

POLAR CAPITAL GLOBAL HEALTHCARE TRUST PLC

HEALTHCARE DISRUPTED

POLAR CAPITAL GLOBAL HEALTHCARE TRUST PLC

Our objective is to generate capital growth by investing in a global portfolio of healthcare stocks across all four healthcare sub-sectors, being pharmaceuticals, biotechnology, medical technology and healthcare services.

The Company seeks to achieve this objective by investing in a diversified global portfolio consisting primarily of listed equities. While the portfolio comprises a single pool of investments diversified by factors such as geography, industry sub-sector and investment size, the Investment Manager will, for operational purposes, maintain a growth and an innovation portfolio.



See more at:
polarcapitalhealthcaretrust.co.uk

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FINANCIAL HIGHLIGHTS

NET ASSET VALUE PER ORDINARY SHARE (TOTAL RETURN)

-1.24%

(2018: 19.80%)

BENCHMARK INDEX

3.14%

(2018: 17.24%)

TOTAL NET ASSETS (GROUP AND COMPANY)

£288.4m

(2018: £296.3m)

NET ASSET VALUE PER ORDINARY SHARE

236.88p

(2018: 241.91p)

PRICE PER ORDINARY SHARE

218.00p

(2018: 223.00p)

HIGHLIGHTS IN DETAIL

FOR THE YEAR TO 30 SEPTEMBER 2019

PERFORMANCE

Net asset value per Ordinary share (total return)*	-1.24%
Benchmark index (MSCI ACWI Health Care Index (total return in sterling with dividends reinvested))	3.14%

SINCE RESTRUCTURING

Net asset value per Ordinary share (total return) since restructuring**	11.69%
Benchmark index total return since restructuring	16.69%

EXPENSES

Ongoing charges*	2019	2018
	1.01%	1.08%

FINANCIALS

	As at 30 September 2019	As at 30 September 2018	Change
Total net assets (Group and Company)	£288,447,000	£296,263,000	-2.6%
Net asset value per Ordinary share	236.88p	241.91p	-2.1%
Net asset value per ZDP share	106.99p	103.87p	3.0%
Price per Ordinary share	218.00p	223.00p	-2.2%
Discount per Ordinary share*	8.0%	7.8%	
Price per ZDP share	108.50p	104.50p	3.8%
Net gearing*	7.21%	8.29%	
Ordinary shares in issue (excluding those held in treasury)	121,770,000	122,470,000	-0.6%
Ordinary shares held in treasury	2,379,256	1,679,256	41.7%
ZDP shares in issue	32,128,437	32,128,437	-

DIVIDENDS

The Company has paid or declared the following dividends relating to the financial year ended 30 September 2019:

PAY DATE	Amount per Ordinary share	Record Date	Ex-Date	Declared date
First interim: 30 August 2019	1.00p	2 August 2019	1 August 2019	23 July 2019
Second interim: 28 February 2020	1.10p	7 February 2020	6 February 2020	19 December 2019
Total (2018: 2.00p)	2.10p			

* See Alternative Performance Measure on pages 90 and 91.

~ The Company's portfolio was restructured on 20 June 2017. The total return NAV performance since restructuring is calculated by reinvesting the dividends in the assets of the Company from the relevant payment date.

YOUR COMPANY AT A GLANCE

WHO WE ARE

The Group comprises the Company and PCGH ZDP Plc, and was formed on 30 March 2017 as part of a reconstruction of the Company which included the change of the name of the Company on 20 June 2017 from Polar Capital Global Healthcare Growth and Income Trust plc. The Company was originally launched on 15 June 2010.

INVESTMENT OBJECTIVE

The Company's investment objective is to generate capital growth by investing in a global portfolio of healthcare stocks across all four healthcare sub-sectors.

BENCHMARK

The benchmark since launch has been the MSCI ACWI Health Care Index (total return in Sterling with dividends reinvested).

CAPITAL STRUCTURE

At 30 September 2019 the Company had in issue 124,149,256 Ordinary shares of 25p each of which 2,379,256 were held in treasury (2018: 124,149,256 Ordinary shares of which 1,679,256 were held in treasury). During the year ended 30 September 2019 the Company bought back 700,000 Ordinary shares into treasury and no shares were issued out of treasury.

DIVIDEND POLICY

Following the Company's reconstruction the adopted dividend policy is that dividends will be paid bi-annually in February and August. The policy results in lower dividends being paid than historically to recognise the focus on capital growth.

GEARING

Following the restructure of the Company in June 2017, the Company maintains long-term structural gearing in the form of a loan from the wholly owned subsidiary PCGH ZDP Plc. No short-term borrowings have been made and there are no arrangements made for any bank loans. The Articles of Association provide that the Company may borrow up to 15% of its Net Asset Value at the time of drawdown, for tactical deployment when the Board believes that gearing will enhance

returns to shareholders. The Company will not normally hedge currency exposure but may do so exceptionally for the purposes of efficient portfolio management or when it is otherwise perceived to be in shareholders' interests.

LIFE

The Articles of Association of the Company require the Directors to put forward at the first Annual General Meeting to be held after 1 March 2025 a resolution to place the Company into voluntary liquidation.

MANAGEMENT

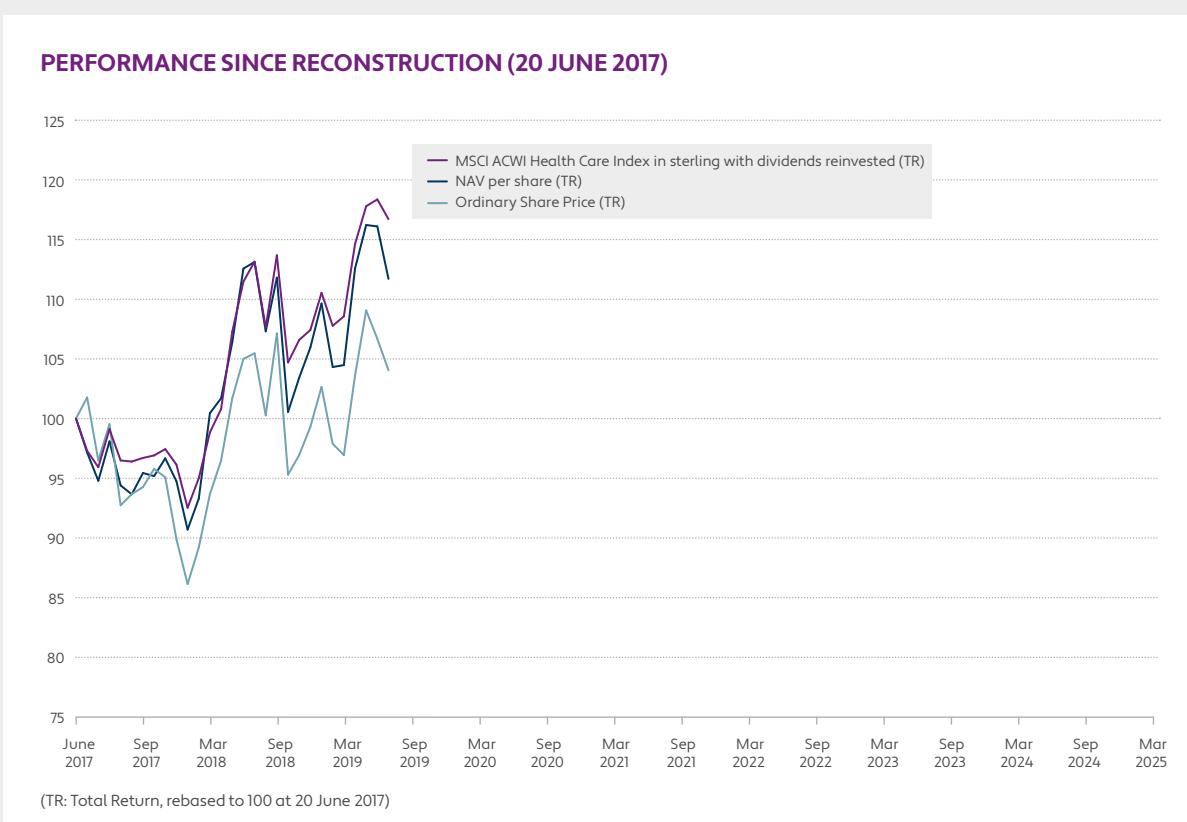
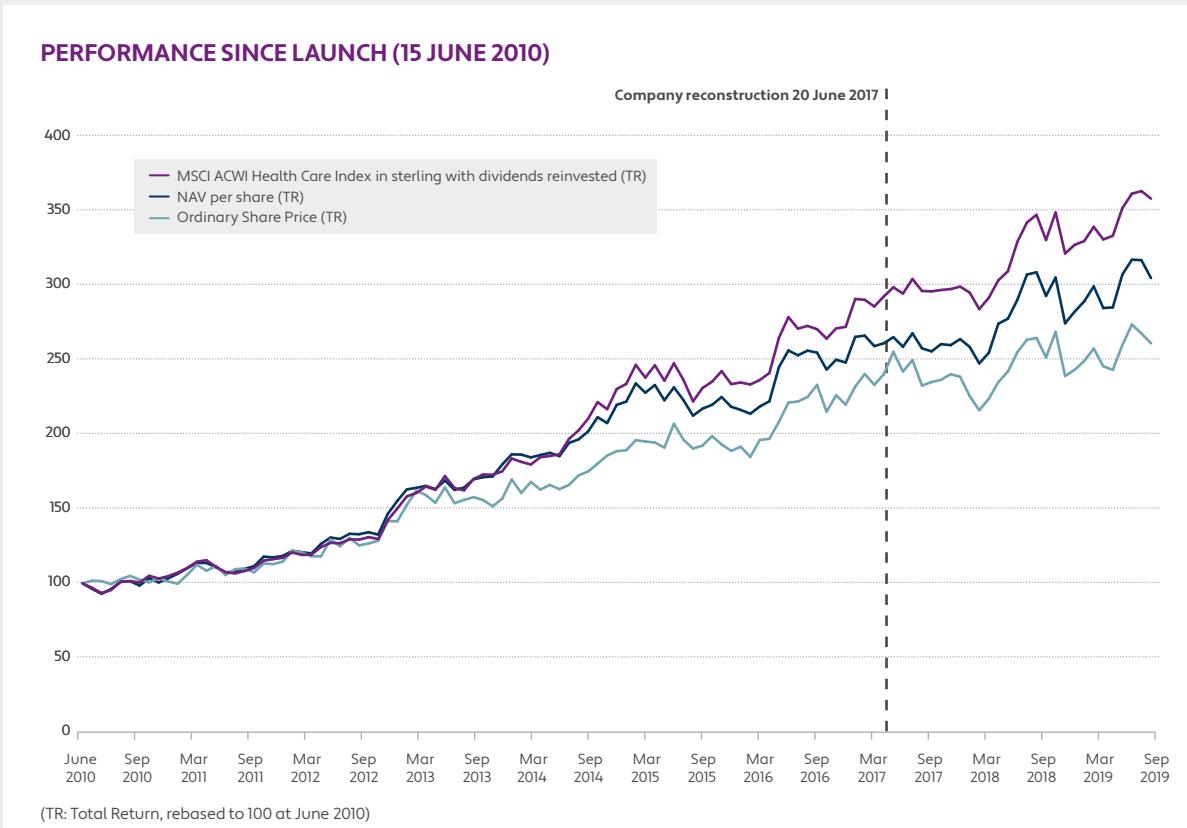
The Investment Manager is Polar Capital LLP and the Managers are Dr James Douglas and Mr Gareth Powell. Polar Capital LLP is also the Alternative Investment Fund Manager for the purposes of AIFM Regulations.

The Investment Manager is entitled to a management fee at the rate of 0.85% per annum of the lower of the Group market capitalisation and the Company's adjusted net asset value. 80% of the management fee is charged to the capital account.

The Investment Manager is also entitled to a performance fee paid in cash. The fee is equal to 10% of the excess total return over the total return of the benchmark Index plus 1.5% per annum. Any performance fee shall accrue but shall only become payable at the end of the Company's life or earlier termination of the management agreement. No performance fee has been accrued or is due to be paid for the year ended 30 September 2019. (2018: nil).

Further details are included in the Strategic Report.

PERFORMANCE



CHAIRMAN'S STATEMENT

GROWTH SECTOR

PERFORMANCE

The Net Asset Value ('NAV') per share fell by 1.24% over the period on a total return basis. Although this was usefully ahead of the rest of our AIC peer group this was nevertheless behind the Company's benchmark, the MSCI ACWI Health Care Index (total return in sterling), which returned 3.14% over the same period. The discount to NAV at which our shares traded moved out from 7.8% to 8.0% which meant that the total return to Shareholders was -1.35%.

PORTFOLIO POSITIONING

Over the course of the year we significantly increased our exposure to healthcare equipment and also increased our weighting in life sciences tools and services. We did so at the expense of pharmaceuticals, biotechnology and managed healthcare, whose weightings were significantly reduced. At 75% of net assets, the US remains our largest geographic exposure both in absolute and relative terms. Over the year the US dollar appreciated by 5.5% against sterling which helped to boost our overall return in sterling terms. Our invested position fell slightly over the year from 108.3% to 107.2%. The Board has given the Managers a net borrowing range of between 90% and 111% invested. This gives our Managers the scope to gear up when they are positive and raise cash if they are more cautious.

FUND MANAGEMENT TEAM

At the beginning of August Dan Mahony stepped down as one of our three co-Managers. Dan has been directly involved with the management of your Company since its original inception in 2010 and the Board would like to thank him for his significant contribution throughout this period. Dan will now focus on strategy for the Healthcare team as a whole at Polar Capital, leaving Dr James Douglas and Gareth Powell as co-Managers of our portfolio.

DIVIDENDS

A first interim dividend of 1.0p for the year ended 30 September 2019 was paid on 30 August 2019. We are declaring a second interim dividend of 1.0p which will be payable in February 2020. Total dividends for the current financial year therefore amount to 2.10p compared with 2.00p last year, an increase of 5%.

Our dividend policy reflects the focus on capital growth which means that dividends will likely represent a relatively small part of Shareholders' total return over the medium term.

SHARE BUYBACKS

We continue to buy back shares on a selective basis when it is in the best interest of Shareholders. In the year under review we bought back a total of 700,000 shares which have been placed into treasury for re-issue when the opportunity arises. Since the end of the financial year we have bought back a further 500,000 shares which have also been placed into treasury.

BOARD SUCCESSION

As I have previously reported, our plan is to refresh the entire Board over a two year period and to do this in two phases. Phase one was completed in February 2018 and on 23 October 2019 we announced the appointment of Andrew Fleming and Jeremy Whitley as independent non-executive directors, both of whom joined the Board with effect from 1 December 2019.

Andrew Fleming was most recently chief executive of Waverton Investment Management. He started his career at Gartmore where he was a main board director and head of equities. He went on to hold senior positions at ABN Amro and was chief executive of Kames Capital for nine years. He was a director and chairman of JP Morgan Japanese Investment Trust plc retiring in December 2018.

Jeremy Whitley is currently a non-executive director of The Scottish Oriental Smaller Companies Trust plc. With effect from 1 February 2020, Jeremy will also join the board of JPMorgan Indian Investment Trust plc. He was formerly Head of UK and European Equities at Aberdeen Asset Management, a position he held from 2009 to 2017.

We are very pleased that both Andrew and Jeremy agreed to join the Board and we look forward to benefiting from their extensive investment experience. A resolution proposing their election as non-executive directors will be put to Shareholders at the forthcoming Annual General Meeting ('AGM') of the Company to be held on 26 February 2020.

As previously indicated Tony Brampton and I, the remaining original directors, will step down at the AGM in February. This will complete phase two of the Board refreshment. I would like to pay tribute to Tony who has been an excellent and supportive director since the inception of the Trust in 2010 and whose knowledge and insights will be much missed.

I have enjoyed being Chairman of your Company since its original inception in 2010 and I would like to thank all our Shareholders for their continued support, particularly at the time of our restructuring in 2017. I am delighted to confirm that Lisa Arnold has been invited by the Board, and has accepted, the role of Chairman when I retire at the forthcoming AGM. The Board believes that Lisa will bring a fresh perspective to its



I WOULD LIKE TO THANK OUR SHAREHOLDERS FOR THEIR CONTINUED SUPPORT

JAMES ROBINSON
CHAIRMAN



proceedings and we all look forward to seeing the Company make further progress under her guidance.

OUTLOOK

The outlook going into 2020 appears to be supportive for large cap healthcare companies based on their defensive growth profile, strong balance sheets and commitment to innovation. With the economic cycle now quite mature, however, the outlook for smaller companies is more challenging and we have therefore reduced our exposure here to 10.2% awaiting better opportunities over the months ahead.

Sentiment for the healthcare sector has been poor, largely due to healthcare policy likely to be an increasingly important part of the debate ahead of the US presidential election in November 2020. With sentiment at extremes last seen in 2008 it seems likely that the fog will eventually clear. Fundamentals for the healthcare sector remain robust with good sales and earnings strength relative to other areas of the market. We expect these fundamentals to persist over the years ahead, generating attractive returns for investors.

It is quite likely we may see some currency headwinds this year. Until recently sterling has been weak against most of the overseas currencies in which we invest and this has helped boost returns to Shareholders. Assuming Brexit is finally accomplished it seems quite likely that sterling will see a further bounce from these levels. However, currency forecasting

is fraught with difficulties and this together with the fact that our Shareholders expect us to have foreign currency exposure (and would be surprised if we didn't) means that the Board has not engaged in any currency hedging. This may of course change at some point in the future but our normal stance is to run unhedged currency positions.

ANNUAL GENERAL MEETING

The Company's ninth Annual General Meeting will take place at noon on Wednesday, 26 February 2020 at the offices of our Managers, Polar Capital, 16 Palace Street, London SW1E 5JD. The nearest tube and main line station is Victoria. A map of the location is contained in the separate Notice of Annual General Meeting. One of our co-managers, Dr James Douglas, will be giving a presentation to Shareholders reflecting on the year past and the year ahead. I would encourage as many as possible of you to attend and hear what he has to say. Attendance at this meeting also provides a good opportunity to meet members of the Board and to ask any questions you might have, either of us or the Investment Manager.

A buffet lunch will be served at the conclusion of the meeting.

JAMES ROBINSON
CHAIRMAN
19 DECEMBER 2019

INVESTMENT MANAGER'S REPORT

EXPERT KNOWLEDGE

TRACK RECORD AND AN EXPERIENCED TEAM

SUMMARY

- Fundamentals for the healthcare sector remain robust with good sales and earnings strength relative to other areas of the market
- The US political environment could create some volatility and valuation pressure in 2020, pressure that we would view as a buying opportunity
- We believe the uncertain economic outlook is supportive for large cap healthcare stocks based on their defensive growth profile, strong balance sheets and commitment to innovation

JOINT INVESTMENT MANAGERS



DR JAMES DOUGLAS



GARETH POWELL

PERFORMANCE REVIEW

For the financial year to 30 September 2019, the Company delivered a total return of -1.24%, which was behind the benchmark (MSCI ACWI Health Care Index) that recorded a total return of 3.14% over the same period.

Over the course of the year, there have been some fluctuations in foreign exchange rates – which have had an impact on the Net Asset Value (NAV) of the portfolio, which is denominated in sterling. Over the reporting period, the US dollar appreciated by 5.5% compared to sterling and this had a positive impact on returns, given that the majority of the Company's portfolio (and its benchmark) are heavily weighted towards US dollar denominated stocks.

The beginning of the Company's financial year marked a difficult period for global stock markets, with the MSCI All-Country World Index declining in the mid-teens during the fourth quarter of calendar 2018. There were multiple reasons for the weakness including US/China trade tensions, US monetary policy transitioning to quantitative tightening and eroding confidence in the EU. As we moved into 2019, however, the markets recovered from the late 2018 correction, with global growth concerns leading to a more dovish outlook from Central Banks.

INVESTMENT MANAGER'S REPORT

CONTINUED

Healthcare experienced similar volatility to the broader market over the reporting period, although the sector did underperform by 3.89% (MSCI ACWI Health Care Index vs MSCI ACWI Index (both daily total return)). The late 2018 correction was followed by a rebound during the first quarter of 2019, buoyed early in the year by biotechnology company acquisitions by large pharmaceutical companies. As the year progressed however, the attention of markets pivoted away from fundamentals and started to focus more on the political environment in the US. That focus weighed heavily on sentiment, over-shadowing the industry's underlying operational progress.

The major political debates in the US were, and continue to be, drug pricing and the spectre of "Medicare For All". On the drug pricing side, there is bi-partisan support to address the issue, enhancing the odds of change. The precise details and mechanisms for change are yet to be determined, but the political will is undoubtedly there. In terms of "Medicare For All", the more progressive Democratic nominees are promoting a single-payer system in the US, something that could potentially disintermediate the US Managed Care industry.

There was a wide dispersion of returns from the healthcare sub-sectors. The life sciences and tools and medical equipment sub-sectors outperformed, but the managed healthcare and services sub-sectors had a difficult 12 months. Within therapeutics, pharmaceuticals were in modest positive territory, but the biotechnology sub-sector struggled.

REVIEW OF THE PORTFOLIO

The investment mandate for the Company is focused on capital growth by investing in a diversified global portfolio of healthcare companies with no restriction on sub-sector weighting. The Company's portfolio comprises a single pool of investments but for operational purposes we have divided these investments into a growth portfolio and an innovation portfolio.

The majority of the Company's assets are allocated to the growth portfolio and this comprised 34 large-cap healthcare stocks (some 96.9% of total net assets) at the end of the reporting period. All companies in the growth portfolio had a market capitalisation greater than \$5bn at the time of investment.

The innovation portfolio provides exposure to healthcare companies with a market capitalisation less than \$5bn and is invested in a range of medical devices, healthcare services and biotechnology companies. There were 13 investments in the innovation portfolio (which comprised some 10.2% of total net assets) at the end of the investment period.

US POLITICS IN 2020

We continue to be constructive on the underlying fundamentals in the healthcare industry. We do, however, lend a sympathetic ear to the negative sentiment that is being created by US politics. As the Democratic Party chooses a candidate to take on Donald Trump in next year's US presidential election, the political rhetoric around healthcare will likely increase in volume. This is not surprising given that the affordability of healthcare is high on the agenda for both US citizens and US politicians.

The Company has structural debt in the form of Zero Dividend Preference (ZDP) shares issued by the subsidiary company in June 2017. The net gearing level at the end of the period, as per the AIC methodology, was 7.2%.

PERFORMANCE ATTRIBUTION

In terms of sub-sector weightings, we had overweight positions in healthcare equipment (accelerating top-line growth) and life sciences and tools (buoyant end-markets) with an underweight position in pharmaceuticals (mature product portfolios) throughout most of the financial year. Positioning and stock selection in healthcare technology were positive contributors to performance, as was stock



US POLITICS IN 2020

selection in pharmaceuticals. Over-weight positions in life sciences and tools and healthcare equipment was the correct decision but stock selection disappointed. The biggest drags on performance were healthcare services and biotechnology.

We decreased our weighting in managed care at the beginning of the calendar year due to concerns about valuations and political risk. We added to our exposure in healthcare equipment based on accelerating growth driven by new product cycles. At the end of the financial year our major over-weight sub-sectors were healthcare equipment and life sciences and tools. We decreased our exposure to biotechnology over the period and continue to have an under-weight position in pharmaceuticals.

SIGNIFICANT PERFORMANCE CONTRIBUTORS

On an absolute basis, the top three contributors in the portfolio were Renalytix AI, Merck & Co and Danaher with CVS Health Corp, Humana and Jazz Pharmaceuticals the biggest detractors. Renalytix AI, which is held in the innovation portfolio, is a developer of artificial intelligence enabled clinical diagnostic solutions for kidney disease, one of the most common and costly chronic medical conditions globally. During the reporting period Renalytix AI consistently delivered on regulatory and commercial milestones, the most recent of which was a reimbursement code for its diagnostics test in the US.

INVESTMENT MANAGER'S REPORT

CONTINUED

Merck & Co's strong performance reflects two things. Firstly, the company's oncology franchise, led by its immuno-oncology drug Keytruda, continued to deliver not just positive clinical updates, but positive revenue momentum that has put upwards pressure on earnings forecasts. Secondly, and perhaps more importantly, the company's HPV vaccine, Gardasil, continues to beat consensus revenue expectations. Vaccines is a business with high barriers to entry and the global demand for Gardasil appears to be very healthy and sustainable.

Danaher, the life sciences and tools company, continues to deliver mid-single digit core growth, with the Life Sciences and Diagnostics divisions the primary growth drivers. Underlying operational excellence aside, performance was enhanced further by the acquisition of the leading bio-processing business, GE Biopharma. The deal was well received by the markets, with GE Biopharma a high-performing asset exposed to one of the fastest-growing areas of life sciences.

CVS Health Corp, the healthcare services business, had a difficult period following the acquisition of the healthcare insurer, Aetna in January 2019. The company highlighted a number of headwinds to the legacy CVS pharmacy business that were not in consensus expectations. The magnitude of those headwinds was quantified at the FY'18 results when management's FY'19 guidance came in materially below expectations.

Jazz Pharmaceuticals' core sleep franchise has been in rude health over the last 12 months, but the share price has suffered from disappointing performance in the oncology franchise. In essence, commercial execution with leukaemia asset, Vyxeos, was left wanting with the company putting too much emphasis on safety as opposed to efficacy. That misjudgement led to a period of disappointing revenue updates for the asset. CVS and Jazz were sold out of the portfolio.

Humana's disappointing performance can be attributed, we believe, to the market starting to question the company's Medicaid strategy (low income US citizens) and consequently the achievability of 2020 consensus earnings.

POLITICAL RHETORIC CAN WEIGH ON SENTIMENT AND VALUATIONS, CREATING OPPORTUNITIES

The US is the most important end-market for global healthcare, so a watchful eye on the political environment is essential. The two key areas gaining most attention in the US are drug pricing and a potential move towards a single-payer, government-run healthcare system. Whilst the updates and posturing are in a constant state of flux, addressing the affordability of drugs is something that appears to have bi-partisan support. At the end of July 2019, a piece of legislation passed through the Senate Finance Committee with the basic premise of lowering out-of-pocket drug costs

and controlling price inflation for US seniors. The timing of a potential resolution is hard to predict, but we do believe that clear progress could be a clearing event for the bio-pharmaceutical sector given the removal of uncertainty.

Importantly, if pharmaceutical and biotechnology companies can deliver high levels of innovation in areas such as oncology, rare diseases, gene therapy and blood disorders, the US market will remain an attractive one to generate returns. With drug pricing concerns affecting sentiment across the bio-therapeutics, the opportunity for investors is to find those companies that are either insulated from the potential regulatory developments by nature of their product portfolios or which are developing innovative products to address hitherto unmet medical needs.

