



Polar Capital Global Healthcare Growth and Income Trust plc

Report & Financial Statements for the period from Incorporation on 12 May 2010 to 30 September 2011



About Us

Profile

The Company was incorporated on 12 May 2010. On 15 June 2010 it issued ordinary shares plus one subscription share for every five ordinary shares 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).

Investors may purchase shares through their stockbroker, bank or other financial intermediary.

Investment Objective

The Company's investment objective is to generate capital growth and income by investing in a global portfolio of healthcare stocks.

Investment Policy

The Company seeks to achieve this objective by investing in a diversified global portfolio consisting primarily of listed equities issued by healthcare companies involved in pharmaceuticals, medical services, medical devices and biotechnology. The portfolio is diversified by geographic location and size of investee companies.

The full details of the investment policy and strategy are set out in the Report of the Directors on pages 12 to 26.

Benchmark

The Benchmark is the MSCI ACWI/Healthcare Index total return in sterling with dividends reinvested.

Capital Structure

On 15 June 2010 the Company issued 89,000,000 ordinary shares of 25p each and 17,800,000 subscription shares of 1p each. The Company subsequently has issued 8,899,999 ordinary shares. The Company has not bought back any ordinary or subscription shares in the period up to 30 September 2011.

At 30 September 2011 the Company had in issue 97,899,999 ordinary shares of 25p each and 17,800,000 subscription shares of 1p each. The subscription shares give the holders the right but not the obligation to subscribe for one ordinary share at 100p per ordinary share on 31 January 2014 after which the subscription rights will lapse.

Life

The Articles of Association require the Directors to put forward at the seventh Annual General Meeting 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. The seventh AGM is expected to be held in January 2018.

Gearing

It is not intended that the Company incur borrowings to provide long-term structural debt. No borrowings have been made and no arrangements made for any banking loans. However the Company may borrow up to 15% of its NAV at the time of drawdown for tactical deployment when the Board believes that gearing will enhance returns to shareholders.

Management

The Investment Manager is Polar Capital LLP and Dr Daniel Mahony and Mr Gareth Powell have managed the portfolio since launch. The Investment Manager is entitled to a fee at the rate of 0.85% per annum of the lower of the Company's market capitalisation and the Company's 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 return over the performance fee hurdle. The hurdle is 100p increased or decreased by reference to the return on the Benchmark plus 15p. The performance is adjusted for these purposes to take into account the dividends paid by the Company. The fee is calculated and payable at the liquidation of the Company expected following the seventh AGM in January 2018. Further details are given in the Report of the Directors on pages 12 to 26.

Overview

01 Financial Highlights

Business review

02 Chairman's Statement
04 Investment Manager's Report
07 Portfolio

Management and governance

10 Board of Directors
11 Management Team
12 Directors' Report
27 Directors' Remuneration Report
29 Statement of Directors' Responsibilities

Independent Auditors' Report

30 Independent Auditors' Report

Financial statements and notes

32 Consolidated Statement of Comprehensive Income
33 Consolidated and Company Statement of Changes in Equity
34 Consolidated and Company Balance Sheet
35 Consolidated and Company Cash Flow Statement
36 Notes to the Financial Statements

Shareholder information

54 Capital Gains Tax and Investing
55 Subscription Shares
56 Warnings to Shareholders
IBC Company information

Financial Highlights

Net asset value per ordinary share (undiluted) (note 1)

30 September 2011	102.58p
15 June 2010*	98.0p
	+4.7%

Net asset value per ordinary share (diluted) (note 1)

30 September 2011	102.18p
15 June 2010*	98.0p
	+4.3%

Price per ordinary share (note 2)

30 September 2011	106.25p
15 June 2010*	100.0p
	+6.3%

Price per subscription share (note 3)

30 September 2011	12.25p
15 June 2010*	–

Benchmark Index (15 June 2010 to 30 September 2011) (note 4)

+6.7%

Net asset value per ordinary share (total return) (15 June 2010 to 30 September 2011) (note 5)

+7.9%

Ordinary shares in issue

30 September 2011	97,899,999
15 June 2010*	89,000,000
	+10.0%

Subscription shares in issue

30 September 2011	17,800,000
15 June 2010*	17,800,000

Total Expenses Ratio (see note 9 to financial statements)

1.27%

For the period from 15 June 2010
(commencement of trading) to 30 September 2011

Dividends

The Company has paid the following dividends in respect of the period to 30 September 2011:

Pay date	Amount	Record date	Ex-date	Declared date
30 November 2010	0.40p	5 November 2010	3 November 2010	26 October 2010
28 February 2011	0.40p	11 February 2011	9 February 2011	20 January 2011
31 May 2011	0.40p	13 May 2011	11 May 2011	3 May 2011
31 August 2011	1.80p	12 August 2011	10 August 2011	3 August 2011
30 November 2011	0.46p	5 November 2011	3 November 2011	26 October 2011

Note 1 The Net Asset Value (NAV) as at 15 June 2010 was 98.0p per ordinary share based on the subscription price of 100.0p per ordinary share and launch costs of 2.0p per ordinary share.

Note 2 The share price of the ordinary shares at the close of the market on 15 June 2010 was 101.25p per share. The share price return has been calculated on the 100p per ordinary share paid by investors.

Note 3 Subscription shares were issued free to investors on the 15 June 2010 on the basis of one subscription share for every five ordinary Shares.

Note 4 The Benchmark Index is the MSCI ACWI/Healthcare Index Total Return in Sterling with dividends reinvested.

Note 5 The total return NAV (undiluted) is calculated by reinvesting the dividend in the assets of the Company from the relevant pay dates, from a starting NAV per ordinary share of 98.0p.

*Date of listing and commencement of operations

Chairman's Statement



James Robinson
Chairman

I am delighted to present to you our first annual report since the launch of the Company on the London Stock Exchange on 15 June 2010. It covers the period to 30 September 2011.

Performance

Since launch the Company has delivered an NAV total return of 7.9% which was ahead of our benchmark (the MSCI Healthcare Index) that delivered a total return of 6.7% over the same period. Given the initial costs of establishing the investment portfolio the Board considers this to be a satisfactory result. Meanwhile our share price closed the period at 106.25p which represents a premium of 4% to diluted net asset value.

Almost half of our assets are invested in the United States so we have had to face the headwind of a depreciating US dollar which has declined by 5.2% against sterling over the period. However this has been largely mitigated by our exposure to the Swiss Franc which constitutes around 13% of our portfolio and which appreciated by 15.5% against sterling.

The encouraging news is that since February the healthcare sector has started to outperform the broader market indices thereby providing some justification for our original investment thesis. As a result healthcare has been one of the few sectors to have delivered a positive return over the first nine months of calendar 2011.

Revenue

Our total revenue for the period amounted to £5.259m. The major part of this consisted of investment income but there was also a significant contribution from option premium income. The latter arises from writing short-dated covered call options and put options in the expectation that the options will not be exercised. The aim here is that any losses that may arise following exercise will be outweighed by the premiums received. Our managers were very successful in their option strategy with a modest capital loss of £89,000 compared to total premium income of £744,000.

Costs

One of the Board's most important tasks is to control our Total Expense Ratio (TER). We had initially estimated a TER of between 1.35% and 1.45% but the actual outcome was 1.27%. This is partly due to the fact that we have been able to issue more shares during the period thus expanding the size of the Company.

Share Capital

Your company raised £89 million in the Initial Public Offering (IPO) which was no mean feat given the very unsettled market conditions prevailing at the time. It was refreshing to be able to come to the market with an investment idea which was distinctly unfashionable but which we were able to convince investors had the potential to generate attractive returns over the seven and a half year life of the Trust. Indeed we have continued to see ongoing demand for our shares and this has enabled us to expand our share capital by 10%, the maximum possible, to 97,899,999 shares.

It is the Board's view that the ability to issue shares at a premium to net asset value is an essential tool through which to attempt to control the level of premium and hopefully prevent it reaching excessive levels. We shall therefore be asking shareholders to allow us to expand our share capital by up to a further 10%.

