allowed it to process information equivalent to one million books every second Having won easily, Watson is now being used by oncologists in New York to analyse 2m pages of medical journals and 600k pieces of medical evidence in order to speed up cancer diagnosis

While the current consensus holds that Hadoop and other open-source alternatives will co-exist with traditional technologies, the reality is that existing databases, data warehouses, business intelligence and tools have been designed for structured data that now accounts for only C 20% of the data in the world With the vast majority of incremental data growth coming from lower grade sources, focus will likely shift further from existing technologies – for instance, the ability to store everything in a distributed file system is likely to pressure ETL (extract, transform and load) vendors such as Informatica who help create subsets of a database to load into a traditional data warehouse Of course, high value transactional data (OLTP) will remain in relational databases and enterprise data warehouses, just as a significant number of applications still utilise mainframes and high-end UNIX servers

But this co-existence is likely to prove one-sided with most of the growth likely to be captured by the newer, disruptive technologies just as open pit and placer operations today account for 57% of all mines and 85% of total tonneage Worse still, the experience likely to be felt by existing technology vendors will prove more deleterious than in mining where higher prices benefited all suppliers, even those unable to benefit from greater volumes In contrast, new tools designed to manage low-grade data do not cost millions of dollars like the latest electric shovels and haul trucks but are largely open-sourced and able to utilise commodity hardware As such they are likely to exert significant downward pressure on pricing of existing solutions that look increasingly anachronistic Just as towns and cities created during the 19th century gold rushes attempted to reinvent themselves (with varying success) once the richest ore had been depleted, so incumbent vendors are likely to use M&A to remain pertinent, evidenced by IBM spending $16bn on 35 acquisitions to boost its analytics capabilities since 2005

Of course there are a number of risks that could prevent our vision of big data from transpiring Today the most significant one relates to privacy, an issue that recently returned to prominence following leaks that revealed how the National Security Agency (NSA) – the US intelligence agency – was intercepting the use of major US websites by foreigners and analysing metadata contained in millions of US phone calls While the use of data mining by security or law enforcement agencies will inevitably raise privacy (and legality) concerns, they are best understood as part of the well-understood trade off between civil liberties and national security

Elementary, my dear (IBM) Watson:
Big data and the demise of expertise continued

The broader debate about privacy also appears a little dishonest because consumers bemoan their loss of privacy but rarely complain when the same tools are used to deliver something they want , evidenced by their love-hate relationship with Facebook – criticised for its apparent disregard for privacy and yet able to boast 1 1bn monthly active users! This inconsistent attitude is reminiscent of the dislike of surveillance cameras that capture more than 150 images of the average London commuter every day but have helped to reduce crime to the lowest levels for thirty years That said, there are some real data issues that will need to be tackled over the coming years relating to its ownership, retention, resale, sharing and sanctity While more transparency, together with greater use of anonymised / aggregated data should ameliorate the issue, greater regulation appears inevitable For now this is unlikely to prove too proscriptive although it might require a period of adjustment as experienced by the mining industry once it became subject to greater (environmental) scrutiny Greater regulation may also prove beneficial by promoting the cause of security, necessary to protect data from the rising threat of state-sponsored cyber-crime that closely resembles 16th century privateers such as Sir Francis Drake who intercepted treasure fleets from the Spanish Main

The combination of open pits and improved metallurgical processes such as cyanide leaching transformed mining by making it possible to extract value from low cost ore that was previously considered unviable Likewise, new tools designed to store, manage and process vast quantities of low-grade data have made it possible to apply analytics to datasets that just a few years ago would have been discarded or overlooked by all but the largest Internet companies Given that 90% of the world s gold has been mined since the end of the California gold rush, (despite average ore grades that are C 20% of where they stood at that time) the outlook for big data' looks assured Of course there are a number of potential risks to this view, the most significant being related to privacy, regulation and – in the future – the ethics of predictive analytics However, we are hopeful that none of these issues will prove insurmountable

While futurist visions of autonomous machine learning and artificial intelligence remain very much in their infancy, IBM Watson is an extraordinary example of what is possible when massive datasets can be analysed in real time As our ability to extract insight from big data continues to improve so it is likely to transform a number of industries including healthcare and marketing as it becomes possible to automate decision-making and reduce wasted expenditure With the market forecast to be worth $16 9bn in 2015 (a fivefold increase since 2010) big data represents exactly what new technology cycles are about collapsing computing costs that make new application sets possible that will change business processes forever

Ben Rogoff

Extracting Value

IT'S HAPPENING AGAIN Just as metallurgical advances and alchemists made it possible to mine ore and tailings once considered waste, so open-source technologies and data scientists are enabling value to be extracted from data that may have previously been discarded

Metallurgical advances have been critical in ameliorating the impact of falling ore grades by transforming what was once considered waste rock into a valuable and plentiful source" This process began in the mid 15th century with liquation, followed by mercury amalgamation a hundred years later More recently, the advent of heap leaching – the use of cyanide to dissolve metallic gold – has revolutionised the industry by making it economically possible to mine gold at just 0 75 ppm (parts per million) facilitating the development of open-pit mining However, these metallurgical breakthroughs relied heavily on specialists such as Georgius Agricola (known as the father of mineralogy) whose 16th century treatise De Re Metallica remained the standard reference work on mining, extraction and metallurgy for two hundred years

Photo Gold Smelting Process

The prospect of extracting value from new, untapped sources has led data to be described as the next natural resource and likened to currency or gold While new tools pioneered by Internet companies such as Google have been critical, so-called data scientists – the analysts who prepare, crunch and interpret data – are best understood as the alchemists and master miners of the big data era

>1bn

number of playlists managed by Spotify using the Cassandra database

200m

The number of pages of information that IBM Watson can process in one second

2 Manager's Report and Portfolio Analysis

Portfolio review

Performance Attribution

Movement in Net Asset Value (total return) per share

Over the year to 30 April 2013 the Net Asset Value per share rose by 5 1% compared to the rise in the Benchmark, the Dow Jones World Technology Index (total return, Sterling adjusted) of 6 0%

	%	%	Pence per share
NAV per share at 30 April 2012			392 56
Benchmark performance		6 0	
Portfolio performance vs Benchmark			
asset allocation	-2 3		
stock selection	+3 0	0 7	
Other factors			
due to cash	-1 1		
due to gearing	+0 7		
due to share issues	–		
due to management fees and finance costs	-1 2	-1 6	
Performance of NAV		5 1	
NAV per share at 30 April 2013			412 41

10 Year Performance

Historic Performance for the Years Ended 30 April

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total Assets less current liabilities (£m)	221 0	306 6	236 4	358 2	335 5	300 4	274 2	398 6	468 7	503 3	528 8
Share price (pence)	120 5	164 8	165 5	245 0	228 0	190 8	183 0	306 8	373 5	387 0	398 5
NAV per share (pence)											
– undiluted for warrants which expired in 2005	148 3	208 1	205 0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
– diluted for warrants which expired 2005	141 3	193 7	189 8	255 9	239 7	226 7	216 8	315 1	368 7	392 6	412 4
– undiluted for subscription shares issued in February 2011	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	368 7	392 6	412 4
Indices of Growth[1]											
Share price	100 0	136 7	137 3	203 3	189 2	158 3	151 9	254 6	310 0	321 2	330 7
Net asset value per share[2]	100 0	136 6	134 6	180 6	169 4	160 2	153 1	223 0	260 9	277 8	291 8
Dow Jones World Technology Index (Sterling)	100 0	119 9	108 7	143 5	140 6	142 7	134 9	188 4	197 2	213 6	226 4

The Company commenced trading on 16 December 1996 and the share price on the first day was 96 0p per share and the NAV per share was 97 5p

Notes

1 Rebased to 100 at 30 April 2003

2 The net asset value per share growth is based on NAV per share as adjusted for warrants From 2005 onwards the total net assets figures have been calculated in accordance with IFRS with investments valued at market bid price Prior to 2005 investments were valued at market mid price

All data sourced from Polar Capital LLP

Portfolio review
continued

Breakdown of Investments by Geographic Region
as at 30 April 2013

Market Capitalisation of Underlying Investments
as at 30 April 2013

Classification of Group Investments
as at 30 April 2013

	North America %	Europe %	Asia %	Total 30 April 2013 %	Total 30 April 2012 %
Semiconductors & Semiconductor Equipment	11 7	2 9	7 5	22 1	19 6
Software	18 4	2 0	1 2	21 6	21 5
Internet Software & Services	11 9	0 6	2 4	14 9	10 0
Computers & Peripherals	9 5	1 2	0 2	10 9	18 7
Communications Equipment	7 9	1 3	0 9	10 1	13 6
IT Services	4 6	–	0 5	5 1	6 1
Electronic Equipment, Instruments & Components	1 6	0 3	1 7	3 6	3 4
Internet & Catalog Retail	2 2	–	–	2 2	1 7
Chemicals	0 6	–	1 4	2 0	–
Other	–	1 0	–	1 0	1 5
Health Care Technology	0 7	–	–	0 7	0 3
Machinery	0 6	–	–	0 6	0 7
Commercial Services & Supplies	0 5	–	–	0 5	–
Health Care Equipment & Supplies	0 5	–	–	0 5	–
Household Durables	0 4	–	–	0 4	–
Aerospace & Defense	0 2	–	–	0 2	–
Total investments	71 3	9 3	15 8	96 4	97 1
Other net assets (excluding loans)	2 5	1 1	3 7	7 3	8 8
Loans	(2 8)	–	(0 9)	(3 7)	(5 9)
Grand total (net assets of £528,845,000)	71 0	10 4	18 6	100 0	–
At 30 April 2012 (net assets of £503,292 000)	72 8	8 6	18 6	–	100 0

A full list of all investments is provided on pages 102 to 106

Portfolio review Investments over 1% of the portfolio

/ North America

	Value of Holding		% of net assets	
	30 April 2013 £'000	30 April 2012 £'000	30 April 2013 £'000	30 April 2012 £'000
Google	38,476	22,921	7 3	4 6
Google is the dominant provider of Internet search and online advertising, provider of web applications and tools, as well as a developer of software and mobile applications The company operates a leading index of web sites and media content and offers an auction based advertising platform By helping content owners to efficiently find customers online Google remains a critical element in the growth of Internet advertising and e-commerce				
Apple	34,726	61,142	6 6	12 1
Apple is a leading supplier of personal computers and digital media products that feature the company s proprietary OS X operating system The company has become synonymous with the explosion in digital media as evidenced by market share gains in its core business and the spectacular success of its iTunes iPhone and iPad offerings Having redefined the smartphone category with the iPhone Apple s newest product – the iPad has essentially created the tablet market				
Microsoft	18,975	23,264	3 6	4 6
Microsoft is the largest software company in the world Founded in 1975 the company has built a dominant franchise in desktop software through its ubiquitous Windows operating system and Office productivity software While the company is unlikely to be a net beneficiary from the transition towards Cloud computing, an ageing PC installed base and a new operating system should create favourable near term tailwinds				
Qualcomm	13,373	13,365	2 5	2 7
Qualcomm is the world leader in wireless code division multiple access (CDMA) technologies that make up part of the 3G mobile communications networks The company has a dominant position in CDMA and a leading position in Long Term Evolution (LTE) technology being widely deployed for 4G networks globally In addition to licensing its IP to the world s leading handset and infrastructure providers, the company also sells chipsets via its QCT division				
IBM	12,532	15,293	2 4	3 0
International Business Machines (IBM) is one of the world s leading providers of enterprise solutions offering a broad portfolio of hardware, IT services and software solutions Whilst the company s revenue growth rate has moderated over recent years, it has been able to deliver fairly consistent earnings per share growth as a result of acquisitions, cost-saving initiatives and share repurchases				
Cisco	11,901	10,892	2 3	2 2
Cisco Systems is a preeminent provider of Internet protocol (IP)-based equipment that is used to carry data, voice and video traffic In addition to its core router and switch offerings, the company also produces IP telephony products set-top boxes and videoconferencing systems Although the company should benefit from data traffic growth this dynamic is being offset by intensifying competition in its core (switching) market				
Salesforce com	9,490	6,521	1 8	1 3
A leading provider of customer relationship management (CRM) software, Salesforce com is a standard bearer for a new software delivery model commonly known as software as a service (SAAS) By eliminating many of the upfront and ancillary costs associated with the prevailing licence model the ability to deliver software on demand is helping Salesforce com not only expand the applicability of its core product but is also helping the company become a much broader application infrastructure provider				
Intel	9,384	13,841	1 8	2 7
Intel is the world s largest supplier of semiconductor chips The company designs and manufactures microprocessors, boards and semiconductor components that are used in computers servers and networking and communication products As the world s largest supplier of microprocessors Intel enjoys a worldwide market share of more than 75%				

	Value of Holding		% of net assets	
	30 April 2013 £ 000	30 April 2012 £ 000	30 April 2013 £'000	30 April 2012 £'000
Texas Instruments	8,917	5,898	1 7	1 2
An early pioneer in the field of semiconductors, TI is today a leading provider of both digital signal processing and analogue/ mixed signal chips The 2011 acquisition of National Semiconductor with its 300mm fabs solidified TI s scale advantages in the industry The more recent exit from their loss making mobile business should afford the company a greater focus on their core analogue business				
Amazon	8,738	4 120	1 7	0 8
Amazon is a dominant eCommerce provider having expanded significantly since its early days as an online book, music and video vendor Today the company has added a significant number of product categories, sells its own hardware (Kindle-branded e-readers and tablets) and has its own online video service, Lovefilm Furthermore Amazon owns the world s pre-eminent public cloud (Amazon Web Services), which promises to drastically lower the cost of computing While this may be deflationary for enterprise IT spending it is, in our opinion, the most exciting part of Amazon s business				
Facebook	8,729	-	1 7	-
With over 1bn active monthly users Facebook is the world s dominant social networking company Since the poorly handled IPO the company has moved rapidly to address the main concerns around engagement on the site and the ability to monetise the users that have migrated to the Facebook Mobile app Results more recently have shown engagement continuing to track higher with measured progress in attracting advertisers as they prove out the advantages of Social advertising				
Oracle	7,882	11,415	1 5	2 3
Oracle is the leading vendor of relational database management systems (RDBMS) and is the world s second largest software company with offerings that span database systems, middleware and broad range of applications such as ERP CRM and SCM Post its acquisition of Sun Microsystems, the company has begun to introduce vertically integrated systems such as its Exa-series products that combine Oracle software and Sun hardware				
Adobe	6,940	3,279	1 3	0 6
Adobe is a global leader in digital media and marketing solutions and remains one of the largest software companies in the world The firm provides a range of products and services that allow users to create digital content and deploy it across media and devices (desktop smart phone television and tablet), as well as measure and optimise information distribution to add business value				
Corning	6,261	1,487	1 2	0 3
One of the principle manufacturers of speciality glass and ceramics, as well as other components for the consumer electronic, telecommunications automotive and life sciences verticals, among others Results have largely been driven by 25% growth in the speciality materials segment with strong demand for Gorilla Glass the company s superstar cover glass product which is used in notebooks, mobile phones and TV s				
eBay	5,351	4,549	1 0	0 9
While eBay continues to dominate online auctions it has also expanded significantly into the broader eCommerce market such that fixed-price sales comprise the majority of its transactions In addition to its eCommerce offering (marketplace), eBay also owns PayPal, one of the leading online payment platforms Both the core and payment business should continue to benefit from growth in eCommerce and mobile payments as smartphone penetration increases				
North American investments over 1%	201,675		38 4	
Other North American investments	175,481		32 9	
Total	377,156		71 3	

2 Manager's Report and Portfolio Analysis

A full list of all investments is provided on pages 102 to 106

Portfolio review Investments over 1% of the portfolio

/ Europe

	Value of Holding		% of net assets	
	30 April 2013 £'000	30 April 2012 £'000	30 April 2013 £'000	30 April 2012 £'000
SAP	10,380	6,558	2.0	1.3
SAP is a leading provider of Enterprise Resource Planning (ERP) software that is entrenched in most large companies today, from manufacturing to financial services. The company has been leveraging its strengths in its core business and investing in emerging technologies both via acquisitions and internal R&D efforts. New products that target mobile Software-as-a-Service (SaaS) and large datasets (known as "Big Data") are expected to become more important drivers of growth going forward.				
ARM	6,330	3,353	1.2	0.7
ARM is the global leader in semiconductor IP focused on delivering performance with very low power consumption. The company's technology can be found in >90% of mobile phone application processors and basebands and as such has been a key beneficiary of the proliferation of mobile devices (including new form factors such as the tablet). In recent years, ARM has been driving growth outside of core markets from technology extension (entering the graphics space via Mali) and new verticals (microcontrollers in white goods and networking) and has the ambition to replicate its success in the high value server and PC markets.				
Ericsson	5,926	4,502	1.1	0.9
A provider of telecommunications equipment and services to mobile and fixed network operations. The company is one of the few companies worldwide that can offer end-to-end solutions for all mobile communication standards and looks set to benefit from an increase in 4G LTE Capex, as well as mix shift to higher margin software upgrades as the second phase of rollouts gathers momentum.				
Seagate Technology	5,099	-	1.0	-
Seagate is one of two dominant players (alongside Western Digital) in hard disc drives and storage solutions. The firm has exposure to both the consumer market, offering personal storage for videos, music and documents, as well as the enterprise market, providing the servers which make up the backbone of enterprise data centres and cloud based computing. Despite a tough end market (PCs), the pricing environment is much improved due to the consolidation of the industry.				
European investments over 1%	27,735		5.3	
Other European investments	21,582		4.0	
Total	49,317		9.3	

A full list of all investments is provided on pages 102 to 106

Portfolio review Investments over 1% of the portfolio
/ Asia & Pacific

	Value of Holding		% of net assets	
	30 April 2013 £ 000	30 April 2012 £'000	30 April 2013 £ 000	30 April 2012 £'000
Samsung Electronics	17,742	19,679	3 4	3 9
Samsung manufactures a very wide array of products ranging from components to finished products for both consumer electronics and industrial end markets The company is particularly renowned for its high global market share in the fields of memory semiconductors, LCD displays, and mobile handsets				
Taiwan Semiconductor	9,861	11,193	1 9	2 2
TSMC is the world s largest semiconductor foundry, providing a full range of services from design to product delivery The company is becoming increasingly dominant at the leading-edge of the technology road-map, where smaller rivals are struggling to adequately resource their product offerings				
Tencent Holdings	5,621	6,764	1 1	1 3
Tencent Holdings is China s largest Internet company by revenue, and offers a full suite of online services – primarily entertainment and communication related - to users The company originally started out as an instant messaging service provider back in 1999 and has gone on to dominate this market in China with over 400 million active accounts The company are now successfully monetising this enormous community via add-on services such as online gaming				
Asian & Pacific investments over 1%	33,224		6 4	
Other Asian & Pacific investments	50,027		9 4	
Total	83,251		15 8	

3 Directors' Report

Directors

Michael Moule * ^

Independent non-executive Chairman Appointed to the Board in 2007 and was elected Chairman in August 2011 He is also chairman of the Management Engagement and Nomination Committees

Skills and experience
Michael Moule was a director of investment trusts at Henderson Global Investors, where he had been the investment manager for The Bankers Investment Trust plc and Law Debenture Corporation plc until his retirement in 2003

Other Appointments
He is a director of The European Investment Trust plc and Montanaro UK Smaller Companies Investment Trust plc
He is a member of the investment committee of the British Heart Foundation and a member of the investment committee of The Open University

Brian Ashford-Russell

Non-executive director, appointed to the Board in 1996

Skills and experience
Brian Ashford-Russell is a director and founder of Polar Capital Partners He was previously head of the technology team at Henderson Global Investors He managed the Company from launch until 30 April 2006

Other Appointments
He is a non-executive director of Polar Capital Holdings plc

As Brian Ashford-Russell is connected to the investment manager, he stands for annual re-election

Sarah Bates +*^#

Independent non-executive director, appointed to the Board in 2011

Skills and experience
Sarah Bates is the immediate past Chairman of the Association of Investment Companies and has been involved in the UK savings and investment industry in different roles for over 30 Years

Other Appointments
Sarah Bates holds non executive directorships at St James s Place Plc, Development Securities Plc, New India Investment Trust Plc, Witan Pacific Investment Trust Plc, JP Morgan American Investment Trust Plc and Worldwide Health Trust plc She is also Chairman of the Stena (UK) pension fund and Chairman of the Cancer Research UK pension fund s investment committee as well as being a member of a number of other haritable and pension fund investment committees

Peter Dicks +*^#

Independent non-executive director, appointed to the Board in 1996 and elected Senior Independent Director in 2004 He is Chairman of the Remuneration Committee

Skills and experience
Peter Dicks has been involved with the venture capital industry since 1974 when he co-founded Abingworth plc Since 1992 He has served chairman or non-executive director on a number of investment vehicles as well as commercial enterprises such as Sportingbet plc and Standard Microsystems Inc

Other Appointments
He is the Chairman of Private Equity Investor plc and a director of several other companies including Graphite Enterprise Trust plc

Peter Dicks retires at the conclusion of the AGM on 2 September 2013

David Gamble +*^

Independent non-executive director, appointed to the Board in 2002 and to the chair of the Audit Committee in 2011.