CASE STUDY

BOSTON SCIENTIFIC SINGLE USE DUODENOSCOPE

Boston Scientific's Exalt-D single-use duodenoscope is designed to meet a significant unmet need for hospitals and patients. The single-use concept is based on the idea of completely eliminating disinfection challenges with scopes. Despite concerted efforts by the US Food & Drug Administration, inadequate re-processing of duodenoscopes and device contamination remains a threat, so much so that the issue has drawn Congressional scrutiny.



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Rhetoric surrounding a single-payer system has been the key negative sentiment driver for healthcare. The impact has been quite marked on managed-care companies' valuations, yet the chances of a single-payer healthcare system in the US is very remote. Why? Disruption, complexity and cost. Switching to a single-payer system would be extremely complex due to a wide range of components and requirements. Yet to be answered questions might include eligibility and enrolment criteria, which services would be covered, what role the current system would play, what the payment rates would be and what role the Federal government would play. There are also the cost implications to consider, with some estimating that government health spending would increase by \$32.6 trillion over 10 years (Source: Mercatus Center at George Mason University in Virginia). Given the implications for taxes, choice, flexibility and access to care,

it would come as a huge surprise if the US were to adopt a single-payer, government-run, healthcare system.

INNOVATION, TO DRIVE EFFICIENCIES, REMAINS CRITICAL TO COMMERCIAL SUCCESS

US healthcare spending was approximately \$3.5 trillion in 2017, with an overall share of gross domestic product related to healthcare spending of 17.9%. Of that \$3.5 trillion, 33% was spent on hospital care, 20% on physician and clinical services and just 10% was spent on retail prescription drugs. The desire to control the costs of prescription drugs is apparent, but to make the healthcare system truly more efficient we believe the system must align incentives, drive efficiencies without compromising quality of care and reduce, or avoid completely, the amount of time patients spend in hospital.

INNOVATION & EFFICIENCIES

INVESTMENT MANAGER'S REPORT

CONTINUED

Some of the most tangible evidence for driving efficiencies in the system, we believe, can be found in the world of medical devices – devices that are minimally invasive, devices that yield faster recovery times with no compromise on quality or even devices that are designed to help patients manage their disease and avoid hospitalisation altogether.

Edwards Lifesciences is one of the leading companies in the treatment of aortic stenosis (the narrowing of the aortic valve) using a procedure called Transcatheter Aortic Valve Replacement or TAVR. Importantly, the procedure allows for patients to have a heart valve replaced via a catheter, thereby avoiding full open-heart surgery. That drives shorter recovery times – a clear benefit for patients – but can also reduce total costs via reduced length of hospital stays.

Late in 2017 Edwards Lifesciences released data from an economic study of its SAPIEN-3 valve in intermediate risk patients that highlighted lower costs as compared to standard surgical valve replacements. Results from the 2,000 patient trial showed total one-year average costs with the SAPIEN-3 valve to be at \$80,977 versus standard surgical interventions at \$96,489.

Avoiding hospital altogether makes obvious well-being and commercial sense, with diabetes an excellent example of how technology is being used to engage consumers and shift the disease-management paradigm. Dexcom's G6 Continuous Glucose Monitoring device has several appealing features including the elimination of fingersticks to measure blood glucose, a long-life sensor and alarms that alert patients to the potential for severe hypoglycaemic events.

In a similar vein, US medical device peer Medtronic and healthcare insurance company UnitedHealthcare published some interesting analysis based on the concept of value-based care. Results from an analysis of over 6,000 members with diabetes on Medtronic's MiniMed 630G and previous generation insulin pumps demonstrated 27% fewer preventable hospital admissions compared to plan participants who are on multiple daily injections of insulin. The MiniMed 630G system is an insulin pump that is fully integrated with a glucose sensor, with the aim of enhanced diabetes control.

21ST CENTURY CURES ACT HAS PROVIDED A CATALYST

One of the important provisions in the US 21st Century Cures Act, which was signed into law in December 2016, was the focus on using real-world evidence (RWE) to support regulatory decision making. In December 2018, the US Food & Drug Administration ('FDA') published the framework for its RWE program. This framework creates processes that will address some of the challenges with real-world data (RWD) – particularly the relevance, quality and reliability of certain

CASE STUDY

DEXCOM CONTINUOUS GLUCOSE MONITOR FOR DIABETICS

Dexcom's G6 Continuous Glucose Monitor allows patients to check the speed and direction of their blood glucose levels. Dexcom's G6 system also avoids the need for frequent and painful finger-stick blood draws. More importantly, the G6 system empowers patients to make more informed decisions about their diabetes management and, hopefully, reduces the frequency of hypoglycaemia compared to self-monitoring of blood glucose.



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datasets; the lack of standardisation; and engagement with all stakeholders. This is an important step towards a broad value-based reimbursement system that will affect all companies in the healthcare value chain – from drug companies, to device companies and to service providers.

WE SEE POTENTIAL FOR A MAJOR DISRUPTION OF THE PRODUCT DEVELOPMENT PROCESS

For many years, the FDA has had a responsibility to monitor the safety of products following approval – the existing adverse event reporting systems are in effect a source of RWD. However, once a product has been approved (based on the submission of clinical trial data by a company), there is no formal mechanism to determine its effectiveness

INNOVATION & EFFICIENCIES

post-approval. The use of RWE looks set to transform how products are evaluated post-approval and could also disrupt the entire product development process.

We believe that RWE has the potential to disrupt the entire concept of a discrete clinical trial programme. Controlled studies will still be required to show safety and efficacy of a novel therapy but a marketing approval will not be the end of the evaluation process. RWE could mean that companies will need to evaluate the effectiveness of a product on an ongoing basis with reimbursement linked to the associated demonstration of clinical value.

REAL WORLD DATA IS CHANGING THE LANDSCAPE

A critical aspect of our structural change thesis is the use of data and data analytics within healthcare systems to improve efficiency. Over the last year, we have seen a step-up in the pursuit of RWD and RWE by many participants in the healthcare industry.

RWD arise from a number of sources in the healthcare system – including electronic medical records, billing or claims data and patient registries – as well as non-traditional sources such as patient-generated data, health related apps, wearables and social media. RWE describes the use of such data to generate clinical evidence about the use and potential risk/benefits of a medical product.

INVESTMENT MANAGER'S REPORT

CONTINUED

The underlying driver is the move to a value-based system of reimbursement where any provider of a healthcare service or product will be evaluated and paid on the basis of how such products or services contribute to a clinical outcome.

HEALTHCARE COMPANIES ARE RESPONDING TO CHANGES AT THE FDA

Over the last year, we have noticed many more healthcare companies beginning to talk about how they expect to use RWE. The most interesting example in the last year was the FDA approval of Pfizer's breast cancer drug, Ibrance, as a first-line treatment for male breast cancer, that was based entirely on RWE. Pfizer used RWD from the Iqvia insurance database, Flatiron's Health Breast Cancer database and Pfizer's own global safety database. Historically, such an expansion of indication would have required a controlled clinical trial but in this case the FDA accepted the RWE to support the supplementary filing.

We expect the field of RWE to evolve quite rapidly now that the FDA is funding programmes to drive its use. Importantly, we have begun to change the way we think about the investment risk of product development companies. We used to focus more on the clinical risk of a new product candidate (i.e. would it get approved by the FDA?) but we now give greater weight to the potential commercialisation risk of a new product.

CLINICAL RESEARCH ORGANISATIONS WITH THE RIGHT CAPABILITIES LOOK TO BE THE NEAR-TERM WINNERS

From an investment perspective, we think that Clinical Research Organisations ('CROs') will be the biggest near-term beneficiaries of this burgeoning trend. While some pharmaceutical companies have made significant investments in this area – notably Roche with its acquisition of Flatiron last year – we think that most companies will look to out-source the analysis of RWD.

Companies such as Iqvia and PRA Health Sciences, which are both major suppliers of clinical research services to the pharmaceutical industry, have been building access and analytical tools over the last few years to enable their customers to generate RWE. In addition, the strategic rationale behind LabCorp's acquisition of Covance five years ago was initially to diversify into the CRO market but it is now using RWD from its diagnostic division to drive patient recruitment and design clinical trials. It is also worth noting

that Dassault's \$5.7 billion acquisition of Medidata was driven in large part by the historical clinical trial data-sets that Medidata had accumulated – especially in oncology.

The CROs that have been quietly building analytical capabilities and making significant investments in RWD look well set to exploit new revenue opportunities from this new market segment.

OUTLOOK

Fundamentals for the healthcare sector remain robust with good sales and earnings strength relative to other areas of the market (8% 2019 vs 2018 earnings growth in the MSCI ACWI Health Care Index vs 1% for MSCI ACWI Index (in local currency); *Source: Citi Research and Factset Consensus Data, 29 November 2019. Please note these figures are estimates*). Medical device companies continue to enjoy the benefits of a significant cycle of new products, whilst large capitalisation pharmaceutical companies are attractively valued, generating significant free cash flow and carrying high dividend yields. Life science tools and services companies are delivering strong growth, particularly those with exposure to biotechnology products as outsourcing trends continue. The biotechnology sector continues to innovate with new technologies such as gene and cell therapy creating exciting new platforms for growth. These fundamentals should persist over the years ahead, generating attractive returns for investors. M&A should also continue in an industry that remains highly fragmented and thus needs to consolidate to become more efficient.

The top-down outlook appears challenging for the global economy with leading indicators suggesting a negative short/mid-term outlook. Whilst trade wars have negatively impacted global growth, this economic cycle is now quite long in the tooth. The challenging data is likely to persist in the near term, with employment figures remaining key. The outlook for the end of 2019 and into 2020 is supportive for large cap healthcare stocks based on their defensive growth profile, strong balance sheets and commitment to innovation.

Smaller healthcare companies relevant to the innovation portfolio, are more sensitive to the difficult macroeconomic backdrop. With a relatively conservative outlook for markets heading into 2020, the portfolio exposure to these types of companies is mid-range, waiting for further opportunities which should present themselves over the months ahead.

CASE STUDY

REAL-WORLD DATA, AI AND MACHINE LEARNING

The use of real-world data is not just confined to drug development. Varian's acquisition of Cancer Treatment Services International ('CTSI') in May 2019 was driven by a need to access CTSI's treatment planning datasets that have been collected from a large number of academic treatment centres. Most treatment plans are complex as patients are usually suffering from more than one disease and need to interact with a series of medical professionals and require access to multiple healthcare services. The most valuable real-world datasets take this complexity into account and can place all of the information into context.

Varian plans to use machine learning approaches to analyse these data to create insights on how certain procedures are performed, how workflows may be optimised and how the company may be able to develop new products that will have a far greater impact in a real-world clinical setting.

DATA GRAB



See more at:
polarcapitalhealthcaretrust.co.uk

INVESTMENT MANAGER'S REPORT

CONTINUED

Despite the sound fundamentals, sentiment for the healthcare sector remains cautious. Healthcare and biotech exchange traded funds ('ETFs') flows have been persistently negative which offers a strong contrarian buy signal, while valuations relative to the market are in line with lows of previous episodes of fear around the sector. The reason for such negativity is the political outlook in the US. This issue becomes significant every four years, but concern is only really magnified when healthcare policy is an important part of the electoral debate. When this happens, sentiment becomes extreme like it did in 2008 and like it is at present.

Having experienced many of these sentiment cycles around politics, one needs to recall how fearful behaviour from investors can be a buying opportunity. The greatest fears never come to pass but more likely lead to changes in the healthcare system that create an environment for winners and losers from an investor perspective. This will likely be the same again, with the market appearing to discount worst-case risks and fears ahead for 2020. Anything that goes the sector's way over the next year will likely justify a significant positive re-rating for stocks sitting at significant discounts. Further, history would suggest that investors in healthcare who are willing to invest when others are fearful, could be handsomely rewarded in the medium-term.

DR JAMES DOUGLAS
GARETH POWELL

19 December 2019

CASE STUDY

TELEFLEX UROLIFT

The treatment of Benign Prostatic Hyperplasia has changed materially recently. Teleflex acquired a company called NeoTract that developed a minimally invasive technology called UroLift. The Urolift system utilises tiny implants that lift and hold the enlarged prostate tissue out of the way, so it no longer blocks the urethra. The absence of cutting or removing the prostate tissue means the procedure can be executed in an out-patient setting under local anaesthetic. Further evidence of the technology's benefits is provided by the uptake in the UK where adoption across NHS Trusts has been wide-spread.



See more at:
polarcapitalhealthcaretrust.co.uk



MANAGEMENT TEAM

Polar Capital Healthcare Team

JAMES DOUGLAS, PhD CO-MANAGER

James joined Polar Capital in September 2015 as a Senior Analyst for the healthcare team. He has 20 years of experience within the healthcare sector.

SKILLS AND EXPERIENCE

Prior to joining Polar Capital, he was in equity sales specialising in global healthcare at Morgan Stanley, RBS and HSBC. James also has equity research experience garnered from his time at UBS, where he worked as an analyst in the European pharmaceutical and biotechnology team. Before moving across to the financial sector, he worked as a consultant for EvaluatePharma. James received both his PhD and his first class honours degree in Medicinal Chemistry from Newcastle University and holds an ACCA diploma in financial management (DipFM).



HEALTHCARE FUNDAMENTALS ARE STRONG, THE INDUSTRY CONTINUES TO INNOVATE AND WE BELIEVE OFFERS ATTRACTIVE, MEDIUM-TERM RETURN OPPORTUNITIES.

GARETH POWELL, CFA CO-MANAGER

Gareth joined Polar Capital to set up the healthcare team in 2007, he has over 21 years investment experience in the healthcare sector with 14 years as a Portfolio Manager.

SKILLS AND EXPERIENCE

Prior to joining Polar Capital Gareth worked at Framlington, where he began his career in investment management in 1999; soon afterwards he joined the healthcare team in 2001 and helped launch the Framlington Biotech Fund, which he managed from 2004 until his departure.

Gareth studied biochemistry at Oxford and is a CFA charterholder.

DANIEL MAHONY, PhD

Daniel joined Polar Capital to set up the healthcare team in 2007, he has more than 28 years of healthcare experience of which more than 20 comprise investment experience.

SKILLS AND EXPERIENCE

Prior to joining Polar Capital, he was head of the European healthcare research team at Morgan Stanley. He also previously worked for ING Barings Furman Selz in New York following the US biotechnology sector. Before working in the investment field, Daniel worked as a research scientist for seven years with the majority of his time at Schering Plough Corporation in California.

Daniel received his PhD from Cambridge University in 1995 and a first class honours degree in biochemistry from Oxford University in 1991.



THE HEALTHCARE INDUSTRY IS BEING DISRUPTED AND THE PACE OF INNOVATION HAS ACCELERATED OVER THE LAST YEAR, WHICH CREATES CHALLENGES AND OPPORTUNITIES FOR BOTH COMPANIES AND INVESTORS.



DAVID PINNIGER, CFA

David joined Polar Capital's healthcare team in August 2013 and is the Lead Manager of the Polar Capital Biotechnology Fund. He has over 19 years' investment experience in the healthcare sector.

SKILLS AND EXPERIENCE

Prior to joining Polar Capital, David spent five years as a Portfolio Manager of the International Biotechnology Trust at SV Life Sciences. He also previously spent three years working at venture capital firm Abingworth as an analyst managing biotechnology investments held across the firm's venture and specialist funds, and four years at Morgan Stanley as an analyst covering the European pharmaceuticals and biotechnology sector. David received a first class honours degree in human sciences from Oxford University in 1999 and is a CFA charterholder.



WE ARE SEEING SOME OUTSTANDING EARLY STAGE DRUG DISCOVERY AND DEVELOPMENT COMPANIES EMERGING RIGHT NOW; THE TRUST'S CLOSED ENDED NATURE IS IDEALLY SUITED FOR THESE KINDS OF INVESTMENT.

**DEANE DONNIGAN, PHARM D**

Deane joined Polar Capital in June 2013 as a Senior Analyst for the healthcare team. She has over 34 years industry experience of which over 20 are in healthcare asset management.

SKILLS AND EXPERIENCE

She trained as a clinical pharmacist having graduated with a post baccalaureate Doctor of Pharmacy, from the University of Georgia. In 1990, she accepted a position with Emory University Hospital in Atlanta, Georgia as a clinical specialist in Drug Information and Adult Internal Medicine. In 1997, Deane left the US to begin her career in fund management at Framlington in the UK. Having started as an analyst, she spent 14 years at Framlington, eventually becoming Lead Portfolio Manager on both the Framlington Healthcare and Biotechnology funds.



A KEY UNMET NEED TODAY IS A HEALTHCARE MARKETPLACE WITHIN WHICH ALL PARTICIPANTS ARE ABLE TO SEE AND READILY APPRECIATE THE VARIETY OF WORLD-CLASS MEDICAL OPTIONS AVAILABLE TO THEM.

**AUDREY STYNES**

Audrey joined the healthcare team in April 2019 as the team assistant. Aside from organising the team's administration and communication workload both internally and externally, she coordinates presentations and marketing material in addition to generating bespoke reports that inform daily fund management activities for the team at large. Previously, Audrey worked in the Product and Operations department when she joined Polar Capital in March 2018.

SKILLS AND EXPERIENCE

Audrey graduated with a BA (1st Class Hons) in Early Childhood Education from the Dublin Institute of Technology and a MA in Early Childhood Education and Care from the Dublin Institute of Technology, Oslo University College, University of Malta and the University of Gothenburg.



AS A TEAM WE WORK DILIGENTLY TO GET THE BEST RESULTS FOR INVESTORS, LEVERAGING A WIDE RANGE OF SKILLS, KNOWLEDGE AND EXPERIENCE.



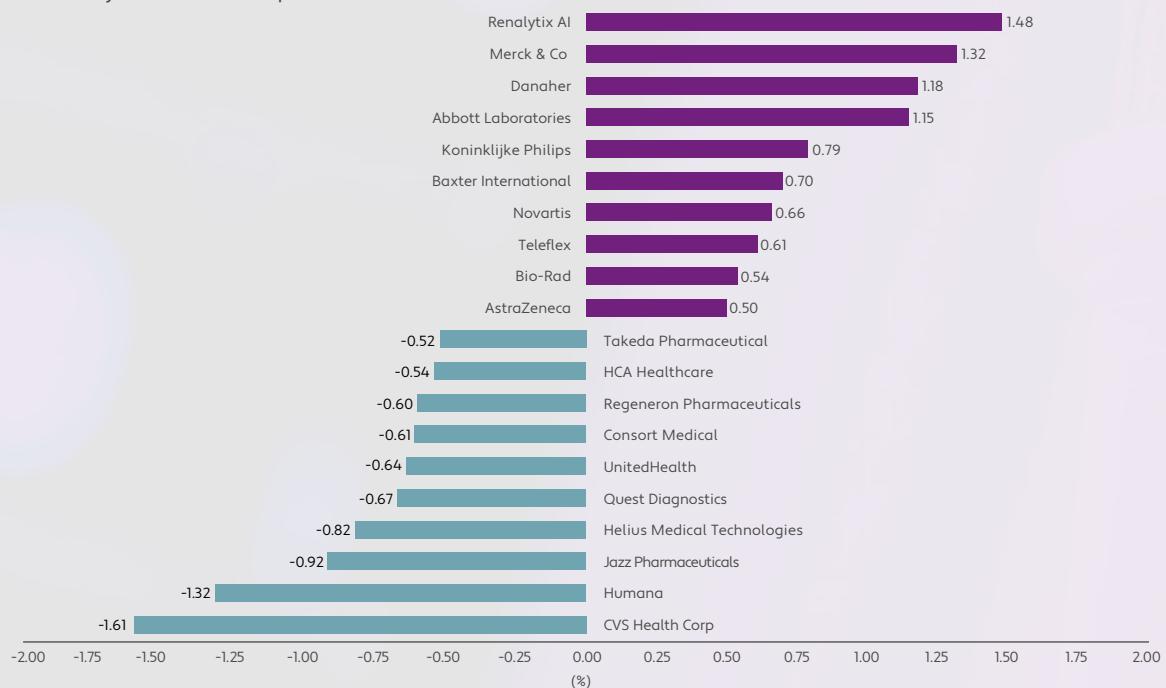
PORTFOLIO REVIEW

SUMMARY

- Top 10 investments continue to make up almost 40% of total net assets
- Large-cap stocks comprise nearly 97% of total net assets
- Renalytix AI was the biggest absolute contributor to performance
- CVS Health Corp was the largest detractor to performance

TOP 10 AND BOTTOM 10 ABSOLUTE CONTRIBUTORS (TOTAL PORTFOLIO)

For the year ended 30 September 2019



TEN LARGEST INVESTMENTS

Ranking	2019	2018	Stock	Sector	Country	Market Value £'000		% of total net assets	
						2019	2018	2019	2018
1	(5)		 MERCK	Pharmaceuticals	United States	18,235	13,677	6.3%	4.6%
Merck & Co is a global healthcare leader whose core product categories include diabetes, cancer, vaccines and hospital acute care and its research is focussed on conditions including cancer, HIV, HPV, hepatitis C, cardio-metabolic disease, antibiotic-resistant infection and Alzheimer's disease.									
2	(-)		SANOFI	Pharmaceuticals	France	14,896	-	5.2%	-
Sanofi is a diversified healthcare company head-quartered in France. The company manufactures and distributes pharmaceuticals, vaccines and also has a consumer health division. Therapeutic areas of interest within the pharmaceutical division include diabetes, auto-immune disorders, multiple sclerosis and oncology.									
3	(16)		 novonordisk	Pharmaceuticals	Denmark	13,763	9,093	4.8%	3.1%
Novo Nordisk is a global healthcare company, headquartered in Denmark. It manufactures and markets pharmaceutical products and services. Key branded drugs include Levemir, NovoLog, Novolin, NovoSeven, NovoEight and Victoza.									
4	(17)		 Abbott	Healthcare Equipment	United States	10,863	9,001	3.8%	3.0%
Abbott Laboratories is a globally diversified healthcare company with four major business divisions: branded generic pharmaceuticals, medical devices, diagnostics, and nutrition products.									
5	(27)		 Lilly	Pharmaceuticals	United States	10,606	5,430	3.7%	1.8%
Eli Lilly is a US-based pharmaceutical company that manufactures and distributes pharmaceuticals primarily in the areas of diabetes, oncology and auto-immune disorders									
6	(-)		 PHILIPS	Healthcare Equipment	Netherlands	10,518	-	3.6%	-
Koninklijke Philips is a Dutch-based medical device and health technology company with expertise in imaging, diagnostics, patient monitoring and informatics and personal health.									
7	(23)		 DANAHER	Healthcare Equipment	United States	10,211	6,615	3.5%	2.2%
Danaher is a life sciences and tools company that manufactures capital equipment and reagents used in end-markets that include the bio-pharmaceutical industry, academic and Government institutes, environmental and industrial.									
8	(-)		 Cigna	Healthcare Services	United States	9,612	-	3.3%	-
Cigna is a global health services company focussed on high-quality, affordable and personalised healthcare via insurance and pharmacy benefit businesses.									
9	(13)		GRIFOLS	Biotechnology	Spain	9,611	9,505	3.3%	3.2%
Grifols is a global healthcare company founded in Barcelona, Spain. It has four business divisions: Bioscience, Diagnostic, Hospital and Bio Supplies which develop, produce and market innovative products and services in over 100 countries. The company has 13 industrial state-of-the-art facilities in six countries.									
10	(24)		 BIO-RAD	Life Sciences Tools & Services	United States	8,977	6,359	3.1%	2.1%
Bio-Rad is a life sciences and tools company that manufactures capital equipment and reagents used in areas such as life science research, clinical diagnostics, spectroscopy and food science.									
Total - 10 Largest Investments						117,292		40.6%	

PORTFOLIO REVIEW

CONTINUED

FULL INVESTMENT PORTFOLIO

Ranking			Sector	Country	Market Value £'000		% of total net assets	
2019	2018	Stock			2019	2018	2019	2018
1	(5)	Merck & Co	Pharmaceuticals	United States	18,235	13,677	6.3%	4.6%
2	(-)	Sanofi	Pharmaceuticals	France	14,896	-	5.2%	-
3	(16)	Novo Nordisk	Pharmaceuticals	Denmark	13,763	9,093	4.8%	3.1%
4	(17)	Abbott Laboratories	Healthcare Equipment	United States	10,863	9,001	3.8%	3.0%
5	(27)	Eli Lilly	Pharmaceuticals	United States	10,606	5,430	3.7%	1.8%
6	(-)	Koninklijke Philips	Healthcare Equipment	Netherlands	10,518	-	3.6%	-
7	(23)	Danaher	Healthcare Equipment	United States	10,211	6,615	3.5%	2.2%
8	(-)	Cigna	Healthcare Services	United States	9,612	-	3.3%	-
9	(13)	Grifols	Biotechnology	Spain	9,611	9,505	3.3%	3.2%
10	(24)	Bio-Rad	Life Sciences Tools & Services	United States	8,977	6,359	3.1%	2.1%
Top 10 investments					117,292		40.6%	
11	(-)	Intuitive Surgical	Healthcare Equipment	United States	8,957	-	3.1%	-
12	(8)	HCA Healthcare	Healthcare Facilities	United States	8,758	11,419	3.0%	3.9%
13	(-)	Abbvie	Biotechnology	United States	8,602	-	3.0%	-
14	(-)	Boston Scientific	Healthcare Equipment	United States	8,598	-	3.0%	-
15	(22)	Incyte	Biotechnology	United States	8,193	7,010	2.8%	2.3%
16	(-)	Genmab	Biotechnology	Denmark	8,184	-	2.8%	-
17	(19)	PRA Health Sciences	Life Sciences Tools & Services	United States	8,081	8,409	2.8%	2.8%
18	(20)	Becton Dickinson	Healthcare Equipment	United States	7,961	8,208	2.8%	2.8%
19	(7)	Agilent Technologies	Life Sciences Tools & Services	United States	7,462	12,331	2.6%	4.2%
20	(-)	Horizon Pharma	Pharmaceuticals	United States	7,375	-	2.6%	-
Top 20 investments					199,463		69.1%	
21	(4)	Novartis	Pharmaceuticals	Switzerland	7,314	14,728	2.5%	5.0%
22	(-)	Baxter International	Healthcare Equipment	United States	7,022	-	2.4%	-
23	(-)	Anthem	Managed Healthcare	United States	6,802	-	2.4%	-
24	(-)	Laboratory	Healthcare Services	United States	6,796	-	2.4%	-
25	(-)	IQVIA	Life Sciences Tools & Services	United States	6,624	-	2.3%	-
26	(-)	Varian Medical Systems	Healthcare Equipment	United States	6,202	-	2.2%	-
27	(-)	Edwards Lifesciences	Healthcare Equipment	United States	6,170	-	2.1%	-
28	(-)	PerkinElmer	Life Sciences Tools & Services	United States	6,078	-	2.1%	-
29	(-)	Hill-Rom	Healthcare Equipment	United States	5,888	-	2.0%	-
30	(-)	Teleflex	Healthcare Equipment	United States	5,765	-	2.0%	-
Top 30 investments					264,124		91.5%	