Dividends

In our prospectus for the IPO we said we were aiming to pay four dividends totalling not less than 3p per ordinary share in the period from admission to 30 September 2011. In the event we paid out exactly 3p per share while subsequent to our year end we have distributed a further 0.46p per share by way of a fifth interim dividend.

Following the pattern set last year the dividends paid in February, May and November are likely to be smaller than the dividend paid in August. The Board, when considering the dividend policy, is mindful of the current market consensus for dividend growth in the pharmaceutical sector and will look to this when

considering the annual distributions to shareholders. The Company's policy remains to increase the dividend on an annual basis progressively but there can be no guarantee that this will be achieved.

One of the major advantages of investment trusts is their ability to use revenue reserves to support dividend payments in difficult times thus providing greater assurance to shareholders that distributions will be maintained. It has been our policy to build up our revenue reserves as much as possible given the limitations imposed by legislation and by the promises we made in our prospectus. Earlier this year a proposal to reduce the maximum retention limit under section 1158 from 15% to 10% was put forward. This would, in my view, have made it very difficult for new investment trusts such as ourselves to build up a reasonable level of revenue reserves in their early years. Fortunately our industry body, the Association of Investment Companies, went into battle on this issue and successfully got the proposal amended with the result that investment trusts can continue to retain up to 15% of their income.

Outlook

At the end of the period we had £6.8m in cash which represents 6.8% of net assets. This reflects a relatively cautious approach on the part of our Managers which the Board believes to be fully justified given the very difficult global economic situation. Although our exposure to the Euro is only 6.9% of the portfolio this significantly understates the potential impact of a full blown Eurozone crisis on the rest of the world.

Our investment portfolio is unlikely to be immune from these problems. However it is reassuringly straightforward and we employ no gearing. Our ten largest investments which are all large-cap pharmaceuticals comprise 60.9% of the portfolio while our largest country exposures are to the United States, the United Kingdom and Switzerland which together represent 78.7% of our assets.

Your Board agrees with the Manager's view that healthcare is undervalued and that we are still in the early stages of a re-rating process. We therefore believe there is a good chance that the sector will continue its recent out-performance in the years ahead.

Annual General Meeting

The Company's first Annual General Meeting (AGM) which will be held on Wednesday 25 January 2012 at 10.30am at The Methodist Central Hall, Storey's Gate, London SW1H 9NH provides shareholders with an opportunity to meet the Board and to hear a presentation from the Investment Manager. I look forward to meeting as many shareholders as possible at the AGM.

Investment Manager's Report



Dr Daniel Mahony and Gareth Powell

Performance review

Since the launch, the Company has delivered an NAV total return of 7.9%, which was slightly ahead of the benchmark (MSCI Healthcare Index) that delivered a total return of 6.7% over the same period.

Global equity markets have been extremely volatile over the period from launch to the end of the fiscal period on 30 September 2011. Macroeconomic concerns have been at the forefront of investors' minds especially with the risk of a sovereign debt crisis in Europe, the uncertainty surrounding the debate on the government debt ceiling in the United States and the potential for an economic hard landing in China. Against this backdrop, healthcare stocks have performed well – it is one of the few sectors to have delivered a positive return over the first three quarters of the calendar year 2011. The out-performance of the sector began in mid-February 2011 when there was a clear move into defensive stocks as many leading economic indicators began to fall. The portfolio's heavy weighting in large pharmaceutical companies contributed to the out-performance as investors sought high quality, defensive, dividend-yielding names.

Review of the portfolio

The investment portfolio has for operational purposes been split with approximately 80% of the assets invested in the income portfolio – all of these stocks generate dividend income – and the remaining 20% invested in the growth portfolio.

Given that our core investment thesis assumes a pharmaceutical sector recovery, the investment portfolio has a high concentration in pharmaceutical stocks and we do not expect this to change markedly over the life of the Company. The other key risk for investors is that healthcare is a highly regulated industry – unexpected changes in reimbursement, regulation and pricing can have an adverse impact on individual companies.

Income portfolio

Pharmaceutical companies feature heavily in the income portfolio as they continue to offer very attractive dividend yields and we see an opportunity for significant capital return. We have diversified the income portfolio with investments in a range of other

sectors including healthcare service and medical device companies that have good dividend yields. In addition, we have invested in some US healthcare real estate investment trusts (REITs).

Significant contributions to performance have come from Bristol-Myers and Pfizer as well as from some of the smaller companies in the income portfolio – especially Consort Medical and NIB Holdings. A major disappointment in the income portfolio was Healthcare Locums; a medical staffing company that we believed was generating strong cash flow and targeted a growing opportunity globally. Unfortunately, the stock was suspended in January due to accounting irregularities and the company completed a highly dilutive financing in September in order to meet its debt obligations. We decided not to participate and sold our position at a very significant loss.

There has been very little turnover in the income portfolio over the period. We are always looking for new dividend-yielding stocks but we want to ensure that we select companies with strong cash flow, good dividend coverage and solid management teams. We have made modest changes to some of our pharmaceutical company positions but our weighting in the pharmaceutical sector has remained largely unchanged over the reporting period. We expect this situation to continue for the foreseeable future.

Growth portfolio

The growth portfolio finished the financial period with 35 holdings in a range of biotechnology, medical device, pharmaceutical and service companies – with similar weightings in each of the sub-sectors. The turnover in this part of the portfolio has been higher than the income portfolio. The majority of the portfolio is invested in companies with a market capitalisation greater than \$5 billion. In large part, this is because we have developed a more cautious stance on the markets over the summer and finished the year positioned quite defensively. However, over the period we have begun to build positions in some smaller companies (some of these are currently loss-making) where we have invested with a long-term time horizon – at the end of the reporting period these companies comprised less than 3% of the total portfolio.

The performance of stocks in the growth portfolio has been a little mixed. Some of the best returns have come from our biotechnology and medical technology positions while we have lost money in some of our healthcare service positions. Our view at the beginning of 2011 was that healthcare utilisation, that is people visiting the doctor and hospital, would begin to pick up. However, given the weak economic recovery this has not occurred and some healthcare services businesses, such as hospitals, have delivered disappointing results. We have also been on the wrong side of some changes in reimbursement, particularly in skilled nursing facilities. Changes in government reimbursement are probably the biggest risk for any healthcare service investment.

We continue to believe that healthcare is undervalued

For most of the last decade, healthcare has been an underperforming sector that most investors have ignored. The steady decline of large pharmaceutical companies has been the major reason for the poor returns. From its zenith in 1999/2000, the pharmaceutical sector has experienced over a decade of price to earnings (P/E) multiple contraction as concerns over top-line growth, patent cliffs and low productivity led investors to question the sector's long-term growth potential. Moreover, given the global macroeconomic situation, and the need to reduce government spending, there have been concerns that healthcare entitlements and budgets are set to be cut in most developed markets.

At the time of the launch of the Company, we believed that healthcare was undervalued, unloved and under-owned. Given that the consensus outlook was so pessimistic, which was clearly reflected in stock valuations, we saw the potential for a significant period of out-performance if the pharmaceutical sector could return to growth. We also held the view that in an era of government austerity, companies that deliver products and services that produce better (or even the same) healthcare for less money can deliver strong growth and excellent investor returns.

Our investment thesis has not changed over the last 18 months and we believe that there is now more evidence to support it. However, we see no single inflection point or event that will be the catalyst for change – a major sector re-rating is likely to be a multi-year process.

Pharmaceutical Sector – We see signs of life

The pharmaceutical sector has performed well in 2011 on a relative and absolute basis. However, the reason for the recent recovery is probably more to do with the macroeconomic situation than a Damascus moment regarding improving company fundamentals. Nevertheless, we think that there is a dawning realisation, particularly among value investors, that there have been structural changes in the sector and that the next decade should see a revival in the operating performance of these companies.