Skills and experience
David Gamble was chief executive of British Airways Pension Investment Management Ltd until his retirement in 2004

Other Appointments
He is Chairman of Montanaro UK Smaller Companies Investment Trust plc David Gamble is a director of IBM Pension Trustees Limited, Vencap International plc and Chairman of Dunedin Enterprise Investment Trust plc He is also an advisor to the Investment Committee of the BBC pension plan

Peter Hames +*^

Independent non-executive director, appointed to the Board in 2011

Skills and experience
Peter Hames spent 18 years of his investment career in Singapore, where in 1992 he co-founded Aberdeen Asset Management s Asian operation and as director of Asian equities he oversaw regional fund management teams responsible for running a number of top-rated and award winning funds

Other Appointments
He is a director of MMIP Investment Management Limited, BACIT Limited and independent member of the Operating Committee of Genesis Asset Managers LLP

Rupert Montagu +*^#

Independent non-executive director, appointed to the Board in 2007

Skills and experience
Rupert Montagu co-founded Montagu Newhall Associates (now Greenspring Associates) in 2000, a specialist investor in technology and healthcare venture capital industries where he was a partner until 2010

Other Appointments
None

Becomes Senior Independent Director and Chairman of Remuneration Committee on 2 September 2013

+ Member of Audit Committee
* Member of Management Engagement Committee
^ Member of Nomination Committee
# Member of Remuneration Committee

The Board considers that the majority of the Directors including Peter Dicks and David Gamble who have both served more than nine years are independent in character and there were no relationships or circumstances which were likely to affect or could appear to affect their judgement In the case of Brian Ashford-Russell the Board has concluded that he should not be considered as independent due to his relationship with the investment manager

3 Directors' Report

Investment Manager Team

Ben Rogoff
Director, Technology

The portfolio is managed by Ben Rogoff Ben has been a technology specialist for fifteen years having begun his career in fund management at CMI, as a global technology analyst He moved to Aberdeen Fund Managers in 1998 where he spent four years as a senior technology manager prior to joining Polar Capital in May 2003 He is also joint manager of Polar Capital Global Technology Fund Ben graduated from St Catherine s College, Oxford with a degree in modern history in 1995

Nick Evans
Senior Fund Manager

Nick joined Polar Capital in September 2007 and has fourteen years experience as a technology specialist He has been lead manager of the Polar Capital Global Technology Fund since January 2008 Prior to joining Polar he was Head of Technology at AXA Framlington He also spent three years as a Pan European Investment Manager and Technology Analyst at Hill Samuel Asset Management Nick graduated from Hull University with a degree in economics

Fatima Iu
Fund Manager

Fatima joined Polar Capital in April 2006 after working as an analyst with Citigroup Asset Management for 18 months She focuses on European technology stocks and has responsibility for coverage of the global medical technology sub-sector Fatima graduated from Imperial College London in 2002 with a degree in Medicinal Chemistry

Colin Moar
Fund Manager

Colin joined Polar Capital in January 2011, having spent 13 years covering pan-European and then Global Equity markets with the Technology sector as his main focus He started his career and spent more than a decade at Morley Fund Management in 1997 initially covering UK/European equities before moving to their global equity team In January 2010 Colin joined HSBC Asset Management s Global Equity team as a Senior Fund Manager Colin Graduated from the University of Edinburgh with a degree in Business Studies

Xuesong Zhao
Fund Manager

Xuesong joined Polar Capital in May 2012, having spent most of the previous four years working as an investment analyst within the Emerging Market & Asia team in Aviva Investors, where he was responsible for the Technology, Media and Telecom sectors Prior to that, he worked as a quantitative analyst and risk manager at Pictet Asset Management He started his career as a Financial Engineer at Algorithmics, an IBM company, in 2005 He holds an MSc in Finance from Imperial College Science & Technology and a BA (Hons) in Economics from Peking University and is a CFA charter holder

Paul Johnson
Junior Analyst

Paul joined Polar Capital in March 2012 as a Junior Analyst Prior to joining, Paul helped manage a private investment fund between 2010 and 2012 Paul graduated from Keele University in 2007 with a BA in History and Politics, and then with a Masters in History in 2008

3 Directors' Report

Directors' Report including the Business Review and the Report on Corporate Governance

The Directors present their Directors Report including the Business Review and the Report on Corporate Governance together with the Audited Financial Statements for the Company and Group prepared under International Financial Reporting Standards as adopted by the European Union ("IFRS) for the year ended 30 April 2013

Investment Objective, Policy and Strategy

Objective

The Company s investment objective has since formation been, and will continue to be, to maximise long-term capital growth by investing in a diversified portfolio of technology companies around the world

Policy

At the Annual General Meeting in 2012 shareholder approval was obtained to a simplified investment policy This did not change the investment objective but provides a clear and appropriate set of up to date investment restrictions in line with the Financial Conduct Authority and HM Revenue and Customs current requirements

The portfolio was managed under and in accordance with the old policy and restrictions in the year to 30 April 2012 and up to 4 September 2012 when the change was approved by shareholders

Asset Allocation

Technology may be defined as the application of scientific knowledge for practical purposes and technology companies are defined accordingly While this offers a very broad and dynamic investing universe and covers many different companies, the portfolio of the Company (the Portfolio") is focused on technology companies which use technology or which develop and supply technological solutions as a core part of their business models This includes areas as diverse as information, media, communications, environmental, healthcare and renewable energy, as well as the more obvious applications such as computing and associated industries

The Portfolio is constructed without specific reference to any individual market, index or benchmark and the Directors regularly discusses asset allocation The Board has agreed a set of parameters which are based upon current market conditions and provides a range which guides the Investment Manager depending on market conditions and future expectations The Board believes that this provides the necessary flexibility for the Investment Manager to pursue the investment objective, given the dynamic and rapid changes in the field of technology, while maintaining a spread of investments

The Company has a benchmark of the Dow Jones World Technology Index (total return, Sterling adjusted) against which net asset value performance of the Company is measured for the purpose of assessing performance fees (the Benchmark) From 1 May 2013 the Benchmark will be calculated using a net basis which adjusts the Benchmark income element to reflect withholding taxes which would be suffered by a UK based investor

However, the Benchmark is neither a target nor an ideal investment strategy The purpose of the Benchmark is to set a reasonable return for shareholders of the Company above which the Investment Manager is entitled to a share of the extra performance it has delivered

Risk Diversification

The Company will at all times invest and manage its assets in a manner that is consistent with spreading investment risk and invests in a Portfolio comprised primarily of international quoted equities which is diversified across both regions and sectors

The Company will satisfy the following investment restrictions

- The Company s interest in any one company will not exceed 10 per cent of the gross assets of the Company from time to time, save where the Benchmark weighting of any investee company in the Company s portfolio exceeds this level, in which case the Company will be permitted to increase its exposure to such investee company up to the Benchmark neutral weighting of that company or, if lower, 20 per cent of the Company s gross assets
- The Company will have a maximum exposure to companies listed on emerging markets (as defined by the MSCI Emerging Markets Index) of 25 per cent of its gross assets from time to time
- The Company may invest in unquoted companies from time to time, subject to prior Board approval Investments in unquoted companies in aggregate will not exceed 10 per cent of the gross assets of the Company (measured at the time of acquisition of the relevant investment and whenever the Company increases the relevant holding)

In addition to the restrictions set out above, the Company is subject to Chapter 15 of the UK Listing Authority s Listing Rules which apply to closed ended investment companies with a premium listing on the Official List of the London Stock Exchange In order to comply with the current Listing Rules, the Company will not invest more than 10 per cent of its total assets at the time of acquisition in other listed closed ended investment funds, whether managed by the Investment Manager or not This restriction does not apply to investments in closed ended investment funds which themselves have published investment policies to invest no more than 15 per cent of their total assets in other listed closed ended investment funds However, the Company will not in any case invest more than 15 per cent of its total assets in other closed ended investment funds The Company must not conduct any trading activity which is significant in the context of its group as a whole

Borrowing, Cash and Derivatives

The Company may borrow money to invest in the Portfolio over both the long and short term Any commitment to borrow funds is agreed by the Board

The Company s articles of association permit borrowings up to the amount of its paid up share capital plus capital and revenue reserves but any net borrowings in excess of 15 per cent of the Company s net assets at the time of drawdown will only be made with the approval of the Board

The Investment Manager may also use from time to time derivative instruments as approved by the Board such as financial futures, options, contracts-for-difference and currency hedges These are used for the purpose of efficient portfolio management Any such use of derivatives will be made in accordance with the Company s policies on spreading investment risk as set out in this investment policy and any leverage resulting from the use of such derivatives will be subject to the restrictions on borrowings set out above

Changes to investment policy

Any material change to the investment policy will require the approval of the Shareholders by way of an ordinary resolution at a general meeting The Company will promptly issue an announcement to inform Shareholders and the public of any change of its investment policy

Strategy

The Board monitors the portfolio s exposure to different geographical markets, sub-sectors within technology and the spread of investments across different market capitalisations Cyclical changes in markets and new technologies will bring certain sub-sectors or companies of a particular size or market capitalisation into or out of favour

Market parameters

Notwithstanding the ability to invest up to 100% of the portfolio in any one market, with current and foreseeable investment conditions the Portfolio will be invested in accordance with the objective across worldwide markets within the following geographical and market parameters

- North America up to 85% of the Portfolio
- Europe up to 40% of the Portfolio
- Japan and Asia up to 55% of the Portfolio
- Rest of the world up to 10% of the Portfolio

The Board has set specific upper exposure limits for certain countries

Cash

From time to time the Company may hold cash or near cash equivalents if the Investment Manager feels that these will at a particular time or over a period enhance the performance of the Portfolio The management of cash is through the purchase of appropriate government bonds, money market funds or bank deposits depending on the Investment Manager s view of the investment opportunities

Gearing

The Company has loan facilities with ING Bank NV for a total of £30m divided between a £10m facility drawn on 2 August 2011 and repayable on 2 August 2012 in the amount of Japanese Yen 375,000,000 and US Dollar 11,500,000, and a £20m facility drawn on 2 August 2011 and repayable on 2 August 2013 in the amount of Japanese Yen 750,000,000 and US Dollar 23,000,000

The £10m facility was repaid on 2 August 2012

In respect of the £20m facility the Company entered into two fixed floating interest rate swap transactions which will terminate on 2 August 2013 Details of the loans are set out in note 18 to the financial statements

As at 30 April 2013, using the exchange rates prevailing at that date, the Sterling amount of the total facility was £19 7m (2012 £29 9m)

Directors' Report including the Business Review and the Report on Corporate Governance continued

Key Performance Objectives

The Board appraises the performance of the Company and the Investment Manager as the key supplier of services to the Company against key performance indicators (KPIs) The objectives comprise both specific financial and shareholder related measures

KPI	Control process	Outcome
The provision of investment returns to ordinary shareholders measured by long-term NAV growth and relative performance against the benchmark	The Board reviews at each meeting the performance of the portfolio and the views of the Investment Manager	The Company s NAV has over the year to 30 April 2013 underperformed the benchmark The NAV per share rose by 5 1% while the benchmark rose 6 0% over the same period The reasons are explained in the Chairman s Statement and the Investment Manager s Report Over the longer term as shown by the historic performance data shown on page 35 growth in the NAV has exceeded the benchmark
Monitoring and reacting to issues created by the discount or premium of the ordinary share price to the NAV per ordinary share with the aim of reduced discount volatility for shareholders	The Board receives regular information on the composition of the share register including trading patterns and discount/ premium levels of the Company s ordinary shares The Board discusses and authorises the issue or buy back of shares when appropriate A daily NAV per share, diluted when appropriate calculated in accordance with the AIC guidelines, is issued to the London Stock Exchange	The discount/premium of the ordinary share price to NAV per ordinary share (diluted when appropriate) over the year has ranged from a maximum discount of 6 6% to a premium of 2 3% The Company has not bought back any shares in the year to 30 April 2013 and in the same period it has issued a total of 23 719 ordinary shares in satisfaction of the exercise of subscription share conversion rights at 478p per ordinary share
To qualify and continue to meet the requirements for Sections 1158 and 1159 of the Corporation Tax Act 2010 (investment trust status)	The Board receives regular financial information which discloses the current and projected financial position of the Company against each of the tests set out in Sections 1158 and 1159	This has been achieved for every year since launch in 1996 Approval has been received in respect of the financial year ended 30 April 2012 Application was made to HMRC for investment trust status in respect of the financial year ended 30 April 2013 and subsequent years subject to the Company continuing to meet the relevant eligibility conditions and ongoing requirements
Efficient operation of the Company with appropriate investment management resources and services from third party suppliers within a stable and risk controlled environment	The Board annually considers the services provided by the Investment Manager both investment and administration and reviews on a cycle the provision of services from third parties including the costs of their services The annual operating expenses are reviewed and any non-recurring project related expenditure sanctioned	The Board has received and considered satisfactory the internal controls report of the Investment Manager and other key suppliers including contingency arrangements to facilitate the ongoing operations of the Company in the event of withdrawal or failure of services The ongoing costs of the Company for the year ended 30 April 2013 was 1 19% (2012 1 22%)

Principal Activities and Status

The Company is incorporated in England and Wales as a public limited company and domiciled in the United Kingdom It is an investment company as defined in Section 833 of the Companies Act 2006 and its ordinary and subscription shares are listed and traded on the London Stock Exchange

The Company has no employees or premises and the Board is comprised of non-executive Directors The day to day operations and functions of the Company have been delegated to third parties

The close company provisions do not apply

The business of the Company is to provide shareholders with access to a managed portfolio of technology stocks and shares selected on a worldwide basis The Company s investment portfolio is a long-only fund which means that it buys and holds shares to seek appreciation in their value and consequently in the Net Asset Value (NAV) of the Company

The Company seeks to manage its portfolio in such a way as to meet the tests set down in Section 1158 and 1159 of the Corporation Tax Act 2010 (as amended by Section 49(2) of the Finance Act 2011) and continue to qualify as an investment trust This qualification permits the accumulation of capital within the portfolio without any liability to UK Capital Gains Tax

HM Revenue & Customs has approved the Company s application for status as an investment trust in respect of the year ended 30 April 2012 subject to matters that may arise from any subsequent enquiry into the Company s tax return With effect from 1 January 2012 the conditions and process for approval as an investment trust have been simplified An application may be made by a company for investment trust status in respect of all subsequent financial years subject to it continuing to satisfy the conditions Application for investment trust status in respect of the year ended 30 April 2013 and subsequent years was made by the Company and was accepted by HMRC subject to the Company continuing to satisfy the conditions The Directors expect the affairs of the Company to continue to satisfy the conditions

The Company has one subsidiary, PCT Finance Limited a wholly owned dealing company whose results are consolidated with those of the Company It is the intention of the Directors to put this subsidiary in to liquidation during 2013

Life of the Company

The Articles of Association of the Company provide that at the Annual General Meeting of the Company to be held in 2015, and at every fifth Annual General Meeting thereafter, a vote on whether the Company should continue will be proposed as an ordinary resolution

Business Review

The Company is required by the Companies Act 2006 to set out a business review for shareholders to provide a fair review of the business of the Group during the financial year to 30 April 2013, the position of the Group at the end of the year and a description of the principal risks and uncertainties

Full details of the Investment Manager s activities and its views are given in the Investment Manager s Report

The Board considers that the Chairman s Statement and the Investment Manager s Report when read in conjunction with the information provided in the Directors Report fulfils the requirements of the business review and gives a comprehensive analysis of the development and performance of the business of the Group and the position of the Group at the end of the financial year

Future Developments

The Board remains positive on the longer-term outlook for technology and the Company will continue to pursue its investment objective The outlook for the future performance is dependent to a significant degree on the world s financial markets and their reactions to economic events and other geo-political forces The Chairman s Statement and the Investment Manager s Report comment on the outlook

Performance

At the year end the portfolio comprised of 130 investments with the single largest investment being Google (7 3%) (2012 Apple 12 1 %)

The top investments each being over 1% of the portfolio at 30 April 2013 are described on pages 38 to 41 A full listing of all investments in the portfolio is given on pages 102 to 106

The portfolio has been analysed on pages 36 and 37 to disclose details on the distribution of investments by market capitalisation and by the different sectors in the different principal geographies

Directors' Report including the Business Review and the Report on Corporate Governance continued

The changes in the share price, net asset value and benchmark over the financial year are shown on page 34

A review and commentary on the investment activities this year and the Investment Manager s comments and the outlook for technology shares are given in the Chairman s Statement on pages 6 and 7 and the Investment Manager s Report on pages 8 to 21

Assets

At 30 April 2013 the total net assets of the Group amounted to £528,845,000 compared with £503,292,000 at 30 April 2012 The Net Asset Value per share rose by 5 1% from 392 56p to 412 41p

Revenue and Dividends

The gross revenue return for the year was £5,617,000 (2012 £3,568,000) and the net revenue loss after taxation amounted to £1,687,000 (2012 Loss £3,367,000) The total return for the year amounted to a profit after tax of £25,440,000 (2012 £30,535,000)

The Company s revenue varies from year to year and the Board considers the dividend position in each year in order to maintain the Company s status as an investment company However, due to the level of accumulated revenue losses the Company does not expect to pay a dividend for the foreseeable future and Directors do not recommend the payment of a dividend

The ongoing charges ratio shown on page 5 has been calculated in accordance with guidance issued by the AIC and constitutes the management fee in note 8 and the other administrative expenses as a percentage of average daily net assets over the year

Benchmark

The Company has a benchmark of the Dow Jones World Technology Index (total return, Sterling adjusted) against which NAV performance is measured for the purpose of assessing performance fees

The Board, as explained in the Chairman s Statement on page 6, has decided that with effect from 1 May 2013 the benchmark index should be adjusted to use the same technology index but adjusted for withholding taxes to more accurately reflect the income from the companies within that index which would be available to a UK investor

As at 30 April 2013 the Dow Jones World Technology Index was calculated as a market capitalisation based index of 499 technology companies worldwide 71% of the index weighting is in North America, 9% in Europe and 20% in Asia/Pacific By market capitalisation 78% is represented by large companies, 20% by mid-caps and 2% by smaller companies

Although the Company has a benchmark, this is neither a target nor an ideal investment strategy The purpose of the benchmark is to set a reasonable return for shareholders above which the Investment Manager is entitled to a share of the extra performance it has delivered

Business Risks

In delivering long-term returns to shareholders the identification and monitoring of risk is crucial In addition to the detailed internal controls set out in the Corporate Governance Report the Board seeks to identify, assess and monitor risks to the business

These relate primarily to economic uncertainties and its particular sphere of activity of investing in worldwide stock markets

- The appropriateness of the investment mandate and strategy is considered as this may lead to a depressed share price as investors seek alternative investments or lower risk strategies
- As the Company s assets comprise mainly of listed equities the principal risks to the performance of the business are market related
- While the portfolio is diversified across a number of stock markets worldwide, the investment mandate is focused on technology and thus the portfolio will be more sensitive to investor sentiment and the commercial acceptance of technological developments than a general investment portfolio
- Technology stocks also have greater relative price volatility and are subject to the risks of developing technologies, competitive pressures and other factors including the acceptance of new technologies and rapid obsolescence
- Many companies in the technology sector are smaller companies and are therefore subject to the risks attendant on investing in smaller capitalisation businesses
- There is significant exposure to the economic cycles of Europe, Asia and the US as these are the major investment markets for technology stocks and there is exposure to currency risk of those markets

- A very small element of the investment portfolio is invested into unlisted securities These investments are made where they offer specialist management or investment opportunities which would otherwise not be available At the year-end this amounted to less than 0 1% of NAV

- The Board has regard to the degree of risk which the Investment Manager incurs in order to generate the investment returns and the effect of gearing on the portfolio by borrowed funds which can magnify the portfolio returns per share positively or negatively

There is a second group of business risks in the form of financial, operational including accounting and taxation, and legal and regulatory requirements

- The financial risks which arise from the investment activities expose the Company to risks such as market price, credit, liquidity, foreign currency and interest rates

- The operational and accounting risks cover disruption to, or failure of, systems and processes provided by the Investment Manager including any sub contractors to which the Investment Manager has delegated the task Including the keeping of safe custody records and systems provided by the custodian or sub custodians Suppliers may deliver sub standard services which impact on the Company or its customers The taxation risk that the Company may fail to continue as an investment trust or recover withholding taxes on overseas investments

- Legal and regulatory risks include compliance with the FCA s Listing Rules and Transparency and Disclosure Rules, meeting the provisions of the Companies Act 2006 and other legislation affecting UK companies and compliance with accounting standards

Management of risks

- The Board sets aside a day a year to conduct an annual review of the investment strategy and markets which is used as framework to assess portfolio construction and performance across the remained of the year

- Other business risks are managed through regular reporting to the Board on the diversification of the portfolio, market and sector views, the investment decisions including analytical performance data and attribution presented by the Investment Manager Any investment in unquoted companies or funds is approved by the Directors before the investment is made

- The Board receives regular monthly reports containing financial information on the Company including gearing and cash balances

- At each Board meeting there is an administration report which provides details on corporate matters including substantial changes in individual shareholders and the share register, and share price performance

- Information and guidance on the second group of risks is managed by the use of the Investment Manager or professional advisers where necessary and the submission of reports to the Board for discussion and, if required, any remedial action or changes considered necessary Considerable time and resource has been directed at preparing to meet the new legislative requirements which will impact the Company over the next two years

- The policies for managing the risks posed by exposure to market prices, interest rates, foreign currency exchange rates, credit and liquidity are set out in note 29 to the financial statements

Management Company and Management of the Portfolio

As the Company is an investment vehicle for shareholders the Directors have sought to ensure that the business of the Company is managed by a leading specialist investment management team and that the investment strategy remains attractive to shareholders

The Directors believe that a strong working relationship with the investment management team will achieve the optimum return for shareholders and to this end value the inclusion on the Board of Brian Ashford-Russell

Investment team

The Investment Manager is Polar Capital LLP (Polar Capital), which is authorised and regulated by the Financial Conduct Authority

Under the terms of the investment management agreement Polar Capital provides investment management, accounting, company secretarial and administrative services

Polar Capital provides a team of technology specialists led by Ben Rogoff Each member focuses on specific areas while Ben has overall responsibility for the portfolio and looks after the US investments Polar Capital also has other specialist and geographically focused investment teams which contribute to idea generation

Directors' Report including the Business Review and the Report on Corporate Governance continued

Termination arrangements

The investment management agreement may be terminated by either party by giving 12 months notice, but under certain circumstances the Company may be required to pay up to one year s management charges if immediate notice is given and compensation will be on a sliding scale if less than 12 months notice is given

Continued appointment

The Board, through the Management Engagement Committee, has reviewed the performance of the Investment Manager in managing the portfolio over the longer-term The review also considered the quality of the other services provided by the Investment Manager, including the strength of the investment team, the depth of the other services provided by the Investment Manager and their resources available to provide such services, which includes the organisation on the Company s behalf of third party suppliers, and the quality of the shareholder communications

The Board, on the recommendation of the Management Engagement Committee, has concluded that on the basis of longer-term performance it is in the best interests of shareholders as a whole that the appointment of Polar Capital LLP as Investment Manager is continued on the existing terms