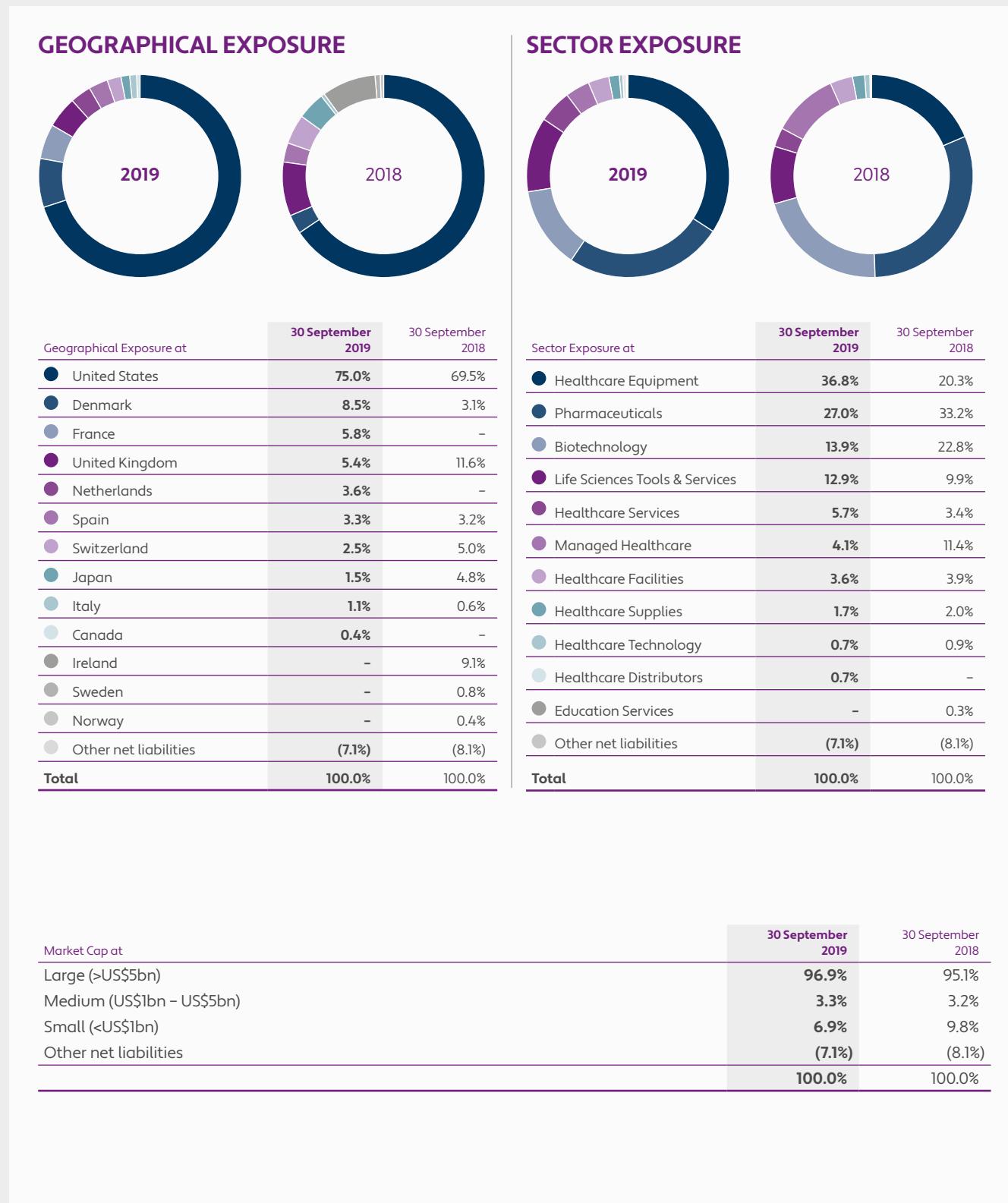
FULL INVESTMENT PORTFOLIO CONTINUED

Ranking			Sector	Country	Market Value £'000		% of total net assets	
2019	2018	Stock			2019	2018	2019	2018
31	(-)	DexCom	Healthcare Equipment	United States	5,211	-	1.8%	-
32	(15)	Humana	Managed Healthcare	United States	4,936	9,446	1.7%	3.1%
33	(29)	Quotient	Healthcare Supplies	United Kingdom	4,767	5,823	1.7%	1.9%
34	(26)	Consort Medical	Healthcare Equipment	United Kingdom	3,567	5,555	1.3%	1.9%
35	(-)	Recordati	Pharmaceuticals	Italy	3,046	-	1.1%	-
36	(-)	Tandem Diabetes Care	Healthcare Equipment	United States	2,834	-	1.0%	-
37	(32)	Oxford Immunotec	Healthcare Equipment	United Kingdom	2,694	2,483	0.9%	0.8%
38	(-)	Zealand Pharma	Biotechnology	Denmark	2,678	-	0.9%	-
39	(-)	Otsuka	Pharmaceuticals	Japan	2,423	-	0.8%	-
40	(-)	Renalytix AI	Healthcare Equipment	United Kingdom	2,405	-	0.8%	-
Top 40 investments					298,685		103.5%	
41	(45)	Intelligent Ultrasound (previously MedaPhor)	Healthcare Technology	United Kingdom	2,043	827	0.7%	0.3%
42	(-)	Ship Healthcare	Healthcare Distributors	Japan	1,878	-	0.7%	-
43	(-)	Korian Medica	Healthcare Facilities	France	1,838	-	0.6%	-
44	(-)	Penumbra	Healthcare Equipment	United States	1,380	-	0.5%	-
45	(-)	Ra Pharmaceuticals	Biotechnology	United States	1,375	-	0.5%	-
46	(-)	BELLUS Health	Biotechnology	Canada	1,116	-	0.4%	-
47	(-)	Kalvista Pharmaceuticals	Biotechnology	United States	678	-	0.2%	-
Total equities					308,993		107.1%	
Other net liabilities					(20,546)		(7.1%)	
Net assets					288,447		100.0%	

Note – Sectors are from the GICS (Global Industry Classification Standard).

PORTFOLIO REVIEW CONTINUED

EXPOSURE



STRATEGIC REPORT

The information provided in the Chairman's Statement, the Investment Manager's Report, including information on the portfolio, and this report comprise the Strategic Report.

The Strategic Report has been prepared to provide information to Shareholders on the Company's strategies and potential for those strategies to succeed, including a fair review of the performance of the Company during the year ended 30 September 2019, and a description of the principal risks and uncertainties faced by the Company. Throughout the Strategic Report there are certain forward-looking statements; these statements are made by the Directors in good faith based on the information available to them at the time of their approval of this Report. Such statements should be treated with caution due to inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

The Board remains positive on the outlook for healthcare and the Company will continue to pursue its investment objective in accordance with the stated investment policy and strategy. 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 development and performance of the business during the financial year, the outlook and potential risks to the performance of the portfolio.

HISTORY

In June 2017 a reconstruction of the Company and change in investment mandate was implemented having been approved by Shareholders. Further information is provided within the Additional Information on page 96 and on the Company's website www.polarcapitalhealthcaretrust.co.uk

Following the reconstruction, the Articles of Association require the Directors to put forward at the first Annual General Meeting to be held after 1 March 2025, a resolution for the voluntary winding up of the Company and the appointment of a liquidator. Members voting in favour, whether in person or by proxy, shall collectively have sufficient votes, irrespective of number, to pass the resolution.

BUSINESS MODEL AND REGULATORY ARRANGEMENTS

The business model of the Company follows that of an externally managed, London Stock Exchange listed investment trust. The Company is designated an Alternative Investment Fund ('AIF') under the Alternative Investment Fund Management Directive ('AIFMD') and, as required by the Directive, has contracted with Polar Capital LLP to act as the Alternative Investment Fund Manager ('AIFM') and HSBC Bank Plc to act as the Depositary.

Both the AIFM and the Depositary have responsibilities under AIFMD for ensuring that the assets of the Company are managed in accordance with the investment policy and are held in safe custody. The Board remains responsible for setting the investment strategy and operational guidelines as well as meeting the requirements of the applicable UK and European legislation including the Financial Conduct Authority ('FCA') Listing Rules. Statements from the AIFM and the Depositary can be found on the Company's website.

The Company seeks to manage its portfolio in such a way as to meet the tests 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. Further information is provided in the Directors' Report. 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 Group and Company have been delegated to third parties.

INVESTMENT OBJECTIVE

The Company's investment objective is to generate capital growth by investing in a global portfolio of healthcare stocks across all four healthcare sub-sectors, being pharmaceuticals, biotechnology, medical technology and healthcare services.

INVESTMENT POLICY

The Company will seek to achieve its objective by investing in a diversified global portfolio consisting primarily of listed equities. The portfolio is diversified by geography, industry sub-sector and investment size.

The portfolio will comprise a single pool of investments, but for operational purposes, the Investment Manager will maintain a growth portfolio and an innovation portfolio. The growth portfolio is expected to comprise the majority of the Company's assets; for this purpose, once an innovation stock's market capitalisation has risen above US \$5bn, it will ordinarily then be treated as a growth stock. Innovation companies are broadly defined by the Investment Manager as small/mid cap innovators that are driving disruptive change, giving rise not only to new drugs and surgical treatments but also to a transformation in the management and delivery of healthcare.

The relative ratio between the two portfolios may vary over the life of the Company due to factors such as asset growth and the Investment Manager's views as to the risks and opportunities offered by investments in each pool and across the combined portfolio. While there is no restriction on geographical exposure, the majority of the companies in the initial growth portfolio will be US listed or traded and/or headquartered in the US, although this may also change over the life of the Company.

STRATEGIC REPORT

CONTINUED

It was originally anticipated that the number of investments would be limited to 50 however, to enhance fund management flexibility, in 2018, the Board authorised an increase to a maximum of 65 investments.

The combined portfolio will therefore be made up of interests in up to 65 companies, with no single investment accounting for more than 10% (or 15% in the case of an investment in another fund managed by the Investment Manager) of the Gross Assets at the time of investment. The innovation portfolio may include stocks which are neither quoted nor listed on any stock exchange but the exposure to such stocks, in aggregate, will not exceed 5% of Gross Assets at the time of investment. In the event that the Investment Manager launches a dedicated healthcare innovation fund, the Company's exposure to innovation stocks may be achieved, subject to Board approval and a limit of 15% in whole or in part by an investment in that fund.

STRATEGY

As the day to day management of the Company is outsourced to external service providers the Board's primary focus at each meeting is on investment performance, including the outlook and strategy. The Board also considers the management and provision of services received from third-party service providers and the risks inherent in the various matters reviewed and discussed.

The Investment Manager's investment process is primarily based on bottom-up fundamental analysis. The Investment Manager uses a qualitative filter consisting of six key criteria to build up a watch-list of securities that is monitored on a regular basis. Due diligence is then carried out on the individual securities on the watch-list.

Each individual holding is assessed on its own merits in terms of risk:reward. While the Company expects normally to be fully or substantially invested, the Company may hold cash or money market instruments pending deployment in the portfolio. In addition, it will have the flexibility, when the Investment Manager perceives there to be actual or expected adverse equity market conditions, to maintain cash holdings as it deems appropriate.

SERVICE PROVIDERS

Polar Capital LLP has been appointed to act as the Investment Manager and AIFM as well as to provide or procure company secretarial services and administrative services, including accounting, portfolio valuation and trade settlement which it has arranged to deliver through HSBC Securities Services.

The Company also contracts directly, on terms agreed periodically, with a number of third parties for the provision of specialist services:

- Panmure Gordon & Co as corporate broker;
- Herbert Smith Freehills LLP as solicitors;
- Equiniti Limited as the share registrar;
- PricewaterhouseCoopers LLP as independent Auditors; and
- Emperor as internet service provider including website design, designers and printers for shareholder communications.

GEARING

Following the restructure of the Company in June 2017, the Company maintains long-term structural gearing in the form of a loan from the wholly owned subsidiary PCGH ZDP Plc. No short-term borrowings have been made and there are no arrangements made for any bank loans. The Articles of Association provide that the Company may borrow up to 15% of its Net Asset Value at the time of drawdown, for tactical deployment when the Board believes that gearing will enhance returns to Shareholders.

BENCHMARK

The Company measures the Investment Manager's performance against the MSCI ACWI Health Care Index total return, in sterling with dividends reinvested. The portfolio may diverge substantially from the constituents of this index. 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.

PERFORMANCE AND 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 including:

OBJECTIVE	CONTROL PROCESS	KPI / OUTCOME
THE PROVISION OF INVESTMENT RETURNS TO SHAREHOLDERS MEASURED BY LONG-TERM NAV TOTAL RETURN RELATIVE TO THE BENCHMARK INDEX.	<p>At each meeting the Board reviews the performance of the portfolio and considers the views of the Investment Manager.</p> <p>The Board also considers the value delivered to Shareholders through NAV growth and dividends paid.</p>	<p>The Company's NAV total return, over the year ended 30 September 2019, was -1.24% while the benchmark index over the same period increased by 3.14%. The Company's performance is explained in the Investment Manager's Report.</p> <p>Since restructuring on 20 June 2017 to 30 September 2019, the total return of the NAV was 11.69% and the benchmark was 16.69%.</p>
THE ACHIEVEMENT OF THE DIVIDEND POLICY.	Financial forecasts are reviewed to track income and distributions.	Two dividends have been paid or are payable in respect of the year ended 30 September 2019 totalling 2.10p per share (2018: two dividends totalling 2.0p per share) an increase of 5% over the prior year. Payments were in line with the dividend policy.
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.	<p>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.</p> <p>A daily NAV per share, calculated in accordance with the AIC guidelines is issued to the London Stock Exchange.</p>	<p>The discount of the Ordinary share price to the NAV per Ordinary share at the year ended 30 September 2019 was 8.0% (2018: 7.8%).</p> <p>During the year ended 30 September 2019, the Company bought back 700,000 Ordinary shares into treasury and no shares were issued. The number of shares in issue, at the year end was 124,149,256 of which 2,379,256 were held in treasury. Since the year-end, a further 500,000 shares have been bought back and placed in treasury.</p>
TO CONTINUE TO MEET THE REQUIREMENTS FOR SECTIONS 1158 AND 1159 OF THE CORPORATION TAX ACT 2010.	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.	The Company was granted investment trust status annually up to 1 October 2014 and is deemed to be granted such status for each subsequent year subject to the Company continuing to satisfy the conditions of Section 1158 of the Corporation Tax Act 2010 and other associated ongoing requirements.
TO CONTROL AND MONITOR ONGOING CHARGES.	The Board receives regular financial information which discloses expenses against budget.	Ongoing charges for the year ended 30 September 2019 were 1.01%, compared to 1.08% for the year ended 30 September 2018.

In addition to the above performance objectives the Investment Manager and Directors use a variety of financial alternative performance measures ('APMs') to assess the performance of the Company. See pages 90 and 91.

STRATEGIC REPORT

CONTINUED

PRINCIPAL RISKS AND UNCERTAINTIES

The Board is responsible for the management of risks to the Company in delivering long-term returns to Shareholders. The identification, monitoring and appraisal of the risks, any mitigating factors and control systems is crucial.

The Board has carried out a robust assessment of the risks faced by the Company and maintains a risk map which separates the principal risks into four main risk categories, business, portfolio management, infrastructure and external. The risk map details each identified risk and any factors, both internal and external, that could provide mitigation, as well as outlining a reporting structure to monitor the risks as far as practical.

The risk map is regularly considered to monitor existing principal risks and identify new or emerging risks and any developments or additions to the controls and reporting environment.

PRINCIPAL RISKS AND UNCERTAINTIES	MANAGEMENT OF RISKS THROUGH MITIGATION & CONTROLS
BUSINESS	
<ul style="list-style-type: none">Failure to achieve investment objective.Investment performance below agreed benchmark objective or market/industry average.Possible loss of liquidity in shares and shrinkage in assets.Loss of portfolio manager or other key staff.Persistent excessive share price discount to NAV.	<p>The Board seeks to mitigate the impact of such risks through the regular reporting and monitoring of the Company's investment performance against its peer group, benchmark and other agreed indicators of relative performance.</p> <p>For months when the Board is not scheduled to meet they receive a monthly report containing financial information on the Company including gearing and cash balances.</p> <p>Performance and strategy are reviewed throughout the year at regular Board meetings where the Board can challenge the Investment Manager. They also receive a monthly commentary from the Investment Manager published in the factsheets for all the Polar Capital managed healthcare funds.</p> <p>The Management Engagement Committee undertakes the year-end consideration of the suitability of the Investment Manager on the basis of performance and other services provided.</p> <p>In consultation with its advisors, including the corporate stockbroker, the Board regularly considers the level of premium and discount of the share price to the NAV and the Board reviews ways to enhance Shareholder value including share issuance and buy backs. The windup date in 2025 should help to limit discount volatility.</p> <p>The Board is committed to a clear communication programme to ensure Shareholders understand the investment strategy. This is maintained through the use of monthly factsheets which have a market commentary from the Investment Manager as well as portfolio data, an informative website as well as annual and half year reports.</p> <p>The Chairman regularly engages with the senior management of the Investment Manager.</p>

PRINCIPAL RISKS AND UNCERTAINTIES

MANAGEMENT OF RISKS THROUGH MITIGATION & CONTROLS

PORTFOLIO MANAGEMENT

- While the portfolio is diversified across a number of stock markets worldwide, the investment mandate is focused on healthcare and thus the portfolio will be more sensitive to investor sentiment and the commercial acceptance of healthcare developments than a general investment portfolio.
- As the Company's assets comprise mainly listed equities the portfolio is exposed to risks such as market price, credit, liquidity, foreign currency and interest rates.
- The portfolio is actively managed. The Investment Manager's style focuses primarily on the investment opportunity of individual stocks and, accordingly, may not follow the makeup of the benchmark. This may result in returns which are not in line with the benchmark.
- Execution of unauthorised trade/dealing error.
- Gearing, either structural gearing through the issue of ZDP shares by the wholly owned subsidiary, PCGH ZDP Plc, or through bank debt or the use of derivatives may be utilised from time to time. Whilst the use of gearing is intended to enhance the NAV total return, it will have the opposite effect when the return on the Company's investment portfolio is negative.
- The ability to fund dividends is impaired due to currency risk exposure.
- Income is less than expected due to currency exposure underlying the portfolio.
- Level of dividend is lower than intended.

The Board has set appropriate guidelines and monitors the position of the portfolio against exposures to certain investment markets and sectors. At each meeting the Board discusses developments in healthcare and drug pipelines with the Investment Manager.

At each meeting the composition and diversification of the portfolio by geographies, sectors and capitalisation are considered along with sales and purchases of investments. Individual investments are discussed with the Investment Manager as well as the Investment Manager's general views on the various investment markets and the healthcare sector in particular.

Analytical performance data and attribution analysis is presented by the Investment Manager.

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 26 to the financial statements.

The Investment Policy and Board guidelines are encoded into Polar Capital's dealing system and trades are monitored by Polar Capital's compliance department. Each trade is matched electronically between the transacting broker and the Company's administrator, before settlement at the custodian. Polar Capital also has a policy to compensate clients for any losses, and to pass on any profit, incurred by Polar Capital as a result of dealing errors or unauthorised trades.

The Board considered the benefits and drawbacks of the structural debt at the time of restructuring and concluded that the ability to lock-in an effective interest rate of 3% pa for the 7-year life would be beneficial to investment returns, the Board remains of the same belief. The asset cover necessary to repay the ZDP shares is reviewed at each Board meeting.

If any flexible gearing is contemplated the Board would agree the overall levels of gearing with the AIFM. The arrangement of bank facilities and drawing of funds under such arrangements are controlled by the Board. Derivatives are considered as being a form of gearing and a policy for their use has been agreed by the Board. The deployment of any borrowed funds is based on the Investment Manager's assessment of risk and reward.

The Board monitors currency exposure through monthly management accounts and discussion and currency hedging takes place if appropriate.

Investors have sight of the entire portfolio and geographic exposure to investments.

STRATEGIC REPORT

CONTINUED

PRINCIPAL RISKS AND UNCERTAINTIES

MANAGEMENT OF RISKS THROUGH MITIGATION & CONTROLS

INFRASTRUCTURE

- There are risks, including those stemming from breaches of cyber security, resulting in the failure of, or disruption to, operational and accounting systems and processes provided by the Investment Manager including any subcontractors to which the Investment Manager has delegated a task as well as directly appointed suppliers.
- The misvaluation of investments or the loss of assets from the custodian or sub custodians which impact the NAV per share or lead to a loss of Shareholder value.
- The Company may fail to continue as an investment trust and suffer capital gains tax or fail to recover as fully as possible withholding taxes on overseas investments.
- The legal and regulatory risks include failure to comply with the FCA's Prospectus Rules, Listing Rules and Disclosure Guidance and Transparency Rules; not meeting the provisions of the Companies Act 2006 and other UK, European and overseas legislation affecting UK companies and not complying with accounting standards. Further risks arise from not keeping abreast of changes in legislation and regulations which have in recent years been substantial.
- As an investment company, the Company is dependent on a framework of tax laws, regulation (both UK and EU) and company law.

At each Board meeting there is an administration report which provides details on general corporate matters including legislative and regulatory developments and changes in substantial shareholdings.

There is an annual review of suppliers and their internal control reports which includes the disaster recovery procedures of the Investment Manager.

The Investment Manager reports on cyber security for its own systems and comments where appropriate on third party suppliers.

Regular reporting from the Depositary on the safe custody of the Company's assets and the operation of control systems related to the portfolio reconciliation are monitored.

Specialist advice is sought on taxation issues as and when required. The Audit Committee has oversight on such work.

Information and guidance on legal and regulatory risks is managed by using 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.

The Board monitors new developments and changes in the regulatory environment and seeks to ensure that both their impact on the Company is understood and their requirements are complied with.

EXTERNAL

- There is significant exposure to the economic cycles of the markets in which the underlying investments conduct their business operations as well as the economic impact on investment markets where such investments are listed.

The Board regularly discusses the general economic conditions and developments.

The impact on the portfolio from Brexit and other geopolitical changes including the trade war between the US and China are reviewed and discussed. While it is difficult to quantify the impact of such changes, it is not anticipated that they will fundamentally affect the business of the Company or make healthcare investing any less desirable.

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 Polar Capital LLP (the Investment Manager) will achieve the optimum return for Shareholders and the Board and Investment Manager operate in a supportive, co-operative and open environment.

The Company has an investment management agreement ('IMA') with the Investment Manager to act as Investment Manager and AIFM of the Company. The Investment Manager has responsibility for the discretionary management of the Company's assets (including uninvested cash) and sole responsibility to take decisions as to the purchase and sale of individual investments. The Investment Manager also has responsibility for asset allocation and sector selection within the limits of both the investment policy and the guidelines established and regularly reviewed by the Board. The activities of the Investment Manager are subject to the overall control and supervision of the Board.

The Investment Manager has other resources which support the investment team and has experience in managing and administering other investment trust companies. The Investment Manager also provides or procures accountancy services, company secretarial support and day to day administrative services including the monitoring of third-party suppliers which are directly appointed by the Company. The Investment Manager has, with the consent of the Directors, delegated the provision of certain of these administrative functions to HSBC Securities Services and to Polar Capital Secretarial Services Limited.

Information is provided to the Directors in a timely manner covering all relevant management, regulatory and financial information. The Board has a report from the investment team at each meeting and representatives of the Investment Manager attend Board meetings, enabling the Directors to probe further on matters of interest or seek clarification where necessary.

While the Board reviews the performance of the Investment Manager at each Board meeting and the Company's performance against the benchmark and the Investment Objective, the Management Engagement Committee formally carries out the annual review of the IMA and the continued appointment of the Investment Manager.

INVESTMENT TEAM

The Investment Manager provides a team of healthcare specialists and the portfolio is managed by Dr James Douglas and Mr Gareth Powell.

TERMINATION ARRANGEMENTS

The IMA is terminable by either the Investment Manager or the Company giving to the other not less than 12 months' written notice. The IMA may be terminated earlier by the Company with immediate effect on the occurrence of certain events, including: (i) if an order has been made or an effective resolution passed for the liquidation of the Investment Manager; (ii) if the Investment Manager ceases or threatens to cease to carry on its business; (iii) where the Company is required to do so by a relevant regulatory authority; (iv) on the liquidation of the Company; or (v) subject to certain conditions, where the Investment Manager commits a material breach of the IMA.

In the event the IMA is terminated before the expiry of the Company's fixed life then, except in the event of termination by the Company for certain specified causes, the base fee and the performance fee will be calculated pro rata for the period up to and including the date of termination.

FEE ARRANGEMENTS

MANAGEMENT FEE

Under the terms of the IMA, the Investment Manager will be entitled to a management fee together with reimbursement of reasonable expenses incurred by it in the performance of its duties. The management fee is payable monthly in arrears and will be at the rate of 0.85% per annum of the lower of the Group's market capitalisation and the Company's adjusted Net Asset Value on the relevant day.

In accordance with the Directors' policy on the allocation of expenses between income and capital, in each financial year 80% of the management fee payable is charged to capital and the remaining 20% to income.

PERFORMANCE FEE

The Investment Manager may be entitled to a performance fee. The performance fee was reset at the date of reconstruction of the Company and will be paid in cash at the end of the Company's expected life (except in the case of an earlier termination of the IMA). The performance fee will be an amount equal to 10% of the excess total return (based on the Adjusted Net Asset Value per Ordinary share at that time) over the total return of the benchmark plus 1.5% compounded annually on each anniversary of share admission and adjusted for periods of less than 12 months.

STRATEGIC REPORT

CONTINUED

For the purposes of calculating the performance fee, the Company's Adjusted Net Asset Value will be based on the Net Asset Value adjusted by the amount of any dividends paid by the Company deemed to have been reinvested on the date of payment in Ordinary shares at their Net Asset Value (on such date) and the resulting amount added to the Company's Net Asset Value.

If at the end of the Company's expected life the amount available for distribution to Shareholders is less than 215.9p per Ordinary share, no performance fee will be payable. If the amount is more than 215.9p per Ordinary share but payment of the performance fee in full would reduce it below that level, then the performance fee will be reduced such that Shareholders receive exactly 215.9p per share.

No performance fee has been paid or accrued since inception and up to 30 September 2019.