The long-term overhang for the sector has been the looming patent cliff – almost every major pharmaceutical company will face cheap, generic competition for one or more of its branded drugs over the period 2010 to 2015. Investors have been concerned that this will create a precipitous fall in profits and it is not clear what P/E multiple would be appropriate for these trough earnings. While this remains a concern, it is important to note that 2012 is the peak year with respect to patent expiries for major branded medicines but within two years the patent cliff will be behind most companies.

Management teams have not been blind to this problem. All major companies have embarked on significant cost-cutting programmes and many have divested assets to create greater focus in their core businesses. This strategy not only maximises cash generation in the short-term but also means that loss of sales from a major product has a more modest impact on the bottom line. An example of this approach is Pfizer, which lost US patent protection for Lipitor, its blockbuster cholesterol lowering medicine, in November 2011. Lipitor generated of the order of \$5 billion in US sales in 2010, accounting for nearly 7% of Pfizer's entire top-line. However, despite the potential for generic competition to Lipitor, Pfizer has recently issued guidance for potential modest EPS growth in 2012.

Most importantly, we think this re-basing of the cost base means that most companies will be leaner and more efficient when they exit the patent cliff period. As a result, there should be an opportunity for significant operating leverage if the large companies can get back to even mid-single digit revenue growth.

The path back to growth

We see two potential sources of growth – emerging markets and drug pipelines.

Over the last two to three years, management teams have been highlighting the revenue opportunity in emerging markets – many companies now break out their sales by geography in more detail – and the significant investments they have made in infrastructure. Markets, however, seem to be ignoring this growth opportunity, with the focus remaining on the patent cliff and the view is that emerging markets are not sufficient to drive growth in the face of the slowdown in developed markets.

GDP growth in emerging markets – especially in Brazil, Russia, India and China (the so-called BRICs) – is the key driver behind accelerating drug sales. Moreover, as a developing country becomes richer, the percentage of GDP spent on healthcare almost doubles. As a result, we expect emerging market drug sales to grow from \$90 billion to over \$400 billion in the decade to 2020.

Investment Manager's Report

continued

We think there could be an inflection point over the next two years as the sector traverses the patent cliff period. Emerging market drug sales should continue to grow and become a larger percentage of revenues for many companies. In our view, the emerging market opportunity could take the pharmaceutical sector back to top-line growth.

The second growth opportunity comes from R&D pipelines. Based on current valuations, the markets appear to place little value on these pipelines for the major pharmaceutical companies. However, we think the tide is beginning to turn and view the low level of productivity over the last decade largely as a function of the scientific innovation cycle (with due respect to Thomas Kuhn).

While we do not expect investor sentiment to change overnight, we think the next two years could be very interesting. Many pharmaceutical companies have been actively in-licensing drug candidates from biotechnology companies over the last few years and this has bolstered the number of compounds in late-stage development.

We continue to believe that the pharmaceutical sector is in the midst of a recovery – we think this process is reaching the end of the beginning. The cost-cutting and operational efficiency programmes are currently helping companies maintain strong cash flows and facilitate the return of cash to shareholders. We think the effects of the patent cliff will not be as deep as many believe and that emerging markets growth will help drive at least mid-single digit top-line growth. With more streamlined organisations, this should translate into faster bottom-line growth. We then believe that a new wave of innovative drugs could re-ignite developed market sales growth in the second half of the decade.

We acknowledge that this is an optimistic scenario and the evidence to support the concept of strengthening pipelines is still anecdotal. However, we think a return to even high-single digit earnings growth justifies at least a market multiple and at current valuations the sector still looks cheap.

Healthcare is still a growth sector

The macroeconomic situation has led investors to be concerned that, in an era of government austerity, healthcare budgets will be cut and companies will suffer pricing pressure. However, the demographics in most developed markets suggest that this will be difficult to achieve – an ageing population that needs (and demands) more healthcare makes this a long-term secular growth sector. What is a more realistic outcome is that healthcare budgets are spent more efficiently. In our view governments or insurance companies are looking for ways to deliver better healthcare for less money. We think that companies

with products and services that provide solutions to this conundrum have the opportunity for significant sales and earnings growth. We refer to this as the three "I"s of healthcare – addressing inefficiency through innovation and infrastructure.

Innovation affects all aspects of healthcare.

Our view of innovation is quite broad – it not only includes breakthrough products from drug, device and diagnostics companies but also new ways of delivering or managing healthcare (by implementing new healthcare IT systems, for example). In terms of new products, it is not enough to identify products that target unmet medical needs; they also need to improve clinical outcomes and reduce costs. We see innovation as one of the key ways to get pricing power in healthcare. Companies need to prove the value of their products and services to all stakeholders – patients, doctors, hospitals and governments.

Infrastructure is evolving in both developed and emerging markets.

In developed countries, infrastructure is evolving to take advantage of the efficiencies created by outsourcing certain healthcare services. This has been a recent trend in both Germany and France and could be replicated in the UK over the next few years. Clearly there are political risks to this theme and the outsourcing opportunities vary between countries.

In the Emerging Markets, as GDP increases, we would expect healthcare spending per capita as a % of GDP to approach levels seen in the developed countries over the next decade. A number of governments have made commitments to building infrastructure in the near-term – for example, China plans to build 5,000 hospitals over the next 5-10 years.

Outlook

Given the macroeconomic and political uncertainty, we have finished the year with a 6.8% cash position in the portfolio. We expect the market to remain volatile and we will manage risk accordingly and expect to maintain a cautious stance in the near-term. That said, we continue to find interesting long-term growth opportunities in healthcare – especially in small and mid-cap names – and will add these to the portfolio at the right prices. Our view on the pharmaceutical sector remains positive – we continue to see life after the patent cliff. Moreover, we think we are seeing early signs of improved drug pipelines at large pharmaceutical companies and, more importantly, a willingness by the market to assign value to this progress (at least in the case of Bristol-Myers). While a pharmaceutical recovery will not happen overnight, we do think that patient investors will be rewarded over the long-term.

Portfolio

as at 30 September 2011

	Stock	Country	Market Value £'000	% of total net assets
1	GlaxoSmithKline	United Kingdom	9,328	9.3%
2	Bristo-Myers Squibb	United States	8,254	8.2%
3	Pfizer	United States	8,228	8.2%
4	Roche Holding	Switzerland	7,792	7.8%
5	Eli Lilly	United States	5,479	5.5%
6	Merck & Co	United States	5,353	5.3%
7	Novartis	Switzerland	5,021	5.0%
8	Sanofi	France	4,250	4.2%
9	AstraZeneca	United Kingdom	4,157	4.1%
10	Abbott Labs	United States	3,284	3.3%
Top 10 investments			61,146	60.9%
11	Astellas Pharma	Japan	3,184	3.2%
12	Consort Medical	United Kingdom	1,820	1.8%
13	Johnson & Johnson	United States	1,635	1.6%
14	Sonic Healthcare	Australia	1,593	1.6%
15	Baxter International	United States	1,082	1.1%
16	Celgene	United States	1,073	1.1%
17	Bayer	Germany	1,064	1.1%
18	Amgen	United States	1,058	1.1%
19	Allergan	United States	1,058	1.1%
20	UnitedHealth	United States	1,035	1.0%
Top 20 investments			75,748	75.6%
21	Alexion Pharmaceuticals	United States	925	0.9%
22	Health Care REIT	United States	901	0.9%
23	Fresenius Medical Care	Germany	895	0.9%
24	Covidien	Ireland	877	0.9%
25	Senior Housing Property	United States	830	0.8%
26	National Health Investors	United States	677	0.7%
27	AmerisourceBergen	United States	622	0.6%
28	Coltene Holding	Switzerland	617	0.6%
29	Omega Healthcare	United States	613	0.6%
30	Bard	United States	562	0.6%
Top 30 investments			83,267	83.1%
31	Cyberonics	United States	544	0.5%
32	Sabra Health Care REIT	United States	520	0.5%
33	Asahi Intecc	Japan	480	0.5%
34	Humana	United States	467	0.5%
35	HCP	United States	450	0.4%
36	Optos	United Kingdom	447	0.4%
37	Watson Pharmaceutical	United States	438	0.4%
38	Extendicare Real Estate	Canada	431	0.4%
39	NIB Holdings	Australia	428	0.4%
40	Air Methods	United States	408	0.4%
Top 40 investments			87,880	87.5%