Fee arrangements

Management fee

The management fee is 1% based on Net Asset Value plus borrowings, on a per share basis, payable quarterly in arrears Any investments in funds managed by Polar Capital are wholly excluded from the base management fee calculation

Performance fee

Performance periods will coincide with the Company s accounting periods

- Annual performance fee equal to 15% of the amount by which the increase in the adjusted Net Asset Value per share exceeds the total return on the Dow Jones World Technology Index (total return, Sterling adjusted) multiplied by the time weighted average of the number of shares in issue during that period, subject to a high water mark
- The Net Asset Value per share (Adjusted NAV per share) is adjusted for the purposes of the performance fee calculation by adding back any accruals for unpaid performance fees, any dividends paid or payable by reference to the performance period and the removal of any benefit of share issuance or buy backs
- High water mark - the performance fee will only be payable if, and to the extent that, the Adjusted NAV per share exceeds the highest of
  - the NAV per share on the last day of the previous performance period,
  - the Adjusted NAV per share on the last day of a performance period in respect of which a performance fee was last paid,
- Any performance fee accrual will be included in the Net Asset Value calculated in accordance with the AIC guidelines
- The performance fee which can be paid by the Company in any one performance period is capped at 2% of net assets
- In the event of a termination of the investment management agreement, the date the agreement is terminated will be deemed to be the end of the relevant performance period and any performance fee payable shall be calculated as at that date

Management fees of £5,234,000 (2012 £4,885,000) have been paid for the year to 30 April 2013

No performance fee has been earned for the year to 30 April 2013 A high water mark of 368 74 p per ordinary share was established as at 30 April 2011 which will be used for the payment of any future performance fee

Capital Structure

Issued

The Company s share capital is divided into ordinary shares of 25p each and subscription shares of 1p each

At the year-end there were 128,231,742 ordinary shares in issue representing 83 8% of the total issued shares (2012 128,208,023) and 24,774,460 subscription shares representing 16 2% of the total issued shares (2012 24,798,179)

As at the date of this report there are 128,233,796 ordinary shares in issue and 24,772,406 subscription shares in issue

Subscription shares

Each subscription share carries the right to subscribe for one ordinary share at 478p per ordinary share from 1 April 2012 to the last business day of March 2014 After the last business day of March 2014 the right to convert the subscription shares will lapse If 75% or more of the original issue of subscription shares have been converted or cancelled then the Company may give notice to all outstanding subscription shareholders that a final subscription date will take place earlier than March 2014

Further information on the subscription shares can be found on pages 110 to 112

Changes during the year

In the year ended 30 April 2013 the Company has issued 23,719 ordinary shares at 478p per ordinary share on conversion on subscription share rights and since 30 April 2013 and up to the date of this report a further 2,054 ordinary shares at 478p per ordinary share have been issued as the result of the 2,054 subscription shares have been converted

No ordinary shares or subscription shares were purchased for cancellation or to be held in treasury during the year ended 30 April 2013

Voting rights

Ordinary shares carry voting rights which are exercised on a show of hands at a meeting, or on a poll, where each share has one vote

Subscription shares do not carry any rights to attend or vote at meetings of shareholders of the Company but the rights attached to the subscription shares may only be altered or abrogated with the sanction of the subscription shareholders

Details for the lodging of proxy votes are given when a notice of meeting is given

Transferability

Any shares in the Company may be held in uncertificated form and, subject to the Articles, title to uncertificated shares may be transferred by means of a relevant system

Subject to the Articles, any member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve The instrument of transfer must be executed by or on behalf of the transferor and (in the case of a partly-paid share) the transferee

The Board may, in its absolute discretion and without giving any reason, decline to register any transfer of any share which is not a fully paid share The Board may also decline to register a transfer of a certificated share unless the instrument of transfer (i) is duly stamped or certified or otherwise shown to the satisfaction of the Board to be exempt from stamp duty and is accompanied by the relevant share certificate and such other evidence of the right to transfer as the Board may reasonably require, (ii) is in respect of only one class of share, and (iii) if joint transferees, are in favour of not more than four such transferees

The Board may decline to register a transfer of any of the Company s certificated shares by a person with a 0 25% interest (as defined in the Articles) if such a person has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act 2006, unless the transfer is shown to the Board to be pursuant to an arm s length sale (as defined in the Articles)

The Company is not aware of arrangements to restrict the votes or transferability of its shares

Powers to issues ordinary shares and make market purchases of ordinary and subscription purchases

The Board was granted by shareholders at the AGM in 2012 the power to allot equity securities up to a nominal value of £3,205,200 and to issue those shares for cash without offering those shares to shareholders in accordance with their statutory pre-emption rights

New ordinary shares will not be allotted and issued at below the Net Asset Value These powers will expire at the AGM in 2013 These powers have not been used Renewal of the authorities will be sought at the AGM in 2013

The Board obtained shareholder authority at the AGM in 2012 to make market purchases of up to 19,218,390 ordinary shares and 3,717,260 subscription shares of the Company for cancellation in accordance with the terms and conditions set out in the two shareholder resolutions Both of these authorities expire at the AGM in 2013 and renewal of the authorities will be sought at the AGM in 2013

During the financial year to 30 April 2013 no ordinary shares were purchased and no subscription shares were purchased for cancellation

The level of the ordinary share price discount or premium to the Net Asset Value together with policies for the repurchase or issuance of new ordinary shares are kept under review by the Board

Directors' Report including the Business Review and the Report on Corporate Governance continued

Major interests in ordinary shares

Declarations of interests in the voting rights of the Company at 30 April 2013 are set out below There have been no changes between 30 April 2013 and the date of this report

	Number of ordinary shares	Percentage of voting rights
Brewin Dolphin Limited	8,054,667	6 28% (indirect)
Investec Wealth and Investment Limited	7,082,201	5 52% (indirect)
Lazard Asset Management LLC	6,383,454	4 98% (indirect)
Rathbone Brothers plc	6,324,232	4 93% (indirect)

The above percentages are calculated by applying the shareholdings as notified to the issued ordinary share capital at 15 July 2013 of 128,233,796 ordinary shares

Directors share interests

The interests of Directors in the ordinary and subscription shares of the Company at 30 April 2013 and 30 April 2012 are as follows

	Ordinary Shares		Subscription Shares	
Beneficial	**30 April 2013**	**30 April 2012**	**30 April 2013**	**30 April 2012**
Michael Moule	7,000	7,000	1,400	1,400
Brian Ashford-Russell	250,000	250,000	50,000	50,000
Sarah Bates	2,000	-	-	-
Peter Dicks	30,000	30,000	6,000	6,000
David Gamble	5,902	5,902	1,180	1,180
Peter Hames	6,000	-	-	-
Rupert Montagu	10,500	10,500	2,100	2,100
Non-beneficial				
Peter Dicks	1,057	1,057	211	211

There have been no changes in these interests between the end of the financial year and 9 July 2013

The Payment of Creditors

It has been and will remain the Company s policy for the forthcoming financial year to obtain the best terms for all business and therefore there is no single policy as to the terms used The Company and its subsidiary s policy is to settle all investment transactions in accordance with the terms and conditions of the relevant market in which it operates In general the Company agrees with its other suppliers the terms on which business will take place and it is the Company s policy to abide by such terms There were no trade creditors at 30 April 2013

Service Providers

Apart from the arrangements with Polar Capital LLP to provide investment, company secretarial and administrative services including accounting, portfolio valuation and trade settlement, the Company also contracts directly with JP Morgan Chase NA which acts as banker and global custodian for all the Company s investments The Company also retains the services of Cenkos Securities plc as corporate broker, Equiniti Limited as the registrars and PricewaterhouseCoopers LLP as tax advisers and independent auditors

HSBC Securities Services (UK) Limited has been retained by the Investment Manager to provide the accounting, valuation and trade settlement services Huguenot Services Limited provides web design and hosting services

The Company has a contract with Alliance Trust Savings for the provision of investor information and to facilitate investors to cast proxy votes and attend the Company s AGM

Post Balance Sheet Event

On 5 July 2013 application was made to the Registrar of Companies for PCT Finance Limited the wholly owned subsidiary, to be struck off

Annual General Meeting

The Annual General Meeting will be held on Monday 2 September 2013 at 12 noon at The Royal Automobile Club, 89 Pall Mall, London SW1Y 5HS Shareholders are encouraged to attend the AGM as it provides an opportunity for them to hear a presentation from the Investment Manager and meet the Directors

The separate Notice of Meeting contains resolutions to receive the financial statements, approve the Directors remuneration report, re-elect retiring Directors, re-appoint the auditors and empower the Directors to set their fees As in previous years the Directors are also seeking powers to allot shares for cash and to buy back shares for cancellation

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as the Company s independent auditors A resolution to re-appoint PricewaterhouseCoopers LLP as independent auditors to the Company will be proposed at the forthcoming AGM

The full text of the resolutions to be proposed at the AGM and an explanation of each resolution is contained in the separate Notice of Meeting

Report on Corporate Governance

The Directors are accountable to shareholders for the governance of the Company s affairs The UK Listing Rules require all listed companies to disclose how they have applied the principles and complied with the provisions of the UK Corporate Governance Code (the UK Code) issued by the Financial Reporting Council (the FRC) The UK Code can be viewed at www frc org uk

The Financial Reporting Council confirmed in 2010 that by following the AIC Code of Corporate Governance (AIC Code) and the Corporate Governance Guide for Investment Companies produced by the AIC, boards of investment companies should fully meet their obligations in relation to the UK Code and the UK Listing Rules The AIC code and AIC guide address the principles set out in the UK Code as well as additional principles and recommendations on issues that are specific to investment trusts The AIC Code can be viewed at www theaic co uk

As an investment company most of the day to day responsibilities are delegated to outside parties as the Company has no employees and all the Directors are non-executive Many of the provisions of the UK Code are not directly applicable to the Company

The Board has determined that reporting against the AIC Code provides the most appropriate information to shareholders The Company s policies on corporate governance can be found on its website

The report on corporate governance describes how the principles of the AIC Code have been applied

Application of the AIC code's principles

The Board attaches great importance to the matters contained in the AIC Code and observed the relevant requirements throughout the year under review

The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for Investment Companies (AIC Guide) and the Board believes that the Company s current practices are consistent in all material respects with the principles of the AIC Code Where non compliance occurs, an explanation has been provided The Board will continue to observe the principles and recommendations set out in the AIC Code in future

Directors and Board

Independence and composition

The Board is responsible to shareholders for the overall management of the Company s affairs and currently consists of seven non-executive Directors – six of whom are considered independent Each Director has different qualities and areas of expertise on which they may lead where issues arise The Chairman is responsible for the leadership of the Board and ensuring its effectiveness on all aspects of its role

The Directors are listed on pages 42 to 43 along with their biographical details which demonstrate the breadth of investment, commercial and professional experience relevant to their positions as Directors of the Company

All the Directors, with the exception of Brian Ashford-Russell, were considered independent of the Investment Manager and had no relationship or conflicts which were likely to affect their independent judgment Consequently the majority of the Board is independent of the Investment Manager and the Board considers that its overall composition is adequate for the effective governance of the Company

The Directors Remuneration Report is set out on pages 64 and 65

Directors' Report including the Business Review and the Report on Corporate Governance continued

Succession planning and diversity

While the Board recognises the value of progressive refreshing of and succession planning for company boards, it is conscious of the need to maintain continuity and believes that retaining Directors with sufficient experience of the Company, industry and the markets is of great benefit to shareholders The Board is of the opinion that long service does not necessarily compromise the independence or contribution of Directors of investment trusts where continuity and experience can significantly benefit a board, a view supported by the AIC

The Board s policy is to ensure that a balance of skills and experience is maintained and regularly refreshed

The Nomination Committee is responsible for the composition of the Board and it considers not only the existing Board but also if further appointments should be made The Nomination Committee seeks to balance the time required, the skills, knowledge and experience of individual Directors to form an effective and efficient Board When considering new appointments the Nomination Committee seeks to have a list of candidates for the whole Board to consider that will enhance the Board or replace and refresh skills lost through a Director leaving the Board As such the Board, while it has not set specific targets, it will have regard to the benefits of diversity on the Board, including gender, when further appointments are considered

As announced last year Peter Dicks will be retiring as a director at the conclusion of the AGM on 2 September 2013

Election and retirement of Directors at the AGM

The Articles of Association (the Articles) govern the appointment, re-election and removal of a Director

- The Articles permits the Board to appoint further Directors without shareholder approval but subject to any such Directors standing for election by shareholders at the first AGM following their appointment
- All Directors are appointed for an initial term of three years and are subject to re-election by shareholders at a general meeting in accordance with the Articles
- The Articles and the Companies Act provide for the removal of a Director
- The Articles also states that any Director who has served for over nine years should stand for annual re-election

Any Director who has served over nine years and stands for re-election due to length of service is carefully and rigorously assessed by the Nominations Committee to ensure that the Director continues to make a valuable contribution to the Board and remains independent in character and judgement

Notwithstanding the provisos of the Articles, the UK Code requires all directors of FTSE350 companies to retire annually Therefore all the Directors will retire at the forthcoming AGM and, be eligible, offer themselves for re-election with the exception of Peter Dicks who is not seeking re-election

The Nomination Committee led by the Chairman carried out a formal review of each Director s performance, the performance of each Board Committee and of the whole Board as explained in the section on the work of the Nomination Committee The process involved carefully reviewing and rigorously assessed the contribution of each Director standing for re-election and their independence The Chairman and the Committee have determined that each Director standing for re-election continued to offer relevant experience, effectively contributed to the operation of the Board and had demonstrated independent views on a range of subjects

The Board, on the recommendation of the Nomination Committee, supports each of the Directors standing for re-election

Directors interests

Brian Ashford-Russell is a partner of Polar Capital LLP and a shareholder in Polar Capital Holdings plc, the ultimate holding company of Polar Capital LLP and as such he has an interest in the investment management contract He is therefore not considered to be an independent Director However, the Board values the fact that Brian Ashford-Russell, although no longer actively involved in the day to day management of the portfolio, serves as a Director of the Company and gives the Directors and shareholders the benefit of his experience and knowledge

The Chairman of the Company is a non-executive Director and has no conflicting relationships It should be noted that David Gamble and Michael Moule have a common directorship at another investment trust but this is not considered to affect their ability to act independently

No Director, except Brian Ashford-Russell, has any links with the Investment Manager, Polar Capital LLP There were no other contracts during or at the end of the year in which a Director of the Company is or was materially interested and which is or was significant in relation to the Company's business

The Director s interests in the ordinary and subscription shares of the Company are set out in the Share Capital section of the Directors Report

Conflicts of interests

Directors have a duty to avoid a situation in which they have or could have a conflict of interest or possible conflict with the interests of the Company From October 2008 the Companies Act 2006 permitted public companies to authorise conflicts or potential conflicts if the Articles of Association contain provisions to this effect The Company s Articles contain such provisions

The Board has always had in place policies to govern situations where a potential conflict of interests may arise, in particular where a Director is also a director of a company in which the Company invests or may invest Where such a situation arises, these Directors are excluded from any discussions or decisions relating to investments in their respective companies

Each Director has provided the Company with a statement of all conflicts of interest and potential conflicts of interest These have been approved by the Board and recorded in a register The Board may impose conditions on authorising any conflict or potential conflict situations Each Director has agreed to notify the Chairman and the Company Secretary of any changes to his circumstances which would impact on the notified conflicts or potential conflicts and obtain approval before entering into any situation which might give rise to a conflict or potential conflict with the interests of the Company

Directors are reminded at each Board meeting of their obligations to notify any changes in their statement of conflicts and also to declare any benefits from third parties in their capacity as a Director of the Company which might give rise to a conflict or potential conflict with the Company s interests No Director has declared receipt of any benefits other than his emoluments in his capacity as a Director of the Company

Only Directors not involved in the conflict or potential conflict participate in the authorisation process Directors in deciding whether to authorise a situation take into account their duty to promote the Company s success

The Board annually reviews has considered the register of conflicts, any conditions imposed on such conflicts or potential conflicts and the operation of the notification and authorisation process They concluded that the process has operated effectively since its introduction

Except as disclosed above in relation to Brian Ashford-Russell s interest in the contract with Polar Capital LLP there were no contracts subsisting during or at the end of the year in which a Director is or was interested and which is or was significant in relation to the Company s business or to the Director

Directors professional development

When a new Director is appointed he or she is offered an induction course provided by the Investment Manager Directors are also provided on a regular basis with key information on the Company s policies, regulatory and statutory obligations and internal controls Changes affecting Directors responsibilities are advised to the Board as they arise Directors also regularly participate in professional and industry seminars and may use the online training modules of the Investment Manager to ensure they maintain their knowledge

The Board's role and responsibilities

The Board meets regularly and seven scheduled Board meetings were held to deal with the stewardship of the Company and other matters There is a formal schedule of matters specifically reserved for decision by the full Board During the course of the year the Board has consider the setting and monitoring of investment strategy and guidelines, portfolio performance, the preparation and review of financial statements, approval of borrowing limits within which the Investment Manager has discretion to act, and shareholder issues including communications and investor relations The level of share price discount or premium to Net Asset Value together with policies for re-purchase or issuance of new shares including the use of treasury shares are kept under review along with matters affecting the industry and the evaluation of third party service providers

Through this process the Board supervises the management of the investment portfolio, the work of the Investment Manager, the risks to which the Company is exposed and their mitigation, and the quality of services received by the Company

A strategy board meeting is held each year where future investment ideas are discussed Additional meetings of the Board are arranged as required

The Board has delegated to a number of standing committees specific remits for consideration and recommendation but the final responsibility in these areas remains with the Board

Directors' Report including the Business Review and the Report on Corporate Governance continued

Should it be necessary, a procedure has been adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company No such advice has been sought during the past year

The number of formal meetings of the Board and its Committees held during the financial year and the attendance of individual Directors are shown below

1 May 2012 to 30 April 2013

	Board & Strategy	Audit	Management Engagement	Nomination	Remuneration	AGM
Number of Meetings	7	3	2	1	1	1
Michael Moule	7/7	3/3*	2/2	1/1	-	1/1
Brian Ashford-Russell	7/7	3/3*	2/2*	1/1*	-	1/1
Sarah Bates	7/7	3/3	2/2	1/1	1/1	1/1
Peter Dicks	6/7	3/3	2/2	1/1	1/1	1/1
David Gamble	7/7	3/3	2/2	1/1	-	1/1
Peter Hames	7/7	3/3	2/2	1/1	-	1/1
Rupert Montagu	7/7	3/3	2/2	1/1	1/1	1/1

* Not a member but attended part of the meeting by invitation

All Directors attended the 2012 AGM, held on 4 September 2012 A number of ad hoc special purpose Board and committee meetings were held during the year for the approval of documents, the issue of new shares and approval of regulatory announcements

Senior Independent Director

The Board has elected Rupert Montagu to succeed Peter Dicks as the Senior Independent Director from the date of his retirement on 2 September 2013 He can be contacted via the Registered Office of the Company

Board Committees

The Board has created four standing committees whose terms are described below The Board also creates ad hoc committees from time to time to enact or approve policies or actions agreed in principle by the whole Board The terms of reference for each of the standing committees are available on the Company s website

Audit Committee

David Gamble is Chairman of the Audit Committee which comprises all the independent non-executive Directors The Committee has written terms of reference which clearly define its responsibilities and duties David Gamble will be present at the AGM to deal with questions relating to the financial statements

None of the members of the Audit Committee has any involvement in the preparation of the financial statements of the Company, as this has been contracted to the Investment Manager The Board is satisfied that at least one of the Committee s members has recent and relevant financial experience

The Audit Committee has direct access to the auditors and to the key senior staff of the Investment Manager and it reports its findings and recommendations to the Board which retains the ultimate responsibility for the financial statements of the Company

Non-audit services

The Audit Committee s policy on the provision of non-audit services by the auditors is to ensure that there is a clear separation of audit work and non-audit work and that the cost of any non-audit work is justified and not disproportionate to the audit fees to the extent that the independence of the auditors would be compromised

The Committee reviewed the non-audit work and considered that PWC was an appropriate provider as this work related to the on-going VAT reclaim, which was launched as a class action by PWC, and withholding taxes on overseas investments

The fees paid to PricewaterhouseCoopers LLP in respect of the audit of the annual financial statements amounted to £29,000 (2012 £30,000) The Company has also used PricewaterhouseCoopers LLP to give advice on taxation matters in particular VAT recoverability and recovery of overseas withholding taxes These taxation services are provided by the London and Newcastle offices while the audit work is carried out by the Edinburgh office The fees paid for the taxation advice services amounted to £7,000 (2012 £6,000) The Directors do not consider the provision of this non-audit work to the Company affects the independence of the auditors

Work of the Audit Committee

The Audit Committee usually meets three times a year The Audit Committee is responsible for reviewing the scope of the annual audit, the annual report and audited financial statements, and the half year report and financial statements The terms of appointment of the auditors and their remuneration are also considered as well as approval and review of any non-audit services provided by the auditors

Representatives of the Investment Manager report to the Committee and it receives reports on the quality and effectiveness of the accounting records and management information maintained on behalf of the Company The Committee also considers the internal controls and risk management systems applicable to the Company and its key suppliers

The Committee communicates with the auditors each April to review the scope of the annual audit work and meets again each June to review the findings of the auditors and review the annual report and financial statements prior to recommending approval by the Board The auditors are given the opportunity to speak to the Committee without the representatives of the Investment Manager being present The Committee also meets in December each year to consider the half-year report without the auditors present

There has been nothing brought to the Audit Committee s attention in respect of the 2013 audit which was material or significant or that they felt should be brought to shareholder s attention

The Audit Committee annually reviews the performance of PricewaterhouseCoopers LLP, the Company s external auditor In doing so the Audit Committee considers a range of factors including the quality of service, the auditors specialist expertise and the level of audit fee The independence and effectiveness of the auditors and the nature of the services provided have been assessed throughout the year

There are no contractual obligations restricting the choice of external auditor Under Company Law the reappointment of the external auditor is subject to shareholder approval at the Annual General Meeting