CORPORATE RESPONSIBILITY – ENVIRONMENTAL, SOCIAL, GOVERNANCE ('ESG')

SOCIALLY RESPONSIBLE INVESTING AND EXERCISING OF VOTING POWERS

The Board requires the Investment Manager to have regard to underlying ESG issues when selecting stocks in which to invest. The Investment Manager has an ESG policy (which is available on the Polar Capital website); the Investment Manager utilises agency rating reports along with industry intelligence, team expertise and research when considering whether to invest in a company. The Board has also considered the Investment Manager's Stewardship Code and Proxy Voting Policy. The Proxy Voting Policy directs the Investment Manager to vote at all general meetings of companies in line with Institutional Shareholder Services ('ISS') policy. However, in exceptional cases, where the Investment Manager believes that the ISS policy would be detrimental to the interests of shareholders or the financial performance of the Company, the Investment Manager has discretion to vote contrary to the ISS policy. This Policy changed during the financial year, as the prior default instruction had been for the Investment Manager to vote at all general meetings of companies in favour of management's recommendation.

The Investment Manager has voted at 48 company meetings over the year ended 30 September 2019, with 11.5% of all votes being against management and 46% of meetings having at least one against or withheld vote.

The Investment Manager reports to the Board, when requested, on the application of the Stewardship Code and Proxy Voting Policy, both of which can be found on Polar Capital's website (www.polarcapital.co.uk).

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

The Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 require companies listed on the Main Market of the London Stock Exchange to report on the greenhouse gas ('GHG') emissions for which they are responsible. The Company is an investment trust, with neither employees nor premises, nor has it any financial or operational control of the assets which it owns. Consequently, it has no GHG emissions to report from its operations nor does it have responsibility for any other emissions.

DIVERSITY AND GENDER REPORTING

The Company has no employees and at the year end the Board comprised one female and three male non-executive directors.

In the recruitment process for non-executive directors, when compiling a shortlist of candidates and selecting individuals for interview, the Board had regard to the benefits of diversity, including gender, but will ultimately seek to ensure directors appointed to the Board are chosen on merit. Both Andrew Fleming and Jeremy Whitley, appointed 1 December 2019, were chosen as the most appropriate candidates for the Board based on their experience and complementary skillsets with each other and the current Board.

The Company has not adopted a policy on human rights as it has no employees or operational control of its assets.

MODERN SLAVERY ACT

As an investment company, the Company does not provide goods or services in the normal course of business and does not have any customers. Accordingly, it is considered that the Company is not required to make any slavery or human trafficking statements under the Modern Slavery Act 2015.

ANTI-BRIBERY, CORRUPTION AND TAX EVASION

The Board has adopted a zero-tolerance policy (available on the Company's website) to bribery, corruption and the facilitation of tax evasion in its business activities. The policy uses the principles of the policies formulated and implemented by the Investment Manager and expects the same standard of zero-tolerance to be adopted by third party service providers with which the Company conducts business.

The Company has implemented a conflicts of interest policy to which the Directors must adhere, in the event of divergence between the Investment Manager's policy and the Company's policy the Company's policy shall prevail. The Company is committed to acting with integrity and in the interests of Shareholders.

DIRECTORS' DUTIES – S172 STATEMENT

The statutory duties of the Directors are listed in s171-177 of the Companies Act 2006. Under s172, directors have a duty to promote the success of the Company for the benefit of its Shareholders as a whole, and in doing so to have regard to the consequences of any decision in the long term, as well as having regard to the Company's stakeholders amongst other considerations.

The fulfilment of this duty not only helps the Company achieve its investment objective but ensures decisions are made in a responsible and sustainable way for Shareholders. The Directors have considered this duty when making the strategic decisions during the year that affect Shareholders, including monitoring the Investment Manager's use of gearing, buying back the Company's shares when appropriate and completing the second phase of the Board refresh. The Board has also sought to better understand the views of both Shareholders and stakeholders.

Accordingly, the Directors have attended several industry events to meet with Shareholders and prospective investors, as well as meeting the Company's service providers. For the first time, Shareholders will also have the opportunity to consider the Company's dividend policy, approval of which will be sought by way of ordinary resolution at the Company's AGM on 26 February 2020 (further details can be found in the Directors' Report). The Board views the understanding of Shareholder's views as essential in fulfilling its duty under s172 and welcomes the opportunity to meet and speak with Shareholders. Shareholders are therefore encouraged to attend the Company's AGM or contact the Directors via the Company Secretary.

Approved by the Board on 19 December 2019.

By order of the Board

TRACEY LAGO, FCG
POLAR CAPITAL SECRETARIAL SERVICES LIMITED
COMPANY SECRETARY
19 December 2019

BOARD OF DIRECTORS

Year to 30 September 2019

NEAL RANSOME

INDEPENDENT NON-EXECUTIVE
DIRECTOR

Appointed to the Board and as member of the Audit and Management Engagement Committees on 13 December 2017. Appointed to the Chair of the Audit and Management Engagement Committees on 28 February 2018.

SKILLS AND EXPERIENCE

Neal is a chartered accountant with an MA in Modern History from Oxford University. Neal was a partner at PwC from 1996 to 2013. He led PwC's Pharmaceutical and Healthcare M&A practice for 17 years and was also Chief Operating Officer of PwC's Advisory Services business.

OTHER APPOINTMENTS

Neal is currently chairman of ProVen VCT plc and a non-executive director and chair of the audit committee of Octopus AIM VCT Plc.

LISA ARNOLD

INDEPENDENT NON-EXECUTIVE
DIRECTOR

Appointed to the Board on 1 February 2018, also a member of the Audit and Management Engagement Committees.

SKILLS AND EXPERIENCE

Lisa was formerly a global pharmaceuticals and healthcare analyst for Natwest Markets from 1987 and continued her healthcare career in roles with UBS Warburg, Commerzbank and Lehman Brothers. Lisa has held a number of independent adviser and non-executive roles including nine years with the Medicines and Healthcare Products Regulatory Agency (MHRA) and eight years as a non-executive director of Futura Medical plc.

OTHER APPOINTMENTS

Lisa is currently a Non-Executive of PIMCO Europe Ltd and chairs its Audit Committee. She is also a Trustee Director of a number of pension funds. She chairs the Allied Domecq Pension Fund and chairs the Investment Committee of the Sainsbury's scheme.

JAMES ROBINSON

INDEPENDENT NON-EXECUTIVE
CHAIRMAN

Appointed as Chairman of the Board and a Member of the Audit and Management Engagement Committees on 12 May 2010.

SKILLS AND EXPERIENCE

James was chief investment officer, investment trusts and director of hedge funds at Henderson Global Investors prior to his retirement in 2005. A chartered accountant, he has over 37 years' investment experience.

OTHER APPOINTMENTS

James is currently a non-executive director of JPMorgan Elect plc and Montanaro UK Smaller Companies Investment Trust plc. He was a council member and chairman of the investment committee of the British Heart Foundation until his retirement in September 2016.



ANTHONY BRAMPTON INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board on 25 May 2010, also a member of the Audit and Management Engagement Committees.

SKILLS AND EXPERIENCE

Tony has a BA and a MSc in Biochemistry from Oxford University. He joined Fielding, Newson-Smith & Co. as an analyst in 1985, then worked at Wood Mackenzie & Co. and Morgan Stanley International. In 1989 he joined Cazenove & Co. and became a partner in 1999. He was managing director, corporate finance at JPMorgan Cazenove, with responsibility for healthcare, prior to his retirement in June 2006.

OTHER APPOINTMENTS

Tony is currently a non-executive director of Domainex Ltd and Origin Inc.



SINCE THE YEAR END, THE COMPANY HAS ANNOUNCED THE APPOINTMENT OF TWO NEW DIRECTORS.



ANDREW FLEMING INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board on 1 December 2019, also a member of the Audit and Management Engagement Committees.

SKILLS AND EXPERIENCE

Andrew was most recently chief executive of Waverton Investment Management. He started his career at Gartmore where he was a main board director and head of equities. He went on to hold senior positions at ABN Amro and was chief executive of Kames Capital for nine years. He was a director and chairman of JP Morgan Japanese Investment Trust plc retiring in December 2018.

OTHER APPOINTMENTS

Andrew is a trustee of the Rank Foundation and chairs its Investment Committee. He is a member of the Investment Committee of the National Trust.



JEREMY WHITLEY INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board on 1 December 2019, also a member of the Audit and Management Engagement Committees.

SKILLS AND EXPERIENCE

Jeremy was formerly Head of UK and European Equities at Aberdeen Asset Management, a position he held from 2009 to 2017. Previous roles there included being a Senior Investment Manager on the Global equities team as well as the Asian equities team, based in Singapore, where he was lead manager of the Edinburgh Dragon Trust. He began his investment career at SG Warburg & Co in 1988.

OTHER APPOINTMENTS

Jeremy is currently a non-executive director and chairman of the audit committee of The Scottish Oriental Smaller Companies Trust plc. With effect from 1 February 2020, Mr Whitley will also join the board of JP Morgan Indian Investment Trust plc as a non-executive director.

REASONS FOR RE-ELECTION/ELECTION

Lisa Arnold was formerly a global pharmaceuticals and healthcare analyst and brings a wealth of investment and strategic experience to the Board, along with detailed and effective leadership skills which make her an ideal candidate to succeed James Robinson as Chairman of the Board. Neal Ransome has recent and relevant financial and investment expertise with a strong accounting background which enables him to perform in-depth analyses of the Company's financial statements in conjunction with the external service providers; this alongside his experience in the pharmaceuticals and healthcare sectors enables Neal to make a valuable contribution to the Board. Andrew Fleming & Jeremy Whitley having recently been appointed to the Board have not yet participated in an evaluation process. The Board however believes that each brings complementary skills and experience that will contribute to the Company's long-term sustainable success.

REPORT OF THE DIRECTORS

The Directors, who are listed on pages 34 and 35, present their Report including the Corporate Governance Statement for the year ended 30 September 2019.

The Strategic Report includes information on the Regulatory Arrangements, Future Developments, Service Providers, Investment Objectives, Benchmark, Performance and Key Performance Objectives, Principal Risks and Uncertainties, Management Company, and Corporate Responsibilities of the Group.

INTRODUCTION AND STATUS

The Company is incorporated in England and Wales as a public limited company and is domiciled in the United Kingdom. It is an investment company as defined in section 833 of the Companies Act 2006 and has a premium listing on the London Stock Exchange.

The Company seeks to operate as an investment trust. Confirmation has been received from HM Revenue and Customs that, subject to the Company continuing to meet the eligibility conditions and the ongoing requirements of section 1158 and 1159 of the Corporation Tax Act 2010 (as amended), the Company will continue as an investment trust. Therefore, the close company provisions do not apply to the Company.

The Directors are of the opinion that the Company has conducted its affairs in respect of the year ended 30 September 2019, and will continue to conduct its affairs, so as to maintain its status as an investment trust. The Company's ordinary shares are eligible for inclusion in a stocks and shares ISA.

PURPOSE

The business of the Group, comprising the Company and the wholly owned subsidiary PCGH ZDP Plc, is to provide shareholders with access to a discretionarily managed diversified global portfolio of healthcare stocks across all four healthcare sub-sectors; pharmaceuticals, biotechnology, medical technology and healthcare services. The portfolio is diversified by geographic location, industry sub-sector and investment size. The portfolio comprises a single pool of investments but for operational purposes the Investment Manager will maintain both a growth and an innovation portfolio. The purpose of the subsidiary is to provide fixed life structural gearing to the Group.

The portfolio is managed within a framework of investment limits and guidelines determined by the Board which seek to meet the investment objective while seeking to spread and mitigate risk. The Group has no employees or premises and the Board of both the Company and the Subsidiary is comprised of non-executive directors. The day to day operations and functions of the Group have been delegated to third parties.

The Company is registered under the United States' FATCA legislation and its Global Intermediary Identification Number (GIIN) is ID3ME4.99999.SL.826. The Company's Legal Entity Identifier (LEI) code is 549300YV7J2TWLE7PV84.

LIFE

The Articles of Association of the Company require the Directors to put forward at the first Annual General Meeting following 1 March 2025 a special resolution to place the Company into voluntary liquidation. The voting on that resolution will be enhanced such that, provided any single vote is cast in favour, the resolution will be passed.

The Subsidiary has a fixed life and the Directors of the Subsidiary are required to convene a general meeting on 19 June 2024 (unless varied by the holders of the Zero Dividend Preference shares) to propose a resolution to wind up the Subsidiary.

DIVIDENDS

The Company changed its dividend policy following the change in strategy and reconstruction of the portfolio approved in June 2017, see page 2. The Company aims to pay two interim dividends in February and August each year. These interim dividends will not necessarily be of equal amounts. Details of the dividends paid and proposed are set out in Note 11 of page 79.

Shareholders should recognise that circumstances may arise when it is necessary to reduce the level of dividend payment or equally there may be instances when the level of dividend must be increased in order to comply with Sections 1158 and 1159 of the Corporation Tax Act 2010. Where this would result in paying a dividend beyond the Board's intended policy a 'special dividend' will be declared and paid.

In accordance with best practice, the Directors will be proposing a resolution to approve the Company's dividend policy at the AGM to be held on 26 February 2020.

SHARES AND SHAREHOLDER INFORMATION

SHARE CAPITAL

At 30 September 2019 the Company's share capital was divided into ordinary shares of 25p and there were 124,149,256 ordinary shares in issue of which 2,379,256 were held in treasury by the Company. During the year to 30 September 2019, the Company bought back 700,000 shares into treasury, and no new shares or treasury shares were issued. Since the year end a further 500,000 shares have been bought back and placed in treasury.

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

TRANSFERABILITY

Shares in the Company may be held in uncertificated form and subject to the Articles of Association ('Articles') title to uncertificated shares may be transferred by means of a relevant system. The Articles can be changed by a shareholder resolution passed at a general meeting of the Company. 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, is 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).

POWERS TO ISSUE ORDINARY SHARES AND MAKE MARKET PURCHASES OF ORDINARY SHARES

At the AGM in 2019 the Board was granted by Shareholders the power to allot equity securities up to a nominal value of £3,068,750 being 10% of the Company's issued Ordinary share capital at that date, and pursuant to a further power 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 prices below the Net Asset Value per share after taking into account the costs of issue. The re-issue of shares from treasury will follow institutional guidelines.

The Board was also granted authority to make market purchases of up to 18,358,253 ordinary shares of the Company in accordance with the terms and conditions set out in the shareholder resolution. These authorities will expire at the next AGM.

MAJOR INTERESTS IN ORDINARY SHARES

The Company has received notifications from the following shareholders in respect of their interests in the voting rights of the Company at 30 September 2019:

Shareholder	Type of Holding	Number of Shares	% of Voting Rights*
Investec Wealth & Investment Ltd	Direct	18,246,995	15.05
Rathbone Brothers plc	Indirect	16,004,530	13.20
Brewin Dolphin Limited	Indirect	11,345,884	9.36
Schroders plc	Indirect	11,279,076	9.30
Charles Stanley	Indirect	6,106,096	5.04
Canaccord Genuity group	Indirect	5,872,733	4.84
Cheviot Asset Management Limited	Direct	4,805,275	3.96

Since the year end and up to the date of this report, the Company has been notified of the following:

Shareholder	Type of Holding	Number of Shares	% of Voting Rights*
1607 Capital Partners	Indirect	6,350,000	5.24

* The above percentages are calculated by applying the ordinary shareholdings as notified to the total voting rights of the issued Ordinary share capital at 19 December 2019 of 121,270,000 being all the issued Ordinary shares except for those held in treasury where voting rights are suspended.

REPORT OF THE DIRECTORS

CONTINUED

ANNUAL GENERAL MEETING ('AGM')

The Annual General Meeting will be held at 12 noon on 26 February 2020 at the offices of Polar Capital, 16 Palace Street, London SW1E 5JD. The separate Notice of Meeting contains the usual resolutions to receive the Financial Statements, approve the Directors' Remuneration Implementation Report, elect and re-elect 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 and issue shares for cash, and to make market purchases. The full text of the resolutions and explanation of each is set out in the Notice of Meeting.

LISTING RULE 9.8.4

Listing Rule 9.8.4 requires the Company to include certain further information in relation to the Group and Company which is not otherwise disclosed. The Directors confirm there are no additional disclosures to be made pursuant to this rule.

By order of the Board

TRACEY LAGO, FCG
POLAR CAPITAL SECRETARIAL SERVICES LIMITED
COMPANY SECRETARY
19 December 2019

REPORT ON CORPORATE GOVERNANCE

Year ended 30 September 2019

The Financial Conduct Authority ('FCA') 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') which was effective during the financial year, issued by the Financial Reporting Council ('FRC'). The UK Code can be viewed at www.frc.org.uk

The Association of Investment Companies ('AIC') has published a Code of Corporate Governance (the 'AIC Code') and a Corporate Governance Guide for Investment Companies (the 'AIC Guide'). In February 2019 the AIC published a revised AIC Code (the '2019 AIC Code') to reflect changes made to the UK Code in July 2018. In line with the UK Code, the 2019 AIC Code applies to accounting years beginning on or after 1 January 2019 and given how closely the 2019 AIC Code reflects the UK Code, the AIC Guide has been withdrawn. Accordingly, the Annual Report for the year ending 30 September 2020 will be the first year in which the Company will report under the 2019 AIC Code. However, this Report on Corporate Governance has been prepared in consideration of the 2019 AIC Code and where appropriate, reference has been made to provisions contained in that version of the Code.

The AIC Code and AIC Guide address the relevant 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

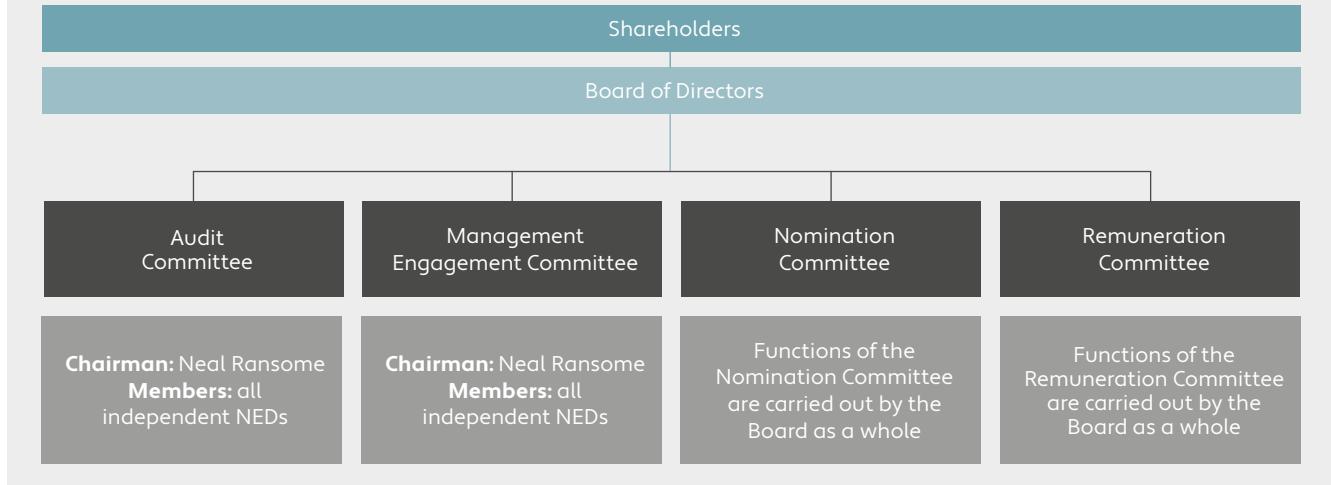
The FRC has confirmed that by following the AIC Code, boards of investment companies will meet their obligations under FCA Listing Rule 9.8.6.

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 and the Board has determined that reporting against the AIC Code provides the most appropriate information to shareholders.

CORPORATE GOVERNANCE FRAMEWORK

The following diagram demonstrates the governance framework within which the Group is managed. The Directors are ultimately accountable to Shareholders for the Group's affairs and are therefore responsible for the good governance of the Group. As the Group and Company have no employees they therefore rely on third parties to administer the Group and Company and to provide investment management services.

CORPORATE GOVERNANCE FRAMEWORK



REPORT ON CORPORATE GOVERNANCE

CONTINUED

STATEMENT OF COMPLIANCE AND APPLICATION OF THE AIC CODE'S PRINCIPLES

The AIC Code comprises 21 principles. The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Guide. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Board considers that for the year under review the Directors, Board and Company have complied with the recommendations of the AIC Code in so far as they apply to the Company's business. For the reasons set out in the AIC Guide, the Board considers the following provisions are not relevant to the Company, being an externally managed investment company:

- as all Directors, including the Chairman, 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;
- as there are no executive directors there is no need to comply with the UK Code in respect of executive directors' remuneration;

- 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 insofar as they relate to the affairs of the Company; and
- due to the size and structure of the Board it was considered unnecessary to identify a senior independent non-executive director. The Board considers that all Directors have different qualities and areas of expertise on which they may lead where issues arise and to whom concerns may be conveyed.

The Board believes that the Company's current practices are consistent in all material respects with the principles of the AIC Code and 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. Where the Company's duties are delegated to third parties, the Company has agreed policies and operating procedures with the suppliers of these services.

AIC Code Principle

How the principles are applied

THE BOARD

AIC Code Principle	How the principles are applied
THE BOARD	
1 The chairman should be independent.	James Robinson was appointed to the Board at launch in May 2010 and is independent. The Board considers the competence and independence of the Directors on an annual basis.
2 A majority of the board should be independent of the manager.	For the year to 30 September 2019 and since launch of the Company the Board has comprised independent non-executive directors only. All the Directors are considered to be independent in character and judgement and no Director has any former or present connection with the Investment Manager.
3 Directors should be submitted for re-election at regular intervals. Nomination for re-election should not be assumed but be based on disclosed procedures and continued satisfactory performance.	Directors are required to stand for election by Shareholders at the first AGM following their appointment to the Board and shall stand for re-election annually. The Board formally reviews performance of the Directors and where appropriate shall recommend to Shareholders the re-election of those standing.
4 The board should have a policy on tenure, which is disclosed in the annual report.	<p>The Board has determined that due to the limited seven-year life of the Company there is no requirement for a formal policy on Directors' tenure.</p> <p>In consideration of the 2019 AIC Code, the Board has considered and agreed a policy on the tenure of the Chairman. The Board reviews the performance of the Chairman on an annual basis, and the Chairman also stands for re-election by Shareholders at each AGM. The Board considers that in the circumstances of an investment company, where corporate knowledge and continuity can add value, there may be merit in appointing one of its existing members as Chairman. In addition, there may be circumstances where succession plans are disrupted such that an internal candidate with some years' existing experience is the most appropriate candidate for the Chairman. In other circumstances an external candidate may be more appropriate. Therefore, the Board's policy is that the maximum Board tenure for its Chairman is up to 12 years (where up to 9 years of this could be served as a Director and the balance as Chairman).</p>

AIC Code Principle	How the principles are applied
5 There should be full disclosure of information about the board.	The Directors' biographies are set out on pages 34 and 35 of the Annual Report. They demonstrate a breadth of experience across the investment and financial services industry and exposure to the healthcare sector.
6 The board should aim to have a balance of skills, experience, length of service and knowledge of the company.	The Board considers the skills, experience, knowledge and length of service of the Directors to be appropriate.
7 The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.	Evaluation of the Board, individual Directors and the Committees is undertaken annually. The evaluation of the Chairman is led by the Chairman of the Audit Committee. The evaluation outcomes are reviewed and reported on by the Board as a whole and, should it be deemed necessary, additional reporting measures or operations would be put in place.
8 Director remuneration should reflect their duties, responsibilities and the value of their time spent.	The Directors' Remuneration Report is provided on pages 47 and 51 of the Annual Report and describes the processes undertaken when reviewing remuneration.
9 The independent directors should take the lead in the appointment of new directors and the process should be disclosed in the annual report.	The Board undertakes the actions of a nomination committee when considering the composition of and recruitment to the Board.
10 Directors should be offered relevant training and induction.	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 are also given full access to Polar Capital's online training modules which cover regulatory, corporate, compliance and other updates.
11 The chairman (and the board) should be brought into the process of structuring a new launch at an early stage.	The Company was launched with a limited life of seven years to conclude in 2018. The full Board in association with the Company's advisers undertook a reconstruction exercise in early 2017 which re-launched the Company with a revised investment strategy from 20 June 2017. The fixed life of the Company was extended from 2018 to 2025.

BOARD MEETINGS AND THE RELATIONSHIP WITH THE MANAGER

12 Boards and managers should operate in a supportive, co-operative and open environment.	Representatives of the Investment Manager attend Board and Board Committee meetings in a variety of capacities including investment management, compliance, risk and marketing. In addition, the Investment Manager provides a Company Secretary who attends throughout the meetings and senior executives of the Investment Manager join the meetings on request. The Board and Investment Manager work in a collaborative manner and the Chairman encourages open discussion and debate.
13 The primary focus at regular board meetings should be a review of investment performance and associated matters such as gearing, asset allocation, marketing/investor relations, peer group information and industry issues.	The Board is provided with a full range of information on investment, financial, regulatory and administrative matters for review and discussion including investment performance and attribution analysis at every meeting in addition to periodic marketing, sales and other reports and presentations.
14 Boards should give sufficient attention to overall strategy.	The full investment strategy was revised during the reconstruction exercise undertaken in early 2017. The Board continues to consider the Company's strategy and its relevance to the market and Shareholders as a whole at each Board meeting. At least one Board meeting per year includes an in-depth focus on strategy.

REPORT ON CORPORATE GOVERNANCE

CONTINUED

AIC Code Principle	How the principles are applied
15 The board should regularly review both the performance of, and contractual arrangements with, the manager.	While it may be discussed at any time by the Board, the Management Engagement Committee formally reviews the performance and activities of the Investment Manager annually and considers the terms of the IMA and contractual arrangements.
16 The board should agree policies with the manager covering key operational issues.	The Board has delegated operational activities to the Investment Manager under the terms of the IMA. Policies concerning the operations of the Company including regulatory requirements, stewardship, reporting and governance are discussed with and reviewed by the Board from time to time.
17 Boards should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it.	The NAV and share price along with the level of discount and/or premium are considered at every Board meeting and are monitored by the Investment Manager on a daily basis. Where it is deemed appropriate the Board has the authority to undertake share buy backs or share issues.
18 The board should monitor and evaluate other service providers.	The full schedule of service providers is reviewed by the Board at least annually; the Audit Committee reviews the internal controls reports provided by third party suppliers. The Investment Manager carries out service review meetings and representatives of various providers present to the Board directly from time to time.