Portfolio

as at 30 September 2011 continued

	Stock	Country	Market Value £'000	% of total net assets
41	Meridian Biosciences	United States	404	0.4%
42	Healthcare Services Group	United States	397	0.4%
43	Circle Holdings	United Kingdom	389	0.4%
44	St. Jude Medical	United States	372	0.4%
45	Futura Medical	United Kingdom	335	0.3%
46	Healthcare Reality Trust REIT	United States	324	0.3%
47	Stentys	France	298	0.3%
48	Emeritus	United States	297	0.3%
49	AmSurg	United States	294	0.3%
50	Insulet	United States	293	0.3%
Top 50 investments			91,283	90.9%
51	Targacept	United States	289	0.3%
52	Hutchison China Meditech	China	288	0.3%
53	ARIAD Pharmaceuticals	United States	282	0.3%
54	Endocyte	United States	244	0.3%
55	Synairgen	United Kingdom	241	0.2%
56	Oridion	Israel	224	0.2%
57	Medivir 'B'	Sweden	211	0.2%
58	William Demant	Denmark	193	0.2%
59	Nichi-Iko Pharmaceutical	Japan	182	0.2%
60	SulAmerica	Brazil	133	0.1%
Top 60 investments			93,570	93.2%
61	Leisureworld Senior Care	Canada	128	0.1%
62	Oxford Biomedica	United Kingdom	97	0.1%
63	Sun Healthcare Group	United States	72	0.1%
64	Mauna Kea Technologies	France	36	–
Total equities			93,903	93.5%
Options - (put and call)			(135)	(0.1%)
Total investments			93,768	93.4%
Other net assets (excluding options)			6,656	6.6%
Net assets			100,424	100.0%

Geographical Exposure as at 30 September 2011

United States	48.7%
United Kingdom	16.6%
Switzerland	13.4%
France	4.5%
Japan	3.9%
Australia	2.0%
Germany	1.9%
Ireland	0.9%
Canada	0.5%
China	0.3%
Denmark	0.2%
Israel	0.2%
Sweden	0.2%
Brazil	0.1%
Cash	6.6%
Total	100.0%

Sector Exposure as at 30 September 2011

Pharmaceuticals	65.9%
Healthcare Equipment	10.5%
Specialised REITs	4.6%
Biotechnology	4.2%
Health Care Services	3.4%
Managed Health Care	1.6%
Health Care Facilities	1.1%
Health Care Suppliers	1.0%
Health Care Distributors	0.6%
Life and Health Insurance	0.4%
Multi-line Insurance	0.1%
Cash	6.6%
Total	100.0%

Market Cap as at 30 September 2011

	%
Large (>US\$5bn)	84.0%
Medium (US\$1bn – US\$5bn)	5.5%
Small (<US\$1bn)	10.5%
	100.0%

Board of Directors



James Robinson
Chairman, aged 58

Appointed to the Board and as Chairman on 12 May 2010.

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 30 years investment experience and is currently a director of Aberdeen New Thai Investment Trust PLC, Invesco Asia Trust plc and Fidelity European Values PLC. He is also a Council member and Chairman of the investment committee of the British Heart Foundation and an adviser to BOCM Pauls Ltd. He has recently been appointed a director of J P Morgan Elect plc with effect from 1 April 2012.



John Aston, OBE
Director, aged 57

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

John was chief financial officer at Astex Therapeutics Ltd between January 2007 and May 2010. Before joining Astex, John was chief financial officer of Cambridge Antibody Technology for ten years, where he played a central role in its development into one of Europe's most important biotechnology companies. Prior to this, John was a director in investment banking with Schroders in London and previously worked for British Technology Group and Price Waterhouse. John is also a director of International Biotechnology Trust plc. He is a qualified Chartered Accountant and has a degree in Mathematics from Cambridge University.



Anthony Brampton
Director, aged 54

Appointed to the Board on 25 May 2010

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. He is currently a partner at Sudbrook Associates LLP and is a non-executive director of Polytherics Limited and Domainex Limited.



Antony Milford
Director, aged 70

Appointed to the Board on 13 May 2010.

After studying classics at Oxford and graduating with an honours degree, Antony joined the stockbroking firm Laurence Keen and Gardner as an analyst in 1967. He started managing funds for Framlington in 1971 where, for many years, he managed the Health Fund and the Biotechnology Fund.

All the Directors are members of the Audit and Management Engagement Committees. The functions of the Nomination Committee and the Remuneration Committee are undertaken by the whole Board.

The Board considers that all the Directors are independent and there were no relationships or circumstances which were likely to affect or could appear to affect their judgement.

Management Team



Gareth Powell, CFA
Fund Manager

Gareth has 12 years investment experience in the Healthcare sector, with 8 years as a Portfolio Manager. Gareth studied Biochemistry at Oxford from 1995 to 1999 and during that time worked at Astellas, the Sir William Dunn School of Pathology, the Wolfson Institute for Biomedical Research and the Oxford Business School.

Anna Sizova
Analyst

Anna joined the Polar Capital Healthcare team in February 2008 as a specialist analyst covering the medical technology and medical services sectors. She has more than 5 years investment experience in the healthcare sector.

Anna holds an MBA degree from the London Business School and a degree in Theoretical and Applied Linguistics from Moscow State University.

Daniel Mahony, Ph.D.
Fund Manager

Dan has more than 13 years investment experience in the healthcare sector. Prior to joining Polar Capital, he was head of the European healthcare research team at Morgan Stanley. Before working in the investment field, Dan worked as a research scientist for 7 years with the majority of his time at Schering Plough Corporation in California.

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

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

The Directors present their Report including the Business Review and the Report on Corporate Governance together with the Audited Financial Statements for the Company and Group prepared under International Financial Reporting Standards as adopted by the European Union (IFRS) for the period from incorporation on 12 May 2010 to 30 September 2011.

Principal Activities and Status

The Company was incorporated in England and Wales as a public limited company on 12 May 2010 and is domiciled in the United Kingdom.

The Company made an Initial Public Offering (IPO) via a placing and offer for subscription. On 15 June 2010 it issued 89,000,000 ordinary shares plus 17,800,000 subscription shares on the basis of one subscription share for every five ordinary shares. The ordinary and subscription shares were admitted to trading on the Main Market of the London Stock Exchange on the same date. 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 business of the Company is to provide shareholders with access to a discretionary managed diversified global portfolio consisting primarily of listed equities issued by healthcare companies involved in pharmaceuticals, medical services, medical devices and biotechnology. The portfolio is diversified by geographic location and size of investee companies.

The Company's investment portfolio is a 'long-only' fund which means that it buys and holds shares to generate capital growth and income. The portfolio is managed within a framework of investment limits and restrictions determined by the Board which seeks to meet the investment objective while seeking to spread and mitigate risk.

The Company has no employees or premises and the Board is comprised of non-executive Directors. The day to day operations and functions of the Company have been delegated to third parties. The Company has one subsidiary, Polar Capital Global Healthcare Finance Limited a wholly owned dealing company whose results are consolidated with those of the Company. The subsidiary has not traded in the period.

Investment Trust Status

The Company seeks to manage its portfolio in such a way as to meet the tests set down in Sections 1158 and 1159 of the Corporation Tax Act 2010 and thus retrospectively qualify on an annual basis as an investment trust. This qualification permits the accumulation of capital within the portfolio without any liability to UK Capital Gains Tax.

This is the first accounting period and under the current approval process where investment trust status is granted retrospectively an application will be made to HM Revenue and Customs for approval of the Company's status as an investment trust in due course. The UK tax rules as they apply to investment trusts are due to be reformed. On the basis of existing rules and draft legislation published to date on the new regime, the Directors are of the opinion that the Company has and will continue to conduct its affairs so as to enable the Directors to seek approval of the Company as an investment trust.