One of the new provisions in the 2012 edition of the UK Code states that FTSE 350 companies should put the external audit contract out to tender at least every ten years The Financial Reporting Council, which publishes the UK Code, suggest that the timing of tenders might be aligned with both the cycle for rotating the audit engagement partner and the length of time since the audit contract was previously put out to tender The Audit Committee will consider the process during the course of 2013/2014

In the meanwhile the Audit Committee remains satisfied with their effectiveness and therefore has not considered it necessary, to date, to require the external auditors to tender for the audit work The Audit Committee has recommended the reappointment of the auditors at the AGM

Management Engagement Committee

Michael Moule, as Chairman of the Board, chairs the Management Engagement Committee All independent non-executive Directors are members of the Management Engagement Committee

The Committee considers any matter to do with the relationship with the Investment Manager, including the terms of the investment management agreement The committee also has responsibility to conduct the annual review of the services provided by the Investment Manager prior to making its recommendation to the Board, on the retention of the Investment Manager being in the interests of shareholders This committee meets at least annually and at such other times as may be necessary

Directors' Report including the Business Review and the Report on Corporate Governance continued

Work of the Management Engagement Committee

In the year to 30 April 2013 it has met twice to consider the services provided by the Investment Manager and terms of the investment management agreement with a view to the continued appointment of the investment manager

The recommendation of the Board to continue with Polar Capital LLP on the terms agreed is set out on page 52

Nomination Committee

Michael Moule, as Chairman of the Board, chairs the Nomination Committee All the independent non-executive Directors are members of the Nomination Committee The Committee meets at least annually and is responsible to the Board for the size and structure of the Board as well as for succession planning and the tenure policy for Directors

Succession planning will be conducted bearing the Board s views on diversity and to achieve a balance of skills, knowledge and experience on the Board The Committee will make recommendations to the Board when the further recruitment of non-executive Directors is required The Chairman does not participate in any discussion or decision on his role or replacement

Once a decision has been made that additional Directors are to be recruited then candidates will be drawn from suggestions put forward by the other Directors and by the use of external agencies The final selection will be made by the Board following recommendations by the Committee

The Committee also reviews the performance of the Board as a whole and each individual Director Re-appointment as a Director is not automatic and will follow a process of evaluation of each Director s performance The Board acknowledges the rationale of the UK Code for the rigorous review of Directors serving over six years and annual re-appointment after nine years Nevertheless the Board shares the view of the AIC that length of service will not necessarily compromise the independence or contribution of directors of investment trusts where continuity and experience can significantly strengthen a board

Work of the Nomination Committee

As referred to in the Chairman s statement the Committee commissioned an externally facilitated Board evaluation The previous evaluation was conducted in 2009 by Trust Associates and after a selection process the Committee retained BoardAlpha Limited for the current evaluation as they offered a cost effective service which included interviews with each Director, review of information provided to the Board and Committees, comments from shareholders and observation of the Board and Committees in action The Committee received a written report with recommendations and the Senior Independent Director received a separate report on the Chairman

The Committee considered the report and, without the chairman present, considered the separate report from the SID on the Chairman performance While there were a number of specific recommendations dealing with administrative matters the overall conclusion was that the Board has the necessary skills, knowledge, and commitment to be effective in the overseeing of the business of the Company

The Nomination Committee has overseen the performance evaluation process and the succession planning designed to replace gradually the longest serving Directors

Remuneration Committee

Peter Dicks, as the Senior Independent Director, is chairman of the Remuneration Committee The other members of the Remuneration Committee are Sarah Bates and Rupert Montagu Rupert Montagu when assuming the role of Senior Independent Director in September 2013 will take over as Chairman

The Committee meets at least annually and is responsible for recommending the framework for the remuneration of Directors The Committee reviews the ongoing appropriateness of the remuneration policy and the individual remuneration of Directors based on their contributions The fees paid to Directors are detailed in the Directors Remuneration Report on page 65

Performance evaluation

The Board

The evaluation of the Board, its Committees and individual Directors is carried out annually by the Chairman of the Nomination Committee and in accordance with the UK Code every three years an externally facilitated review is performed In between the external reviews the Chairman undertakes an appraisal using a system that seeks the views of each Director by a questionnaire and interviews The Chairman s review is conducted by the Senior Independent Director These reviews are reported to the Nomination Committee

In evaluating each Director, they are assessed on their relevant experience, their strengths and weaknesses in relation to the overall requirements of the Board and their commitment to the Company in terms of time by regular attendance of Board meetings The process is constructed to assess the contribution of individual Directors to the overall operation of the Board and its Committees as well as to indentify areas of improvement in the operation of the Board and its committees

The Investment Manager

The Board reviews the performance of the Investment Manager at each Board meeting and the Company s performance against the market and a peer group of funds with similar investment objectives The investment team provided by the Investment Manager, led by Mr Rogoff, has long experience of investment in technology In addition, the Investment Manager has other investment resources which support the investment team and experience in managing and administering other investment trust companies

The Management Engagement Committee regularly reviews the terms of the contract with the Investment Manager

The Board also monitors through the Investment Manager the performance of its other service providers including the custodian and registrar

Investment Manager

The Board has contractually delegated the management of the portfolio to the Investment Manager, Polar Capital LLP (the Investment Manager) It is the Investment Manager s sole responsibility to take decisions as to the purchase and sale of individual investments other than unquoted investments where the Board is consulted The Investment Manager has responsibility for tactical gearing, asset allocation and sector selection within the limits established and regularly reviewed by the Board

The Board has directly appointed the custodian and the registrars, both of which the Investment Manager monitors and the Investment Manager provides accountancy services, company secretarial and administrative services The Investment Manager also ensures that all Directors receive in a timely manner all relevant management, regulatory and financial information Representatives of the Investment Manager attend Board meetings enabling the Directors to probe further on matters of concern or seek clarification on certain issues

The Directors have access to the advice and services of the corporate company secretary through its appointed representative who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with The Board and Investment Manager operate in a supportive, co-operative and open environment

Accountability and audit

The Statement of Directors Responsibilities in respect of the financial statements is set out on pages 66 and 67 and the Independent Auditors Report is on pages 68 and 69

Internal controls

The Board has overall responsibility for the Company s system of internal control and for reviewing its effectiveness The Company has no employees as its operational functions are carried out by third parties and the Audit Committee does not consider it necessary for the Company to establish its own internal audit function Contracts with each of these parties were entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company

The Investment Manager is responsible for the day to day investment management decisions on behalf of the Group and for the provision of accounting and administrative services including company secretarial and accounting The Investment Manager has an internal control framework to provide reasonable but not absolute assurance on the effectiveness of the internal controls operated on behalf of its clients The Investment Manager is authorised and regulated by the Financial Conduct Authority and its compliance department monitors compliance with the FCA rules

Directors' Report including the Business Review and the Report on Corporate Governance continued

The Board has established a process for identifying, evaluating and managing any major risks faced by the Company The process has been in place since 2000 and is documented through the use of a Risk Map which is subject to regular review by the Board and accords with the Revised Guidance for Directors on the UK Corporate Governance Code by the Financial Reporting Council The controls are embedded within the business and aim to ensure that identified risks are managed and systems are in place to report on such risks The internal controls seek to ensure the assets of the Company are safeguarded, proper accounting records are maintained and the financial information used in the Group and for publication is reliable Controls covering the risks identified, including financial, operational, compliance and risk management are monitored by a series of regular reports covering investment performance, attribution analysis, reports from various third parties and from the Investment Manager including risks not directly the responsibility of the Investment Manager

Operation

The process was active throughout the year and up to the date of approval of this annual report However, such a system is designed to manage rather than eliminate risks of failure to achieve the Company s business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss

The Board has received formal reports from the Investment Manager with details of any known internal control failures The Board considers reports on the Investment Manager s internal controls and systems operated by other third party suppliers The Board also receives and considers ad hoc reports from the Investment Manager and information is supplied to the Board as required The Board also examined the risks and controls operated by the Investment Manager when placing investment trades with third parties

The Investment Manager has delegated the provision of accounting, portfolio valuation and trade processing to HSBC Securities Services (UK) Limited but remains responsible to the Company for these functions and provided the Board with information on these services

The Board, through the Audit Committee which is assisted by the Investment Manager, undertakes an annual review of the Company s system of internal control where the Risk Map is reviewed and control processes considered

The Board will continue to monitor the system of internal controls in order to provide assurance that they operate as intended

The annual review of the risk map and the effectiveness of the system of internal controls taking into account any issues was conducted by the Audit Committee assisted by the Investment Manager There were no issue which arose during the course of the year ended 30 April 2013 and up to the date of this report which were considered significant

The Board reviewed the implications of the Bribery Act 2010 and has discussed with the Investment Manager their Policy and the controls and monitoring operated by the Investment Manager not only the internal controls but the steps taken to implement their policy across the main contractors which supply goods and services to the Investment Manager and the Company

Relations with shareholders

The Board and the Investment Manager consider maintaining good communications with shareholders and engaging with larger shareholders through meetings and presentations a key priority Shareholders are kept informed by the publication of annual and interim reports which include financial statements These reports are supplemented by interim management statements, the daily release of the net asset value per share to the London Stock Exchange and the publication by the Investment Manager of a monthly factsheet All this information together with the Investment Manager s presentations is available from the Company s website at www polarcapitaltechnologytrust co uk

The Board is also keen that the AGM be a participative event for all shareholders who attend The Investment Managers make a presentation and shareholders are encouraged to attend The Chairmen of the Board and of the Committees attend the AGM and are available to respond to queries and concerns from shareholders Twenty working days notice of the AGM has been given to shareholders and separate resolutions are proposed in relation to each substantive issue Shareholders may submit questions for the AGM in advance of the meeting or make general enquiries of the Company via the company secretary at the registered office of the Company The Directors make themselves available after the AGM to meet shareholders

Where the vote is decided on a show of hands, the proxy votes received are relayed to the meeting and subsequently published on the Company s website Proxy forms have a vote withheld option The Notice of Meeting sets out the business of the AGM together with the full text of any special resolutions

The Company has made arrangements for investors through the Alliance Savings Scheme to receive all Company communications and have the ability to direct the casting of their votes The Company has also made arrangements with its registrar for shareholders, who own their shares direct rather than through a nominee or share scheme, to view their account over the Internet at www shareview co uk Other services are also available via this service

The Board monitors the share register of the Company, it also reviews correspondence from shareholders at each meeting and maintains regular contact with major shareholders Shareholders who wish to raise matters with a Director may do so by writing to them at the registered office of the Company

Corporate Responsibility and voting

Socially responsible investing and exercise of voting powers

The Board has instructed the Investment Manager to take into account the published corporate governance policy and the environmental practices and policies of the companies in which they invest on behalf of the Company The Company has delegated responsibility for voting to the Investment Manager

In the year under review, the Manager has voted at 134 Company meetings in each case following the recommendations of the management of that company on the casting of votes

The Board has considered the Investment Manager s Stewardship Code and Proxy Voting Policy and the Investment Manager reports to the Board, on the application of the Stewardship Code and Voting Policy The Investment Manager s Stewardship Code and Voting Policy can be found on the Investment Manger s website in the corporate information section

Environment

The Company s core activities are undertaken by its Investment Manager which seeks to limit the use of non-renewable resources and reducing waste where possible

Statement of Compliance

The AIC Code comprises 21 principles The Board consider for the year under review the Directors, Board and Company has complied with the recommendations of the AIC Code in so far as they apply to the Company s business and with the relevant provisions of the UK Code except as noted below

- as all Directors are non-executive and day to day management has been contracted to third parties the Company does not have a separate role for a Chief Executive from that of Chairman of the Board,
- as there are no executive Directors it does not comply with the UK Code in respect of executive directors remuneration, and
- the Company does not have an internal audit function as it relies on the systems of control operated by third party suppliers in particular those of the Investment Manager The Board monitors these systems of internal control to provide assurance that they operate as intended

By order of the Board

N P Taylor FCIS
Polar Capital Secretarial Services Limited
Company Secretary

15 July 2013

Directors' Remuneration Report

Introduction

This report is submitted in accordance with section 420–422 of the Companies Act 2006 and the Listing Rules of the Financial Conduct Authority in respect of the year ended 30 April 2013 It has been audited where indicated as such An ordinary resolution to approve the report will be put to the AGM on 2 September 2013

Consideration of Matters Relating to Directors' Remuneration

The Remuneration Committee sits under the chairmanship of Peter Dicks as the Senior Independent Director with two independent Directors, Sarah Bates and Rupert Montagu The Committee considers and makes recommendations on the remuneration of the Directors The Company has no employees other than the non-executive Directors

Statement of the Company's Policy on Directors' Remuneration

The Board consists entirely of non-executive Directors, who meet regularly throughout the year to deal with the Company s affairs The total fees payable to all the Directors is limited by the Articles of Association to £200,000 per annum The Company has no other employees

The principles of the Company s remuneration policy have been, and will continue to be for the forthcoming financial year, that fees payable to Directors should

- reflect the time spent by them individually and collectively as part of the Board on the Company s affairs,
- be of a level appropriate to the responsibilities borne by the Directors, and
- be in line with market practice and sufficient to enable candidates of high calibre to be recruited and retained

The policy also recognises

- that the form of remuneration be in cash, payable monthly in arrears, to the Director personally or to a third party specified, and
- the rates are reviewed annually, such review will not necessarily result in any change to the rates

As the Company is an investment trust and all the Directors are non-executive, it is considered inappropriate to have any long-term incentive schemes and the fees are not specifically related to the Directors performance, either individually or collectively

Remuneration Arrangements

In the year under review the Directors fees were paid at the following annual rates, the Chairman £35,000 (2012 £35,000), other Directors £23,000 (2012 £23,000)

Brian Ashford-Russell waived his fee for 2012/2013 and has indicated that he will do so for the forthcoming year

The Report from BoardAlpha Limited considered the market rate for fees paid to investment trust directors, and other matters such as the peer group, size of assets, frequency of meetings and time required for the fulfilment of the director s duties

BoardAlpha Limited made a number of observations on the current level of the fees which were discussed by the Committee at their meeting on 20 April 2013

The Committee decided not to implement the recommended increases in full and made the following changes with effect from 1 May 2013

- Directors fees to increase from £23,000 to £25,000,
- the fees paid to the Chairman of the Board to increase from £35,000 to £38,000,
- no change to the supplement paid to the Chairman of the Audit Committee for additional responsibilities of £3,000pa, and
- no change to the supplement paid to the Senior Independent Director of £3,000 for the additional responsibilities

Performance (Audited)

A five year performance comparison is required to be presented in this report The Dow Jones World Technology Index is shown because, as a market capitalisation weighted index based on the entire global technology sector, it is the most appropriate single market index

Service Contracts

None of the Directors has a contract of service or a contract for services and a Director may resign by giving one month s notice in writing to the Board at any time In accordance with recommended practice, each Director has received a letter setting out the terms of his appointment

New Directors are appointed and elected or re-elected with the expectation that they will serve for a period of at least three years Each Director s appointment is reviewed formally each time a Director retires by rotation under the Articles of Association

Directors and officers liability insurance cover is held by the Company in respect of the Directors The Company has, as permitted by the Articles of Association, entered into a Deed of Indemnity with and in favour of each Director, indemnifying the Directors in respect of costs and liabilities which they may incur in connection with proceedings against them arising out of their position as a Director (excluding criminal or regulatory penalties) The indemnities granted to the Directors are subject to certain exclusions and limitations, including that such indemnities shall not apply to the extent prohibited by law

Directors legal costs may in certain circumstances be funded up-front, provided that such costs are reimbursed to the Company where required, including if the individual is convicted or, in an action brought by the Company, judgment is given against him These provisions were in force during the year and remain in force

Remuneration (Audited)

The fees payable in respect of each of the Directors, who served during the year, and during 2012, were as follows

	Year ended 30 April 2013 £	Year ended 30 April 2012 £
Michael Moule	35,000	32,750
Sarah Bates	23,000	19,167
Brian Ashford-Russell#	-	-
Peter Dicks (Senior Independent Director)	26,000	26,000
David Gamble (Chairman of the Audit Committee)	26,000	24,500
Peter Hames	23,000	19,167
Rupert Montagu	23,000	23,000
Richard Wakeling	–	9,506
TOTAL	156,000	154,090

The Senior Independent Director and the Chairman of the Audit Committee each receive a payment of £3,000pa to cover their additional duties and responsibilities

Fee of £23,000 waived

No pension contributions or other remuneration or compensation was paid or payable by the Company during the year to any of the current or former Directors

Approved by the Board on 15 July 2013

By order of the Board

N P Taylor FCIS
Polar Capital Secretarial Services Limited
Company Secretary

3 Directors' Report

Statement of Directors' Responsibilities

In Respect of the Annual Report, Directors' Remuneration Report and Financial Statements

The Directors are responsible for preparing the Annual Report, the Directors Remuneration Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have prepared the Group and parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union In preparing these financial statements, the Directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB) Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Company and Group for that period In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company s transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The Directors are responsible for the maintenance and integrity of the Company s website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Disclosure of Information to the Auditors

As far as the Directors are aware and to the best of their knowledge, having made enquiries, there is no relevant audit information of which the Auditors are unaware and the Directors have taken steps to make themselves aware of any relevant audit information and to establish that the Auditors are aware of such information

Going Concern

The Board s assessment of the Group s position as at 30 April 2013 and the factors impacting the forthcoming year are set out in the Chairman s Statement and the Investment Manager s Report on pages 8 to 21 and in the Directors Report which incorporates the business review and corporate governance statements

The financial position of the Group and its liquidity position is described in the Business Review on pages 46 to 55 Note 29 to the financial statements includes the Groups policies and process for managing its capital, its financial risk management objectives, details of financial instruments and hedging activities Exposure to credit risk and liquidity risk are also disclosed

The Group has considerable financial resources and after making enquiries the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future despite the continued uncertain economic outlook Accordingly the Directors continue to adopt the going concern basis in preparing the annual report and financial statements

Responsibility Statement under the Disclosure and Transparency Rules

The Directors of Polar Capital Technology Trust plc, who are listed on pages 42 and 43, confirm to the best of their knowledge

The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and give a true and fair view of the assets, liabilities, financial position and profit of the Group and the undertakings included in the consolidation taken as a whole, and

The Chairman s Statement, Investment Manager s Report and Directors Report (together constituting the Management Report) include a fair review of the development and performance of the business and financial position of the Company and undertakings included in the consolidation taken as a whole, and include a description of the principal risks and uncertainties

The financial statements were approved by the Board on 15 July 2013 and the responsibility statement was signed on its behalf by Michael Moule, Chairman of the Board

Michael Moule
Chairman

4 Independent Auditors' Report

Independent Auditors' Report to the Members of Polar Capital Technology Trust plc

We have audited the financial statements of Polar Capital Technology Trust plc for the year ended 30 April 2013 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Company Statements of Changes in Equity, Consolidated and Company Balance Sheets, Consolidated and Company Cash Flow Statements and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006

Respective Responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors Responsibilities set out on pages 66 to 67, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board s Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the Company s members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group s and the parent company s circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on Financial Statements

In our opinion

- the financial statements give a true and fair view of the state of the Group s and of the parent Company s affairs as at 30 April 2013 and of the Group s profit and Group s and parent Company s cash flows for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation

Opinion on other Matters Prescribed by the Companies Act 2006

In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the Directors Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are Required to Report by Exception

We have nothing to report in respect of the following

Under the Companies Act 2006 we are required to report to you if, in our opinion

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent Company financial statements and the part of the Directors Remuneration Report to be audited are not in agreement with the accounting records and returns, or
- certain disclosures of directors remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Under the Listing Rules we are required to review

- the Directors statement, on page 66, in relation to going concern,
- the parts of the Corporate Governance Statement relating to the Company s compliance with the nine provisions of the UK Corporate Governance Code specified for our review, and
- certain elements of the report to shareholders by the Board on Directors remuneration

Karyn Lamont (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Erskine House
68–73 Queen Street
Edinburgh
EH2 4NH

15 July 2013

Notes

a The maintenance and integrity of the Polar Capital Technology Trust plc website is the responsibility of the Directors, the work carried out by the auditors does not involve consideration of these matters and, accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website

b Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Consolidated Statement of Comprehensive Income

for the year ended 30 April 2013

		2013			2012		
	Notes	Revenue return £ 000	Capital return £ 000	Total return £'000	Revenue return £ 000	Capital return £ 000	Total return £'000
Investment income	3	5,600	-	5,600	3,539	-	3,539
Other operating income	4	17	-	17	29	-	29
Gains on investments held at fair value	5	-	26,760	26,760	-	34,317	34,317
Loss on derivatives	6	-	-	-	-	(307)	(307)
Other currency gains/(losses)	7	-	367	367	-	(108)	(108)
Total income		5,617	27,127	32,744	3,568	33,902	37,470
Expenses							
Investment management fee	8	(5,234)	-	(5,234)	(4,885)	-	(4885)
Other administrative expenses	9	(694)	-	(694)	(718)	-	(718)
Total expenses		(5,928)	-	(5,928)	(5,603)	-	(5,603)
(Loss)/profit before finance costs and tax		(311)	27,127	26,816	(2,035)	33,902	31,867
Finance costs	10	(637)	-	(637)	(835)	-	(835)
(Loss)/profit before tax		(948)	27,127	26,179	(2,870)	33,902	31,032
Tax	11	(739)	-	(739)	(497)	-	(497)
Net (loss)/profit for the year and total comprehensive income		(1,687)	27,127	25,440	(3,367)	33,902	30,535
Earnings per ordinary share (basic) (pence)	12	(1 32)	21 16	19 84	(2 64)	26 56	23 92
Earnings per ordinary share (diluted) (pence)	12	(1 32)	21 16	19 84	(2 64)	26 56	23 92

The total column of this statement represents the Group s Statement of Comprehensive Income, prepared in accordance with IFRS as adopted by the European Union