SHAREHOLDER COMMUNICATION

19 The board should regularly monitor the shareholder profile of the company and put in place a system for canvassing shareholder views and for communicating the board's views to shareholders.	The Board receives a shareholder analysis at every Board meeting which is discussed with the Investment Manager's Head of Sales and the corporate broker. The Chairman and Directors are available and welcome meetings with shareholders. All Shareholders are invited to attend the AGM to review the year past and the outlook for the future.
20 The board should normally take responsibility for, and have a direct involvement in, the content of communications regarding major corporate issues even if the manager is asked to act as spokesman.	The Board, or where relevant a Committee of the Board, considers all major shareholder communications and is kept abreast of minor communications managed by the Investment Manager.
21 The board should ensure that shareholders are provided with sufficient information for them to understand the risk:reward balance to which they are exposed by holding the shares.	The net asset value of the Company is published daily via RNS to the London Stock Exchange. Marketing activity is undertaken by the Investment Manager on behalf of the Company, and a full review of proposed activity is discussed annually before implementation. The Investment Manager maintains a website for the Company on which a number of shareholder information documents are held including the Annual and Interim Financial Reports, portfolio listings, monthly fact sheets and the key information document; the website also has a direct news feed from the London Stock Exchange to ensure all Company announcements released via RNS are easily accessible.

ROLE, RESPONSIBILITIES AND COMMITTEES OF THE BOARD

THE BOARD

The Board meets regularly and as required. During the year, Board and Board Committee meetings were held to deal with the ongoing stewardship of the Company and other matters including the setting and monitoring of investment strategy and performance, review of financial statements, and shareholder issues including investor relations. The level of the ordinary share price discount or premium to the Net Asset

Value together with policies for re-purchase or issuance (or re-issuance) of shares, are kept under review along with matters affecting the industry and the evaluation of third party service providers.

A formal schedule of matters specifically reserved for decision by the full Board has been defined and 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 year.

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 number of formal meetings of the Board and its Committees held during the year ended 30 September 2019 and the attendance of individual Directors are shown below:

Number of Meetings	Board	Audit Committee	Management Engagement Committee	AGM
James Robinson	5	2	1	1
Anthony Brampton	5	2	1	1
Neal Ransome	5	2	1	1
Lisa Arnold	5	2	1	1

DIRECTORS' INTERESTS AND CONFLICTS OF INTERESTS

The Chairman of the Group and Company is a non-executive director and has no conflicting relationships. The share interests of the Directors in the ordinary shares of the Company are set out in the Directors' Remuneration Report.

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. Under the Companies Act 2006 public companies may authorise conflicts or potential conflicts if the Articles of Association contain provisions to this effect and the Company's Articles of Association contain such provisions.

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. 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 as part of its year-end review has considered the register of conflicts, any conditions imposed on such conflicts or potential conflicts and the operation of the notification and authorisation process. It concluded that the process has

operated effectively since its introduction. No Director has any links with the Investment Manager and there were no 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 or to the Director.

BOARD COMMITTEES

The Board has delegated to the Audit Committee and the Management Engagement Committee specific remits for consideration and recommendation but the final responsibility in these areas remains with the Board. The Board determined that due to its size, and the fact that all the Directors are non-executive and independent, the functions of the nomination committee and remuneration committee would be carried out by the full Board. The Board creates ad hoc committees from time to time to enact policies or actions agreed in principle by the whole Board. Copies of the terms of reference for each of the standing committees are available on the Company's website.

THE BOARD ACTING AS THE NOMINATION COMMITTEE

When considering new or further appointments of Directors, the Board give full regard to the balance of skills, knowledge and experience as well as diversity of the whole Board. External consultants may be engaged when compiling a shortlist of candidates and to assist the Board through the selection process.

THE BOARD ACTING AS THE REMUNERATION COMMITTEE

The remuneration of the Directors is reviewed on an annual basis but will not necessarily lead to a change in remuneration level awarded. Industry guidance, peer investment trust companies remuneration, the work undertaken by the Board in the prior year along with plans for the current year and the overall regulatory environment are all considered when reviewing remuneration.

REPORT ON CORPORATE GOVERNANCE

CONTINUED

AUDIT COMMITTEE

The Audit Committee comprises all the independent non-executive directors under the chairmanship of Neal Ransome. The Committee has formal terms of reference which clearly define its responsibilities and duties.

None of the members of the Committee has any involvement in the preparation of the financial statements of the Company, as this has been contracted to the Investment Manager. The Chairman of the Committee will be present at the AGM to answer questions relating to the financial statements. 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.

A separate report of the work of the Audit Committee over the year is set out on pages 52 to 57.

MANAGEMENT ENGAGEMENT COMMITTEE

The Management Engagement Committee comprises all the independent non-executive directors under the chairmanship of Neal Ransome and will usually meet once a year and at such other times as may be necessary. The Management Engagement Committee is responsible for the review of the relationship with the portfolio manager including the annual review of the Investment Management and other services and resources supplied by the Investment Manager, prior to making its recommendation to the Board, whether the retention of the Investment Manager is in the interests of Shareholders.

During the year ended 30 September 2019 the Management Engagement Committee met once to carry out the review of the Investment Manager and consider its continued appointment for the next financial year ending 30 September 2020. The Management Engagement Committee has reviewed the performance of the Investment Manager in managing the assets of the Company over the period since launch and more recently since reconstruction in June 2017, including capital returns and income generated from the portfolio. The review also considered the strength of the investment team, depth of other resources provided by the Investment Manager and quality of the services provided or procured by the Investment Manager including shareholder communications.

The Board, through the work of the Management Engagement Committee has concluded that 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.

MANAGEMENT ARRANGEMENTS

THE BOARD

The Board is responsible to Shareholders for the overall management of the Company's affairs. For the full year under review there were four non-executive directors. Each Director has different qualities and areas of expertise on which they may lead where issues arise. The Board considered the contribution and performance of each Director as part of the Director and Board performance evaluation.

The Board determined that each Director had relevant experience, effectively contributed to the operation of the Board and demonstrated independent views on a range of subjects. All the Directors were considered independent of the Investment Manager and had no relationship or conflicts which were likely to affect their judgement.

SUCCESSION PLANNING

The Board believes that retaining Directors with sufficient experience of the Company, industry and the markets is of benefit to shareholders. The Board has determined that due to the limited life of the Company there is no need for a formal policy on the length of service for Directors, however as the reconstruction approved by shareholders in June 2017 extended the life of the Company for a further seven years the Board agreed to refresh the entire Board.

As detailed within the Chairman's Statement, phase one of the refresh concluded in early 2018 with the appointment of Neal Ransome and Lisa Arnold to the Board. Andrew Fleming and Jeremy Whitley have been appointed to the Board in phase two of the refresh, which will conclude at the AGM on 26 February 2020 with the retirement of James Robinson and Tony Brampton.

SENIOR INDEPENDENT DIRECTOR

Due to the structure of the Board it was, and continues to be, considered unnecessary to identify a senior non-executive director. The Board considers that all Directors have different qualities and areas of expertise on which they may lead where issues arise and to whom concerns may be conveyed. Each Director may be contacted through the Registered Office of the Company.

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 Group and Investment Manager's policies, regulatory and statutory obligations and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise. Directors may also participate in the Investment Manager's online training, as well as also regularly participating in professional and industry seminars.

ELECTION OF DIRECTORS

The appointment date for each Director is given on pages 34 and 35. All Directors are appointed on an initial term of three years subject to the Articles of Association (the 'Articles') and the provision of the Companies Act 2006 for the removal of a Director. The Articles permit the Board to appoint further Directors without shareholder approval but subject to such Directors standing for election by shareholders at the first AGM following their appointment. Accordingly, both Andrew Fleming and Jeremy Whitley will stand for election at the AGM to be held on 26 February 2020. In compliance with the 2019 AIC Code, all Directors must stand for re-election annually. Neal Ransome and Lisa Arnold will therefore stand for re-election at the AGM to be held on 26 February 2020 and James Robinson and Tony Brampton will retire from the Board at the conclusion of the AGM.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

Directors' and Officers' Liability insurance has been in place throughout the period. In addition, the Group provides, subject to the provisions of applicable UK legislation, an indemnity for Directors in respect of costs incurred in the defence of any proceedings brought against them and also liabilities owed to third parties, in either case arising out of their positions as Directors. This was in place throughout the financial year under review, up to and including the date of the financial statements.

PERFORMANCE EVALUATION

THE BOARD

The evaluation of the Board, its Committees and individual Directors is carried out annually. The process involves the use of a written questionnaire and the Chairman seeking the views of each Director. The responses to the questionnaire were reviewed and discussed by the full Board. The review of the Chairman's performance was conducted by the full Board led by the Chairman of the Audit Committee. The Chairman of the Board did not participate in this discussion.

In carrying out these evaluations, each Director is 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 and participation at Board meetings. The process is constructed to assess the contribution of individual Directors to the overall operation of the Board and its Committees. The Board has concluded that each Director continues to provide a sound and valuable contribution to the matters of the Board and acts both independently and in the interests of Shareholders.

THE INVESTMENT MANAGER

The services provided by the Investment Manager are described on page 31. The Board reviews the performance of the Investment Manager at each Board meeting and the Company's performance against the benchmark and the investment objectives. The Management Engagement Committee reviews the terms of the contract with the Investment Manager.

OTHER SUPPLIERS

The Board reviews the performance of suppliers of services through reports from the suppliers, the Investment Manager and direct contact.

ACCOUNTABILITY AND AUDIT

The Statement of Directors' Responsibilities in respect of the financial statements is set out on pages 58 and 59 and the Independent Auditors' Report is on pages 60 and 65.

INTERNAL CONTROLS

The Board has overall responsibility for the Group and Company's system of internal control and for reviewing its effectiveness. The Group and Company's operational functions are carried out by third parties. The Audit Committee does not consider it necessary to establish an internal audit function as the Investment Manager, overseen by the Board, is responsible for monitoring all accounting and internal control operations.

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 FCA and its compliance department monitors its compliance with the FCA rules.

The Board, through the Audit Committee, has established an ongoing process for identifying, evaluating, monitoring and managing any major risks faced by the Group. The process is documented through the use of a risk map which is subject to regular review by the Audit Committee and accords with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published by the Financial Reporting Council in September 2014. 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 Group and Company are safeguarded, proper accounting records are maintained, and the financial information used by the Group and Company 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.

REPORT ON CORPORATE GOVERNANCE

CONTINUED

OPERATION OF INTERNAL CONTROLS

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 business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board will continue to monitor the system of internal controls in order to provide assurance that they operate as intended.

The Board in assessing the effectiveness of the Group and Company's internal controls has through the Audit Committee, received formal reports from the Investment Manager on the policies and procedures in operation and the tests for the year ended 30 September 2019 with details of any known internal control failures. The Board also considers ad hoc reports from the Investment Manager and third party suppliers and information is supplied to the Board as required.

The Investment Manager has delegated the provision of accounting, portfolio valuation and trade processing to HSBC Securities Services but remains responsible to the Group for these functions and provides the Board with information on these services.

The Board undertakes an in-depth annual review of the Group and Company's system of internal controls where the risk map is reviewed and control processes considered. The Board, assisted by the Investment Manager, has conducted the annual review of the risk map and the effectiveness of the system of internal controls taking into account any issues, none of which were considered significant, which arose during the course of the year ended 30 September 2019 and up to the date of this report.

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 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.

This, together with other investor information including the Investment Manager's presentations, the latest AIFM investor disclosure document, terms of Board committees, and access to regulatory announcements can be found on the Company's website at www.polarcapitalhealthcaretrust.co.uk. The Board is also keen that the AGM be a participative event for all Shareholders who attend. The Investment Manager will 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.

Shareholders who wish to raise matters with a Director may do so by writing to them at the Registered Office of the Company. In addition, Shareholders may submit questions for the AGM in advance of the meeting or make general enquiries via the Company Secretary at the Registered Office.

The Board monitors the share register of the Company and maintains regular contact with major Shareholders. The Board will engage with Shareholders on any matters where significant votes against are received on a resolution at the AGM and when announcing the AGM results state what actions, it intends to take to understand the reasons behind such. Further information will also be disclosed in its next Annual Report.

TRACEY LAGO, FCG

POLAR CAPITAL SECRETARIAL SERVICES LIMITED

COMPANY SECRETARY

19 December 2019

DIRECTORS' REMUNERATION REPORT

INTRODUCTION

This report is submitted in accordance with the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) (the 'Regulations') and the Listing Rules of the Financial Conduct Authority in respect of the year ended 30 September 2019. It has been audited where indicated.

CHAIRMAN'S REPORT

The Board has determined that due to its size, and the fact that all the Directors are non-executive and independent, the functions normally carried out by a remuneration committee will be performed by the full Board.

Shareholders approved the current Directors' Remuneration Policy by way of an ordinary resolution passed at the Annual General Meeting ('AGM') held on 31 January 2017, such Policy shall remain in force until 30 September 2020:

COMPANY'S POLICY ON DIRECTORS' REMUNERATION

POLICY	OPERATION	OPPORTUNITY
<p>How policy supports strategy The Board consists entirely of non-executive directors, who meet regularly to deal with the Company's affairs.</p> <p>The intention is that fees payable reflect the time spent by them individually and collectively, be of a level appropriate to their responsibilities and be in line with market practice, sufficient to enable candidates of high calibre to be recruited and retained.</p>	<p>Non-executive directors have formal letters of appointment (which include notice periods of one month) and their remuneration is determined by the Board within the limits set by the Articles of Association.</p> <p>Rates are reviewed annually but the review will not necessarily result in any change to rates. Non-executive directors are appointed initially for a three-year term, subject to re-election by Shareholders.</p> <p>All fees are paid monthly in arrears, to the Director concerned.</p>	<p>The Company's policy in relation to fees is to offer only a fixed basic fee in line with equivalent roles within the sector with additional fees for the roles of Chairman of the Company and Chairman of the Committees.</p>
<p>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 or benefits.</p>	<p>Non-executive directors do not receive any bonus, nor do they participate in any long-term incentive schemes or pension schemes.</p>	<p>There are no performance conditions relating to non-executive directors fees.</p>

As the current Remuneration Policy will have been in force for three years as of 30 September 2020, the Company is required to seek shareholder approval for a Remuneration Policy that can remain in operation for the next three-year period (unless proposed for change within such period).

The Policy being proposed has not changed materially from that which was approved in 2017 but has been updated to reflect changes to the AIC Code of Corporate Governance, the enactment of the EU Shareholder Rights Directive II and to include reference to additional payments Directors may receive for services beyond their ordinary duties (per the Company's Articles of Association). In such instances, the Board will provide the details of the events, duties and responsibilities that gave rise to an additional payment in the Annual Report. If approved by Shareholders, the Remuneration Policy will remain in force until 30 September 2023.

DIRECTORS' REMUNERATION REPORT

CONTINUED

The following Remuneration Policy shall therefore be proposed to Shareholders for approval at the AGM to be held on 26 February 2020.

COMPANY'S POLICY ON DIRECTORS' REMUNERATION – TO COME INTO FORCE ON 1 OCTOBER 2020 (SUBJECT TO SHAREHOLDER APPROVAL):

HOW POLICY SUPPORTS STRATEGY AND PROMOTES LONG-TERM SUSTAINABLE SUCCESS

The Board consists entirely of non-executive directors, who meet regularly to deal with the Company's affairs.

The intention is that fees payable reflect the time spent by them individually and collectively, be of a level appropriate to their responsibilities and be in line with market practice, sufficient to enable candidates of high calibre to be recruited and retained.

The Company's policy in relation to fees is to offer only a fixed basic fee in line with equivalent roles within the sector with additional fees for the roles of Chairman of the Company and Chairman of the Committees. 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 or benefits.

In accordance with article 98(2) of the Company's Articles of Association, any Director who performs, or undertakes to perform, services which the Directors consider go beyond the ordinary duties of a Director may be paid such additional remuneration (whether by way of fixed sum, bonus, commission, participation in profits or otherwise) as the Directors may determine.

OPERATION

Non-executive directors have formal letters of appointment and their remuneration is determined by the Board within the limits set by the Articles of Association.

Directors are not entitled to payment for loss of office and do not receive any bonus, nor do they participate in any long-term incentive schemes or pension schemes. All fees are paid monthly in arrears, to the Director concerned.

Rates are reviewed annually but the review will not necessarily result in any change to rates. Non-executive directors are subject to annual re-election by shareholders.

There are no performance conditions relating to non-executive directors fees.

As per previous AGM resolutions, Shareholders will also be asked to consider a non-binding vote for the approval of the following Directors' Remuneration Implementation Report, which reports on how the current Remuneration Policy has operated during the year ended 30 September 2019.

IMPLEMENTATION REPORT – DIRECTORS' REMUNERATION PAID FOR THE YEAR ENDED 30 SEPTEMBER 2019

ANNUAL FEES REVIEW

The Board undertook the annual review of the fees paid to the Directors in October 2019. For the year commencing 1 October 2019, it was agreed that the fees to be paid to Directors would be increased as follows:

- Non-executive directors: £28,000 (5.7% increase)
- Chairman: £39,000 (5.4% increase)
- Chairman of Audit Committee Supplement: £5,500 (10% increase)

The previous change to Directors' fees was made in 2017, which was effective from 1 October 2017; in accordance with the Shareholder Rights Directive, the annual percentage change in remuneration in respect of the five financial years prior to the current year in respect of each Director is as follows:

Financial year to:	30 Sept 2015	30 Sept 2016	30 Sept 2017	30 Sept 2018	30 Sept 2019
Chair	0%	0%	0%	5.7%	0%
Non-executive director	0%	0%	0%	6.0%	0%
Chair of the Audit Committee supplement	0%	0%	0%	0%	0%

Directors' fees will continue to be reviewed on an annual basis. The annual review involves consideration of the time and commitment required of the Directors including any significant increase in requirements due to regulatory or other changes. For comparative purposes the remuneration awarded to directors of similar vehicles and general market data is also considered. The appointment of an external remuneration consultant was considered unnecessary. No Director is involved in deciding their own remuneration and all Directors exercise independent judgement and discretion when considering fees. Both Mr Fleming and Mr Whitley will be remunerated in accordance with the revised rates and will receive £28,000 pa.

EXPENSES

The Directors are entitled to be reimbursed for reasonable expenses incurred by them in connection with the performance of their duties and attendance at Board and General Meetings. In certain circumstances, under HMRC rules travel and other out of pocket expenses reimbursed to the Directors may be classed as taxable benefits and therefore be subject to tax and national insurance. Where expenses are classified as taxable under HMRC guidance, they are shown in the taxable column of the Directors' remuneration table.

The result of the shareholder votes on the Directors' Remuneration Policy and the latest Implementation Report were as follows:

	Remuneration Policy	Implementation Report for the year ended 30 September 2018	
		Approved at AGM on 31 January 2017	Approved at AGM on 27 February 2019
Votes for		100.0%	99.98%
Votes against		0%	0.02%
Votes abstained		0%	0%

The Board considers this level of support from Shareholders a positive endorsement of both its Remuneration Policy and its implementation. There has been no communication from Shareholders regarding any aspect of the Directors' remuneration.

LETTERS OF APPOINTMENT

In accordance with recommended practice, each Director has received a letter setting out the terms of their appointment. The letters constitute a contract for services and not a contract of employment. A Director may resign by giving written notice to the Board at any time.

New Directors are appointed and elected with the expectation that they will serve for a period of at least three years. In accordance with the Articles of Association any new Director is required to stand for election at the first AGM following their appointment, and in accordance with good corporate governance practice all directors shall stand for re-election every year following their first election by Shareholders.

DIRECTORS' REMUNERATION REPORT

CONTINUED

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Directors' and Officers' liability insurance cover is held by the Company in respect of the Directors. The Company has, to the extent permitted by law and the Company's Articles of Association, provided each Director with a Deed of Indemnity which, subject to the provisions of the Articles of Association and UK legislation, indemnifies the Director in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their position as Directors (excluding criminal and regulatory penalties).

Directors' legal costs may be funded up-front provided they reimburse the Company if the individual is convicted or, in an action brought by the Company, judgment is given against the Director. These provisions were in force during the year and remain in force at the date of this report.

REMUNERATION (AUDITED)

In the year under review the Directors' fees were paid at the following annual rates, the Chairman £37,000; other Directors £26,500 with the Chairman of the Audit Committee receiving an extra £5,000 for performing that additional role.

Director	Year ended 30 September 2019			Year ended 30 September 2018		
	Fixed fee	Taxable expenses	Total remuneration	Fixed fee	Taxable expenses	Total remuneration
James Robinson	£37,000	£102	£37,102	£37,000	£472	£37,472
Neal Ransome (Chair of the Audit and Management Engagement Committees, appointed on 13 December 2017)	£31,500	–	£31,500	£24,117	–	£24,117
Lisa Arnold (appointed on 1 February 2018)	£26,500	–	£26,500	£17,667	–	£17,667
Anthony Brampton	£26,500	–	£26,500	£26,500	–	£26,500
John Aston (Chair of the Audit and Management Engagement Committees, retired on 28 February 2018)	–	–	–	£13,125	–	£13,125
Antony Milford (retired on 28 February 2018)	–	–	–	£11,042	–	£11,042
TOTAL*	£121,500	£102	£121,602	£129,451	£472	£129,923

* See note 8 on page 77

No pension or other contributions were paid by the Company during the year to any of the Directors. Consequently, the figures shown above comprise the single total remuneration figure for each Director.

DIRECTORS' SHARE INTERESTS (AUDITED)

The interests of Directors in the ordinary shares of the Company on 30 September 2019 (and 2018):

	2019	2018
James Robinson	66,733	66,733
Neal Ransome	10,073	10,073
Lisa Arnold	10,000	10,000
Anthony Brampton	35,779	35,779

There have been no changes in these interests between the end of the financial year and 19 December 2019.

PERFORMANCE

The Regulations require a line graph to be included in the Directors' Remuneration Report showing the total shareholder return for each of the financial years in the relevant period. The Company was incorporated on 12 May 2010 and commenced trading on 15 June 2010, the performance comparison is therefore shown for the period from 15 June 2010. Each subsequent annual graph is required to increase by one year until the maximum relevant period of ten years is reached; thereafter the relevant period will continue to be ten years.



The MSCI ACWI Health Care Index (total return in sterling with dividends reinvested) is used as the comparator because, as a market capitalisation weighted index, the Board considers that it is the most appropriate single market index.

RELATIVE IMPORTANCE OF SPEND ON PAY

Under the Regulations, the Directors' Remuneration Report must set out in a graphical or tabular form that shows in respect of the relevant financial year and the immediately preceding financial year the actual expenditure of the company, and the difference in spend between those years, on remuneration paid to or receivable by all employees of the group; and distributions to shareholders by way of dividend and share buyback; and any other significant distributions and payments or other uses of profit or cash-flow deemed by the directors to assist in understanding the relative importance of spend on pay.

The Company has no employees and the Directors do not consider that the comparison of Directors' remuneration with distributions to shareholders is a meaningful measure of the Company's overall performance having regard to the Company's objective of capital growth.

Approved by the Board on 19 December 2019

JAMES ROBINSON
CHAIRMAN

AUDIT COMMITTEE REPORT



I am pleased to present my second Report to you as Chairman of the Audit Committee. The Committee comprises all the Directors and the Board is satisfied that the Committee has sufficient recent and relevant financial experience and, as a whole, has competence relevant to the sector in which the Company operates for the Committee to discharge its functions effectively. The experience of the members of the Committee can be assessed from the Directors' biographies set out on pages 34 and 35. I am a chartered accountant and a former partner and head of the pharmaceutical and healthcare M&A practice of PricewaterhouseCoopers LLP ('PwC'). I hold the ICAEW's FCA, BFP and CF qualifications and am therefore deemed to have appropriate experience and expertise to carry out the role of Chairman of the Audit Committee.

PwC (or the 'Auditor') has been auditor of the Company since 2010. The audit partner who leads our statutory audit is Catrin Thomas, who has completed her second audit of the Company.

During the year the Audit Committee met three times, with all members attending each meeting. The Committee considered a variety of matters including:

AUDIT REGULATION

- In the year since my last report to you, the UK audit sector has been subject to a number of reviews. Completed reviews, such as those conducted by the Competition and Markets Authority ('CMA') into the Statutory Audit Market and the Kingman Review of the FRC have resulted in a number of recommendations for the Department of Business, Enterprise, Industry and Skills to consider. These

reviews have also coincided with the FRC's own consultation proposing important changes to the UK's Ethical and Auditing Standards (last updated in 2016). The Audit Committee has considered the recommendations and how they may affect the Company should they be implemented. In addition to this, the Committee also reviews the outcomes of the FRC's annual Audit Quality Reviews and discusses the findings with our Auditor.

- The Committee does not at this time recommend any change to the current practices employed in the external audit process in response to these reviews, but will continue to monitor developments as they unfold.

ANNUAL EXTERNAL AUDIT

- the scope of the annual audit and agreement with the Auditor of the key areas of focus;
- the reports from the Auditor concerning their audit of the annual financial statements of the Company;
- the performance of the Auditor and the level of fees charged for their services;
- the independence and objectivity of the Auditor;
- the appointment of the Auditor and the likely future timing of an audit tender process;
- the policy for non-audit services which may be provided by the Auditor in line with the FRC guidance; and
- the extent of the non-audit services, the quality of such work and the fees.

INTERNAL AUDIT

- the potential need for an internal audit function, which we have concluded is unnecessary for an externally managed investment trust.

ACCOUNTING MATTERS

- the appropriateness and any changes to the accounting policies of the Company including any judgements required by such policies and the reasonableness of such;
- the financial disclosures contained in the Annual Report and Half Year Report to shareholders; and
- the going concern statement, longer-term viability statement and the requirement that the Annual Report and Financial Statements when taken as a whole are fair, balanced and understandable.

THE COMPANY'S SUBSIDIARY, PCGH ZDP PLC

- The Audit Committee also considers the financial statements and audit requirements of the Company's wholly owned subsidiary, PCGH ZDP Plc. IFRS 9 became effective for annual periods beginning on or after 1 January 2018. This accounting standard specifies how an entity should classify and measure financial assets, liabilities and some contracts. PCGH ZDP Plc has advanced a loan to the Company which falls within the scope of this accounting standard. As required by IFRS 9, an impairment review has been conducted to assess the possibility of the Company defaulting on its liability to PCGH ZDP Plc. It has been concluded that the possibility of default is negligible, and that accordingly no adjustment is required to the carrying value of the loan in the accounts of PCGH ZDP Plc. A note on this matter has been included in the financial statements of PCGH ZDP Plc.

INVESTMENT MATTERS

- the investment management process, including confirmation of the existence and ownership of investments through the review of quarterly Depository Reports and meeting with the Depository in relation to the safe-guarding of the Company's assets.

INTERNAL CONTROLS AND RISK

- the risk map covering the identification of new risks, adjustments to existing risks and the mitigation and controls in place to manage those risks; and
- reports from the Investment Manager and the Investment Manager's external auditor on the effectiveness of the system of internal financial controls including the risk map.