The Company's ordinary and subscription shares are eligible for inclusion within the stocks and shares component of an ISA (save where acquired pursuant to the IPO placing).

Life of the Company

The Articles of Association require the Directors to put forward at the seventh Annual General Meeting 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. The seventh AGM is expected to be held in January 2018.

Business Review

The Company is required by the Companies Act 2006 to set out a business review for shareholders to provide a fair review of the business of the Company and Group during the financial period to 30 September 2011, the position of the Company and Group at the end of the financial period and a description of the principal risks and uncertainties.

Full details of the Investment Manager's activities and its views are given in the Investment Manager's Report. The Board considers that the Chairman's Statement and the Investment Manager's Report when read in conjunction with the information provided in the Directors' Report fulfils the requirements of the business review and gives a comprehensive analysis of the development and performance of the business of the Company and Group and the position of both at the end of the financial period.

Future Developments

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

Investment Objective, Policy and Strategy

Objective

The Company's investment objective is to generate capital growth and income by investing in a global portfolio of healthcare stocks.

Policy

The Company will seek to achieve its objective by investing in a diversified global portfolio of companies consisting primarily of listed equities issued by healthcare companies involved in pharmaceuticals, medical services, medical devices and biotechnology, with an emphasis on pharmaceutical stocks. Stocks will be selected for inclusion in the portfolio after a due diligence process. The portfolio is diversified by geography, industry sub-sector and investment size with no single investment normally accounting for more than 10% of the portfolio at the time of investment.

The portfolio has a bias towards large-capitalisation companies, with a market capitalisation in excess of US\$5 billion, and the balance in mid and smaller capitalisation companies. Exposure to companies with a market capitalisation below US\$200 million is not expected to exceed 5% of gross assets at the time of investment. The Company does not expect to have any material exposure to unlisted companies and, in aggregate, any such investments will not exceed 5% of gross assets at the time of investment.

The portfolio composition is by reference to market capitalisation rather than number of companies.

The Company may invest through equities, index-linked, equity-linked and other debt securities, cash deposits, money market instruments, foreign currency exchange transactions, forward transactions, index options and other instruments including derivatives. Forward transactions and derivatives (including puts and call options on individual positions or indices) may be used to gain exposure to the securities of companies falling within the Company's investment policy or to seek to generate income from the Company's position in such securities, as well as for efficient portfolio management. Any use of derivatives for investment purposes is made on the basis of the same principles of risk spreading and diversification that apply to the Company's direct investments, as described in its investment policy. The Company may hedge exposure to foreign currencies if considered appropriate for efficient portfolio management.

Strategy

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.

The Company's portfolio comprises a single pool of investments, but for operational purposes there is an income portfolio and a growth portfolio. The income portfolio comprises investments where the majority will have a market capitalisation in excess of US\$5 billion and will be in the pharmaceutical sector. The growth portfolio comprises investments to give exposure to small capitalisation medical services, medical devices and biotechnology companies.

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 investment 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.

Benchmark

The Company will measure the Investment Manager's performance against the MSCI ACWI/Health Care Index total return, in Sterling. This will be used to measure the performance of the Company, which will not seek to replicate the index in constructing its portfolio. The portfolio may, therefore, 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.

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

continued

Gearing

It is not intended that the Company incur borrowings to provide long-term structural gearing. No borrowings have been made and no arrangements made for any bank loans. However 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.

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.

KPI	Control process	Outcome
The provision of investment returns to ordinary shareholders measured by long-term NAV growth relative to the Benchmark Index and the achievement of the dividend policy	The Board reviews at each meeting the performance of the portfolio and the views of the Investment Manager. Financial forecasts are reviewed to track income and distributions.	The Company's NAV has, over the period, outperformed the Benchmark Index for the reasons explained in the Chairman's Report and the Investment Manager's Report. The dividend policy objective for the period to 30 September 2011 was met.
Monitoring and reacting to issues created by the discount or premium of the ordinary share price to the NAV per ordinary share with the aim of reduced discount volatility for shareholders.	The Board receives regular information of the composition of the share register including trading patterns and discount/premium levels of the Company's ordinary shares. The Board discusses and authorises the issue or buy back of shares when appropriate. A daily NAV per share, diluted when appropriate, calculated in accordance with the AIC guidelines is issued to the London Stock Exchange.	The discount/premium of the ordinary share price to the fully diluted NAV per ordinary share (when appropriate) over the period has ranged from a maximum discount of 4.3% to a premium of 11.4%. The Company has not bought back any shares in the period to 30 September 2011 and in the same period it has issued 8,899,999 ordinary shares when the issue price after costs exceeded the fully diluted NAV per ordinary share
To qualify and 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 Board believes that the company has conducted its affairs over the period from 15 June 2010 to 30 September 2011 to meet the various tests. Application will be made to HM Revenue and Customs for investment trust status to be granted retrospectively.
Total Expense Ratio (TER)	The Board receives regular financial information which discloses the expenses against budget.	TER for the first period was 1.27%

Financial Review

The performance of the Company's assets as measured by the change in the Net Asset Value per ordinary share, the level of dividends declared and paid and the change in the Benchmark Index are set out on page 01.

Assets

At 30 September 2011 the total net assets of the Group amounted to £100,424,000 compared with £87,220,000 at commencement of business on 15 June 2010. At 30 September 2011 there were 64 separate investments as detailed on pages 07 to 08.

Revenue and Expenses

The revenue and expenses for the period are shown in the Consolidated Statement of Comprehensive Income on page 32. The Notes to the Financial Statements on pages 36 to 53 provide an analysis of these items.

Dividends

The Company aims to have a progressive dividend policy throughout its life and to increase the dividend (on an annual basis) progressively, but there is no guarantee that this will be achieved. Shareholders should recognise that circumstances may arise when it is necessary to reduce the level of dividend 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 aim a "special dividend" will be declared and paid.

The Company aims to pay four interim dividends in February, May, August and November each year. These interim dividends will not necessarily be of equal amounts.

Details of the dividends paid are set out on page 01.

Business Risks

In delivering long-term returns to shareholders the identification and monitoring of risk is crucial. In addition to the detailed internal controls set out in the corporate governance report the Board seeks to identify, assess and monitor risks to the business. The Board maintains a Risk Map and reporting structure with investment limits and restrictions appropriate to the investment objective to monitor and mitigate as far as practical such risks. The Board has identified two principal groups of risks.

The first group relate primarily to economic uncertainties and its particular sphere of activity of investing in worldwide stock markets.

- The appropriateness of the investment mandate and strategy is considered as this may lead to a depressed share price as investors seek alternative investments or lower risk strategies.
- The investment performance is monitored as underperformance against the Benchmark or peer group could adversely affect shareholders' returns.
- As the Company's assets comprise mainly listed equities the principal risks to the performance of the business are associated with equity markets and foreign exchange rates. Both share prices and exchange rates may move rapidly and adversely impact the value of the Company's portfolio.
- While the portfolio is diversified across a number of stock markets worldwide, the investment mandate is focused on a single sector and thus the portfolio may be more sensitive to investor sentiment than a general investment portfolio.
- Healthcare companies are subject to many factors that could adversely affect their performance, profitability and share prices including regulatory approvals, the failure to comply with applicable regulations and legislative developments, the results of clinical trials, patent approvals for new drugs and the expiry of patent protection for existing drugs.
- There is significant exposure to the economic cycles of the economies in which the underlying investments operate.

The Board addresses this group of risks through the regular reporting and monitoring of the investment performance including financial information, analytical performance data and attribution presented by the Investment Manager at Board meetings. The composition and diversification of the portfolio including the sales and purchases of investments is also considered. The Board discusses individual investments with the Investment Manager as well as the Investment Managers' general views on the various markets and the healthcare sector in particular. The Board also considers the investment strategy and has regard to the degree of risk which the Investment Manager incurs in order to generate the investment returns.

The second group of business risks take the form of financial, operational, including accounting and taxation, and legal and regulatory requirements.