The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies

The Group does not have any other Comprehensive Income

The notes on pages 74 to 101 form part of these financial statements

Consolidated and Company Statements of Changes in Equity

for the year ended 30 April 2013

	Notes	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Special non-distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
Group								
Total equity at 1 May 2011		32,031	12,588	119,499	7,536	361,748	(64,686)	468,716
Total comprehensive income								
Profit/(loss) for the year to 30 April 2012		–	–	–	–	33,902	(3,367)	30,535
Transactions with owners, recorded directly to equity								
Subscription shares issue costs	21	–	–	(2)	–	–	–	(2)
Issue of ordinary share capital	19 & 21	150	–	1,901	–	–	–	2,051
Issue of ordinary shares on exercise of subscription shares	19 & 21	119	–	1,873	–	–	–	1,992
Total equity at 30 April 2012		32,300	12,588	123,271	7,536	395,650	(68,053)	503,292
Total comprehensive income								
Profit/(loss) for the year to 30 April 2013		–	–	–	–	27,127	(1,687)	25,440
Transactions with owners, recorded directly to equity								
Issue of ordinary shares on exercise of subscription shares	19 & 21	6	–	107	–	–	–	113
Total equity at 30 April 2013		32,306	12,588	123,378	7,536	422,777	(69,740)	528,845

The Company Statement of Changes in Equity is as disclosed above with exception of the Capital and Revenue reserves, the details of which are provided in notes 23 and 24

The notes on pages 74 to 101 form part of these financial statements

Consolidated and Company Balance Sheets

at 30 April 2013

		30 April 2013		30 April 2012	
	Notes	Group £'000	Company £'000	Group £'000	Company £'000
Non current assets					
Investments held at fair value	13 & 14	509,724	510,957	488,587	490,806
Current assets					
Overseas tax recoverable		35	35	14	14
Other receivables	15	9,883	9,882	1,334	4,727
Cash and cash equivalents	16	34,651	33,419	49,211	43,599
		44,569	43,336	50,559	48,340
Total assets		554,293	554,293	539,146	539,146
Current liabilities					
Other payables	17	(5,559)	(5,559)	(5,909)	(5,909)
Bank loans	18	(19,725)	(19,725)	(9,974)	(9,974)
Bank overdraft	16	(148)	(148)	-	-
Derivative financial instruments	13	(16)	(16)	-	-
		(25,448)	(25,448)	(15,883)	(15,883)
Total assets less current liabilities		528,845	528,845	523,263	523,263
Non current liabilities					
Bank loans	18	-	-	(19,949)	(19,949)
Derivative financial instruments	13	-	-	(22)	(22)
		-	-	(19,971)	(19,971)
Net assets		528,845	528,845	503,292	503,292
Equity attributable to equity shareholders					
Share capital	19	32,306	32,306	32,300	32,300
Capital redemption reserve	20	12,588	12,588	12,588	12,588
Share premium	21	123,378	123,378	123,271	123,271
Special non-distributable reserve	22	7,536	7,536	7,536	7,536
Capital reserves	23	422,777	424,010	395,650	397,869
Revenue reserve	24	(69,740)	(70,973)	(68,053)	(70,272)
Total equity		528,845	528,845	503,292	503,292
Net asset value per ordinary share (pence)	27	412 41	412 41	392 56	392 56
Net asset value per ordinary share (diluted) (pence)	27	412 41	412 41	392 56	392 56

The financial statements on pages 70 to 73 were approved and authorised for issue by the Board of Directors on 15 July 2013 and signed on their behalf by

Michael Moule
Chairman

The notes on pages 74 to 101 form part of these financial statements

Registered number 3224867

Consolidated and Company Cash Flow Statements

for the year ended 30 April 2013

		2013		2012	
	Notes	Group £'000	Company £ 000	Group £'000	Company £ 000
Cash flows from operating activities					
Profit before finance costs and tax		26,816	26,816	31,867	31,867
Adjustment for non-cash items					
Foreign exchange (gains)/losses		(367)	(367)	108	108
Adjusted profit before finance costs and tax		26,449	26,449	31,975	31,975
Adjustments for					
Increase in investments		(21,137)	(20,151)	(30,186)	(30,211)
(Increase)/decrease in receivables		(8,549)	(5,155)	8,296	8,296
Decrease in payables		(296)	(296)	(9,931)	(9,931)
		(29,982)	(25,602)	(31,821)	(31,846)
Net cash (used in)/generated from operating activities before tax		(3,533)	847	154	129
Overseas tax deducted at source		(760)	(760)	(493)	(493)
Net cash (used in)/generated from operating activities		(4,293)	87	(339)	(364)
Cash flows from financing activities					
Issue of share capital	19 & 21	113	113	4,043	4,043
Subscription share issue costs		-	-	(2)	(2)
Loans matured		(9,845)	(9,845)	(30,461)	(30,461)
Loans taken out		-	-	30,250	30,250
Finance costs		(697)	(697)	(830)	(830)
Net cash (used in)/generated from financing activities		(10,429)	(10,429)	3,000	3,000
Net (decrease)/increase in cash and cash equivalents		(14,722)	(10,342)	2,661	2,636
Cash and cash equivalents at the beginning of the year		49,211	43,599	45,505	39,918
Effect of foreign exchange rate changes		14	14	1,045	1,045
Cash and cash equivalents at the end of the year	16	34,503	33,271	49,211	43,599

The Company Cash Flow Statement includes a dividend receipt of £1,000,000 (2012 nil) from the subsidiary, PCT Finance Limited

The notes on pages 74 to 101 form part of these financial statements

Notes to the Consolidated Financial Statements

for the year ended 30 April 2013

1. GENERAL INFORMATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and International Accounting Standards Committee (IASC), as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS and IFRIC guidance

The Group s presentational currency is pounds Sterling Pounds Sterling is also the functional currency of the Company and its subsidiary because it is the currency which is most relevant to the majority of the Company s shareholders and the currency in which the majority of the Group s operating expenses are paid

The principal accounting policies, which have been applied consistently for all years presented are set out below

2. ACCOUNTING POLICIES

(a) Basis of Preparation

The consolidated financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the inclusion of investments and derivative financial instruments at fair value through profit or loss Where presentational guidance set out in the Statement of Recommended Practice (SORP) for investment trusts issued by the Association of Investment Companies (AIC) in January 2009 is consistent with the requirements of IFRS, the directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP

The financial position of the Group as at 30 April 2013 is shown in the balance sheet on page 72 As at 30 April 2013 the Group s total assets exceeded its total liabilities by a multiple of over 22 The assets of the Group consist mainly of securities that are held in accordance with the Company s investment policy, as set out on page 46 and these securities are readily realisable The Directors consider that the Company has adequate financial resources to enable it to continue in operational existence for the foreseeable future Accordingly, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Group s financial statements

(b) Basis of Consolidation

The Group financial statements consolidate the financial statements of the Company and entities controlled by the Company (its wholly owned subsidiary undertaking, PCT Finance Limited) made up to 30 April each year In the financial statements of the parent company, investment in the subsidiary is recognised at fair value Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities All intra-group transactions, balances, income and expenses are eliminated on consolidation The accounting policies of the subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group The Statement of Comprehensive Income is only presented in consolidated form, as provided by Section 408 of the Companies Act 2006

(c) Presentation of Consolidated Statement of Comprehensive Income

In order to better reflect the activities of an investment trust company and in accordance with the guidance set out by the AIC, supplementary information which analyses the Consolidated Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Consolidated Statement of Comprehensive Income The results presented in the revenue return column is the measure the directors believe appropriate in assessing the Group s compliance with certain requirements set out in section 1158 of the Corporation Taxes Act 2010

(d) Income

Dividends receivable from equity shares are taken to the revenue return column of the Consolidated Statement of Comprehensive Income on an ex-dividend basis Special dividends are recognised on an ex-dividend basis and may be considered to be either revenue or capital items

The facts and circumstances are considered on a case by case basis before a conclusion on appropriate allocation is reached Where the Company has received dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised in the revenue return column of the Consolidated Statement of Comprehensive Income Any excess in value of shares received over the amount of the cash dividend foregone is recognised in the capital return column of the Consolidated Statement of Comprehensive Income

Bank interest and other income receivable are accounted for on an accruals basis and is recognised in the period in which it was earned

The dealing profits of the subsidiary undertaking, representing realised gains and losses on the sale of current asset investments, are dealt with in the Group financial statements as a revenue item

(e) Expenses and Finance Costs

All expenses, including finance costs, are accounted for on an accruals basis

All expenses have been presented as revenue items except as follows

- any performance fees payable are allocated wholly to capital, reflecting the fact that, although they are calculated on a total return basis, they are expected to be attributable largely, if not wholly, to capital performance

- transaction costs incurred on the acquisition or disposal of investments are expensed either as part of the unrealised gain/loss on investments (for acquisition costs) or as a deduction from the proceeds of sale (for disposal costs)

Finance costs are calculated using the effective interest rate method and are accounted for on an accruals basis

(f) Taxation

The tax expense represents the sum of the overseas withholding tax deducted from investment income, tax currently payable and deferred tax

The tax currently payable is based on the taxable profit for the year Taxable profit differs from net profit as reported in the Consolidated Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible The Group s liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Consolidated Statement of Comprehensive Income is the marginal basis" Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Consolidated Statement of Comprehensive Income, then no tax relief is transferred to the capital return column

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised

Investment trusts which have approval as such under section 1158 of the Corporation Taxes Act 2010 are not liable for taxation on capital gains

Notes to the Consolidated Financial Statements continued

for the year ended 30 April 2013

2. ACCOUNTING POLICIES

(f) Taxation continued

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the balance sheet date

Deferred tax is charged or credited in the Consolidated Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity

(g) Investments Held at Fair Value Through Profit or loss

When a purchase or sale is made under contract, the terms of which require delivery within the timeframe of the relevant market, the investments concerned are recognised or derecognised on the trade date and are initially measured at fair value

On initial recognition the Group has designated all of its investments as held at fair value through profit or loss as defined by IFRS

All investments are measured at subsequent reporting dates at fair value, which is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted Investments in subsidiary undertakings are stated in the Company s financial statements at fair value Investments in unit trusts or OEICs are valued at the closing price, the bid price or the single price as appropriate, released by the relevant investment manager

Fair values for unquoted investments, or for investments for which there is only an inactive market, are established by using various valuation techniques These may include recent arms length market transactions, the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models Where there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique is utilised Where no reliable fair value can be estimated for such instruments, they are carried at cost, subject to any provision for impairment

Changes in fair value of all investments held at fair value and realised gains and losses on disposal are recognised in the capital return column of the Consolidated Statement of Comprehensive Income

(h) Other Receivables

Other receivables are initially recognised at fair value and subsequently measured at amortised cost Other receivables do not carry any interest and are short-term in nature and are accordingly stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts

(i) Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash In the Statement of Cash Flows cash and cash equivalents also include bank overdrafts

In the Balance Sheet bank overdrafts are shown within current liabilities

(j) Other Payables

Other payables are initially recognised at fair value and subsequently measured at amortised cost Other payables are not interest-bearing and are stated at their nominal value

(k) Bank Loans

All bank loans are initially recognised at fair value, being the fair value of the consideration received, less issue costs where applicable

After initial recognition these loans are subsequently measured at amortised cost Amortised cost is calculated by taking into account any discount or premium on settlement The amounts falling due for repayment within one year are included under current liabilities in the Balance Sheet

(l) Rates of Exchange

Transactions in foreign currencies are translated into Sterling at the rate of exchange ruling on the date of each transaction Monetary assets, monetary liabilities and equity investments in foreign currencies at the balance sheet date are translated into Sterling at the rates of exchange ruling on that date Realised profits or losses on exchange, together with differences arising on the translation of foreign currency assets or liabilities, are taken to the capital return column of the Consolidated Statement of Comprehensive Income

Foreign exchange gains and losses arising on investments held at fair value are included within changes in fair value

(m) Share Capital

Represents the nominal value of authorised and allocated, called-up and fully paid shares issued

(n) Capital Reserves

Capital reserves – gains/losses on disposal includes

- gains/losses on disposal of investments
- exchange differences on currency balances and on settlement of loan balances
- cost of own shares bought back
- other capital charges and credits charged to this account in accordance with the accounting policies above

Capital reserve – revaluation on investments held includes

- increases and decreases in the valuation of investments and loans held at the year end

All of the above are accounted for in the Consolidated Statement of Comprehensive Income except the cost of own shares bought back which is accounted for in the Statement of Changes in Equity

(o) Derivative Financial Instruments

The Group s activities expose it primarily to the financial risks of changes in market prices, foreign currency exchange rates and interest rates Derivative transactions which the Group may enter into comprise forward exchange contracts, the purpose of which is to manage the currency risks arising from the Group s investing activities, quoted options on shares held within the portfolio, or on indices appropriate to sections of the portfolio, the purpose of which is to provide protection against falls in capital values of the holdings, and loan interest rate swaps, the purpose of which is to manage interest rate risk

The Group does not use derivative contracts for speculative purposes

The use of financial derivatives is governed by the Group s policies as approved by the Board, which has set written principles for the use of financial derivatives

Notes to the Consolidated Financial Statements continued

for the year ended 30 April 2013

2. ACCOUNTING POLICIES

(o) Derivative Financial Instruments continued

A derivative instrument is considered to be used for hedging purposes when it alters the market risk profile of an existing underlying exposure of the Group The use of financial derivatives by the Group does not qualify for hedge accounting under IFRS As a result changes in the fair value of derivative instruments are recognised in the Consolidated Statement of Comprehensive Income as they arise If capital in nature, associated change in value is presented in the capital return column of the Consolidated Statement of Comprehensive Income

The Group has entered into two floating fixed rate swap transactions on Yen and US Dollars The swap allows the variable LIBOR part of the US Dollar and Yen loans to be swapped for a fixed amount The Group uses its interest rate swaps to manage its exposure to interest rate movements on its Japanese Yen and US Dollar bank borrowings

A Japanese Yen contract with a nominal value of Y750 million has fixed interest payments at a rate of 0 46% and floating interest receipts at Yen LIBOR A US Dollar contract with a nominal value of $23 million has fixed interest payments at a rate of 0 81% and floating interest receipts at USD LIBOR

The fair value of the swap entered into at 30 April 2013 is estimated as £16,000 in favour of the lender (30 April 2012 £22,000 in favour of the lender)

Where the fair value of the swap is in favour of the lender it is represented by a liability on the balance sheet If in favour of the company it is represented by an asset Changes in the fair value of the swap are treated as a finance cost and charged 100% to revenue

The fair value of the swaps is calculated based on mark to market values

(p) Segmental Reporting

Under IFRS 8, Operating Segments, operating segments are considered to be the components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance The chief operating decision maker has been identified as the Manager (with oversight from the Board)

The Directors are of the opinion that the Group has two business segments, being the parent Company, Polar Capital Technology Trust plc, which has the objective of maximising capital growth for its shareholders through investing in a diversified portfolio of technology companies around the world, and its wholly owned subsidiary, PCT Finance Limited, which trades in securities to enhance Group returns An analysis of financial results and balances by business segment is set out in note 28 The amounts presented for each segment are based on the accounting policies adopted in the Group financial statements

Discrete financial information for these segments is reviewed regularly by the Manager who allocate resources, and the Board who oversees the Manager s performance

In line with IFRS 8, additional disclosure by geographical segment has been provided in note 28

Further analyses of expenses, investment gains or losses, profit and other assets and liabilities by country have not been given as either it is not possible to prepare such information in a meaningful way or the results are not considered to be significant

(q) Key Estimates and Assumptions

Estimates and assumptions used in preparing the financial statements are reviewed on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances The results of these estimates and assumptions form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources

The only estimates and assumptions that may cause material adjustment to the carrying value of assets and liabilities relate to the valuation of unquoted investments and investments for which there is an inactive market These are valued in accordance with the techniques set out in note 1(g) At the year end, unquoted investments represent 0 1% of net assets

(r) Accounting Standards

(a) Standards, amendments and interpretations becoming effective in the year to 30 April 2013

There are no new standards effective in the current year

(b) Standards, amendments and interpretations to existing standards become effective in future accounting periods and have not been adopted early by the Group or Company

- IFRS 7 (amendment), Financial Instruments – Disclosures (effective for periods beginning on or after 1 January 2013) Amendments enhancing disclosures about offsetting financial assets and financial liabilities
- IFRS 7 (amendment), Financial Instruments – Disclosures (effective for periods beginning on or after 1 January 2015 or otherwise when IFRS 9 first applied) Amendments requiring disclosures about initial application of IFRS 9
- IFRS 9, Financial Instruments (effective for financial periods beginning on or after 1 January 2015)

  Replaces IAS 39, simplifies accounting for financial assets, replacing the current multiple measurement categories with a single principle-based approach to classification All financial assets to be measured at either amortised cost or fair value The Group will apply IFRS 9 from 1 May 2015, subject to endorsement by the EU
- IFRS 10, Consolidated Financial Statements (effective for periods beginning on or after 1 January 2013) Provides additional guidance to assist in the determination of control where this is difficult to assess The Group will apply IFRS 10 from 1 May 2013
- IFRS 12, Disclosure of Interests in Other Entities (effective for periods beginning on or after 1 January 2013) Includes the disclosure requirement for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles
- IFRS 13, Fair Value Measurement (effective for periods beginning on or after 1 January 2013) Aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across all IFRSs The Group will apply IFRS 13 from 1 May 2013
- IAS 1, Presentation of Financial Statements (effective for periods beginning on or after 1 July 2012) Amendments to revise the way other comprehensive income is presented The Group will apply this amendment from 1 May 2013
- IAS 32, Financial Instruments Presentation (effective for periods beginning on or after 1 January 2014) Aims to provide clarity on the offsetting of financial assets and liabilities on the balance sheet

Notes to the Consolidated Financial Statements continued
for the year ended 30 April 2013

2. ACCOUNTING POLICIES continued

(c) The following standards, amendments and interpretations to existing standards become effective in future accounting periods (all from 1 January 2013), but are not relevant for the Group's operations

- IFRS 11, Joint Arrangements
- IAS 19 (amendment), Employee Benefits
- IAS 27 (revised 2011), Separate Financial Statements
- IAS 28 (revised 2011), Associates and joint ventures
- IFRIC 20, Stripping costs in the production phase of a surface mine
- IFRS 1, First time adoption, on government loans
- IFRS 10, 11 and 12 (amendment) transition guidance

3 INVESTMENT INCOME

	Year ended 30 April 2013 £'000	Year ended 30 April 2012 £'000
Franked Listed investments		
Dividend income	123	133
Unfranked Listed investments		
Dividend income	5,477	3,406
	5,600	3,539

4 OTHER OPERATING INCOME

	Year ended 30 April 2013 £'000	Year ended 30 April 2012 £'000
Bank interest	17	29

5 GAINS ON INVESTMENTS HELD AT FAIR VALUE

	Year ended 30 April 2013 £'000	Year ended 30 April 2012 £'000
Net gains on disposal of investments at historic cost	36,900	25,450
Transfer on disposal of investments	(45,821)	(38,093)
Losses based on carrying value at previous balance sheet date	(8,921)	(12,643)
Valuation gains on investments held during the year	35,681	46,960
	26,760	34,317

6 LOSS ON DERIVATIVES

	Year ended 30 April 2013 £ 000	Year ended 30 April 2012 £ 000
Loss on disposal of derivatives held	-	(610)
Transfer on disposal of derivatives	-	303
Losses based on carrying value at previous balance sheet date	-	(307)
Loss on revaluation of derivatives held	-	-
	-	(307)

7 OTHER CURRENCY LOSSES

	Year ended 30 April 2013 £ 000	Year ended 30 April 2012 £'000
Exchange gains on currency balances	14	1,045
Exchange gains/(losses) on settlement of loan balances	238	(415)
Exchange gains/(losses) on translation of loan balances	115	(738)
	367	(108)

8 INVESTMENT MANAGEMENT FEE

	Year ended 30 April 2013 £'000	Year ended 30 April 2012 £'000
Investment management fee paid to Polar Capital (charged wholly to revenue)	5,234	4,885

No performance fee was paid to Polar Capital in either the current or prior financial year

For terms of the investment management agreement, see page 52

9 OTHER ADMINISTRATIVE EXPENSES

	Year ended 30 April 2013 £'000	Year ended 30 April 2012 £ 000
Directors fees	156	154
Auditors remuneration		
For audit of parent company and consolidated financial statements	29	30
For audit services of subsidiary company financial statements	-	-
For other services (taxation services)	7	6
Other expenses (including Shareplan and ISA administration fees)	502	528
	694	718

Auditors remuneration for other services cover tax, VAT and Section 1158 advice provided by the Newcastle office of PricewaterhouseCoopers LLP (PwC) The Edinburgh office of PwC provides audit services

Notes to the Consolidated Financial Statements continued
for the year ended 30 April 2013

10 FINANCE COSTS

	Year ended 30 April 2013 £'000	Year ended 30 April 2012 £'000
Interest on loans and overdrafts	638	763
Loan arrangement fees	5	50
Fair value adjustment on interest rate swap	(6)	22
	637	835

11 TAXATION

	Year ended 30 April 2013 £'000	Year ended 30 April 2012 £'000
a) Analysis of tax charge for the year		
Overseas tax	739	497
Total tax for the year (see note 11b)	739	497
b) Factors affecting tax charge for the year		
The charge for the year can be reconciled to the profit per the Consolidated Statement of Comprehensive Income as follows		
Profit before tax	26,179	31,032
Tax at the UK corporation tax rate of 23%*	502	-
Tax at the UK corporation tax rate of 24%	5,759	621
Tax at the UK corporation tax rate of 26%	-	7,396
Tax effect of non-taxable dividends	(1,339)	(914)
Gains on investments that are not taxable	(6,488)	(8,758)
Unrelieved current year expenses and deficits	1,551	1,651
Expenses and finance costs not deductible for tax purposes	15	4
Overseas tax suffered	739	497
Total tax for the year (see note 11a)	739	497
c) Factors that may affect future tax charges		
There is an unrecognised deferred tax asset comprising		
Unrelieved management expenses	20,169	19,641
Non-trading deficits	680	557
	20,849	20,198

* Under the Finance Act 2012 the rate of corporation tax lowered to 23% from 1 April 2013

It is unlikely that the Company will generate sufficient taxable profits in the future to utilise these expenses and deficits and therefore no deferred tax asset has been recognised

Due to the Company's tax status as an investment trust and the intention to continue meeting the conditions required to obtain approval of such status in the foreseeable future, the Company and Group have not provided tax on any capital gains arising on the revaluation or disposal of investments held by the Company