DIVIDEND POLICY

The Committee considered the Company's draft Dividend Policy and recommended to the Board that it should be adopted. The Dividend Policy will be proposed for approval by shareholders at the Company's AGM.

CONSIDERATION OF THE HALF YEAR REPORT AND FINANCIAL STATEMENTS

Prior to publication, the Committee considered and reviewed the Half Year Report and Financial Statements, which were not audited or reviewed by the Auditor, to ensure that they were consistent with the accounting policies used in the Annual Report and Financial Statements for the year ended 30 September 2018.

Consideration of the Annual Report and Financial Statements
The Committee performed this role through monitoring the integrity of the financial statements of the Company and the system of accounting to ensure compliance with the relevant and appropriate accounting standards. The scope of the audit was agreed in advance with a focus on areas of audit risk and the appropriate level of audit materiality. The Auditor reported on the results of the audit work to the Committee and highlighted any issue which the audit work had discovered, or the Committee had previously identified as significant or material in the context of the financial statements.

AUDIT COMMITTEE REPORT

CONTINUED

SIGNIFICANT MATTERS IN RELATION TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

In addition to the matters considered by the Committee in forming its opinions on going concern and longer-term viability (described below) and in concluding that the Annual Report and Financial Statements when taken as a whole are fair, balanced and understandable, the Committee also considered the following matters in relation to the financial statements:

Significant Matter	How the Issue was Addressed
Valuation, existence and ownership of investments	The valuation is carried out in accordance with the accounting policies of the Company as described in note 2. The Depositary has reported on its work and safe keeping of the Company's investments and a report from the Depositary is provided on the Company's website www.polarcapitalhealthcaretrust.co.uk
Compliance with S1158 of the Corporation Tax Act 2010	Consideration of compliance with the requirements of investment trust status is carried out at each Board meeting throughout the year.
Stability and financial sustainability of the subsidiary in relation to structural gearing provided to the parent company.	The ZDP shares issued by the subsidiary are traded and maintain a standard listing on the London Stock Exchange. The valuation of the subsidiary is monitored regularly by the Board and the subsidiary is subject to an independent audit by PwC.

There were no adverse matters brought to the Audit Committee's attention in respect of the 2019 audit which were material or significant, or which should be brought to Shareholders' attention.

CONCLUSIONS IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The production and audit of the Company's Annual Report and Financial Statements is a comprehensive process requiring input from a number of different contributors. In order to reach a conclusion that the Annual Report and Financial Statements when taken as a whole are fair, balanced and understandable, the Board has requested that the Committee advise on whether it considers these criteria satisfied. In so doing the Committee has given consideration to the following:

- the comprehensive control framework over the production of the Annual Report, including the verification processes in place to deal with the factual content;
- the extensive levels of review undertaken in the production process, by the Investment Manager and the Committee; and
- the unqualified audit report from the Auditor confirming their work based on substantive testing on the financial statements.

As a result of the work performed, the Committee has concluded that the Annual Report and Financial Statements for the year ended 30 September 2019, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy, and it has reported on these findings to the Board.

EFFECTIVENESS OF AUDIT PROCESS

The Audit Committee monitored and evaluated the effectiveness of the Auditor and any changes in the terms of their appointment based on an assessment of their performance, qualification, knowledge, expertise and resources. The Auditor's independence was also considered along with other factors such as audit planning and interpretations of accounting standards. This evaluation has been carried out throughout the year by meetings held with the Auditor, by review of the audit process and by comments from the Investment Manager and others involved in the audit process.

The Auditor is provided with an opportunity to address the Committee without the Investment Manager present to raise any concerns or discuss any matters relating to the audit work and the cooperation of the Investment Manager and others in providing any information and the quality of that information including the timeliness in responding to audit requests.

APPOINTMENT OF AUDITORS; FEES AND TENURE

The Committee also considers by way of meetings and reports, the appointment, remuneration and work of the Auditor. PwC have provided audit services to the Group from its incorporation in 2010 to date. There are no contractual obligations restricting the choice of external auditor. In accordance with current legislation, the Company is required to instigate an audit tender process at least every 10 years and will have to change its auditor after a maximum of 20 years engagement. The next audit tender process is expected to be considered prior to the AGM in 2021.

The fees paid to PwC in respect of the audit of the annual Financial Statements amounted to £26,325 (2018: £23,400). The fees paid to PwC in respect of the audit of the financial statements of the Company's wholly owned subsidiary, PCGH ZDP Plc, were £5,175 (2018: £4,600). These fees represent a significant increase over the prior year, and reflect a re-basing by PwC of their fees to more fairly reflect the level of audit work required to perform a robust quality audit in the context of increased regulatory scrutiny and expectation. The Committee has in principle agreed with PwC that the impact of their re-basing exercise will be spread over two years.

The Committee, having considered the above factors, considers it appropriate to recommend to the Board and shareholders that PwC be reappointed as Auditor at the AGM to be held in February 2020. PwC have agreed to offer themselves for reappointment as Auditor in accordance with section 487(2) of the Companies Act 2006 and an ordinary resolution requesting approval of their reappointment and to authorise the Directors to determine their remuneration will therefore be proposed at the AGM.

NON-AUDIT WORK

The Audit Committee's policy on the provision of non-audit services by the Auditor 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 is not disproportionate to the audit fees, to the extent that the independence of the Auditor would be compromised. In line with the FRC ethical standards issued in April 2016, the nature of any non-audit services is considered in respect of their permissibility and any such services must be pre-approved by the Audit Committee. A copy of the Company's Non-Audit Services Policy is available on the Company's website. When non-audit services are proposed, the Committee undertakes a review of the services to satisfy itself that these are proposed within the terms of the policy and proposed in an efficient and cost-effective way.

In both the year under review and the prior year, no non-audit services were provided by the Auditor.

OVERVIEW OF RISK

The Board has ultimate responsibility for the management of risk throughout the Company and has asked the Audit Committee to assist in maintaining an effective internal control environment. The Company maintains a risk map which seeks to identify, monitor and control principal risks as far as possible as well as identifying emerging risks. This risk map is regularly reviewed by the Audit Committee.

The risk map is used by the Company to identify the principal risks and uncertainties facing the business, any emerging risks and to assess each risk as to its likelihood and impact. The Audit Committee, on behalf of the Board, has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity and reputation. The Committee has also robustly considered the mitigating factors and controls to reduce the impact of such risks as described on pages 28 to 30. This process was active throughout the year and permits the risk map to be monitored and kept relevant to reflect changes.

As part of the year end processes the Audit Committee also undertook a review of the effectiveness of the system of internal controls considering any issues that had arisen during the course of the year.

Representatives of the Investment Manager reported to the Committee on the system of internal controls that is in place for the performance of the Investment Manager's duties under the IMA. The Committee also received internal control reports from other key suppliers on the quality and effectiveness of the services provided to the Company. The review of both the risk map and the effectiveness of the system of internal controls was conducted by the Audit Committee, assisted by the Investment Manager, as part of the year end process for the preparation of the Annual Report. There were no issues which arose during the year ended 30 September 2019 and up to the date of this report which were considered significant.

The Audit Committee will actively continue to monitor the system of internal controls through the regular review of the risk map and controls in order to provide assurance that they operate as intended.

The Audit Committee has also discussed with the Investment Manager its anti-bribery and cyber security policies and the controls and monitoring operated by the Investment Manager to implement such policies across both the Investment Manager and Company's service providers.

The Audit Committee has also considered the policy and controls used by the Investment Manager surrounding the use of brokerage commissions generated from transactions in the Company's portfolio and the obtaining of best execution on all transactions.

AUDIT COMMITTEE REPORT

CONTINUED

GOING CONCERN AND LONGER-TERM VIABILITY

GOING CONCERN

At the request of the Board the Audit Committee has considered the ability of the Company to adopt the going concern basis for the preparation of the Financial Statements. The Committee has considered the financial position of the Company, its cash flows and its liquidity position. The Committee has also considered any material uncertainties and events that might cast significant doubt upon the Company's ability to continue as a going concern. The Audit Committee has considered:

- the ability of the Company to liquidate its portfolio to meet any liabilities as they fall due;
- the level of budgeted expenses and the exposure to currency and credit risk; and
- the factors impacting the forthcoming year as set out in the Strategic Report Section and comprising the Chairman's Statement, the Investment Manager's Report and the Strategic Review.

The financial position of the Company and its cash flows and liquidity position are described in the Strategic Report and the Financial Statements. Note 26 to the Financial Statements includes the Company's 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.

Based on the information provided to the Committee and its assessment of the financial position of the Company, the Committee has recommended that a going concern basis should be adopted by the Board for the preparation of the Financial Statements for the year ended 30 September 2019.

LONGER-TERM VIABILITY

The Board has also asked the Audit Committee to address the requirement that a longer-term viability statement be provided to Shareholders.

This statement should take account of the Company's current position and the principal risks as set out on pages 28 to 30 so that the Board may state that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment.

To provide this assessment, the Audit Committee has considered the Company's financial position as described above including its ability to liquidate its portfolio and meet its expenses as they fall due:

- the portfolio comprises investments traded on major international stock exchanges, and there is a spread of investments by market capitalisation of company. Approximately 97.6% of the portfolio as at the date of this Annual Report could be liquidated within seven trading days and there is no expectation that the nature of the investments held within the portfolio will be materially different in future;
- the expenses of the Company are predictable and modest in comparison with the assets of the Company and there are no capital commitments foreseen which would alter that position; and
- the Company has no employees and consequently has no employment-related liabilities or responsibilities.

As well as considering the principal risks and uncertainties on pages 28 to 30, together with the mitigating factors which are assumed to operate appropriately, and the financial position of the Company as set out above, the Audit Committee has also had regard to the following assumptions in considering the Company's longer-term viability:

- healthcare will continue to be an investable sector of the international stock markets and investors will still wish to have an exposure to such investments;
- closed ended investment trusts will continue to be wanted by investors;
- regulation will not increase to a level that makes the running of the Company uneconomical in comparison to other competitor products;
- the performance of the Company will continue to be satisfactory and should performance be less than the Board deems acceptable it has appropriate powers to replace the Investment Manager; and
- there will be no material or significant changes in the principal risks and uncertainties.

In addition to the above, the Company carried out stress testing in connection with the Company's principal risks. Where a material value could be placed and evaluated, the effect of this on the Company's viability was assessed. The results of the testing demonstrated the impact on the NAV and confirmed the Company's ability to meet its liabilities as they fall due.

The Audit Committee also notes that the Company's Articles of Association require the Directors to put forward at the first AGM following 1 March 2025 a resolution to place the Company into liquidation. The voting on that resolution will be enhanced such that, provided any single vote is cast in favour, the resolution will be passed.

Based on these considerations the Audit Committee has recommended to the Board that a statement may be made on the Company's longer-term viability to continue its operations and meet its expenses and liabilities as they fall due until the liquidation vote at the first AGM following 1 March 2025.

EFFECTIVENESS OF THE COMMITTEE

The services provided to the Board by the Audit Committee are reviewed within the Annual Board Evaluation, including consideration of actions undertaken by the Audit Committee with the Investment Manager and Auditor to ensure an appropriate audit process is undertaken. I am pleased to confirm that the evaluation result was positive and no matters of concern or requirements for change were highlighted.

NEAL RANSOME
CHAIRMAN OF THE AUDIT COMMITTEE
19 December 2019

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 Group and Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare the Group and Company Financial Statements for each financial year. Under that law the Directors have prepared the Group and Company Financial Statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

Under company law, the Directors must not approve the Group and Company Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- 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 Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Group and Company Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group and Company Financial Statements, Article 4 of the IAS Regulations. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors consider that the Annual Report including the Group and Company Financial Statements taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group and Company's performance, business model and strategy. Under applicable law and regulations, the Directors are responsible for preparing a Strategic Report, Report of the Directors, Directors' Remuneration Report and a Corporate Governance Statement that are each compliant with the associated laws and regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website although day to day maintenance has been delegated to Polar Capital LLP. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

The work carried out by the Auditor does not involve consideration of these matters and, accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the Company's website.

DISCLOSURE OF INFORMATION TO THE AUDITOR

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 Auditor is unaware and the Directors have taken steps to make themselves aware of any relevant audit information and to establish that the Auditor is aware of such information.

GOING CONCERN

The Board has, through the Audit Committee, considered the Group and Company's position as at 30 September 2019 and the factors impacting the forthcoming year are set out in the Chairman's Statement, the Investment Manager's Report, the Strategic Review and in the Report of the Directors which incorporates the Corporate Governance Statement.

The financial position of the Group and Company, their cash flows, and their liquidity position are described in the Strategic Report and the Financial Statements. Note 26 to the Financial Statements includes the Group and Company's policies and process for managing their capital; their financial risk management objectives and details of financial instruments and hedging activities. Exposure to credit risk and liquidity risk are also disclosed.

The Group has a portfolio of investments listed and traded on stock exchanges around the world, the great majority of which can be sold within seven working days, providing considerable financial resources. After making enquiries, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

LONGER-TERM VIABILITY

The Board, through the Audit Committee, considered and addressed the ability of the Company to continue to operate over a longer period. The work of the Audit Committee in looking at the longer-term viability is described on page 56.

As an investment company with a liquid portfolio, the majority of which can be sold within seven working days, limited expenses which are modest in relation to the asset base of the Company and no employees, the Directors are of the opinion that the Company can continue in operation up to its wind-up date expected to be in March 2025.

RESPONSIBILITY STATEMENT UNDER THE DISCLOSURE GUIDANCE AND TRANSPARENCY RULES

Each of the Directors in office for the period under review of Polar Capital Global Healthcare Trust plc, who are listed on pages 34 and 35, confirm that, to the best of their knowledge:

- the Financial Statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Chairman's Statement, Investment Manager's Report, Strategic Review and Report of the Directors (together constituting the Management Report) include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The Financial Statements and the Responsibility Statement were approved by the Board on 19 December 2019 and James Robinson was authorised to sign them on behalf of the Board.

JAMES ROBINSON
CHAIRMAN

INDEPENDENT AUDITORS' REPORT

To the Members of Polar Capital Global Healthcare Trust plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion, Polar Capital Global Healthcare Trust plc's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 30 September 2019 and of the Group's loss and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- 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.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the Group and Company Balance Sheets as at 30 September 2019; the Group Statement of Comprehensive Income, the Group and Company Cash Flow Statement, and the Group and Company Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

SEPARATE OPINION IN RELATION TO IFRSs AS ISSUED BY THE IASB

As explained in note 1 to the financial statements, the Group, in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion, the Group financial statements have been properly prepared in accordance with IFRSs as issued by the IASB.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

We have provided no non-audit services to the Group or the Company in the period from 1 October 2018 to 30 September 2019.

OUR AUDIT APPROACH

OVERVIEW



- Overall Group materiality: £2.88 million (2018: £2.96 million), based on 1% of net assets.
- Overall Company materiality: £2.88 million (2018: £2.96 million), based on 1% of net assets.
- The Group is an Investment Trust Company and engages Polar Capital LLP (the "Manager") to manage its assets.
- We conducted our audit of the financial statements using information from HSBC Securities Services (the "Administrator") to whom the Manager has, with the consent of the Directors, delegated the provision of certain administrative functions.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.
- We obtained an understanding of the control environment in place at both the Manager and the Administrator, and adopted a fully substantive testing approach using reports obtained from the Administrator.
- Valuation and existence of investments (Group and Company).
- Income from investments (Group and Company)

THE SCOPE OF OUR AUDIT

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

CAPABILITY OF THE AUDIT IN DETECTING IRREGULARITIES, INCLUDING FRAUD

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of section 1158 of the Corporation Tax Act 2010 (see page 54 of the Report and Financial Statements), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and Chapter 15 of the UK Listing Rules applicable to Closed-Ended Investment Funds. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue (investment income and capital gains) or to increase net asset value, and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with the Manager and the audit committee, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes, including those of the Audit Committee;
- Evaluation of the controls implemented by the Company and the Administrator designed to prevent and detect irregularities;
- Assessment of the Company's compliance with the requirements of section 1158 of the Corporation Tax Act 2010, including recalculation of numerical aspects of the eligibility conditions;
- Identifying and testing journal entries, in particular year end journal entries posted by the Administrator during the preparation of the financial statements and any journals with unusual account combinations; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

INDEPENDENT AUDITORS' REPORT

CONTINUED

KEY AUDIT MATTERS

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Valuation and existence of investments (Group and Company) Refer to pages 52 to 67 (Audit Committee Report), pages 72 and 73 (Accounting Policies) and page 80 (Notes to the financial statements).	We tested the valuation of the listed equity investments by agreeing the prices used in the valuation to independent third party sources. No material misstatements were identified by our testing.
The investment portfolio at the year-end comprised listed equity investments valued at £308.99m.	We tested the existence of the investment portfolio by agreeing investment holdings to an independent confirmation obtained from the custodian. No differences were identified.
We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed in the Balance Sheets in the financial statements.	
Income from investments (Group and Company) Refer to page 52 to 57 (Audit Committee Report), page 70 (Accounting Policies) and page 75 (Notes to the financial statements).	We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy. We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy. We understood and assessed the design and implementation of key controls surrounding income recognition.
ISAs (UK) presume there is a risk of fraud in income recognition. We considered this risk to relate to the risk of overstating investment gains and the misclassification of dividend income as either capital or revenue due to the pressure management may feel to achieve a certain level of capital or income growth in line with the objective of the Company and in order to maintain the level of dividends paid to shareholders in line with the dividend policy.	The gains/losses on investments held at fair value comprise realised and unrealised gains/losses. For unrealised gains and losses, we tested the valuation of the portfolio at the year-end, together with testing the reconciliation of opening and closing investments. For realised gains/losses, we tested a sample of disposal proceeds by agreeing the proceeds to bank statements and we re-performed the calculation of a sample of realised gains/losses. In addition, we tested dividend receipts by agreeing the dividend rates from all investments to independent third party sources.
We focused on the valuation of investments with respect to gains on investments and the accuracy and completeness of dividend income recognition and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies' Statement of Recommended Practice (the "AIC SORP").	No misstatements were identified by our testing.
	To test for completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared for all dividends during the year. Our testing did not identify any unrecorded dividends.

HOW WE TAILORED THE AUDIT SCOPE

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

MATERIALITY

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£2.88 million (2018: £2.96 million).	£2.88 million (2018: £2.96 million).
How we determined it	1% of net assets.	1% of net assets.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate and consistent year-on-year basis for our audit.	We have applied this benchmark, a generally accepted auditing practice for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate and consistent year-on-year basis for our audit.

For the subsidiary audit, we allocated a materiality that is less than our overall Group materiality. The subsidiary materiality was £344,000 (2017: £334,000).

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £144,000 (2018: £148,000) for both the Group and Company as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

GOING CONCERN

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's business and the wider economy.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

INDEPENDENT AUDITORS' REPORT

CONTINUED

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

STRATEGIC REPORT AND REPORT OF THE DIRECTORS

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 30 September 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors. (CA06)

THE DIRECTORS' ASSESSMENT OF THE PROSPECTS OF THE GROUP AND OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE SOLVENCY OR LIQUIDITY OF THE GROUP

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 55 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 56 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

OTHER CODE PROVISIONS

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 58, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 44 and 52 to 57 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

DIRECTORS' REMUNERATION

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the Statement of Directors' Responsibilities in respect of the Annual Report, Directors' Remuneration Report and Financial Statements set out on pages 58 and 59, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

USE OF THIS REPORT

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.

OTHER REQUIRED REPORTING

COMPANIES ACT 2006 EXCEPTION REPORTING

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

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

We have no exceptions to report arising from this responsibility.

APPOINTMENT

Following the recommendation of the audit committee, we were appointed by the directors on 12 May 2010 to audit the financial statements for the year ended 30 September 2011 and subsequent financial periods. The period of total uninterrupted engagement is 9 years, covering the years ended 30 September 2011 to 30 September 2019.

CATRIN THOMAS (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF PRICEWATERHOUSECOOPERS LLP
Chartered Accountants and Statutory Auditors
Edinburgh

19 December 2019

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2019

Note	Group			Group			
	Year ended 30 September 2019			Year ended 30 September 2018			
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000	
Investment income	3	4,131	–	4,131	3,877	102	3,979
Other operating income	4	79	–	79	459	–	459
(Losses)/gains on investments held at fair value	5	–	(3,337)	(3,337)	–	49,559	49,559
(Losses) on derivatives		–	–	–	–	(19)	(19)
Other currency gains/(losses)	6	–	43	43	–	(259)	(259)
Total income		4,210	(3,294)	916	4,336	49,383	53,719
Expenses							
Investment management fee	7	(503)	(2,013)	(2,516)	(478)	(1,910)	(2,388)
Other administrative expenses	8	(610)	(69)	(679)	(607)	(182)	(789)
Total expenses		(1,113)	(2,082)	(3,195)	(1,085)	(2,092)	(3,177)
(Loss)/profit before finance costs and tax		3,097	(5,376)	(2,279)	3,251	47,291	50,542
Finance costs	9	(9)	(1,037)	(1,046)	(3)	(983)	(986)
(Loss)/profit before tax		3,088	(6,413)	(3,325)	3,248	46,308	49,556
Tax	10	(535)	–	(535)	(437)	(3)	(440)
Net (loss)/profit for the year and total comprehensive income		2,553	(6,413)	(3,860)	2,811	46,305	49,116
(Loss)/earnings per Ordinary share (pence)	12	2.09	(5.25)	(3.16)	2.29	37.77	40.06

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 income or expense that is not included in net profit/(loss) for the year. The net profit/(loss) for the year disclosed above represents the Group's total comprehensive income/(expense).

There is no dilutive securities and therefore the Earnings per Share and the Diluted Earnings per share are the same.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year.

The notes on pages 70 to 89 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2019

Note	Group and Company Year ended 30 September 2019						
	Called up share capital £'000	Capital redemption reserve £'000	Share premium reserve £'000	Special distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total Equity £'000
Total equity at 1 October 2018	31,037	6,575	80,685	6,225	169,059	2,682	296,263
Total comprehensive (expense)/income:							
(Loss)/profit for the year ended 30 September 2019	-	-	-	-	(6,413)	2,553	(3,860)
Transactions with owners, recorded directly to equity:							
Shares bought back and held in treasury	20	-	-	-	(1,513)	-	(1,513)
Equity dividends paid	11	-	-	-	-	(2,443)	(2,443)
Total equity at 30 September 2019	31,037	6,575	80,685	4,712	162,646	2,792	288,447

Note	Group and Company Year ended 30 September 2018						
	Called up share capital £'000	Capital redemption reserve £'000	Share premium reserve £'000	Special distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total Equity £'000
Total equity at 1 October 2017	31,037	6,575	80,685	6,754	122,754	2,324	250,129
Total comprehensive income:							
Profit for the year ended 30 September 2018	-	-	-	-	46,305	2,811	49,116
Transactions with owners, recorded directly to equity:							
Shares bought back and held in treasury	20	-	-	-	(529)	-	(529)
Equity dividends paid	11	-	-	-	-	(2,453)	(2,453)
Total equity at 30 September 2018	31,037	6,575	80,685	6,225	169,059	2,682	296,263

The notes on pages 70 to 89 form part of these financial statements.

BALANCE SHEETS

As at 30 September 2019

	Notes	Group		Company	
		30 September 2019 £'000	30 September 2018 £'000	30 September 2019 £'000	30 September 2018 £'000
Non-current assets					
Investments held at fair value	13	308,993	320,321	308,993	320,321
Investment in subsidiary	13	–	–	50	50
Current assets					
Receivables	14	17,237	459	17,237	459
Overseas tax recoverable		693	557	693	557
Cash and cash equivalents	24	6,862	13,851	6,812	13,801
		24,792	14,867	24,742	14,817
Total assets		333,785	335,188	333,785	335,188
Current liabilities					
Payables	15	(10,961)	(3,841)	(10,961)	(3,841)
Bank overdraft	24	(4)	(1,712)	(4)	(1,712)
		(10,965)	(5,553)	(10,965)	(5,553)
Non-current liabilities					
Zero dividend preference shares	16	(34,373)	(33,372)	–	–
Loan from subsidiary		–	–	(34,373)	(33,372)
Total liabilities		(45,338)	(38,925)	(45,338)	(38,925)
Net assets		288,447	296,263	288,447	296,263
Equity attributable to equity Shareholders					
Called up share capital	17	31,037	31,037	31,037	31,037
Share premium reserve	19	80,685	80,685	80,685	80,685
Capital Redemption reserve	18	6,575	6,575	6,575	6,575
Special distributable reserve	20	4,712	6,225	4,712	6,225
Capital reserves	21	162,646	169,059	162,646	169,059
Revenue reserve	22	2,792	2,682	2,792	2,682
Total equity		288,447	296,263	288,447	296,263
Net asset value per Ordinary share (pence)	23	236.88	241.91	236.88	241.91
Net asset value per ZDP share (pence)	23	106.99	103.87	–	–

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own income statement in the financial statements. The parent company's loss for the year was £3,860,000 (2018: return of £49,116,000).

The financial statements on pages 66 to 89 were approved and authorised for issue by the Board of Directors on 19 December 2019 and signed on its behalf by

JAMES ROBINSON
CHAIRMAN

The notes on pages 70 to 89 form part of these financial statements.

Registered number 7251471

CASH FLOW STATEMENT

For the year ended 30 September 2019

	Note	Group and Company	
		Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
Cash flows from operating activities			
(Loss)/profit before finance costs and tax		(2,279)	50,542
Adjustment for non-cash items:			
Loss/(gain) on investments held at fair value through profit or loss		3,337	(49,559)
Adjusted profit before tax		1,058	983
Adjustments for:			
Purchases of investments, including transaction costs		(532,121)	(329,500)
Sales of investments, including transaction costs		530,063	343,187
Decrease/(increase) in receivables		222	(4)
Increase in payables		169	202
Overseas tax deducted at source		(671)	(564)
Net cash (used in)/ generated from operating activities		(1,280)	14,304
Cash flows from financing activities			
Cost of shares repurchased		(1,513)	(529)
Interest paid		(45)	(14)
Equity dividends paid	11	(2,443)	(2,453)
Net cash used in financing activities		(4,001)	(2,996)
Net (decrease)/increase in cash and cash equivalents		(5,281)	11,308
Cash and cash equivalents at the beginning of the year		12,139	831
Cash and cash equivalents at the end of the year	24	6,858	12,139

The notes on pages 70 to 89 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2019

1 GENERAL INFORMATION

The consolidated financial statements for the year ended 30 September 2019 comprise the financial statements of the Company and its wholly-owned subsidiary PCGH ZDP plc (together referred to as the 'Group').

The Group and Company 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 under IFRS.

The Group and Company's presentational currency is pounds sterling (rounded to the nearest £'000). Pounds sterling is also the functional currency of the Group and Company because it is the currency which is most relevant to the majority of the Group and Company's Shareholders and creditors and the currency in which the majority of the Group and Company's operating expenses are paid.