- The financial risks which arise from the investment activities expose the Company to risks such as market price, credit, liquidity, foreign currency and interest rates.
- The operational and accounting risks cover disruption to or failure of systems and processes provided by the Investment Manager including: any sub contractors to which the Investment Manager has delegated a task; the keeping of safe custody records and systems provided by the custodian or sub custodians and; the risk that suppliers may deliver sub standard services that may have an impact on the Company or its customers.
- The taxation risks are that the Company may fail to obtain qualification as an investment trust and that the Company may fail to recover, as far as possible, withholding taxes levied on overseas investment income.

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

continued

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

The Board seeks to manage this second group of risks by obtaining information from the Investment Manager, or professional advisers and where necessary the commissioning of topical reports for discussion. The Board having considered the reports will take any remedial action or make such changes as it considers appropriate.

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 25 to the financial statements.

Management Company and Management of the Portfolio

As the Company is an investment vehicle for shareholders, the Directors have sought to ensure that the business of the Company is managed by a leading specialist investment management team and that the investment strategy remains attractive to shareholders. The Directors believe that a strong working relationship with the Investment Manager will achieve the optimum return for shareholders.

The Company entered into an Investment Management Agreement dated 26 May 2010, with Polar Capital LLP (the Investment Manager) which is authorised and regulated by the Financial Services Authority to act as investment manager of the Company with sole responsibility for the discretionary management of the Company's assets (including uninvested cash) and to advise the Company on a day to day basis in accordance with the investment policy of the Company, all subject to the overall control and supervision of the Board.

The Investment Manager also agreed to procure or provide the day to day administration of the Company and general secretarial functions. The Investment Manager has, with the consent of the Directors, delegated the provision of certain of these administrative functions to HSBC Securities Services (UK) Limited and to Polar Capital Secretarial Services Limited.

The fees of HSBC Securities Services (UK) Limited and Polar Capital Secretarial Services Limited in providing such services will be for the account of the Company. However, to the extent that payment of the HSBC Securities Services (UK) Limited fees by the Company would result in the Company being unable to pay aggregate dividends in the relevant period of at least 3 pence per ordinary share out of its net income such excess fees will be borne by the Investment Manager.

Investment team

The Investment Manager provides a team of healthcare specialists and the portfolio is managed jointly by Dr Daniel Mahony, the lead manager, and Mr Gareth Powell. The Investment Manager also has other specialist and geographically focused investment teams which may contribute to idea generation.

Termination arrangements

The Investment Management Agreement is terminable by either the Investment Manager or the Company giving to the other not less than 12 months' written notice, such notice not to be served earlier than the second anniversary of the ordinary shares being admitted to the Official List maintained by the Financial Services Authority and the admission to trading on the Main Market of the London Stock Exchange. Admission was achieved on 15 June 2010.

The Investment Management Agreement 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 Investment Management Agreement.

In the event the Investment Management Agreement 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 Investment Management Agreement, 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 Company's market capitalisation and the Company's 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 period 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 will be paid in cash at the end of the Company's expected life (except in the case of an earlier termination of the Investment Management Agreement) and will be an amount equal to 10% of the excess return (based on the Adjusted Net Asset Value per ordinary share at that time) over the performance fee hurdle.

The performance fee hurdle will be 100 pence, increased or decreased (as the case may be) by reference to the return on the Benchmark Index plus 15 pence, the 15 pence equating approximately to a simple 2% per annum return on the opening Net Asset Value per share over the period from 15 June 2010 to the expiry of the Company's expected life.

For the purposes of calculating the performance fee, the Company's Adjusted Net Asset Value will be based on the Net Asset Value adjusted as follows:

- (A) the amount of any dividends paid by the Company shall be 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; and
 - (B) any dilutive effect caused by the exercise by shareholders of subscription rights in relation to subscription shares shall be deemed to have been added back to the Company's Net Asset Value at the time of issue of the ordinary shares resulting from such exercise, so as to negate the effect of the dilution,
- provided, for the avoidance of doubt, that no adjustment to the Company's Net Asset Value per ordinary share will be made in respect of;
- (i) any repurchase of ordinary shares at a discount to the Net Asset Value per ordinary share prevailing at the time of such repurchase or
 - (ii) any issue of ordinary shares at a premium to the Net Asset Value per ordinary share prevailing at the time of such issue.

If at the end of the Company's expected life the amount available for distribution to Shareholders is less than 100 pence per ordinary share, no performance fee will be payable. If the amount is more than 100 pence 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 100 pence per share.

No performance fee has been accrued for the period ended 30 September 2011.

Capital Structure and voting interests

Issued

The Company's share capital is divided into ordinary shares of 25p each and subscription shares of 1p each. At 30 September 2011 there were 97,899,999 ordinary shares in issue and 17,800,000 subscription shares. There has been no change in the number of ordinary shares and subscription shares between 30 September 2011 and the date of this report.

Changes during the period

The Company published a prospectus on 26 May 2010 for the creation and issue of ordinary shares of 25p at 100p each and subscription shares of 1p each. On 15 June 2010, the Company issued 89,000,000 ordinary shares and, on the basis of one subscription share for every five ordinary shares, 17,800,000 subscription shares. Each subscription share carries the right to subscribe for one ordinary share at 100p per ordinary share on 31 January 2014.

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

continued

On incorporation, 200,000 ordinary shares were allotted to Polar Capital Partners Limited at par to enable the Company to commence business under section 761 of the Companies Act 2006. Pursuant to a special resolution of the Company passed on 25 May 2010, these ordinary shares were reclassified as deferred subscriber shares with effect from 15 June 2010 and cancelled as part of the High Court sanctioned cancellation of the share premium account on 18 August 2010 for the financing of share buy backs.

During the period to 30 September 2011, in addition to the issue of 89,000,000 ordinary shares on 15 June 2010, the Company has issued 8,899,999 ordinary shares through Matrix Corporate Capital LLP to satisfy investor demand as follows:

14 February 2011	Issue of 2,000,000 ordinary shares at 102.25p each
27 May 2011	Issue of 4,275,000 ordinary shares at 110.55p each
29 July 2011	Issue of 2,200,000 ordinary shares at 109.75p each
15 August 2011	Issue of 424,999 ordinary shares at 99.375p each

Ordinary shares may be issued when the issue price is in excess of the diluted NAV and after costs there is a benefit to existing shareholders.

There have been no changes to the number of subscription shares in issue during the period.

Voting rights

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

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

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

Transferability

There are no restrictions on the transferability of the ordinary and subscription shares and the Company is not aware of any arrangements which may result in such agreements.

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

As described in the Company's prospectus published on 26 May 2010, the Directors were given authority to allot ordinary shares in the period after the Company's initial public offering (IPO) representing up to approximately 10% of the Company's issued Ordinary Share capital immediately following the completion of the IPO. Statutory pre-emption rights were disapplied in respect of such allotment, in compliance with the Companies Act 2006. This authority has been fully utilised. The Board therefore proposes to seek at the AGM to renew the authority to allot further ordinary shares and to disapply the statutory pre-emption rights in the same manner as before.

Also, as described in the prospectus, the Company's Board had authorities to make market purchases of up to 14.99% of the Company's ordinary share capital and 14.99% of the subscription share capital. These authorities expired on 25 November 2011. The Board wishes to renew these authorities so that the Company will be able to make market purchases of its shares where the Board considers it desirable to do so. The Company has made no such purchases to date.

Details of the resolutions and the Directors' policies for the issue and purchase of shares are set out in the separate formal notice of the AGM.