12 EARNINGS PER ORDINARY SHARE

	Year ended 30 April 2013			Year ended 30 April 2012		
	Revenue return pence	Capital return pence	Total return pence	Revenue return pence	Capital return pence	Total return pence
The calculation of basic earnings per share is based on the following data						
Net (loss)/profit for the year (£ 000)	(1,687)	27,127	25,440	(3,367)	33,902	30,535
Weighted average ordinary shares in issue during the year	128,215,984	128,215,984	128,215,984	127,651,825	127,651,825	127,651,825
From continuing operations						
Basic – ordinary shares (pence)	(1 32)	21 16	19 84	(2 64)	26 56	23 92

The Company has in issue 24,774,460 (30 April 2012 24,798,179) subscription shares which are convertible into ordinary shares

The subscription shares were issued on 14 February 2011 Further details of the conversion price are given in note 19 on page 89

There is no dilutive effect on the return per ordinary share in respect of the conversion rights attaching to the subscription shares as the conversion price is higher than the ordinary share price of the Company

13 INVESTMENTS AT FAIR VALUE

i) Changes in non current assets investments

	Group 30 April 2013 £ 000	Company 30 April 2013 £ 000	Group 30 April 2012 £'000	Company 30 April 2012 £'000
Valuation at 1 May 2012	488,587	490,806	458,094	460,288
Less Valuation gains	(99,568)	(101,787)	(90,701)	(92,895)
Cost at 1 May 2012	389,019	389,019	367,393	367,393
Additions at cost	447,131	447,131	343,609	343,609
Proceeds of disposal	(452,754)	(452,754)	(347,433)	(347,433)
Gains on disposal	36,900	36,900	25,450	25,450
Cost at 30 April 2013	420,296	420,296	389,019	389,019
Add Valuation gains	89,428	90,661	99,568	101,787
Valuation at 30 April 2013	509,724	510,957	488 587	490,806
Of which				
Listed on a recognised Stock Exchange	509,106	509 106	488,009	488,009
Unlisted	618	1,851	578	2,797

Included in additions at cost are purchase costs of £1,158,000 (30 April 2012 £866,000) Included in proceeds of disposals are sales costs of £1,202,000 (30 April 2012 £897,000) These comprise mainly of commission

Notes to the Consolidated Financial Statements continued
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13 INVESTMENTS AT FAIR VALUE continued
ii) Changes in derivative financial instruments

	Group 30 April 2013 £'000	Company 30 April 2013 £'000	Group 30 April 2012 £'000	Company 30 April 2012 £'000
Valuation at 1 May 2012	(22)	(22)	307	307
Add Valuation losses	22	22	303	303
Cost at 1 May 2012	–	–	610	610
Additions at cost	–	–	–	–
Proceeds of disposal	–	–	–	–
Losses on disposal	–	–	(610)	(610)
Cost at 30 April 2013	–	–	–	–
Less Valuation losses	(16)	(16)	(22)	(22)
Valuation at 30 April 2013	(16)	(16)	(22)	(22)

iii) Classification under Fair Value Hierarchy
The table below sets out the fair value measurements using the IFRS7 fair value hierarchy

Categorisation within the hierarchy has been determined on the basis of the lowest level of input that is significant to the fair value measurement of the relevant asset as follows

Level 1 – valued using quoted prices in active markets for identical assets

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data

The valuation techniques used by the company are explained in the accounting policies note on page 76

There have been no transfers during the year between Levels 1 and 2 A reconciliation of fair value measurements in Level 3 is set out below

	Group 30 April 2013 £ 000	Group 30 April 2012 £'000
Equity Investments		
Level 1	509,106	488,009
Level 2	–	–
Level 3	618	578
Total	509,724	488,587

	Company 30 April 2013 £'000	Company 30 April 2012 £'000
Equity Investments		
Level 1	509,106	488,009
Level 2	–	–
Level 3	1,851	2,797
Total	510,957	490,806

	Group and Company	
	30 April 2013 £'000	30 April 2012 £'000
Derivative Financial Instruments		
Level 1	–	–
Level 2	(16)	(22)
Level 3	–	–
Total	(16)	(22)

Level 3 investments at fair value through profit or loss	Group 30 April 2013 £'000	Group 30 April 2012 £'000
Opening balance	578	701
Acquisitions	–	50
Disposal proceeds	(21)	(40)
Total gains/(losses) included in the Consolidated Statement of Comprehensive Income		
– on assets held at the year end	61	(133)
Closing balance	618	578

Level 3 investments at fair value through profit or loss	Company 30 April 2013 £'000	Company 30 April 2012 £'000
Opening balance	2,797	2,895
Acquisitions	–	50
Disposal proceeds	(21)	(40)
Total gains/(losses) included in the Consolidated Statement of Comprehensive Income		
– on assets held at the year end	(925)	(108)
Closing balance	1,851	2,797

Notes to the Consolidated Financial Statements continued

for the year ended 30 April 2013

13 INVESTMENTS AT FAIR VALUE continued

iv) Unquoted Investments

The value of the Group s unquoted investments at 30 April 2013 was £618,000 (30 April 2012 £578,000) and the portfolio comprised of the following holdings

	Group 30 April 2013 £'000	Group 30 April 2012 £ 000
Herald Ventures Limited Partnership	327	317
Herald Ventures Limited Partnership II	291	261
	618	578

	Company 30 April 2013 £ 000	Company 30 April 2012 £'000
Herald Ventures Limited Partnership	327	317
Herald Ventures Limited Partnership II	291	261
PCT Finance Limited	1,233	2,219
	1,851	2,797

14 SUBSIDIARY UNDERTAKING

The Company has an investment in the entire issued ordinary share capital, fully paid, in its wholly owned subsidiary undertaking, PCT Finance Limited, which is registered in England and Wales and operates in the United Kingdom as an investment dealing company

The investment is stated in the Company s financial statements at NAV, which is considered by the Directors to equate to fair value

The financial statements of PCT Finance Limited have been prepared to 30 April 2013

	Company 30 April 2013 £ 000	Company 30 April 2012 £ 000
Balance brought forward	2,219	2,194
Revaluation of subsidiary	(986)	25
Balance carried forward	1,233	2,219

The valuation of PCT Finance Limited is at Net Asset Value hence the revaluation each year

During the year a dividend of £1,000,000 (2012 £nil) was paid to Polar Capital Technology Trust plc

In May 2013 a dividend of £1,233,000 was paid by PCT Finance Ltd to Polar Capital Technology Trust plc

15 OTHER RECEIVABLES

	Group 30 April 2013 £'000	Company 30 April 2013 £'000	Group 30 April 2012 £ 000	Company 30 April 2012 £ 000
Sales for future settlement	9,560	9,560	1,091	1,091
Prepayments and accrued income	314	313	233	231
Amounts due from subsidiary undertaking	–	–	–	3,395
VAT recoverable	9	9	10	10
	9,883	9 882	1,334	4,727

The carrying values of other receivables approximate their fair value

16 CASH AND CASH EQUIVALENTS

	Group 30 April 2013 £'000	Company 30 April 2013 £ 000	Group 30 April 2012 £'000	Company 30 April 2012 £ 000
Cash at bank	34,511	33,279	49,077	43,465
Cash held at derivative clearing houses and brokers	140	140	134	134
	34,651	33,419	49,211	43,599
Bank overdraft	(148)	(148)	–	–
	34,503	33,271	49,211	43,599

17 OTHER PAYABLES

	Group 30 April 2013 £'000	Company 30 April 2013 £ 000	Group 30 April 2012 £'000	Company 30 April 2012 £ 000
Purchases for future settlement	5,262	5,262	4,309	4,309
Accruals	297	297	1,600	1,600
	5,559	5,559	5,909	5,909

The carrying values of other payables approximate their fair value

Notes to the Consolidated Financial Statements continued
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18 BANK LOANS

The Group has the following unsecured Japanese Yen and US Dollar loans

	Group and Company	
	30 April 2013 £'000	30 April 2012 £ 000
Y750m at a floating rate of 1 62229% repayable 2 August 2013	4,947	-
$23 0m at a floating rate of 2 1184% repayable 2 August 2013	14,778	-
Y750m at a floating rate of 1 68571% repayable 2 August 2013	-	5,785
$23 0m at a floating rate of 2 42825% repayable 2 August 2013	-	14,164
Y375m at a fixed rate of 1 75938% repayable 2 August 2012	-	2,892
$11 5m at a fixed rate of 2 11025% repayable 2 August 2012	-	7,082
	19,725	29,923
Less Amounts due for settlement within 12 months		
(shown under current liabilities)	(19,725)	(9,974)
Amounts due for settlement after 12 months	-	19,949

Bank loans are stated at fair value, which equates to amortised cost

The Company has also entered into two fixed floating interest rate swap transactions which allow the variable LIBOR part of the Y750 0m and US$23 0m loans to be swapped for a fixed amount Under these contracts, the Company receives interest at 0 27229% and pays interest at 0 46% on the Y750 0m loan, an effective interest rate of 0 18771% and the US$23 0m loan receives interest at 0 4684% and pays at 0 81%, an effective interest rate of 0 3416% based on the rates at the year end These transactions will terminate on 2 August 2013 The swap is included at its fair value of £16,000 within liabilities

19 SHARE CAPITAL

	Group and Company	
	30 April 2013 £'000	30 April 2012 £ 000
Allotted, Called up and Fully paid		
Ordinary shares of 25p each		
Opening balance of 128 208 023 (30 April 2012 127 111 211)	32,052	31,778
Issue of nil ordinary shares (2012 600,000)	-	150
Conversion of 23,719 (2012 496 812) subscription shares to ordinary shares	6	124
Allotted, called up and fully paid 128 231 742 (30 April 2012 128 208 023) ordinary shares of 25p	32,058	32,052
Subscription shares of 1p each		
Opening balance of 24 798 179 (30 April 2012 25 294 991)	248	253
Conversion of 23,719 (2012 496 812) subscription shares to ordinary shares	-	(5)
Closing balance of 24,774 460 (30 April 2012 24,798,179)	248	248
At 30 April 2013	32,306	32,300

The subscription shares were issued as a bonus issue to the ordinary shareholders on 14 February 2011 on the basis of one subscription share for every five ordinary shares Each subscription share confers the right (but not the obligation) to subscribe for one ordinary share on the last business day of each month between and including 31 March 2011 and 31 March 2014, when the rights under the subscription shares will lapse

The conversion prices have been determined as follows

(a) If exercised between and including 31 March 2011 and 31 March 2012, 401 pence

(b) If exercised between and including 1 April 2012 and 31 March 2014, 478 pence

20 CAPITAL REDEMPTION RESERVE

	Group and Company £'000
As at 1 May 2012	12,588
At 30 April 2013	12,588

21 SHARE PREMIUM

	Group and Company	
	30 April 2013 £ 000	30 April 2012 £'000
Opening balance	123,271	119,499
Issue of nil ordinary shares (2012 600,000)	-	1,901
Subscription shares issue costs	-	(2)
Conversion of 23,719 (2012 496,812) subscription to ordinary shares	107	1,873
Closing balance	123,378	123,271

22 SPECIAL NON-DISTRIBUTABLE RESERVE

	Group and Company £'000
As at 1 May 2012	7,536
At 30 April 2013	7,536

Notes to the Consolidated Financial Statements continued

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23 CAPITAL RESERVES

	Capital reserve – gains/ losses on disposal 30 April 2013 £'000	Capital reserve – revaluation 30 April 2013 £'000	Total capital reserves 30 April 2013 £'000	Capital reserve – gains/ losses on disposal 30 April 2012 £'000	Capital reserve – revaluation 30 April 2012 £'000	Total capital reserves 30 April 2012 £'000
Group						
Opening balances	295,754	99,896	395,650	270,284	91,464	361,748
Net losses on disposal of investments	(8,921)	–	(8,921)	(12,643)	–	(12,643)
Transfer on disposal of investments	45,821	(45,821)	–	38,093	(38,093)	–
Valuation gains on investments held during the year	–	35,681	35,681	–	46,960	46,960
Net loss on disposal of derivatives	–	–	–	(307)	–	(307)
Transfer on disposal of derivatives	–	–	–	(303)	303	–
Exchange gains on currency balances	14	–	14	1,045	–	1,045
Exchange gains/(losses) on settlement of loan balances	238	–	238	(415)	–	(415)
Exchange gains/(losses) on translation of loan balances	–	115	115	–	(738)	(738)
Closing balance	332,906	89,871	422,777	295 754	99,896	395,650
Company						
Opening balances	295,754	102,115	397,869	270,284	93,658	363,942
Net losses on disposal of investments	(8,921)	–	(8,921)	(12,643)	–	(12,643)
Transfer on disposal of investments	45,821	(45,821)	–	38,093	(38,093)	–
Valuation gains on investments held during the year	–	35,681	35,681	–	46,960	46,960
Net loss on disposal of derivatives	–	–	–	(307)	–	(307)
Transfer on disposal of derivatives	–	–	–	(303)	303	–
Revaluation of subsidiary undertaking (see note 14)	–	(986)	(986)	–	25	25
Exchange gains on currency balances	14	–	14	1,045	–	1,045
Exchange gains/(losses) on settlement of loan balances	238	–	238	(415)	–	(415)
Exchange gains/(losses) on translation of loan balances	–	115	115	–	(738)	(738)
Closing balance	332,906	91,104	424,010	295,754	102,115	397,869

24 REVENUE RESERVE

	Group 30 April 2013 £'000	Company 30 April 2013 £'000	Group 30 April 2012 £'000	Company 30 April 2012 £'000
Opening balances	(68,053)	(70,272)	(64,686)	(66,880)
Loss for the year to 30 April	(1,687)	(701)	(3,367)	(3,392)
Closing balance	(69,740)	(70,973)	(68,053)	(70,272)

25 NOTE TO THE CASH FLOW STATEMENT

Purchases and sales of investments are considered to be operating activities of the Company, given its purpose, rather than investing activities However, the cash flows associated with these activities are presented below

	Group and Company	
	Year ended 30 April 2013 £'000	Year ended 30 April 2012 £'000
Proceeds on disposal of fair value through profit or loss investments	444,285	355,525
Purchases of fair value through profit or loss investments	(446,178)	(350,163)
	(1,893)	5,362

26 TRANSACTIONS WITH THE MANAGER AND RELATED PARTY TRANSACTIONS

a) Transactions with the Manager

Under the terms of an agreement dated 9 February 2001 the Company has appointed Polar Capital LLP (Polar Capital) to provide investment management, accounting, secretarial and administrative services Details of the fee arrangement for these services are given in the Report of the Directors The total fees, paid under this agreement to Polar Capital in respect of the year ended 30 April 2013 were £5,234,000 (2012 £4,885,000) of which £nil (2012 £1,254,000) was outstanding at the year-end

b) related party transactions

The compensation payable to key management personnel in respect of short term employee benefits is £156,000 (2012 £154,000) which comprises £156,000 (2012 £154,000) paid by the Company to the Directors Refer to pages 64 and 65 for the Directors Remuneration Report

The Company surrenders excess expenses to its subsidiary, PCT Finance Limited, to satisfy the subsidiary company s corporation tax liability At the year end, the balance due from the subsidiary was £nil (2012 £3,395,065) During the period, a dividend of £1,000,000 was paid by the subsidiary to the Company

27 NET ASSET VALUE PER ORDINARY SHARE

	Net asset value per share	
	30 April 2013	30 April 2012
Undiluted		
Net assets attributable to ordinary shareholders (£'000)	528,845	503,292
Ordinary shares in issue at end of year	128,231,742	128,208,023
Net asset value per ordinary share (pence)	412 41	392 56

There is no dilutive effect on the net asset value per ordinary share in respect of the conversion of rights attaching to the subscription shares as the conversion price is higher than the ordinary share price of the Company

Notes to the Consolidated Financial Statements continued

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28 SEGMENTAL REPORTING

Geographical Segments

Since the Group does not have external customers an analysis of the Group s investments held at 30 April 2013 by geographical segment and the related investment income earned during the year to 30 April 2013 is noted below

	Year ended 30 April 2013		Year Ended 30 April 2012	
	Value of investments £'000	Gross income £ 000	Value of investments £'000	Gross income £ 000
North America	377,156	3,500	362,346	1,874
Europe	49,317	841	32,915	301
Asia	83,251	1,259	93,326	1,364
Total	509,724	5,600	488,587	3,539

The Directors consider that the Group has two operating segments, being the Company, Polar Capital Technology Trust plc, which invests in shares and securities primarily for capital appreciation in accordance with the Company s published investment objective, and its wholly owned subsidiary, PCT Finance Limited, which trades in securities to enhance Group returns Discrete financial information for these sectors is reviewed regularly by the Manager and the Board who allocate resources and assess performance

The amounts presented for each segment are based on the accounting policies adopted in the Group financial statements

Segment financial information	30 April 2013 £'000	30 April 2012 £ 000
Gross Income		
Company	32,730	37,445
Subsidiary	14	25
Total Income	32,744	37,470
Net Profit		
Company	25,426	30,510
Subsidiary	14	25
Total Comprehensive Income	25,440	30,535
Total Assets		
Company	527,612	501,073
Subsidiary	1,233	2,219
Group Total Assets	528,845	503,292

PCT Finance Limited s liabilities as at 30 April 2013 are £nil (2013 £3,395,000), all of which are payable to the Company Hence all of the liabilities included in the consolidated financial statements relate to the Company

The net profit of PCT Finance is made up of £14,000 interest net of £nil corporation tax (2012 £25,000 interest net of £nil corporation tax)

All other figures in that statement relate to the Company

29 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

Risk Management Policies and Procedures

The Group comprises of an investment trust and a wholly owned subsidiary The Group invests in equities and other financial instruments for the long term to further the investment objective set out on page 46 This exposes the Group to a range of financial risks that could impact on the assets or performance of the Group

The main risks arising from the Group s pursuit of its investment objective are market risk, liquidity risk, credit risk and gearing risk and the Directors approach to the management of them is set out below The risks have remained unchanged since the beginning of the year to which the financial statements relate

The Group s exposure to financial instruments comprise

- Equity and non-equity shares which are held in the investment portfolio in accordance with the Group s investment objective
- Term loans and bank overdrafts, the main purpose of which is to raise finance for the Group s operations
- Cash, liquid resources and short-term receivables and payables that arise directly from the Group s operations
- Derivative transactions which the Group enters into may include equity or index options, forward foreign exchange contracts and interest rate swaps

The purpose of these is to manage the market price risks, foreign exchange risks and interest rate risks arising from the Group s investment activities

The overall management of the risks is determined by the Board and its approach to each risk identified is set out below The Board and the investment manager co-ordinate the risk management and the investment manager assesses the exposure to market risk when making each investment decision

(a) Market Risk

Market risk comprises three types of risk market price risk (see note 29(a)(i)), currency risk (see note 29(a)(ii)), and interest rate risk (see note 29(a)(iii))

(i) Market Price Risk

The Company is an investment company and as such its performance is dependent on the valuation of its investments

Consequently market price risk is the most significant risk that the Group faces

Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Group s operations

It represents the potential loss the Group might suffer through holding market positions in the face of price movements

A detailed breakdown of the investment portfolio is given on pages 36 to 41 Investments are valued in accordance with the Group s accounting policies as stated in Note 2(g)

At the year end, the Company s portfolio included two derivative instruments (30 April 2012 two) both of which are interest rate swaps

Management of the risk

In order to manage this risk it is the Board s policy to hold an appropriate spread of investments in the portfolio in order to reduce both the statistical risk and the risk arising from factors specific to a particular technology sector The allocation of assets to international markets, together with stock selection covering small, medium and large companies, and the use of index options, are other factors which act to reduce price risk The investment manager actively monitors market prices throughout the year and reports to the Board which meets regularly in order to consider investment strategy

Notes to the Consolidated Financial Statements continued
for the year ended 30 April 2013

29 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS continued

(i) Market Price Risk continued

Market price risks exposure

The Group s exposure to changes in market prices at 30 April on its quoted and unquoted investments was as follows

	Group 30 April 2013 £ 000	Company 30 April 2013 £'000	Group 30 April 2012 £ 000	Company 30 April 2012 £'000
Non-current asset investments at fair value through profit or loss	509,724	510,957	488,587	490,806
Derivative financial instruments at fair value through profit or loss	(16)	(16)	(22)	(22)
	509,708	510,941	488,565	490,784

An analysis of the Group s portfolio is shown on pages 36 to 41

Market price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and the value of shareholders funds to an increase or decrease of 15% (30 April 2012 15%) in the fair values of the Group s investments This level of change is considered to be reasonably possible based on observation of current market conditions and historic trends The sensitivity analysis is based on the Group s investments at each balance sheet date, with all other variables held constant

	Group 30 April 2013		Group 30 April 2012	
	Increase in fair value £ 000	Decrease in fair value £'000	Increase in fair value £ 000	Decrease in fair value £'000
Revenue return	(765)	765	(733)	733
Capital return	76,459	(76,459)	73,288	(73,288)
Change to the profit after tax for the year	75,694	(75,694)	72,555	(72,555)
Change to shareholders funds	75,694	(75 694)	72,555	(72,555)

	Company 30 April 2013		Company 30 April 2012	
	Increase in fair value £'000	Decrease in fair value £ 000	Increase in fair value £'000	Decrease in fair value £ 000
Revenue return	(766)	766	(736)	736
Capital return	76,644	(76,644)	73,621	(73,621)
Change to the profit after tax for the year	75,878	(75,878)	72,885	(72,885)
Change to shareholders funds	75,878	(75,878)	72,885	(72,885)

(ii) Currency Risk

The Group s total return and net assets can be significantly affected by currency translation movements as the majority of the Group s assets and revenue are denominated in currencies other than Sterling

Management of the risk

The investment manager mitigates the individual currency risks through the international spread of investments and the use of forward foreign exchange contracts Borrowings in foreign currencies are entered into to manage the asset exposure to those currencies, which vary according to the asset allocation

Foreign currency exposure

The table below shows, by currency, the split of the Group s non-Sterling monetary assets, liabilities and investments that are priced in currencies other than Sterling