2 ACCOUNTING POLICIES

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

(A) BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation 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 November 2014 and updated in February 2018, is consistent with the requirements of IFRS, in so far as those requirements are applicable to the financial statements, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

Basis of consolidation – The Group financial statements consolidate the Financial Statements of the Company and its wholly owned subsidiary, PCGH ZDP plc, drawn up to the same accounting date. The subsidiary is consolidated from the date of its incorporation.

The Company has taken advantage of the exemption under section 408 of the Companies Act 2006 and accordingly has not presented a separate parent company income statement.

(B) PRESENTATION OF THE 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 Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income. The results presented in the revenue return column is the measure the Directors believe appropriate in assessing the Group and Company's compliance with certain requirements set out in section 1158 of the Corporation Tax Act 2010.

(C) INCOME

Dividends receivable from equity shares are recognised and taken to the revenue return column of the 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.

Income from US/Canadian Real Estate Investment Trusts ('REITs') is initially taken to the revenue return column of the Statement of Comprehensive Income on an ex-dividend basis. An adjustment may then be made to reallocate a proportion of this income to capital, depending on the information announced by the REITs.

Where the Group and 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 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 Statement of Comprehensive Income.

Bank interest is accounted for on an accruals basis. Interest outstanding at the year end is calculated on a time apportionment basis using market rates of interest.

(D) WRITTEN OPTIONS

The Group and Company may write exchange-traded options with a view to generating income. This involves writing short-dated covered-call options and put options. The use of financial derivatives is governed by the Group and Company's policies, as approved by the Board.

These options are recorded initially at fair value, based on the premium income received, and are then measured at subsequent reporting dates at fair value. Changes in the fair value of the options are recognised in the capital return for the period.

The option premiums are recognised evenly over the life of the option and shown in the revenue return, with an appropriate amount shown in the capital return to ensure the total return reflects the overall change in the fair value of the options.

Where an option is exercised, any balance of the premium is recognised immediately in the revenue return with a corresponding adjustment in the capital return based on the amount of the loss arising on exercise of the option.

(E) EXPENSES

All expenses, including the management fee, are accounted for on an accruals basis and are recognised when they fall due.

All expenses have been presented as revenue items except as follows:

Expenses are charged to the capital column of the Statement of Comprehensive Income where a connection with the maintenance or enhancement of the value of investments can be demonstrated. In this respect the investment management fees have been charged to the Statement of Comprehensive Income in line with the Board's expected long-term split of returns, in the form of capital gains and income from the Group and Company's portfolio. As a result 20% of the investment management fees are charged to the revenue account and 80% charged to the capital account of the Statement of Comprehensive Income.

The performance fee (when payable) is charged entirely to capital as the fee is based on the out-performance of the benchmark and is expected to be attributable largely, if not wholly, to capital performance.

The research costs relate solely to specialist healthcare research and are accounted for on an accrual basis and, are allocated 20% to revenue and 80% capital. This is in line with the Board's expected long-term split of revenue and capital return from the Company's investment portfolio.

Finance costs

The ZDP shares are designed to provide a pre-determined capital growth from their original issue price of 100p on 16 June 2017 to a final capital repayment of 122.99p on 19 June 2024. The initial capital will increase at a compound interest rate of 3% per annum.

No dividends are payable on the ZDP shares. The provision for the capital growth entitlement of the ZDP shares is included as a finance cost and charged 100% to capital within the Statement of Comprehensive Income (AIC SORP paragraph 53 issued in November 2014 and updated in February 2018).

Overdraft interest costs are allocated 20% to revenue and 80% to capital in line with the Board's expected long-term split of revenue and capital return from the Company's investment portfolio.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2019

2 ACCOUNTING POLICIES CONTINUED

Share issue costs

Costs incurred directly in relation to the issue of shares in the subsidiary are borne by the Company and taken 100% to capital. Share issue costs relating to Ordinary share issues by the Company are taken 100% to the share premium account.

Zero Dividend Preference (ZDP) shares

Shares issued by the subsidiary are treated as a liability of the Group, and are shown in the Balance Sheet at their redemption value at the Balance Sheet date. The appropriations in respect of the ZDP shares necessary to increase the subsidiary's liabilities to the redemption values are allocated to capital in the Statement of Comprehensive Income. This treatment reflects the Board's long-term expectations that the entitlements of the ZDP Shareholders will be satisfied out of gains arising on investments held primarily for capital growth.

(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 profits for the year ended 30 September 2019. Taxable profit differs from net profit as reported in the 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 and Company'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 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 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 Tax Act 2010 are not liable for taxation on capital gains.

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 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 and Company 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.

All investments, classified as fair value through profit or loss, are further categorised into the following fair value hierarchy:

Level 1: Unadjusted prices quoted in active markets for identical assets and liabilities.

Level 2: Having inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Having inputs for the asset or liability that are not based on observable market data.

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 Statement of Comprehensive Income.

In the event a security held within the portfolio is suspended then judgement is applied in the valuation of that security.

(H) RECEIVABLES

Receivables are initially recognised at fair value and subsequently measured at amortised cost. Receivables do not carry any interest and are short-term in nature and are accordingly stated at their nominal value (amortised cost) 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, maturity of three months or less, highly liquid investments that are readily convertible to known amounts of cash.

(J) DIVIDENDS PAYABLE

Dividends payable to Shareholders are recognised in the financial statements when they are paid or, in the case of final dividends, when they are approved by the Shareholders.

(K) PAYABLES

Other payables are not interest-bearing and are initially valued at fair value and subsequently stated at their nominal value (amortised cost).

(L) FOREIGN CURRENCY TRANSLATION

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 Statement of Comprehensive Income.

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

(M) CAPITAL RESERVES

Capital reserve arising on investments sold includes:

- gains/losses on disposal of investments
- exchange differences on currency balances
- transfer to subsidiary in relation to ZDP funding requirement
- other capital charges and credits charged to this account in accordance with the accounting policies above.

Capital reserve arising on investments held includes:

- increases and decreases in the valuation of investments held at the balance sheet date.

All of the above are accounted for in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2019

2 ACCOUNTING POLICIES CONTINUED

(N) REPURCHASE OF ORDINARY SHARES (INCLUDING THOSE HELD IN TREASURY)

The costs of repurchasing Ordinary shares including related stamp duty and transaction costs are taken directly to equity and reported through the Statement of Changes in Equity as a charge on the special distributable reserve. Share repurchase transactions are accounted for on a trade date basis.

The nominal value of Ordinary share capital repurchased and cancelled is transferred out of called up share capital and into the capital redemption reserve.

Where shares are repurchased and held in treasury, the transfer to capital redemption reserve is made if and when such shares are subsequently cancelled.

(O) NEW AND REVISED ACCOUNTING STANDARDS

There were no new IFRSs or amendments to IFRSs applicable to the current year which had any significant impact on the Group and Company's accounts.

The following standards became effective on 1 January 2018 and the adoption of the standards and interpretations have not had a material impact on the financial statements of the Group and Company.

IFRS 9 (2014) Financial Instruments.

The requirement of IFRS 9 and its application to the assets and liabilities held by the Group and Company were considered ahead of its adoption on 1 January 2018. The classification of all assets and liabilities remains unchanged under IFRS 9 and all figures will be directly comparable to the existing basis of valuation.

IFRS 15, Revenue with Contracts with Customers.

IFRS 15 sets out the requirements for revenue recognition. The Company's only revenue streams are dividend income and gains and losses from sale of investments. Given the nature of the Company's revenue streams from financial instruments, the provisions of this standard are not expected to have a material impact.

At the date of authorisation of these financial statements, the following new IFRSs and amendments that potentially impact the Group and Company are in issue but are not yet effective and have not been applied in these accounts:

Effective for periods commencing on or after 1 January 2019:

IFRS 16 Leases

As the Group and Company neither holds, trades or has any lease obligations of any type, the provisions of this standard are not expected to have a material impact on the accounts.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation provides guidance on considering uncertain tax treatments in relation to taxable profit or loss and does not add any new disclosures. The Company complies with all relevant tax laws where applicable and the provisions of this interpretation are not expected to have a material impact on the accounts.

IAS 19 (amended) Employee Benefits

As the Group and Company has no employees, the amendments to this standard are not expected to have any impact on the accounts.

IAS 28 (amended) Investments in Associates and Joint Ventures

As the Group and Company has no investment in associates or joint ventures, the amendments to this standard are not expected to have any impact on the accounts.

IFRS 9 (Amended) Prepayment Features with Negative Compensation

Negative compensation arises where the contractual terms permit a borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest. The Company has no such terms in any of its loan agreements in place and the amendments are not expected to have any impact on the accounts.

Annual Improvement Cycles 2015-2017 (Amendments)

This makes narrow-scope amendments to four IFRS Standards : IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Incomes Taxes and IAS 23 Borrowing costs. These limited amendments are not expected to have any impact on the accounts.

Effective for periods commencing on or after 1 January 2020:

IFRS 3 Business combinations (amended)

IAS 1 and IAS 8 Definition of Material (amended)

References to the conceptual Framework in IFRS Standards (amended)

The Directors expect that the adoption of the standards listed above will have either no impact or that any impact will not be material on the Financial Statement of the Company in future periods.

(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 Investment Manager (with oversight from the Board).

The Directors are of the opinion that the Group and Company has only one operating segment and as such no distinct segmental reporting is required.

3 INVESTMENT INCOME

	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
Revenue:		
Franked: Listed investments		
Dividend income	377	491
Unfranked: Listed investments		
Dividend income	3,754	3,386
Total investment income allocated to revenue	4,131	3,877
Capital:		
Dividends from REITs allocated to capital	-	102
Total investment income allocated to capital	-	102

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2019

4 OTHER OPERATING INCOME

	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
Option premium income	–	437
Other income	30	–
Bank interest	49	22
Total other operating income	79	459

Option premium income arises from writing short-dated covered-call options and put options in the expectation that the options will not be exercised or, in overall terms, any losses that may arise following exercise will be outweighed by the premiums received.

There was no option premium income received for the current year.

5 (LOSSES)/GAINS ON INVESTMENTS HELD AT FAIR VALUE

	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
Net gains on disposal of investments at historic cost	22,892	30,676
Less fair value adjustments in earlier years	(33,931)	(13,268)
(Losses)/gains based on carrying value at previous balance sheet date	(11,039)	17,408
Valuation gains on investments held during the year	7,702	32,151
	(3,337)	49,559

6 OTHER CURRENCY GAINS/(LOSSES)

	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
Exchange gains/(losses) on currency balances	43	(259)

7 INVESTMENT MANAGEMENT FEE

	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
Management fee		
– charged to revenue	503	478
– charged to capital	2,013	1,910
Investment management fee payable to Polar Capital LLP	2,516	2,388

Management fees are allocated 20% to revenue and 80% to capital.

8 OTHER ADMINISTRATIVE EXPENSES (INCLUDING VAT WHERE APPROPRIATE)

	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
Directors' fees ¹	122	130
Directors' NIC	12	13
Auditors' remuneration ² :		
For audit of the Group and Company financial statements	32	30
Depositary fee	24	23
Registrar fee	34	20
Custody and other bank charges	30	28
UKLA and LSE listing fees	44	48
Legal & professional fees	-	4
AIC fees	20	19
Directors' and officers' liability insurance	8	9
Corporate broker's fee	30	29
Marketing expenses ³	17	28
Research costs ⁴	17	45
Shareholder communications	34	31
HSBC administration fee	150	143
Other expenses ⁵	36	7
	610	607
Transaction charges – allocated to capital	-	1
Research cost – allocated to capital ⁴	69	181
	679	789

1 Full disclosure is given in the Directors' Remuneration Report on page 50.

2 2019 includes £5,175 (2018: £4,600) paid to the Auditor for the audit of PCGH ZDP plc.

3 Includes marketing expenses payable to Polar Capital LLP of £7,500 (2018: £22,500).

4 Research costs (which applied from 3 January 2018) payable by the Company relate solely to specialist healthcare research and are capped at US \$232,994 (£189,000) (2018: US \$394,867 (£303,000)) with the cost of general non-specialist research and any amounts exceeding the agreed cap being absorbed by Polar Capital. Any adjustment to the prior year's budget versus the actual spend is included in the current period. These costs are allocated 20% to revenue and 80% to capital and are included in the ongoing charges calculation.

5 2019 includes costs in relation to Non-executive Director search fee.

Ongoing charges represents the total expenses of the fund, excluding finance costs and tax, expressed as a percentage of the average daily net asset value, in accordance with AIC guidance issued in May 2012.

The ongoing charges ratio for the year ended 30 September 2019 was 1.01% (2018: 1.08%). See Alternative Performance Measures on pages 90 and 91.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2019

9 FINANCE COSTS

	Year ended 30 September 2019			Year ended 30 September 2018		
	Revenue return	Capital return	Total return	Revenue return	Capital return	Total return
Interest on overdrafts	9	36	45	3	11	14
Appropriation to ZDP shares	-	1,001	1,001	-	972	972
Total finance costs	9	1,037	1,046	3	983	986

10 TAXATION

	Year ended 30 September 2019			Year ended 30 September 2018		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
a) Analysis of tax charge for the year:						
Overseas tax	535	-	535	437	3	440
Total tax for the year (see note 10b)	535	-	535	437	3	440
b) Factors affecting tax charge for the year:						
The charge for the year can be reconciled to the profit per the Statement of Comprehensive Income as follows:						
Profit/(loss) before tax	3,088	(6,413)	(3,325)	3,248	46,308	49,556
Tax at the UK corporation tax rate of 19% (2018: 19%)	587	(1,218)	(631)	617	8,799	9,416
Tax effect of non-taxable dividends	(785)	-	(785)	(756)	(20)	(776)
Losses/(gains) on investments that are not taxable	-	626	626	-	(9,363)	(9,363)
Unrelieved current period expenses and deficits	198	402	600	139	399	538
Overseas tax suffered	535	-	535	437	3	440
Expenses not allowable	-	190	190	-	185	185
Total tax for the year (see note 10a)	535	-	535	437	3	440

c) Factors that may affect future tax charges:

The Company has an unrecognised deferred tax asset of £2,555,000 (2018: £2,018,000) based on a prospective corporation tax rate of 17% (2018: 17%).

The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the accounts.

Given the Company's intention to meet the conditions required to retain its status as an Investment Trust Company, no provision has been made for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

11 AMOUNTS RECOGNISED AS DISTRIBUTIONS TO ORDINARY SHAREHOLDERS IN THE YEAR

DIVIDENDS PAID IN THE YEAR ENDED 30 SEPTEMBER 2019

Payment date	No of shares	Pence per share	Year ended 30 September 2019 £'000
28 February 2019	122,470,000	1.00p	1,225
30 August 2019	121,770,000	1.00p	1,218
			2,443

The revenue available for distribution by way of dividend for the year is £2,553,000 (2018: £2,811,000).

The total dividends payable in respect of the financial year ended 30 September 2019, which is the basis on which the requirements of Section 1158 of the Corporation Tax Act 2010 are considered, are set out below:

Payment date	No of shares	Pence per share	Year ended 30 September 2019 £'000
30 August 2019	121,770,000	1.00p	1,218
28 February 2020	121,270,000*	1.10p	1,334
			2,552

* Number of shares in issue at the date of this report.

DIVIDENDS PAID IN THE YEAR ENDED 30 SEPTEMBER 2018

Payment date	No of shares	Pence per share	Year ended 30 September 2018 £'000
28 February 2018	122,750,000	1.00p	1,228
31 August 2018	122,470,000	1.00p	1,225
			2,453

The total dividends payable in respect of the financial year ended 30 September 2018, which is the basis on which the requirements of Section 1158 Corporation Tax Act 2010 are considered, are set out below:

Payment date	No of shares	Pence per share	Year ended 30 September 2018 £'000
31 August 2018	122,470,000	1.00p	1,225
28 February 2019	122,470,000	1.00p	1,225

All dividends are paid as interim dividends.

The dividends paid in February each year relate to a dividend declared in respect of the previous financial year but paid in the current accounting year.

12 (LOSS)/EARNINGS PER ORDINARY SHARE

	Year ended 30 September 2019			Year ended 30 September 2018		
	Revenue return	Capital return	Total return	Revenue return	Capital return	Total return
The calculation of basic earnings per share is based on the following data:						
Net (loss)/profit for the year (£'000)	2,553	(6,413)	(3,860)	2,811	46,305	49,116
Weighted average Ordinary shares in issue during the year	122,123,685	122,123,685	122,123,685	122,602,712	122,602,712	122,602,712
Basic – Ordinary shares (pence)	2.09	(5.25)	(3.16)	2.29	37.77	40.06

As at 30 September 2019 there were no potentially dilutive shares in issue.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2019

13 INVESTMENTS HELD AT FAIR VALUE

(A) MOVEMENTS ON INVESTMENTS

	30 September 2019 £'000	30 September 2018 £'000
Cost brought forward	276,747	249,824
Valuation gains	43,574	24,692
Valuation brought forward	320,321	274,516
Additions at cost	539,072	330,921
Proceeds on disposal	(547,063)	(334,675)
(Losses)/gains on disposal	(11,039)	17,408
Valuation gains	7,702	32,151
Valuation at 30 September	308,993	320,321
Cost at 30 September	291,648	276,747
Closing fair value adjustment	17,345	43,574
Valuation at 30 September	308,993	320,321

The following transaction costs, including stamp duty and broker commissions were incurred during the year:

	30 September 2019 £'000	30 September 2018 £'000
On acquisition	363	197
On disposal	237	151
	600	348

(B) FAIR VALUE HIERARCHY

	30 September 2019 £'000	30 September 2018 £'000
Level 1 assets	308,993	320,321
Valuation at 30 September	308,993	320,321

All Level 1 assets are traded on a recognised Stock Exchange.

(C) SUBSIDIARY UNDERTAKING

Company and business	Country of registration, incorporation and operation	Number and class of shares held by the Company	Holding
PCGH ZDP plc	England and Wales	50,000 Ordinary shares of £1	100%

The Company is a public limited company with the sole purpose of issuing Zero Dividend Preference (ZDP) shares. The registered office is at Polar Capital, 16 Palace Street, London, SW1E 5JD.

The investment is stated in the Company's Financial Statements at cost, which is considered by the Directors to equate to fair value.

The subsidiary is non-trading and the value of the net assets have not changed since the acquisition of the Ordinary share capital by the Company. The cost is therefore considered to equate to the fair value of the shares held.

14 RECEIVABLES

	30 September 2019 £'000	30 September 2018 £'000
Sales for future settlement	17,000	-
Accrued income	222	436
Prepayments	15	23
	17,237	459

15 PAYABLES

	30 September 2019 £'000	30 September 2018 £'000
Purchases for future settlement	10,289	3,338
Accruals	672	503
At 30 September	10,961	3,841

16 ZERO DIVIDEND PREFERENCE SHARES ('ZDP SHARES')

	30 September 2019 £'000	30 September 2018 £'000
At 1 October	33,372	32,400
Capital growth of ZDP shares	1,001	972
At 30 September	34,373	33,372

Further details on the ZDP shares are set out in the Additional Information on page 96.

17 CALLED UP SHARE CAPITAL

(i) Ordinary shares – Allotted, Called up and Fully paid:	30 September 2019 £'000	30 September 2018 £'000
Ordinary shares of nominal value 25p each:		
Opening balance of 122,470,000 (2018: 122,750,000)	30,617	30,687
Repurchase of 700,000 (2018: 280,000) Ordinary shares, into treasury	(175)	(70)
Allotted, Called up and Fully paid: 121,770,000 (2018: 122,470,000) Ordinary shares of 25p	30,442	30,617
2,379,256 (2018: 1,679,256) Ordinary shares, held in treasury	595	420
At 30 September	31,037	31,037

700,000 Ordinary shares were repurchased into treasury at a total cost of £1,513,000 (2018: £529,000).

Subsequent to the year end 500,000 Ordinary shares were repurchased at a price of 207.00p per share and held in treasury.

The Ordinary shares held in treasury have no voting rights and are not entitled to dividends.

(ii) SUBSIDIARY COMPANY (FOR INFORMATION PURPOSES)	30 September 2019 £'000	30 September 2018 £'000
ZDP shares – Allotted, Called up and Fully paid:		
ZDP shares of nominal value 1p each:		
Opening balance of 32,128,437 ZDP shares (2018: 32,128,437)	32,128	32,128
Allotted, Called up and Fully paid: 32,128,437 (2018: 32,128,437) ZDP shares of 1p	32,128	32,128
At 30 September	32,128	32,128

18 CAPITAL REDEMPTION RESERVE

	30 September 2019 £'000	30 September 2018 £'000
At 1 October	6,575	6,575
At 30 September	6,575	6,575

This reserve is not distributable.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2019

19 SHARE PREMIUM RESERVE

	30 September 2019 £'000	30 September 2018 £'000
At 1 October	80,685	80,685
At 30 September	80,685	80,685

This reserve is not distributable.

20 SPECIAL DISTRIBUTABLE RESERVE

	30 September 2019 £'000	30 September 2018 £'000
At 1 October	6,225	6,754
Repurchase of 700,000 (2018: 280,000) ordinary shares into treasury	(1,513)	(529)
At 30 September	4,712	6,225

Surpluses to the credit of the special distributable reserve can be used to purchase the Group and Company's own shares. In addition the Group and Company may use this reserve for the payment of dividends.

21 CAPITAL RESERVES

	30 September 2019 £'000	30 September 2018 £'000
At 1 October	169,059	122,754
Net (losses)/gains on disposal of investments	(11,039)	17,408
Valuation gains on investments held during the year	7,702	32,151
Exchange gains/(losses) on currency balances	43	(259)
Derivatives realised loss	–	(19)
Capital dividends	–	102
Irrecoverable tax on special capital dividends	–	(3)
Overdraft interest allocated to capital	(36)	(11)
Transaction charges allocated to capital	–	(1)
Research costs to capital	(69)	(181)
Investment management fee allocated to capital	(2,013)	(1,910)
Capital contribution to ZDP entitlement	(172)	(163)
ZDP appropriation	(829)	(809)
At 30 September	162,646	169,059

The balance on the capital reserve represents a profit of £17,345,000 (2018: £43,574,000) on investments held and a profit of £145,301,000 (2018: £125,485,000) on investments sold.

The balance on investments held comprises holding gains on investments (which may be deemed to be realised) and other amounts, which are unrealised. An analysis has not been made between the amounts that are realised (and may be distributed or used to repurchase the Group and Company's shares) and those that are unrealised.

The balance on investments sold are realised distributable capital reserves which may be used to repurchase the Group and Company's shares or be distributed as dividends.

22 REVENUE RESERVE

	30 September 2019 £'000	30 September 2018 £'000
At 1 October	2,682	2,324
Revenue profit	2,553	2,811
Interim dividends paid	(2,443)	(2,453)
At 30 September	2,792	2,682

The revenue reserve may be distributed or used to repurchase the Group and Company's shares (subject to being a positive balance).

23 NET ASSET VALUE PER SHARE

(i) Ordinary shares	30 September 2019	30 September 2018
Net assets attributable to Ordinary Shareholders (£'000)	288,447	296,263
Ordinary shares in issue at end of year	121,770,000	122,470,000
Net asset value per Ordinary share (pence)	236.88	241.91
Total issued ordinary shares	124,149,256	124,149,256
Ordinary shares held in treasury	2,379,256	1,679,256
Ordinary shares in issue	121,770,000	122,470,000

As at 30 September 2019 there were no potentially dilutive shares in issue.

(ii) SUBSIDIARY COMPANY (FOR INFORMATION PURPOSES)

ZDP shares	30 September 2019	30 September 2018
Calculated entitlement of ZDP shareholders (£)	£34,372,824	£33,372,440
ZDP shares in issue at the end of the year	32,128,437	32,128,437
Net asset value per ZDP share (pence)	106.99	103.87

24 CASH AND CASH EQUIVALENTS

	30 September 2019 £'000	30 September 2018 £'000
Cash at bank	5,706	12,777
Cash held at derivative clearing houses	1,106	1,024
Bank overdraft	(4)	(1,712)
Company cash and cash equivalents	6,808	12,089
Cash held at subsidiary	50	50
Group cash and cash equivalents	6,858	12,139

25 TRANSACTIONS WITH THE INVESTMENT MANAGER AND RELATED PARTY TRANSACTIONS

(A) TRANSACTIONS WITH THE MANAGER

Under the terms of an agreement dated 26 May 2010 the Group 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 Strategic Report. The total fees, paid under this agreement to Polar Capital in respect of the year ended 30 September 2019 were £2,516,000 (2018: £2,388,000) of which £433,000 (2018: £212,000) was outstanding at the year-end.

In addition, the total research cost in respect of the year ended 30 September 2019 was £184,000 (2018: £226,000) of which £43,000 relates to the period 1 October 2018 to 31 December 2018 and £141,000 relates to the period from 1 January 2019 to 30 September 2019. As at the year end, £95,000 (2018: £168,000) was outstanding. Refer to note 8 on page 77 for more details.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2019

25 TRANSACTIONS WITH THE INVESTMENT MANAGER AND RELATED PARTY TRANSACTIONS CONTINUED

(B) RELATED PARTY TRANSACTIONS

The Group and Company have no employees and therefore no key management personnel other than the Directors. The Group and Company paid £122,000 (2018: £130,000) to the Directors and the Remuneration Report, including Directors' shareholdings and movements within the year is set out on pages 47 and 51.

26 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

RISK MANAGEMENT POLICIES AND PROCEDURES FOR THE GROUP AND COMPANY

The Group and Company invests in equities and other financial instruments for the long term to further the investment objective set out on page 25. This exposes the Group and Company to a range of financial risks that could impact on the assets or performance of the Group and Company.

The main risks arising from the Group and Company's pursuit of its investment objective are market risk, liquidity risk and credit risk and the Directors' approach to the management of them is set out below.

The Group and Company's exposure to financial instruments can comprise:

- Equity and non-equity shares and fixed interest securities which may be held in the investment portfolio in accordance with the investment objective.
- Bank overdrafts, the main purpose of which is to raise finance for the Group and Company's operations.
- Cash, liquid resources and short-term receivables and payables that arise directly from the Group and Company's operations.
- Derivative transactions which the Group and Company enters into may include equity or index options, index futures contracts, and forward foreign exchange contracts.

The purpose of these is to manage the market price risks and foreign exchange risks arising from the Group and Company'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 26(a)(i)), currency risk (see note 26(a)(ii)), and interest rate risk (see note 26(a)(iii)).

(i) Market Price Risk

The Group and Company is an investment company and as such its performance is dependent on its valuation of its investments. Consequently, market price risk is the most significant risk that the Group and Company faces.

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

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

A detailed breakdown of the investment portfolio is given on pages 20 to 24. Investments are valued in accordance with the accounting policies as stated in Note 2(g).