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

The Prospectus Rules provide that where a company wishes to apply for the admission to trading on a regulated market of shares representing, over a period of 12 months, 10% or more of that company's shares which are already admitted to trading on that regulated market, then the company concerned is required to issue a prospectus. As the Company has fully utilised its authority to issue up to 10% of its issued ordinary share capital by issuing 8,899,999 ordinary shares in the period 14 February to 15 August 2011, it will be necessary to publish a new prospectus if the Company wishes to retain full flexibility over the timing of any future share issues. Accordingly it is anticipated that a prospectus will be prepared for publication and will be placed on the Company's website on the date of the AGM. This prospectus will be in respect of the issue of up to 19,579,999 ordinary shares equivalent to 20% of the current issued ordinary share capital. However, shareholder authority for the issue of up to 10% of the ordinary shares only will be sought at the AGM, in line with institutional guidelines. The prospectus would be able to cover the eventuality that the Board needs to return to shareholders to renew the 10% authority within the 12 month period.

Major interests in ordinary shares

As at 30 September 2011, notices for the purposes of part 5 of the FSA's Disclosure and Transparency Rules had been received of the following major interests in the voting rights of the Company.

	Number of ordinary shares	Number of Subscription shares	Percentage of voting rights*
Brewin Dolphin Limited	17,278,660	2,313,533	17.64% Indirect
Investec Wealth and Investment Limited	14,532,915	–	14.84% Indirect
Cazenove Capital Management Limited	7,789,270	1,465,174	7.95% Indirect
Rathbone Brothers PLC	7,312,600	–	7.46% Indirect
Cheviot Asset Management Limited	4,805,275	–	4.90% Direct

Since the 30 September 2011 and up to 6 December 2011 further notices have been received as follows:

	Number of ordinary shares	Number of Subscription shares	Percentage of voting rights*
30 November 2011			
Investec Wealth and Investment Limited (revised total)	13,605,582	–	13.90% Indirect

* The above percentages are calculated by applying the ordinary shareholdings as notified to the issued ordinary share capital at 6 December 2011 of 97,899,999 ordinary shares

Each subscription share carries the right to subscribe for one ordinary share at 100p per ordinary share on 31 January 2014.

Directors' share interests

The interests of Directors in the ordinary and subscription shares of the Company on 30 September 2011 and at the initial public offering on 15 June 2010 are as follows:

	Ordinary Shares		Subscription Shares	
	30 September 2011	15 June 2010	30 September 2011	15 June 2010
James Robinson	25,000	25,000	5,000	5,000
John Aston	10,000	10,000	2,000	2,000
Anthony Brampton	20,000	20,000	4,000	4,000
Antony Milford	10,000	10,000	2,000	2,000

All holdings are beneficially held and there have been no changes in these interests between the end of the financial period and 6 December 2011.

The Payment of Creditors

It has been and will remain the Company's policy for the forthcoming financial period to obtain the best terms for all business and therefore there is no single policy as to the terms used. The Company and its subsidiary's policy is to settle all investment transactions in accordance with the terms and conditions of the relevant market in which it operates. In general the Company agrees with its other suppliers the terms on which business will take place and it is the Company's policy to abide by such terms. There were no trade creditors at 30 September 2011.

Service Providers

Apart from the arrangements with Polar Capital LLP to provide investment, company secretarial and administrative services including accounting, portfolio valuation and trade settlement, the Company also contracts directly with HSBC Bank plc which acts as global custodian for all the Company's investments. The Company also retains the services of Matrix Corporate Capital LLP as corporate broker, Equiniti Limited as registrars and PricewaterhouseCoopers LLP as tax advisers and independent auditors. Each of these contracts was entered into after full and proper consideration of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company.

HSBC Securities Services (UK) Limited has been retained by the Investment Manager to provide accounting, valuation and trade settlement services.

Independent Auditors

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

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

continued

The fees paid in respect of the audit of the initial accounts and the annual financial statements amounted to £51,500. The Company has also used PricewaterhouseCoopers LLP to give advice on accounting and presentational matters related to the initial accounts. The fees paid for the non audit services amounted to £6,900. The Directors do not consider the provision of this non audit work to the Company affects the independence of the auditors.

Annual General Meeting

The Annual General Meeting will be held on Wednesday 25 January 2012 at 10.30am at The Methodist Central Hall, Storey's Gate, London SW1H 9NH. Shareholders are encouraged to attend the AGM as it provides an opportunity for them to hear a presentation from the Investment Manager and meet the Directors.

The separate Notice of Meeting contains resolutions to receive the financial statements, approve the Directors' remuneration report, elect Directors, re-appoint the auditors and empower the Directors to set their fees. The Directors are also seeking powers to allot ordinary shares for cash and to buy back ordinary and subscription shares for cancellation. The full text of the resolutions and an explanation of each is contained in the separate Notice of Meeting.

Any changes to the Articles of Association would require a special resolution to be passed by ordinary shareholders.

Report on Corporate Governance

The Directors are accountable to shareholders for the governance of the Company's affairs. The UK Listing Rules require all listed companies to disclose how they have applied the principles and complied with the provisions of the 2008 Combined Code as published by the Financial Reporting Council (Combined Code).

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 Combined Code are not directly applicable to the Company and the Board has determined that reporting against the AIC Code of Corporate Governance (AIC Code), which incorporates the Combined Code, provides the most appropriate information to shareholders.

The Financial Reporting Council (FRC) confirmed in 2009 that by following the AIC Code and the Corporate Governance Guide for Investment Companies produced by the AIC, boards of investment companies should fully meet their obligations in relation to the Combined Code and the UK Listing Rules.

Copies of these codes can be obtained from the relevant organisations. The Company's policies on corporate governance can be found on its website.

The corporate governance report describes how the principles of the Combined Code and the Code of Corporate Governance issued by the AIC have been applied.

In May 2010 the FRC published the new UK Corporate Governance Code which is effective for accounting periods commencing on or after 29 June 2010. The AIC updated its Corporate Governance Code in October 2010 which the FRC has endorsed. Neither of these Corporate Governance Codes were effective for the accounting period to 30 September 2011 and therefore do not apply to this report.

Background and development

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

Application of the AIC Code's principles

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 in future.

It should be noted that, as an investment trust where the Directors are non-executive, most of the Company's day to day duties are delegated to third parties. The Company has agreed policies and operating procedures with the suppliers of these services.

Directors and Board; independence and composition

The Board is responsible to shareholders for the overall management of the Company's affairs and currently consists of four non-executive Directors all of whom are considered independent. All the Directors held office from the commencement of the Company's business on 15 June 2010 throughout the period to 30 September 2011. The appointment date for each Director is given on page 10.

Each Director has different qualities and areas of expertise on which they may lead where issues arise. The Directors' biographies, set out on page 10, demonstrate the breadth of investment, commercial and professional experience relevant to their positions as Directors of the Company. The Directors' Remuneration Report is set out on pages 27 to 28.

The Board believes that retaining Directors with sufficient experience of the Company, industry and the markets is of benefit to shareholders. While the Board recognises the value of progressive refreshing of and succession planning for company's boards, given the expected seven year life of the Company, the Board has determined that there is no need for a policy on the length of service for Directors. This notwithstanding, the Board recognises the need for Directors to contribute to the effective management of the Company and accordingly the appointment of each Director offering himself for election at the forthcoming AGM has been reviewed.

Election of Directors at the AGM

As this is the first AGM since the incorporation of the Company, all the Directors stand for election under the provisions of the Articles of Association. The Board has considered the contribution and performance of each Director as part of the Director and Board performance evaluation. They determined that each Director has relevant experience, effectively contributed to the operation of the Board and has 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. The Board supports each of the Directors standing for election.

Directors' interests and Conflicts of interests

The Chairman of the Company is a non-executive Director and has no conflicting relationships. The share interests of the Directors in the ordinary and subscription shares of the Company are set out in the table on page 19.

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. No Director has declared receipt of any benefits other than his emoluments in his capacity as a Director of the Company.

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

The Board 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 period 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.

Role and responsibilities

The Board

The Board meets regularly and as required. During the period 19 Board and Board Committee meetings were held to deal with the establishment of the Company and the on-going 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 share price discount or premium to Net Asset Value together with policies for re-purchase or issuance of new 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 period.