	Group 30 April 2013 £'000	Company 30 April 2013 £'000	Group 30 April 2012 £ 000	Company 30 April 2012 £'000
Monetary Assets				
Cash and short term receivables				
US Dollars	16,867	16,867	31,013	31,013
Hong Kong Dollars	9,079	9,079	1,923	1,923
Taiwan Dollars	8,022	8,022	4,039	4,039
Japanese Yen	2,695	2,695	1,732	1,685
Canadian Dollars	1,466	1,466	-	-
Swiss Francs	430	430	1	1
Euros	52	52	4,196	4,187
Indian Rupee	39	39	38	38
Swedish Kroner	-	-	372	372
Monetary Liabilities				
Other payables				
Japanese Yen	(24)	(24)	(38)	(38)
Euros	(148)	(148)	(637)	(637)
US Dollars	(5,348)	(5,348)	(3,794)	(3,794)
Bank Loans				
Japanese Yen	(4,947)	(4,947)	(8,677)	(8,677)
US Dollars	(14,778)	(14,778)	(21,246)	(21,246)
Foreign currency exposure on net monetary items	13,405	13,405	8,922	8,866
Non-Monetary Items				
Investments at fair value through profit or loss that are equities				
US Dollars	396,300	396,300	381,988	381,988
Korean Won	23,201	23,201	19,679	19,679
Euros	21,736	21,736	16,517	16,517
Japanese Yen	20,651	20,651	21,859	21,859
Taiwan Dollars	19,158	19,158	19,546	19,546
Hong Kong Dollars	6,196	6,196	13,138	13,138
Swedish Kroner	5,926	5,926	4,502	4,502
Swiss Francs	715	715	-	-
Canadian Dollars	-	-	1,282	1,282
Interest rate swap liability				
Japanese Yen	(3)	(3)	(9)	(9)
US Dollars	(13)	(13)	(13)	(13)
Total net foreign currency exposure	507,272	507,272	487,411	487,355

Notes to the Consolidated Financial Statements continued

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29 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

Foreign currency exposure continued

During the financial year Sterling depreciated by 4 2% against the US Dollar (2012 depreciated by 2 6%), appreciated by 16 9% (2012 depreciated by 4 2%) against the Japanese Yen, depreciated by 3 8% (2012 depreciated by 9 1%) against the Euro, depreciated by 4 1% (2012 depreciated by 2 8%) against the Hong Kong Dollar, depreciated by 6 6% (2012 appreciated by 2 7%) against the Korean Won and depreciated by 3 2% (2012 depreciated by 0 7%) against the Taiwan Dollar

Foreign currency sensitivity

The following table illustrates the sensitivity of the loss after tax for the year and the value of shareholders funds in regard to the financial assets and financial liabilities and the exchange rates for the £/US Dollar, £/Euro, £/Japanese Yen, £/Hong Kong Dollar, £/Korean Won and £/Taiwan Dollar

It assumes the following changes in exchange rates

£/US Dollar +/- 10% (2012 10%)

£/Euro +/- 10% (2012 10%)

£/Japanese Yen +/- 10% (2012 10%)

£/Hong Kong Dollar +/- 10% (2012 10%)

£/Korean Won +/- 10% (2012 10%)

£/Taiwan Dollar +/- 10% (2012 10%)

If Sterling had depreciated against the currencies shown, this would have the following effect

	Group 30 April 2013 £ 000					
	US Dollar	Euro	Yen	Hong Kong Dollar	Korean Won	Taiwan Dollar
Statement of Comprehensive Income – profit after tax						
Revenue return	279	50	11	1	9	52
Capital return	43,670	2,404	2,042	1,697	2,578	3,020
Change to the profit/loss after tax for the year	43,949	2,454	2,053	1,698	2,587	3,072
Change to shareholders funds	43,949	2,454	2,053	1,698	2,587	3,072

	Group 30 April 2012 £ 000					
	US Dollar	Euro	Yen	Hong Kong Dollar	Korean Won	Taiwan Dollar
Statement of Comprehensive Income – profit after tax						
Revenue return	139	18	21	8	7	60
Capital return	43,105	2,231	1,652	1,673	2 187	2,621
Change to the profit/loss after tax for the year	43,244	2,249	1,673	1,681	2,194	2,681
Change to shareholders funds	43,244	2,249	1,673	1,681	2,194	2,681

If Sterling had appreciated against the currencies shown, this would have the following effect

	Group 30 April 2013 £'000					
	US Dollar	Euro	Yen	Hong Kong Dollar	Korean Won	Taiwan Dollar
Statement of Comprehensive Income – profit after tax						
Revenue return	(228)	(41)	(9)	(1)	(7)	(42)
Capital return	(35,730)	(1,967)	(1,670)	(1,389)	(2,109)	(2,471)
Change to the profit/loss after tax for the year	(35,958)	(2,008)	(1,679)	(1,390)	(2,116)	(2,513)
Change to shareholders funds	(35,958)	(2,008)	(1,679)	(1,390)	(2,116)	(2,513)

	Group 30 April 2012 £ 000					
	US Dollar	Euro	Yen	Hong Kong Dollar	Korean Won	Taiwan Dollar
Statement of Comprehensive Income – profit after tax						
Revenue return	(114)	(14)	(17)	(7)	(6)	(49)
Capital return	(35,268)	(1,825)	(1,352)	(1,369)	(1,789)	(2,144)
Change to the profit/loss after tax for the year	(35,382)	(1,839)	(1,369)	(1,376)	(1,795)	(2,193)
Change to shareholders funds	(35,382)	(1,839)	(1,369)	(1,376)	(1,795)	(2,193)

The impact of the Company figures have not been given as they would not materially differ from the Group figures

In the opinion of the Directors, neither of the above sensitivity analyses are representative of the year as a whole since the level of exposure changes frequently as part of the currency risk management process used to meet the Company s objectives

(iii) Interest Rate Risk
Interest rate changes may affect the income received from cash at bank and interest payable on borrowings

All cash balances earn interest at a variable rate

The Group finances its operations through its term loans as well as bank overdrafts and any retained gains arising from operations

The Group uses borrowings in the desired currencies at both fixed and floating rates of interest to both generate the desired interest rate profile and manage the exposure to interest rate fluctuations

Notes to the Consolidated Financial Statements continued

for the year ended 30 April 2013

29 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS continued

Management of the risk

The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis

The Group has entered into two fixed floating interest rate swap transactions on Japanese Yen and US Dollars The swap allows the variable LIBOR part of the US Dollar and Japanese Yen loans to be swapped for a fixed amount The Group uses its interest rate swaps to manage its exposure to interest rate movements on its Japanese Yen and US Dollar bank borrowings

A Japanese Yen contract with a nominal value of Y750 million has fixed interest payments at a rate of 0 46% and floating interest receipts at Yen LIBOR (2012 fixed interest payments at a rate of 0 46% floating interest receipts at Yen LIBOR) A US Dollar contract with a nominal value of $23 million has fixed interest payments at a rate of 0 81% and floating interest receipts at USD LIBOR (2012 fixed interest payments at a rate of 0 81% and floating interest receipts at USD LIBOR)

Interest rate exposure

The exposure, at 30 April, of financial assets and liabilities to interest rate risk is shown by reference to

- floating interest rates (i e giving cash flow interest rate risk) - when the rate is due to be re-set,
- fixed interest rates (i e giving fair value interest rate risk) - when the financial instrument is due for repayment

	30 April 2013			30 April 2012		
	Within one year £ 000	More than one year £'000	Total £ 000	Within one year £ 000	More than one year £'000	Total £'000
Exposure to floating interest rates						
Cash and Cash equivalents (Group)	34,503	-	34,503	49,211	-	49,211
Cash and Cash equivalents (Company)	33,271	-	33,271	43,599	-	43,599
Exposure to fixed interest rates						
Interest rate swap (Group and Company)	(16)	-	(16)	-	(22)	(22)
Bank loan (Group and Company)	(19,725)	-	(19,725)	(9,974)	(19,949)	(29,923)
Total exposure to interest rates (Group)	14,762	-	14,762	39,237	(19,971)	19,266
Total exposure to interest rates (Company)	13,530	-	13,530	33,625	(19 971)	13,654

Interest rate sensitivity

The sensitivity analysis is based on the Group s monetary financial instruments held at each balance sheet date, with all other variables held constant

The table below illustrates the Group s sensitivity to interest rate movements, with a change of 0 25% p a in the rates of interest available to the Group s financial assets and a change of 0 25% p a in the rates of interest available to the Group s financial liabilities The effect on the revenue and capital return after tax and the value of shareholders funds are as follows if rates increased

	30 April 2013		30 April 2012	
	Group £ 000	Company £'000	Group £ 000	Company £ 000
Statement of Comprehensive Income – profit after tax				
Revenue return	37	34	48	34
Capital return	–	–	–	–
Change to the profit/loss after tax for the year	37	34	48	34
Change to shareholders funds	37	34	48	34

A corresponding decrease in the rate would have equal and opposite effect to that shown in the table above

This level of change is considered to be reasonably possible based on observation of current market conditions This is not representative of the year as a whole, since the exposure changes as level of cash/(loans) held during the year will be affected by the strategy being followed in response to the Investment Manager s perception of market prospects and the investment opportunities available at any particular time

(b) Liquidity Risk
Liquidity risk is the possibility of failure of the Group to realise sufficient assets to meet its financial liabilities

Management of the risk
The Group s assets mainly comprise readily realisable securities which may be sold to meet funding requirements as necessary

Liquidity risk exposure
The maturity of the Group s existing borrowings are set out in note 18 to the financial statements Short-term flexibility is achieved through the use of overdraft facilities

At 30 April the financial liabilities comprised of

	Group 30 April 2013 £ 000	Company 30 April 2013 £ 000	Group 30 April 2012 £'000	Company 30 April 2012 £'000
Due within 1 month				
Bank overdraft	148	148	–	–
Balances due to brokers	5,262	5,262	4,309	4,309
Accruals	297	297	1,600	1,600
Due after 1 month and within 3 months				
Bank loan	–	–	10,076	10,076
Interest rate swap	–	–	–	–
Due after 3 months and within 1 year				
Bank loan	19,922	19,922	–	–
Interest rate swap	46	46	–	–
Due after 1 year				
Bank loan	–	–	20,621	20,621
Interest rate swap	–	–	40	40

Notes to the Consolidated Financial Statements continued
for the year ended 30 April 2013

29 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS continued

(c) Credit Risk
Credit risk is the exposure to loss from failure of a counterparty to deliver securities or cash for acquisitions or disposals of investments or to repay deposits

Management of the risk
This risk is not considered significant The Group manages credit risk by using brokers from a database of approved brokers and by dealing through Polar Capital All cash balances are held with approved counterparties These arrangements were in place throughout the current year and the prior year

Credit risk exposure
The maximum exposure to credit risk at 30 April 2013 was £44,385,000 (30 April 2012 £50,401,000) comprising

	Group 30 April 2013 £'000	Company 30 April 2013 £ 000	Group 30 April 2012 £ 000	Company 30 April 2012 £'000
Balances due from brokers	9,560	9,560	1,091	1,091
Accrued income	282	281	233	231
Cash at bank	34,511	33,279	49,077	43,465
	44,353	43,120	50,401	44,787

All of the above financial assets are current, their fair values are considered to be the same as the values shown and the likelihood of a material credit default is considered low

None of the Group s financial assets are past due or impaired All deposits were placed with banks that had ratings of A or higher The fixed floating interest rate swaps are held with a counterparty with a rating of A or higher

(d) Gearing risk
The Company s policy is to increase its exposure to equity markets through the judicious use of borrowings When borrowings are invested in such markets, the effect is to magnify the impact on Shareholder s funds of changes, both positive and negative, in the value of the portfolio

Management of the risk
The Company uses short-term loans to manage gearing risk, details of which can be found in note 18

Gearing risk exposure
The loans are valued at amortised cost, using the effective interest rate method in the financial statements

The Board regulates the overall level of gearing by raising or lowering cash balances

(e) Capital Management Policies and Procedures

The Company s capital, or equity, is represented by its net assets which are managed to achieve the Company s investment objective set out on page 46

The Board monitors and reviews the broad structure of the Company s capital on an ongoing basis This review includes

(i) the planned level of gearing through the Company s fixed rate loan facility, and

(ii) the need to issue or buy back equity shares for cancellation, which takes account of the difference between the net asset value per share and the share price (ie the level of share price discount or premium)

The Company s objectives, policies and processes for managing capital are unchanged from the preceding accounting period

The Company is subject to externally imposed capital requirements through the Companies Act with respect to its status as a public company In addition in order to pay dividends out of profits available for distribution by way of dividend, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by company law The Company is also subject to externally imposed capital requirements through the loan covenants set out in the loan facility These requirements are unchanged since the previous year end and the Company has complied with them

6 Shareholder Information

Portfolio

/ North America

		Value of Holding		% of net assets	
		30 April 2013	30 April 2012	30 April 2013	30 April 2012
	Classification	£ 000	£ 000	%	%
Google	Internet Software & Services	38,476	22,921	7 3	4 6
Apple	Computers & Peripherals	34,726	61,142	6 6	12 1
Microsoft	Software	18,975	23,264	3 6	4 6
Qualcomm	Communications Equipment	13,373	13,365	2 5	2 7
IBM	IT Services	12,532	15,293	2 4	3 0
Cisco	Communications Equipment	11,901	10,892	2 3	2 2
Salesforce com	Software	9,490	6,521	1 8	1 3
Intel	Semiconductors & Semiconductor Equipment	9,384	13,841	1 8	2 7
Texas Instruments	Semiconductors & Semiconductor Equipment	8,917	5,898	1 7	1 2
Amazon	Internet & Catalog Retail	8,738	4,120	1 7	0 8
Facebook	Internet Software & Services	8,729	–	1 7	–
Oracle	Software	7,882	11,415	1 5	2 3
Adobe	Software	6,940	3,279	1 3	0 6
Corning	Electronic Equipment, Instruments & Components	6,261	1,487	1 2	0 3
eBay	Internet Software & Services	5,351	4,549	1 0	0 9
LinkedIn	Internet Software & Services	5,021	1,834	0 9	0 4
Cognizant Technology Solutions	IT Services	4,525	2,844	0 9	0 6
Synopsys	Software	4,466	–	0 8	–
Analog Devices	Semiconductors & Semiconductor Equipment	4,451	–	0 8	–
Mastercard	IT Services	4,379	1,115	0 8	0 2
KLA-Tencor	Semiconductors & Semiconductor Equipment	4,145	–	0 8	–
Citrix Systems	Software	3,891	5,148	0 7	1 0
QLIK Technologies	Software	3,795	2,617	0 7	0 5
Infoblox	Software	3,768	125	0 7	–
ON Semiconductor	Semiconductors & Semiconductor Equipment	3,737	–	0 7	–
JDS Uniphase	Communications Equipment	3,571	–	0 7	–
LAM Research	Semiconductors & Semiconductor Equipment	3,507	3,940	0 7	0 8
Netsuite	Software	3,425	–	0 7	–
SanDisk	Computers & Peripherals	3,435	3,214	0 6	0 6
Aruba Networks	Communications Equipment	3,410	3,324	0 6	0 7
Pentair	Machinery	3,317	–	0 6	–

		Value of Holding		% of net assets	
	Classification	30 April 2013 £'000	30 April 2012 £'000	30 April 2013 %	30 April 2012 %
EMC Corporation	Computers & Peripherals	3,316	7,512	0.6	1.5
Concur Technologies	Software	3,264	3,014	0.6	0.6
Semtech	Semiconductors & Semiconductor Equipment	3,235	2,470	0.6	0.5
Monsanto	Chemicals	3,171	–	0.6	–
Cree	Semiconductors & Semiconductor Equipment	3,147	–	0.6	–
Entergis	Semiconductors & Semiconductor Equipment	3,097	–	0.6	–
NetApp	Computers & Peripherals	2,970	5,124	0.6	1.0
Juniper Networks	Communications Equipment	2,965	4,850	0.6	1.0
Integrated Device Technology	Semiconductors & Semiconductor Equipment	2,868	3,913	0.5	0.8
TripAdvisor	Internet & Catalog Retail	2,865	–	0.5	–
Stratasys	Computers & Peripherals	2,801	–	0.5	–
Imperva	Software	2,773	–	0.5	–
Intuit	Software	2,759	2,427	0.5	0.5
Splunk	Software	2,733	–	0.5	–
Fusion-io	Computers & Peripherals	2,724	2,691	0.5	0.5
Akamai Technologies	Internet Software & Services	2,672	–	0.5	–
Ixia	Communications Equipment	2,533	2,037	0.5	0.4
Proofpoint	Software	2,520	–	0.5	–
Enernoc	Commercial Services & Supplies	2,506	–	0.5	–
Lattice Semiconductor	Semiconductors & Semiconductor Equipment	2,503	2,316	0.5	0.5
Align	Health Care Equipment & Supplies	2,496	–	0.5	–
Palo Alto Networks	Communications Equipment	2,449	–	0.5	–
Commvault Services	Software	2,409	769	0.5	0.2
Sourcefire	Software	2,340	1,887	0.4	0.4
Harman International	Household Durables	2,314	–	0.4	–
Micron	Semiconductors & Semiconductor Equipment	2,299	–	0.4	–
VMware	Software	2,283	2,753	0.4	0.5
Ultratech	Semiconductors & Semiconductor Equipment	2,252	–	0.4	–
Red Hat	Software	2,249	5,027	0.4	1.0
Exar	Semiconductors & Semiconductor Equipment	2,200	–	0.4	–
Cerner	Health Care Technology	2,198	1,748	0.4	0.3

Portfolio

/ North America continued

	Classification	Value of Holding 30 April 2013 £ 000	Value of Holding 30 April 2012 £ 000	% of net assets 30 April 2013 %	% of net assets 30 April 2012 %
Cavium	Semiconductors & Semiconductor Equipment	2,130	1,986	0 4	0 4
Broadcom	Semiconductors & Semiconductor Equipment	2,024	3,155	0 4	0 6
Autodesk	Software	2,024	–	0 4	–
FEI	Electronic Equipment, Instruments & Components	2,016	–	0 4	–
Qualys	Software	2,001	–	0 4	–
Jive Software	Software	1,840	–	0 4	–
Netscout Systems	Software	1,793	2,688	0 3	0 5
ExactTarget	Internet Software & Services	1,792	–	0 3	–
PROS Holdings	Software	1,690	708	0 3	0 1
Teradata	IT Services	1,524	2,235	0 3	0 4
Sapient Corporation	IT Services	1,500	–	0 3	–
Vocera Communications	Health Care Technology	1,399	–	0 3	–
Fortinet	Software	1,380	1,447	0 3	0 3
Aerovironment	Aerospace & Defense	1,268	–	0 2	–
Peregrine Semiconductor	Semiconductors & Semiconductor Equipment	937	–	0 2	–
Ruckus Wireless	Communications Equipment	903	–	0 2	–
Polycom	Communications Equipment	865	2,676	0 2	0 5
Silver Spring Networks	Software	754	–	0 1	–
Inphi	Semiconductors & Semiconductor Equipment	710	–	0 1	–
Sciquest	Internet Software & Services	610	659	0 1	0 1
Sunpower	Semiconductors & Semiconductor Equipment	567	–	0 1	–
Cermetek Microel	Other	–	–	–	–
Total North American investments		377,156		71 3	

Portfolio
/ Europe

	Classification	Value of Holding 30 April 2013 £ 000	30 April 2012 £ 000	% of net assets 30 April 2013 %	30 April 2012 %
SAP	Software	10,380	6,558	2 0	1 3
ARM	Semiconductors & Semiconductor Equipment	6,330	3,353	1 2	0 7
Ericsson	Communications Equipment	5,926	4,502	1 1	0 9
Seagate Technology	Computers & Peripherals	5,099	–	1 0	–
ASML	Semiconductors & Semiconductor Equipment	4,821	2,738	0 9	0 5
Impax Environmental Markets	Other	4,674	–	0 9	–
Blinkx	Internet Software & Services	1,801	–	0 3	–
Ingenico	Electronic Equipment Instruments & Components	1,731	1,901	0 3	0 4
ASM International	Semiconductors & Semiconductor Equipment	1,570	1,266	0 3	0 3
Telecity Group	Internet Software & Services	1,568	–	0 3	–
Infineon Technologies	Semiconductors & Semiconductor Equipment	1,104	–	0 2	–
Gemalto	Computers & Peripherals	1,080	639	0 2	0 1
Aixtron	Semiconductors & Semiconductor Equipment	1,050	–	0 2	–
Telit Communications	Communications Equipment	819	–	0 2	–
AMS	Semiconductors & Semiconductor Equipment	715	–	0 1	–
Herald Ventures Limited Partnership	Other	327	317	0 1	0 1
Herald Ventures Limited Partnership II	Other	291	261	–	–
Low Carbon Accelerator	Other	31	109	–	–
Total European investments		49,317		9 3	

6 Shareholder Information

Portfolio

/ Asia & Pacific

	Classification	Value of Holding 30 April 2013 £'000	Value of Holding 30 April 2012 £'000	% of net assets 30 April 2013 %	% of net assets 30 April 2012 %
Samsung Electronics	Semiconductors & Semiconductor Equipment	17,742	19,679	3.4	3.9
Taiwan Semiconductor	Semiconductors & Semiconductor Equipment	9,861	11,193	1.9	2.2
Tencent Holdings	Internet Software & Services	5,621	6,764	1.1	1.3
SK Hynix	Semiconductors & Semiconductor Equipment	4,286	-	0.8	-
Mediatek	Semiconductors & Semiconductor Equipment	4,268	1,179	0.8	0.2
Nitto Denko	Chemicals	3,835	-	0.7	-
Shin-Etsu Chemical	Chemicals	3,397	-	0.6	-
Check Point Software	Software	3,193	4,242	0.6	0.8
Radware	Communications Equipment	3,101	3,920	0.6	0.8
Hirose Electric	Electronic Equipment, Instruments & Components	2,992	-	0.6	-
Yahoo Japan	Internet Software & Services	2,963	-	0.6	-
Keyence	Electronic Equipment, Instruments & Components	2,955	2,427	0.6	0.5
Allot Communications	Software	2,421	-	0.5	-
Digital Garage	IT Services	2,378	1,334	0.4	0.3
Sina	Internet Software & Services	2,264	1,624	0.4	0.3
Chipbond Technology	Semiconductors & Semiconductor Equipment	2,063	-	0.4	-
Silicom	Communications Equipment	1,444	1,659	0.3	0.3
NHN Corporation	Internet Software & Services	1,173	-	0.2	-
Quanta Computer	Computers & Peripherals	1,116	3,498	0.2	0.7
TXC Corporation	Electronic Equipment, Instruments & Components	1,102	-	0.2	-
Hoya	Electronic Equipment, Instruments & Components	1,067	2,356	0.2	0.5
Anritsu Corporation	Electronic Equipment, Instruments & Components	1,064	-	0.2	-
Baidu	Internet Software & Services	864	4,601	0.2	0.9
Attunity Limited	Software	758	-	0.1	-
ASM Pacific Technology	Semiconductors & Semiconductor Equipment	575	1,832	0.1	0.4
Siliconware Precision Industries	Semiconductors & Semiconductor Equipment	547	-	0.1	-
Array	Communications Equipment	201	719	-	0.1
Unus Technologies	Communications Equipment	-	-	-	-
Total Asian & Pacific investments		83,251		15.8	