At the year end, the Group and Company did not hold any derivative instruments (2018: nil).

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 healthcare sub 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.

Market price risks exposure

The Group and Company's exposure to changes in market prices at 30 September on its investments was as follows:

	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
Non-current asset investments at fair value through profit or loss	308,993	320,321
	308,993	320,321

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% in the fair values of the Group and Company'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 and Company's investments at each balance sheet date, with all other variables held constant.

	Year ended 30 September 2019		Year ended 30 September 2018	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
Statement of Comprehensive Income – profit after tax				
Revenue return	(78)	78	(81)	81
Capital return	46,034	(46,034)	47,721	(47,721)
Change to the profit after tax for the year	45,956	(45,956)	47,640	(47,640)
Change to equity attributable to Shareholders	45,956	(45,956)	47,640	(47,640)

(ii) Currency Risk

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

Management of the risk

The Investment Manager mitigates risks through an international spread of investments.

Settlement risk on investment trades is managed through short term hedging.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2019

26 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS CONTINUED

(a) Market Risk continued

Foreign currency exposure

The table below shows, by currency, the split of the Group and Company's monetary assets, liabilities and investments that are priced in currencies other than sterling.

	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
Monetary Assets:		
Cash and short term receivables		
US Dollars	13,617	69
Japanese Yen	4,241	166
Swiss Francs	852	725
Euros	146	135
Danish Krone	60	448
Other payables		
US Dollars	(12,337)	(733)
Japanese Yen	(4,241)	–
Danish Krone	–	(422)
Foreign currency exposure on net monetary items	2,338	388
Non-Monetary Items:		
Investments at fair value through profit or loss that are equities		
US Dollars	234,441	252,232
Euros	30,299	–
Danish Krone	24,625	9,093
Swiss Francs	7,314	16,730
Japanese Yen	4,300	14,206
Swedish Krona	–	2,227
Norwegian Krone	–	1,347
Total net foreign currency exposure	303,317	296,223

During the financial year, movements against sterling in the four major currencies noted above were:

US Dollar appreciated by 5.5% (2018: appreciated by 2.8%),
 Euros depreciated by 0.7% (2018: appreciated by 1.1%),
 Danish Krone depreciated by 0.8% (2018: appreciated by 0.9%), and
 Swiss Franc appreciated by 3.5% (2018: appreciated by 1.9%).

Foreign currency sensitivity

The following table illustrates the sensitivity of the profit after tax for the year and the value of equity attributable to Shareholders in regard to the financial assets and financial liabilities and the exchange rates for the £/US Dollar, £/Euros, £/Danish Krone and £/Swiss Francs.

Based on the year end position, if sterling had depreciated by a further 15% (2018: 15%) against the currencies shown, this would have the following effect:

	Year ended 30 September 2019 £'000			
	US Dollars	Euros	Danish Krone	Swiss Francs
Statement of Comprehensive Income – profit after tax				
Revenue return	226	26	11	150
Capital return	41,372	5,347	4,346	1,291
Change to the profit after tax for the year and to equity attributable to Shareholders	41,598	5,373	4,357	1,441
Year ended 30 September 2018 £'000				
	US Dollars	Swiss Francs	Japanese Yen	Danish Krone
Statement of Comprehensive Income – profit after tax				
Revenue return	12	128	29	79
Capital return	44,512	2,952	2,507	1,605
Change to the profit after tax for the year and to equity attributable to Shareholders	44,524	3,080	2,536	1,684

Based on the year end position, if sterling had appreciated by a further 15% (2018: 15%) against the currencies shown, this would have the following effect:

	Year ended 30 September 2019 £'000			
	US Dollars	Euros	Danish Krone	Swiss Francs
Statement of Comprehensive Income – profit after tax				
Revenue return	(167)	(19)	(8)	(111)
Capital return	(30,579)	(3,952)	(3,212)	(954)
Change to the profit after tax for the year and to equity attributable to Shareholders	(30,746)	(3,971)	(3,220)	(1,065)
Year ended 30 September 2018 £'000				
	US Dollars	Swiss Francs	Japanese Yen	Danish Krone
Statement of Comprehensive Income – profit after tax				
Revenue return	(9)	(95)	(22)	(58)
Capital return	(32,900)	(2,182)	(1,853)	(1,186)
Change to the profit after tax for the year and to equity attributable to Shareholders	(32,909)	(2,277)	(1,875)	(1,244)

In the opinion of the Directors, while these are regarded as reasonable estimates, 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 Group's objectives.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2019

26 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS CONTINUED

(a) Market Risk continued

(iii) Interest Rate Risk

Although the majority of the Group and Company's financial assets are equity shares which pay dividends, not interest, the Group and Company will be affected by interest rate changes as interest is earned on any cash balances and paid on any overdrawn balances.

Given the interest rate risk exposure noted below, the impact of any interest rate change is not considered to be significant and as such, no sensitivity analysis has been provided. Interest rate changes will also have an impact on the valuation of equities, although this forms part of price risk, which has already been considered separately above.

Management of the risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions.

Derivative contracts are not used to hedge against the exposure to interest rate risk.

Interest rate exposure

At the year-end, financial assets and liabilities exposed to floating interest rates were as follows:

	30 September 2019 £'000	30 September 2018 £'000
Cash at bank and at derivative clearing houses	6,812	13,801
Cash held at subsidiary	50	50
Bank overdraft	(4)	(1,712)
	6,858	12,139

The above year-end amounts may not be representative of the exposure to interest rates in the year ahead since the level of cash held during the year will be affected by the strategy being followed in response to the Board's and 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 and Company to realise sufficient assets to meet its financial liabilities.

Management of the risk

The Group and Company's assets mainly comprise readily realisable securities which may be sold to meet funding requirements as necessary.

Liquidity risk exposure

At 30 September the financial liabilities comprised:

	30 September 2019 £'000	30 September 2018 £'000
Due within 1 month:		
Other creditors and accruals	10,961	3,841
Bank overdraft	4	1,712
Due in more than 1 year:		
ZDP's entitlement	34,373	33,372
	45,338	38,925

The ZDP shares have a planned repayment date of 19 June 2024 at an amount of £39,514,000.

(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

The Group and Company 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.

HSBC Bank plc is the custodian of the Group and Company's assets. The Group and Company's assets are segregated from HSBC's own trading assets and are therefore protected in the event that HSBC were to cease trading.

These arrangements were in place throughout the current and prior year.

Credit risk exposure

The maximum exposure to credit risk at 30 September 2019 was £7,084,000 (2018: £14,287,000) comprising:

	30 September 2019 £'000	30 September 2018 £'000
Accrued Income	222	436
Cash at bank and at derivative clearing houses	6,862	13,851
	7,084	14,287

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 and Company's assets are past due or impaired. All deposits were placed with banks that had a rating of A or higher.

(d) Capital Management Policies and Procedures

The Group and Company's capital, or equity, is represented by its net assets which amounted to £288,447,000 for the year ended 30 September 2019 (2018: £296,263,000), which are managed to achieve the Group's and Company's investment objective set out on page 25.

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

- (i) 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 (i.e. the level of share price discount or premium); and
- (ii) the determination of dividend payments.

The Group and 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 Group and Company has to be able to meet one of two capital restriction tests imposed on investments by company law.

These requirements are unchanged since the previous year end and the Group and Company has complied with them.

27 POST BALANCE SHEET EVENTS

After the year end, a further 500,000 Ordinary shares were bought back and held in treasury. Following these share buybacks, the total number of shares in issue was 124,149,256 of which 2,879,256 shares were held in treasury. No other significant events occurred after the end of the reporting period to the date of this report requiring disclosure.

ALTERNATIVE PERFORMANCE MEASURES (APMS)

In assessing the performance of the Company and Group the Investment Manager and the Directors use the following APMs which are considered to be known industry metrics:

Net Asset Value (NAV)	<p>The NAV is the value attributed to the underlying assets of the Company less the liabilities, presented either on a per share or total basis.</p> <p>The value of the Company's assets, principally investments made in other companies and cash being held, minus any liabilities. The NAV is also described as 'Shareholders' funds' per share. The NAV is often expressed in pence per share after being divided by the number of shares which have been issued. The NAV per share is unlikely to be the same as the share price which is the price at which the Company's shares can be bought or sold by an investor.</p> <p><i>As at 30 September 2019, the Group's total equity was £288,447,000 and there were 121,770,000 ordinary shares in issue. The Group's NAV per share was therefore 236.88p (£288,447,000/121,770,000).</i></p> <p><i>At 30 September 2019, the value of the ZDP shares was £34,373,000 (note 16 of the notes to the financial statements on page 81) and the number of ZDP shares in issue was 32,128,437. The NAV per ZDP share was therefore 106.99p (£34,373,000/32,128,437)</i></p>
Total Net Assets (Group and Company)	<p>The value of the Group's and Company's assets, principally investments made in other companies and cash being held, minus any liabilities.</p> <p><i>At 30 September 2019, the total assets were £333,785,000 and the total liabilities were £45,338,000, the total net assets therefore were £288,447,000 (£333,785,000 - £45,338,000).</i></p>
NAV Total Return	<p>The NAV total return shows how the net asset value has performed over a period of time taking into account both capital returns and dividends paid to Shareholders.</p> <p>NAV total return is calculated as the change in NAV from the start of the period, assuming that dividends paid to Shareholders are reinvested on the payment date in Ordinary shares at their net asset value. The adjusted NAV at the start of the period was 244.12p.</p> <p><i>As at 30 September 2019, the Group's NAV per share was 236.88p, the impact of the dividend reinvestment in NAV was 4.20p and the adjusted NAV per share was therefore 241.08p (236.88p+4.20p). The NAV total return over the year was -1.24% ((241.08p-244.12p)/244.12p).</i></p> <p>NAV total return since restructuring is calculated as the change in NAV from the date of reconstruction on 20 June 2017, assuming that dividends paid to Shareholders are reinvested on the payment date in Ordinary shares at their net asset value. The NAV at reconstruction was 215.85p.</p> <p><i>As at 30 September 2019, the Group's adjusted NAV per share was 241.08p, the NAV total return since reconstruction was 11.69% ((241.08p-215.85p)/215.85p).</i></p>
Share Price Total Return	<p>Share price total return shows how the share price has performed over a period of time. It assumes that dividends paid to shareholders are reinvested in the shares at the time the shares are quoted ex dividend.</p> <p><i>As at 30 September 2019, the Company's share price was 218.00p and the opening share price as at 30 September 2018 was 223.00p; a reinvestment factor of 1.009104, relating to the impact of the reinvested dividends during the year, was applied to reach a closing adjusted share price for the purposes of the calculation of share price performance with income reinvested of 219.98p. The share price total return is -1.35% ((219.98p-223.00p)/223.00p).</i></p>
Discount/Premium	<p>A description of the difference between the share price and the net asset value per share usually expressed as a percentage (%) of the net asset value per share. If the share price is higher than the NAV per share the result is a premium. If the share price is lower than the NAV per share, the shares are trading at a discount.</p> <p><i>The share price at 30 September 2019 was 218.00p and NAV was 236.88p, the discount was therefore 8.0%, ((218.00p-236.88p)/236.88p).</i></p>

Total Expenses (Group and Company)	Comprising all the operating expenses, which includes research costs, of the Group and Company plus those expenses which are excluded from the ongoing charges calculation, including transaction costs, finance costs, tax and non-recurring expenses. Costs in relation to share issues and share buybacks are excluded from the calculation. <i>At 30 September 2019, the total operating expenses including management fees were £3,195,000, finance costs were £1,046,000 and taxes were £535,000; the total expenses therefore were £4,776,000 (£3,195,000 + £1,046,000 + £535,000).</i>
Ongoing Charges	<p>Ongoing charges are calculated in accordance with AIC guidance by taking the Company's annual ongoing charges, excluding performance fees and exceptional items, if any, and expressing them as a percentage of the average daily net asset value of the Company over the year.</p> <p>Ongoing charges include all regular operating expenses of the Company. Transaction costs, interest payments, tax and non-recurring expenses are excluded from the calculation as are the costs incurred in relation to share issues and share buybacks.</p> <p>Where a performance fee is paid or is payable, a second ongoing charge is provided, calculated on the same basis as the above but incorporating the amount of performance fee due or paid.</p> <p><i>Ongoing charges for the year equal the management fee of £2,516,000 plus other operating expenses of £679,000 divided by the Group's average NAV in the period. (£3,195,000/£316,065,695=1.01%)</i></p> <p><i>Since there was no performance fee paid or payable for the year the ongoing charges including performance fee is the same as the ongoing charges.</i></p>
Net Gearing	<p>Gearing is calculated in line with AIC guidelines and represents net gearing. This is defined as total assets less cash and cash equivalents divided by net assets. The total assets are calculated by adding back the structural gearing which is the ZDP value. Cash and cash equivalents are cash and purchases and sales for future settlement outstanding at the year end.</p> <p><i>As at 30 September 2019 the net assets were £288,447,000, ZDP value was £34,373,000 and cash and cash equivalents (including amounts for future settlement) were £13,569,000, and the net gearing was therefore 7.21%, (((£288,447,000+£34,373,000-£13,569,000)/£288,447,000)-1).</i></p>

GLOSSARY OF TERMS

AAF Report	A report prepared in accordance with Audit and Assurance Faculty guidance issued by the Institute of Chartered Accountants in England and Wales. Utilised within the review of internal controls.
AGM	The Annual General Meeting, to be held at 12:00pm on Wednesday, 26 February 2020 at the office of the manager, Polar Capital, 16 Palace Street, London SW1E 5JD.
AIC	Association of Investment Companies, the industry body for closed ended investment companies.
AIFMD	Alternative Investment Fund Managers Directive. Issued by the European Parliament in 2012 and 2013, the Directive requires that, while the Board of Directors of an Investment Trust remains fully responsible for all aspects of the Company's strategy, operations and compliance with regulations, all alternative investment vehicles ("AIFs") in the European Union, must appoint a Depositary and an Alternative Investment Fund Manager ("AIFM"). The Company's AIFM is Polar Capital LLP.
Benchmark	The Benchmark is the MSCI ACWI/Healthcare Index (total return in Sterling with dividends reinvested).
BREXIT	The advisory public referendum which was held on 23 June 2016 in the United Kingdom to indicate whether voters wanted to remain or withdraw from membership of the European Union (EU). The referendum vote was cast in favour to leave the EU. The process of actually leaving is termed BREXIT.
Closed-ended Investment Company	An Investment Company with a fixed issued ordinary share capital, the shares of which are traded on an exchange at a price not necessarily related to the net asset value of the company and which can only be issued or bought back by the company in certain circumstances.
Custodian	The Custodian is HSBC Bank plc, a financial institution responsible for safeguarding, worldwide, the listed securities and certain cash assets of the Group and Company, as well as the income arising therefrom, through provision of custodial, settlement and associated services.
Depositary	The Depositary is also HSBC Bank plc. Under AIFMD rules the Company must appoint a Depositary whose duties in respect of investments, cash and similar assets include: safekeeping; verification of ownership and valuation; and cash monitoring. Under the AIFMD rules, the Depositary has strict liability for the loss of the Group and Company's financial assets in respect of which it has safe-keeping duties. The Depositary's oversight duties will include but are not limited to share buybacks, dividend payments and adherence to investment limits.
Derivative	A contract between two or more parties, the value of which fluctuates in accordance with the value of an underlying security. Examples of derivatives are Put and Call Options, Swap contracts, Futures and Contracts for Difference. A derivative can be an asset or a liability and is a form of gearing because it can increase the economic exposure to shareholders.
Investment Manager/Manager	Polar Capital LLP is the Investment Manager. Gareth Powell and Dr James Douglas have delegated responsibility for the creation of the portfolio of investments subject to various parameters set by the Board of Directors. The responsibilities of the Investment Manager and the fees payable are set out in the Directors' Report.
GAAP	The Generally Accepted Accounting Practice. This includes UK Financial Reporting Standards (FRS) and International GAAP (IFRS or International Financial Reporting Standards applicable in the European Union).
Investment Company	Section 833 of the Companies Act 2006. An Investment Company is defined as a company which invests its funds in shares, land or other assets with the aim of spreading investment risk.
Investment Trust taxation status	Section 1158 of the Corporation Tax Act 2010. UK Corporation Tax law allows an Investment Company (referred to in Tax law as an Investment Trust) to be exempted from tax on its profits realised on investment transactions, provided it complies with certain rules. These are similar to Section 833 above but further require that the Company must be listed on a regulated stock exchange and that it cannot retain more than 15% of income received. The Directors' Report contains confirmation of the Company's compliance with this law and its consequent exemption from taxation on capital gains.
PwC	The Group and Company's auditor is PricewaterhouseCoopers LLP, represented by Catrin Thomas, Partner.

Leverage	As defined under AIFMD rules, leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded in derivative positions. Leverage is broadly equivalent to gearing but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowings).
Non-executive Director	The Group and Company are managed by a Board of Directors who are appointed by letter rather than a contract of employment. Neither the Group nor Company has any executive Directors. Remuneration of the Non-executive Directors is set out in the Directors' Remuneration Report while the duties of the Board and the various Committees are set out in the Corporate Governance Statement. An example of the letter of appointment is available on the Company's website.
PRIIPS	The Packaged Retail and Insurance-based Investment Products regulations which came into force on 1 January 2018 in the UK and EU. The regulations require generic pre-sale disclosure of investment "product" costs, risks and certain other matters.
SORP	The Statement of Recommended Practice. The financial statements of the Group and Company are drawn up in accordance with the Investment Trust SORP issued by the AIC.
ZDP	Zero dividend preference shares are preference shares which carry no entitlement to dividends, but which carry the right, on a fixed date, to the repayment of capital and a fixed rate of return in priority to any capital payment to the holders of ordinary shares.

INVESTING

MARKET PURCHASES

The ordinary shares of Polar Capital Global Healthcare 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

There are a variety of ways to invest in the Company however this will largely depend upon whether you would like financial advice or are happy to make your own investment decisions. For those investors who would like advice:

Private Client Stockbrokers

Investors with a large lump sum to invest may want to contact a private client stockbroker. They will manage a portfolio of shares on behalf of a private investor and will offer a personalised service to meet an individual's particular needs. A list of private client stockbrokers is available from the Wealth Management Association at www.thewma.co.uk

Financial Advisers

For investors looking to find a financial adviser, please visit www.unbiased.co.uk

Financial Advisers who wish to purchase shares for their clients can also do so via a growing number of platforms that offer investment trusts including Alliance Trust Savings, Ascentric, Nucleus, Raymond James, Seven IM and Transact.

For those investors who are happy to make their own investment decisions:

Online Stockbroking Services

There are a number of real time execution only stockbroker services which allow private investors to trade online for themselves, manage a portfolio and buy UK listed shares. Online stockbroking services include Alliance Trust Savings, Barclays Stockbrokers, Halifax Share Dealing, Hargreaves Lansdown, Selftrade and TD Waterhouse.

INVESTING RISKS

Please remember that any investment in the shares of Polar Capital Global Healthcare Trust plc 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. Past performance is not a guide to future performance.

Polar Capital Global Healthcare Trust plc is allowed to borrow against its assets and this may increase losses triggered by a falling market, however the Company may increase or decrease its borrowing levels to suit market conditions.

If you are in any doubt as to the suitability of a plan or any investment available within a plan, please take professional advice.

Polar Capital Global Healthcare Trust plc is an investment trust and as such its ordinary shares are excluded from the FCA's restrictions which apply to non-mainstream investment products. The Company conducts its affairs and intends to continue to do so for the foreseeable future so that the exclusion continues to apply.

Please also see the additional disclosures on page 95.

WARNING TO SHAREHOLDERS

As the shares in an investment trust are traded on a stock market, the share price will fluctuate in accordance with supply and demand and may not reflect the underlying net asset value of the shares; where the share price is less than the underlying value of the assets, the difference is known as the 'discount'. For these reasons, investors may not get back the original amount invested.

Although the Company's financial statements are denominated in Sterling, it may invest in stocks and shares that are denominated in currencies other than Sterling and to the extent they do so, they may be affected by movements in exchange rates. As a result, the value of your investment may rise or fall with movements in exchange rates.

Investors should note that tax rates and reliefs may change at any time in the future. The value of ISA tax advantages will depend on personal circumstances. The favourable tax treatment of ISAs may not be maintained.

If you receive any unsolicited phone calls offering 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.

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 Strategic Report Section on pages 28 to 30 of this Annual Report and Financial Statements.

No part of these results constitutes, or shall be taken to constitute, an invitation or inducement to invest in Polar Capital Global Healthcare 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.

Investment scams are often sophisticated and difficult to spot

How to avoid investment scams

1 Reject unexpected offers

Scammers usually cold call, but contact can also come by email, post, word of mouth or at a seminar. If you've been offered an investment out of the blue, chances are it's a high risk investment or a scam.

2 Check the FCA Warning List

Use the FCA Warning List to check the risks of a potential investment – you can also search to see if the firm is known to be operating without FCA authorisation.

3 Get impartial advice

Get impartial advice before investing – don't use an adviser from the firm that contacted you.

If you're suspicious, report it

You can report the firm or scam to the Financial Conduct Authority on **0800 111 6768** or through www.fca.org.uk/scamsmart

If you've lost money in a scam, contact Action Fraud on **0300 123 2040** or www.actionfraud.police.uk



Be ScamSmart and visit
www.fca.org.uk/scamsmart



ADDITIONAL INFORMATION

HISTORY

The Company was incorporated as Polar Capital Global Healthcare Growth and Income Trust plc on 12 May 2010. On 15 June 2010 the Company issued 89,000,000 ordinary shares of 25p each and 17,800,000 subscription shares of 1p each which were admitted to trading on the Main Market of the London Stock Exchange. The original subscription price for each ordinary share was £1 and the Net Asset Value (NAV) per share on 15 June 2010 was 98p (after launch costs). The subscription share rights expired on 31 January 2014, following the issue of 17,800,000 ordinary shares. The subscription shares were subsequently cancelled.

On 20 June 2017 the Company was reconstructed and the name was changed to Polar Capital Global Healthcare Trust plc. As part of the reconstruction, a 100% tender offer was made to shareholders of which 21.8% was accepted resulting in 26,299,042 ordinary shares being bought back by the Company; the Company also offered new ordinary shares in the form of an issue and placing which resulted in 27,798,298 new ordinary shares being created. As part of the reconstruction and change of investment strategy, the Company created a wholly owned subsidiary, PCGH ZDP Plc (the 'subsidiary') (together with the Company, the 'Group') which was created to provide structural gearing to the Company through the placing of zero dividend preference shares ('ZDP shares'). The subsidiary was incorporated on 30 March 2017 and issued 50,000 ordinary shares of £1 each which were subscribed by the Company and fully paid up. On 19 June 2017 the subsidiary issued 32,128,437 ZDP shares at 100p each. These ZDP shares have a standard listing on the London Stock Exchange. Each ZDP share is entitled to 122.99p on 19 June 2024 on the winding up of the subsidiary. The proceeds of the ZDP Share issue were advanced to the Company under the terms of a loan agreement for investment by the Company in accordance with its Investment Policy.

PORTFOLIO DETAILS

Portfolio information is provided to the AIC for its monthly statistical information service (www.theaic.co.uk). The portfolio is also published to the Company's website.

COMPANY WEBSITE

www.polarcapitalhealthcaretrust.co.uk

The Company maintains a website which provides a wide range of information on the Company, monthly factsheets issued by the Investment Manager and copies of announcements, including the annual and half year reports when issued.

Information on the Company can also be obtained from various different sources including:

www.theaic.co.uk

www.ft.com/markets

www.londonstockexchange.co.uk

SHARE PRICES AND NET ASSET VALUE

The Company's Net Asset Value (NAV) is normally 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

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.

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.

NOMINEE SHAREHOLDERS

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 when invited by the Chairman.

CAPITAL GAINS TAX

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

When shares are disposed of a capital gain may result if the disposal proceeds exceed the sum of the base cost of the shares disposed and any other allowable deductions such as share dealing costs. The exercise of a right of a subscription share holder to subscribe for ordinary shares should not give 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 subscription shares is provided in the subscription share section below.

The Company was launched on 15 June 2010 with the issue of ordinary shares at £1 per share with subscription shares attached (on a one for five basis).

SUBSCRIPTION SHARES TAX IMPLICATIONS

The base 'cost' for UK tax purposes of the subscription shares is a proportion of the issue price paid for the ordinary shares to which the subscription shares were attached. The apportionment is made by reference to the respective market values of the ordinary shares and subscription shares at the close of business on 15 June 2010, the day the ordinary and subscription shares were admitted to trading. The market value for UK tax purposes of the Company's ordinary shares and subscription shares on such date were as follows:

Ordinary Shares 101.0p Subscription Shares 14.875p

If you have exercised the subscription rights attaching to your subscription shares, the resulting ordinary shares are 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.

DISABILITY ACT

Copies of this Annual 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.

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.

CONTACT INFORMATION

COMPANY REGISTRATION NUMBER

7251471 (REGISTERED IN ENGLAND)

The Company is an investment company as defined under Section 833 of the Companies Act 2006.

DIRECTORS

James Robinson, Chairman

Lisa Arnold

Anthony Brampton

Neal Ransome

Andrew Fleming (appointed 1 December 2019)

Jeremy Whitley (appointed 1 December 2019)

REGISTERED OFFICE AND CONTACT ADDRESS FOR DIRECTORS

16 Palace Street

London

SW1E 5JD

INVESTMENT MANAGER AND AIFM

POLAR CAPITAL LLP

16 Palace Street

London

SW1E 5JD

Authorised and regulated by the
Financial Conduct Authority.

Telephone: 020 7227 2700

Website: www.polarcapital.co.uk

PORTFOLIO MANAGERS

Mr. Gareth Powell

Dr. James Douglas

COMPANY SECRETARY

POLAR CAPITAL SECRETARIAL SERVICES LIMITED

Represented by Tracey Lago, FCG

DEPOSITORY, BANKERS AND CUSTODIAN

HSBC BANK PLC

8 Canada Square

London

E14 5HQ



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INDEPENDENT AUDITORS

PRICEWATERHOUSECOOPERS LLP

Atria One

144 Morrison Street

Edinburgh

EH3 8EX

SOLICITORS

HERBERT SMITH FREEHILLS LLP

Exchange House

Primrose Street

London

EC2A 2HS

STOCKBROKERS

PANMURE GORDON & CO

One New Change

London EC4M 9AF

IDENTIFICATION CODES

ORDINARY SHARES

SEDOL: B6832P1

ISIN: GB00B6832P16

TICKER: PCGH

GIIN: ID3ME4.99999.SL.826

LEI: 549300YV7J2TWLE7PV84

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 Global Healthcare 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 313 4922
(or +44 121 415 0804)

www.shareview.co.uk