Contacts

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Authorised and regulated by the
Financial Conduct Authority

Fund Manager
Ben Rogoff

Company Secretary
Polar Capital Secretarial Services Limited
represented by Neil Taylor FCIS

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Primrose Street
London EC2A 2EG

Stockbrokers
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6 7 8 Tokenhouse Yard
London EC2R 7AS

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London EC2Y 5AJ

Registered Number
Incorporated in England and Wales with company number 3224867 and registered as an investment company under section 833 of the Companies Act 2006

Company Website
www polarcapitaltechnologytrust co uk
The Company maintains a website which provides a wide range of information on the Company, monthly fact sheets, and copies of announcements and other useful details and further links to information sources

Registrar
Shareholders who have their shares registered in their own name, not through a share savings scheme or ISA, can contact the registrars with any queries on their holding Post, telephone and Internet contact details are given below

In correspondence you should refer to Polar Capital Technology Trust plc, stating clearly the registered name and address and if, available the full account number

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Shareholder helpline 0800 876 6889
(or +44 121 415 7047)
www shareview co uk

Electronic Communications
If you hold your shares in your own name you can choose to receive communications from the Company in electronic format This method reduces costs, is environmentally friendly and, for many, is convenient too

If you would like to take advantage of Electronic Communications please visit our registrar s website at www shareview co uk and register You will need your shareholder reference number If you agree to the terms and conditions, in future, on the day that documents are sent to shareholders by post you will receive an e-mail providing the website address where the documents can be viewed and downloaded Paper copies will still be available on request

AIC
The Company is a member of the Association of Investment Companies (AIC") and the AIC website www theaic co uk contains detailed information about investment trusts including guides and statistics

6 Shareholder Information

Other Information

Disability Act

Copies of this Report and Financial Statements or other documents issued by the Company are available from the Company Secretary If needed, copies can be made available in a variety of formats, either Braille or on audio tape or larger type as appropriate

You can contact our Registrars, Equiniti Limited, who have installed textphones to allow speech and hearing impaired people who have their own textphone to contact them directly by ringing 0870 600 3950 without the need for an intermediate operator. Specially trained operators are available during normal business hours to answer queries via this service Alternatively, if you prefer to go through a 'typetalk' operator (provided by the Royal National Institute for the Deaf), you should dial 18001 followed by the number you wish to dial

For shareholders attending the Annual General Meeting of the Company an induction loop is available for hearing aid wearers.

Nominee Shareholder Code

Where notification has been provided in advance the Company will arrange for copies of shareholder communications to be provided to the operators of nominee accounts Nominee service providers are encouraged to advise investors that they may attend general meetings and speak at meetings when invited by the Chairman

Financial Calendar

The key dates in the Company s financial year are as follows

30 April	Financial year-end
Early July	Announcement of year-end results
Early September	Annual General Meeting
31 October	Half-year end
Mid December	Announcement of half-year results

Capital Gains Tax

Information on Capital Gains Tax is available on the HM Revenue & Customs website (www hmrc gov uk/cgt/index)

When shares are disposed of a capital gain may result if the disposal proceeds exceed the sum of the base cost of the shares sold and any other allowable deductions such as share dealing costs The exercise of subscription shares into ordinary shares should not have given rise to a capital gain, however a capital gain may arise on the eventual disposal of those shares

The calculations required to compute capital gains may be complex and depend on personal circumstances Shareholders are advised to consult their personal financial advisor for further information regarding a possible tax liability in respect of their shareholdings

Further information on the impact of the Bonus Issue of subscription shares is provided in the subscription share section

The Company was launched on 16 December 1996 with the issue of ordinary shares at £1 per share and one warrant issued free for every five ordinary shares

Former Shareholders of TR Technology Plc

Former shareholders of TR Technology PLC who accepted the offers made by Polar Capital Technology Trust plc for their shares in TR Technology PLC may find the following table helpful

TR Technology plc	Polar Capital Technology Trust plc
For each ordinary share of 25p each	On 16 December 1996 one C share of 200p each On 14 March 1997, on conversion of the C shares 3 94342 ordinary shares of 25p each and one warrant to subscribe for ordinary shares in respect of every five ordinary shares arising on conversion of the C shares
For each stepped preference share of 25p each	On 16 December 1996, 1 5561743 ordinary shares of 25p each and one warrant to subscribe for ordinary shares in respect of every five such ordinary shares
For each zero dividend preference share of 25p each	On 16 December 1996, 2 7392426 ordinary shares of 25p each and one warrant to subscribe for ordinary shares in respect of every five such ordinary shares

Market Prices of the Company's ordinary shares and warrants

The market prices, for capital gains tax purposes, of the Company s ordinary shares and warrants at the close of business on 16 December 1996, the first day of dealings in the Company s ordinary shares and warrants, and 17 March 1997, the first day of dealings after the conversion of the C shares, were as follows

	16 December 1996	17 March 1997
Ordinary shares of 25p each	96 0p	88 5p
Warrants to subscribe for ordinary shares	36 0p	31 0p

Market Prices of the Company's ordinary shares and subscription shares

The market prices, for capital gains tax purposes, of the Company s ordinary shares and subscription shares at the close of business on 14 February 2011, the first day of dealings in the Company s subscription shares were as follows

	14 February 2011
Ordinary shares of 25p each	390 0p
Subscription shares of 1p each to subscribe for ordinary shares	33 5p

6 Shareholder Information

Subscription Shares

The final Exercise Date for the Subscription Rights is the last working day of March 2014. A reminder of this will be sent to subscription shareholders when the half year report is published in December 2013.

Polar Capital Technology Trust plc issued, as a Bonus Issue, free of cost, subscription shares on 11 February 2011 to its qualifying shareholders The subscription shares were admitted to trading on the London Stock Exchange on 14 February 2011

Subscription shares offer the right to subscribe for ordinary shares of the Company at pre-determined dates at pre-determined prices and can be bought and sold independently of the ordinary shares on the London Stock Exchange

The subscription price is 478p per ordinary share

(If you exercised your subscription rights up to the last business day in March 2012, the subscription price was 401p per ordinary share)

The subscription prices were set by reference to the unaudited Net Asset Value per ordinary share as at close of business on 9 February 2011 of 381 87p, plus a 5% premium in the first 12 months and a 25% premium for the remainder of their life, rounded up to the nearest whole penny

The subscription shares were issued to qualifying shareholders whose names were on the share register as at the close of business on the 10 February 2011 on the terms and conditions set out in Part IV of the Prospectus which was published by the Company on 18 January 2011 Given restrictions on the issuance of shares applying to certain jurisdictions, shareholders who are not resident in the EEA, Isle of Man or the Channel Isles (overseas shareholders) did not receive the subscription shares However, the Company allotted any subscription shares due to them to a market maker who sold these subscription shares at 28p each and the proceeds of the sale were then paid to the overseas shareholders entitled to them (save that entitlements of less than £5 00 per overseas shareholder were retained by the Company) Fractions of subscription shares were not issued or allotted and entitlements were rounded down to the nearest whole number of subscription shares

Subscription shares are qualifying investments for the stocks and shares component of an ISA, and are eligible for inclusion in a UK SIPP

Exercise of subscription rights

Each subscription share gives the holder the right, but not the obligation, to subscribe for an ordinary share on the last business day of each calendar month during the exercise period from the last business day of March 2011 to the last business day of March 2014 (both dates inclusive)

After the last business day of March 2014, the right to convert subscription shares will lapse Within seven days following the last business day of March 2014 the Company will appoint a trustee who (provided that in its opinion the net proceeds of sale will exceed the costs of exercising the subscription rights), will either

(i) exercise all the subscription rights which have not been exercised (on the terms prevailing on the final subscription date) and sell the resulting ordinary shares in the market, or

(ii) (if it appears to the trustee that doing so is likely to realise greater net proceeds for subscription shareholders) accept any offer available to subscription shareholders for the purchase of the outstanding subscription shares

The trustee will then distribute the net proceeds pro rata to the subscription shareholders, provided that entitlements of under £5 00 will be retained for the benefit of the Company If the trustee shall not exercise the subscription rights within 14 days following the final subscription date all subscription rights shall lapse

The new ordinary shares arising from the exercise of subscription rights will be allotted within ten business days of the first business day of the following month

If immediately after any subscription date subscription rights have been exercised or cancelled in respect of 75 per cent or more of the subscription shares originally issued (subject to the adjustments in accordance with the Company s Articles), the Company may give notice in writing to all outstanding subscription shareholders that a final subscription date will take place earlier than March 2014

Subscription share conversion – certificated form

Holders wishing to convert their subscription shares, in whole or in part, who hold their shares in the form of a subscription share certificate, should refer to the instructions on the reverse of their certificate The subscription shareholder must lodge a completed subscription notice (on the reverse of the certificate) at the office of the registrars for the Company (Equiniti) by not later than 5 00 p m on the last business day of the relevant month, accompanied by a remittance for the subscription price for the ordinary shares

Subscription share conversion through CREST

Holders wishing to convert their subscription shares, in whole or in part, who hold their shares through CREST, should submit an Uncertificated Subscription Notice to be received by no later than 5 00 p m on the last business day of the relevant month and a remittance for the aggregate subscription price for the ordinary shares in respect of which the subscription rights are being exercised The following participant and member account IDs should be used when processing their applications

CREST Participant ID = 6RA67

CREST Member Account ID = RA172707

Tax implications

For the purposes of UK capital gains tax and corporation tax on chargeable gains, the issue of subscription Shares pursuant to the Bonus Issue should be treated as a reorganisation of the Company s share capital For qualifying shareholders subject to UK taxation, subscription shares will be treated on receipt as part of a single asset comprised of the subscription shares and that shareholder s existing ordinary share holding The tax base cost of that single asset will be the consideration given for the existing holding of ordinary shares While qualifying shareholders should not be treated as making a disposal of all or part of their existing holdings of ordinary shares by reason of the bonus Issue, for the purpose of calculating chargeable gains or allocating losses on future disposals of subscription shares and / or ordinary shares, qualifying shareholders must apportion the base costs of the deemed single assets between their existing ordinary shares and any subscription shares received

The base cost for UK tax purposes of the subscription shares acquired pursuant to the Bonus Issue will be a proportion of the original base cost of your ordinary shares The apportionment is made by reference to the respective market values of the ordinary shares and subscription shares on 14 February 2011, the day the subscription shares were admitted to trading The prices of the Company s ordinary shares and subscription shares for the purposes of allocating your base cost were as follows

ordinary shares 389 25p

subscription shares 25 25p

Accordingly an individual investor who on 10 February 2011 held five ordinary shares (or a multiple thereof) would have received one subscription share (or the relevant multiple thereof) pursuant to the Bonus Issue and would apportion the base cost of such holding 98 722% to the five ordinary shares and 1 278% to the subscription shares

If you exercise the subscription rights attaching to your subscription shares on any subscription date, the resulting ordinary shares will be treated for UK tax purposes as the same asset as the subscription shares in respect of which the subscription rights are exercised The base cost for UK tax purposes of the resulting ordinary shares will be the base cost attributed to the exercised subscription shares, increased by the amount of subscription monies paid

Subscription Shares
continued

ISAs
Investments held in ISAs are free of UK tax on income and gains Receipt of subscription shares and any subsequent disposal of subscription shares held in an ISA at a gain should not be a chargeable event for UK capital gains tax purposes As an ISA holder, you may subscribe for ordinary shares pursuant to your subscription rights on any subscription date However, any new monies paid into your ISA to convert your subscription shares will contribute towards your annual ISA limit in the year in which you exercise your subscription rights and must not exceed the ISA allowance for that tax year Any subscription shares you convert to ordinary shares cannot be added retrospectively to previous ISAs They must be added to the current tax year s ISA allowance

The information provided on tax is a summary only of certain UK tax matters relevant to the Bonus Issue If you need tax advice you should contact a qualified tax professional Investors who are resident or otherwise subject to taxation outside the UK should, in particular, consult a professional adviser on the tax implications of the Bonus Issue

Please note this is a summary of some of the information contained in the Prospectus issued by the Company on 18 January 2011 (the Prospectus) in connection with the bonus issue of the Subscription Shares (the Bonus Issue) and should be read as such Full details of the subscription shares, their issue and conversion are set out in the Prospectus and reference should be made to that document for a complete and full understanding of the matters terms of the subscription shares

Investing

There are a number of methods of investing in the shares of the Company

Market Purchases

The ordinary and subscription shares of Polar Capital Technology Trust plc are listed and traded on the London Stock Exchange Investors may purchase shares through their stockbroker, bank or other financial intermediary

Share Dealing Services

The Company has arranged for Shareview Dealing, a telephone and Internet share sale service offered by Equiniti to be made available

For telephone sales call 0800 876 6889

(or +44 121 415 7047) between 8 30am and 4 30pm for dealing and up to 6 00pm for enquiries, Monday to Friday

For Internet sales log on to www shareview co uk/dealing

Savings Scheme & ISA

The ordinary and subscription shares of the Company may also be purchased through arrangements offered by Alliance Trust Savings The share savings scheme and the ISA are subject to the key features document which should be read before entering into the investment These schemes are subject to commission, stamp duty and administration charges which are detailed in the key features document Information and the key features document are available from

Alliance Trust on 08000 326 323, or visit www alliancetrust co uk

6 Shareholder Information

Warnings to Shareholders

Investors should be aware of the following risks when considering investing in the shares of Polar Capital Technology Trust plc

- Past performance is not a guide to future performance Please remember that any investment in the shares of Polar Capital Technology Trust either directly or through a savings scheme or ISA carries the risk that the value of your investment and any income from them may go down as well as up due to the fluctuations of the share price, the market and interest rates This risk may result in an investor not getting back their original amount invested
- Investors should be aware that the value of the NAV of the Company s shares may reflect the greater relative volatility of technology shares Technology shares are subject to the risks of developing technologies, competitive pressures and other factors including the acceptance by business and consumers of new technologies Many companies in the technology sector are smaller companies and are therefore also subject to the risks attendant on investing in smaller capitalisation businesses
- As the Company invests in overseas companies changes in exchange rates may cause fluctuations in the value of the investments and of your investment in the Company
- The Company takes on bank debt for investment purposes (gearing) which exposes the company to exchange risk when the borrowings are in different currencies and the value of the investments with the borrowing may fall and may not be sufficient to cover the borrowings and interest costs however the Company may increase or decrease its borrowing levels to suit market conditions
- If you are investing through a savings plan, ISA or other investment arrangement it is important that you read the key features documents and understand the risks associated with investing in the shares of the Company If you are in any doubt as to the suitability of a plan or any investment available within a plan, please take professional advice
- Tax rates and reliefs change from time to time and may affect the value of your investment

Polar Capital Technology Trust plc is a public listed company on the London Stock Exchange Premium Market section and complies with the UK Listing Authority s Rules It is not authorised and regulated by the Financial Conduct Authority

Boiler Room Scams

We are aware that shareholders have received unsolicited phone calls or correspondence concerning investment matters These are typically from overseas based brokers who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments or offering to act on the shareholder s behalf on the payment of a retainer or similar in a spurious corporate event These operations are commonly known as boiler rooms These brokers can be very persistent and extremely persuasive

It is not just the novice investor that has been duped in this way, many of the victims had been successfully investing for several years Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports

The Financial Conduct Authority (FCA) estimates that share fraud costs around £200m a year through high-pressure techniques that persuade investors to enter transactions involving shares

If you have been contacted by an unauthorised firm regarding your shares the FCA would like to hear from you You can report an unauthorised firm using the FCA helpline on 0845 606 1234 or 0800 111 6768 or by visiting their website, which also has other useful information, at www fca org uk

If you receive any unsolicited investment advice

- Make sure you get the correct name of the person and organisation
- If the calls persist, hang up

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme

Details of any share dealing facilities that the company endorses will be included in company mailings

More detailed information on this or similar activity can be found on the FCA website

Forward Looking Statements

Certain statements included in this annual report and financial statements contain forward-looking information concerning the Company s strategy, operations, financial performance or condition, outlook, growth opportunities or circumstances in the countries, sectors or markets in which the Company operates By their nature, forward-looking statements involve uncertainty because they depend on future circumstances, and relate to events, not all of which are within the Company s control or can be predicted by the Company Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct Actual results could differ materially from those set out in the forward-looking statements For a detailed analysis of the factors that may affect our business, financial performance or results of operations, we urge you to look at the principal risks and uncertainties included in the Business Review on pages 46 to 55 of this annual report No part of these results constitutes, or shall be taken to constitute, an invitation or inducement to invest in Polar Capital Technology Trust plc or any other entity, and must not be relied upon in any way in connection with any investment decision The Company undertakes no obligation to update any forward-looking statements

6 Shareholder Information

Glossary

Computer data storage capacity / transfer speeds

Bit	The basic capacity of information in computing with only two possible values (often interpreted as binary digits and denoted as numerical digits 0 and 1)	
Byte	A unit of digital information equivalent to eight bits	
Kilobit / KiloByte	Kb/KB	Equivalent to 1000 bits or Bytes
Megabit / MegaByte	Mb/MB	Equivalent to one million (106) bits or Bytes
Gigabit / GigaByte	Gb/GB	Equivalent to one thousand million Bytes (109) or 1000 gigabits (Gb)
Terabit / TeraByte	Tb /TB	Equivalent to one trillion (1012) bits or Bytes
Petabit / PetaByte	Pb /PB	Equivalent to one quadrillion (1015) bits or Bytes
Zettabit / ZettaByte	Zb /ZB	Equivalent to one sextillion (1021) bits or Bytes
	Where XX/s	refers to the equivalent data transfer rate per second

Computing terminology

4G LTE	An initialism of Long Term Evolution, 4G LTE is a fourth generation wireless communication standard and successor to the current 3G standard
802 11ac	A wireless computer networking standard of 802 11 which will provide high throughput wireless local area networks (WLAN) on the 5GHz band
Android	A Linux-based operating system for mobile devices developed by the Open Handset Alliance, led by Google
Application delivery controller (ADC)	A device placed in a datacentre between the firewall and application servers that accelerate application performance and load balancing
Bandwidth	Term used to describe the available or consumed data communication resources expressed in bits/second or multiples of it (eg kilobits/s, megabits/s)
Cloud Computing	The delivery of computing and storage capacity as a service to a heterogeneous community of end-recipients A Private Cloud is operated solely for a single organisation whether managed internally or by a third-party and hosted internally or externally while a Public Cloud is the purest form of Cloud computing based on multi-tenancy and Internet delivery
Computing Cluster	Set of loosely connected computers that work together so they can be viewed as a single system
Datacentre	A centralised repository for the storage, management and dissemination of data and information
Deep packet inspection (DPI)	A form of computer network packet filtering that examines the data within a packet in order to better route it, or collect statistical information
eCommerce	Electronic commerce known as e-commerce is the buying and selling of products or services over electronic systems such as as the Internet
Hadoop	An open source software framework enabling applications to work with thousands of independent computers and massive data sets
iOS	Apple s operating system used in its iPhone / iPad ranges
IP	Internet Protocol (see TCP/IP)
IPv6	A version of the Internet Protocol (IP) developed by the IETF to succeed IPv4 as the dominant communications protocol used for Internet traffic

Computing terminology continued

Local loop	A term used to describe the physical link or circuit that connects a customer s premises to the edge of a telecommunication network although it can be applied to any last mile connection to the customer
Multitenancy	Where a single instance of a piece of software runs on a server serving multiple clients
Network effect	The effect that one user has on the value of a product or service to other people More instance the more people who own a telephone, the more valuable a telephone is to each owner
Software as a service (SaaS)	Software delivery model where software and associated data is centrally hosted on the Cloud and accessed by users via a web browser Sometimes referred to as on-demand software
Solid state	Circuits or devices built entirely from solid materials rather than vacuum / gas discharge tube devices and excluding electro-mechanical devices with moving parts
TCP/IP	Primary communication protocols used for the Internet Transmission Control Protocol (TCP) handles host-to-host communication while Internet Protocol (IP) connects local networks
Tiered storage	The assignment of different categories to data to different types of storage media in order to reduce total storage cost
Virtualisation	The creation of virtual (rather than actual) version of something which involves the abstraction of software from underlying hardware resources Virtualisation can be applied to hardware desktop, software and storage in order to centralise administrative tasks while improving overall hardware resource utilisation
Wide Area Networks (WAN)	A telecommunication network that covers a broad (wide) area rather than a local (LAN) or metropolitan area (MAN)

This list of terms has been complied from public sources with acknowledgement and thanks to Wikipedia

Investment and Financial terms

AIC	The Association of Investment Companies
Diluted Net Asset Value (NAV) per Ordinary share	The diluted NAV per ordinary share assuming that all outstanding subscription shares were converted into ordinary shares at the period end
Premium/Discount	The amount by which the market price per share of an investment trust is either higher (premium) or lower (discount) than the NAV per share, expressed as a percentage of the NAV
Subscription shares	Shares carrying the right (but not the obligation) to be exchanged for ordinary shares of the Company at a predetermined price and at a specified time in the future