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

continued

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

12 May 2010 to 30 September 2011

	Board*	Audit Committee	Management Engagement Committee
Number of Meetings	11	7	1
James Robinson	11	7	1
John Aston	11	7	1
Anthony Brampton	9	6	1
Antony Milford	10	7	1

* A number of ad hoc special purpose Board and committee meetings were held during the period for the approval of documents, the issue of new shares and approval of regulatory announcements. All Directors attend the scheduled Board meetings.

Investment Manager

The Board has delegated to external suppliers many of the day to day administrative functions of the Company. The key supplier is the Investment Manager and the Board has contractually delegated the management of the portfolio to the Investment Manager, Polar Capital LLP. It is the Investment Manager's sole responsibility to take decisions as to the purchase and sale of individual investments. The Investment Manager has responsibility for asset allocation and sector selection within the limits established and regularly reviewed by the Board. The Board has directly appointed the custodian and the registrars, both of which the Investment Manager monitors and the Investment Manager provides or procures the provision of accountancy services, company secretarial and administrative services.

The Investment Manager also ensures that all Directors receive in a timely manner all relevant management, regulatory and financial information. Representatives of the Investment Manager attend each Board meeting enabling the Directors to probe further on matters of concern or seek clarification on certain issues.

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

Senior Independent Director

Due to the structure of the Board it was considered unnecessary to identify a senior non-executive. 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.

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 acting as the Nomination Committee will, when considering new or further appointment of directors, consider the balance of skills, knowledge and experience as well as gender diversity of the whole Board and also consider the use of external consultants when drawing up of a list of candidates.

The Board also creates ad hoc committees from time to time to enact or approve policies or actions agreed in principle by the whole Board. Copies of the terms of reference for each of the standing committees are available on the Company's website.

Audit Committee

The Audit Committee comprises all the independent non-executive Directors under the chairmanship of John Aston and would usually meet three times a year.

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 is responsible for reviewing the scope of the annual audit, the annual financial statements and the interim report, the terms of appointment of the auditors and their remuneration. The Audit Committee considers annually all services provided by the auditors to ensure that there is clear separation of audit and non-audit work and the cost of non-audit work is justified and not disproportionate to fees for the audit services to the extent that the independence of the auditors would be compromised. It meets with representatives of the Investment Manager and receives reports on the quality and effectiveness of the accounting records and management information maintained on behalf of the Company. The Committee also considers the internal controls and risk management systems applicable to the Company.

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.

Audit Committee meetings

During the period from incorporation to 30 September 2011 the Audit Committee has met 7 times, which reflects the need during the period for the production and approval of initial accounts to support the dividend distributions.

During the course of these meetings the Committee discussed with the auditors the scope of the audit work required for the initial financial statements and annual financial statements and the findings of the auditors. The Committee also considered each set of initial financial statements, the half-period financial statements and the annual report and financial statements prior to approval by the Board.

The independence and effectiveness of the auditors and the nature of the services provided have therefore been assessed throughout the period and the provision of non-audit services provided by the auditors has been kept under review. These non-audit services comprised the provision of advice on the format and content of initial accounts to ensure they were prepared in accordance with the Companies Act 2006 and IFRS requirements; advice on the accounting treatment and tax treatment of written options; evaluation of the accounting treatment of ordinary shares and subscription shares to establish whether they should be debt or equity and the accounting implications of foreign currency hedging. Details of fees paid to the auditors are given in note 9 on page 42.

The Audit Committee reviewed the performance of PricewaterhouseCoopers LLP, the Company's external auditor. In doing so the Audit Committee considered a range of factors including the quality of service, the auditor's specialist expertise and the level of audit fee.

The Audit Committee remains satisfied with the auditor's effectiveness and given the newness of the appointment has not considered it necessary to require the external auditors to tender for the audit work. There are no contractual obligations restricting the choice of external auditor. Under Company Law the reappointment of the external auditor is subject to shareholder approval at the Annual General Meeting and the Audit Committee has recommended that the Board supports the reappointment of the auditors at the AGM.

Management Engagement Committee

The Management Engagement Committee comprises all the independent non-executive Directors under the chairmanship of John Aston 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 terms of the Investment Management Agreement, which is reviewed annually, and the Committee also considers, prior to making its recommendation to the Board, whether the retention of the Investment Manager is in the interests of shareholders. The Committee also considers other matters to do with the relationship with the Investment Manager.

Management Engagement Committee meetings

During the period from incorporation to 30 September 2011 the Management Engagement Committee has met once to carry out the review of the Investment Manager and consider their continued appointment.

Directors' professional development

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

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

continued

Performance Evaluation

The Board

The evaluation of the Board, its Committees and individual Directors is normally carried out annually by the Chairman. The process involves the Chairman seeking the views of each Director through the use of a written questionnaire and then speaking to each Director. The Chairman's review was conducted by the full Board led by the Chairman of the Audit Committee. These reviews are reported to the full Board.

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 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 considered the size and structure of the Board as well as succession planning bearing in mind the balance of skills, knowledge and experience existing on the Board and the Company's expected seven year life.

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

The Company as described in the prospectus does not have a policy on length of service for Directors due to the expected seven year life. All Directors are appointed for an initial term of three periods, subject to reappointment and Companies Act provisions. In accordance with the Articles of Association, Directors will stand for election at the first AGM following their appointment and will retire at every third AGM after their last election.

The Investment Manager

The Board reviews the performance of the Investment Manager at each Board meeting and the Company's performance against the Benchmark and a peer group of investment companies and funds with similar investment objectives.

The investment team provided by the Investment Manager, led by Dr Mahony, has experience of investing in the healthcare sector. In addition, the Investment Manager has other investment resources which support the investment team and has experience in managing and administering other investment trust companies.

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

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

Continued appointment

The Board, through the Management Engagement Committee, has reviewed the performance of the Investment Manager in managing the portfolio over the period since launch. The review also considered the quality of the other services provided by the Investment Manager.

The Board, on the recommendation 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.

Accountability and audit

The Statement of Directors' Responsibilities in respect of the financial statements is set out on page 29 and the Independent Auditors' Report is on pages 30 and 31.

Internal controls

The Board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness. The Company has no employees as its operational functions are carried out by third parties as described on page 19.

The Audit Committee does not consider it necessary for the Company to establish its own internal audit function as the Investment Manager, overseen by the Board, is responsible for monitoring all accounting and internal control operations.

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

The Board has established a process for identifying, evaluating and managing any major risks faced by the Company. The process is documented through the use of a Risk Map which is subject to regular review by the Board and accords with the Revised Guidance for Directors on the Combined Code published in October 2005 by the Financial Reporting Council.

The controls are embedded within the business and aim to ensure that identified risks are managed and systems are in place to report on such risks. The internal controls seek to ensure the assets of the Company are safeguarded, proper accounting records are maintained and the financial information used in the Group and for publication is reliable. Controls covering the risks identified, including financial, operational, compliance and risk management are monitored by a series of regular reports covering investment performance, attribution analysis, reports from various third parties and from the Investment Manager including risks not directly the responsibility of the Investment Manager.

The Board has received a formal report from the Investment Manager with details of any known internal control failures and has also considered reports on the Investment Manager's internal controls and systems operated by other third party suppliers. The Board considers ad hoc reports from the Investment Manager and information is supplied to the Board as required.

The process was active throughout the period and up to the date of approval of this annual report. However, such a system is designed to manage rather than eliminate risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board will continue to monitor the system of internal controls in order to provide assurance that they operate as intended.

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

The Board undertakes an annual review of the Company's system of internal control 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 period ended 30 September 2011 and up to the date of this report.

During the period the Board reviewed the implications of the Bribery Act 2011, which came into force on 1 July 2011, and adopted a zero tolerance to bribery and corruption in its business activities. The Board has adopted the anti-bribery policy formulated and implemented by Polar Capital LLP and sent to all suppliers to both Polar Capital LLP and to the Company.

Relations with shareholders

The Board and the Investment Manager consider maintaining good communications with shareholders and engaging with larger shareholders through meetings and presentations a key priority. Shareholders are kept informed by the publication of annual and interim reports which include financial statements. These reports are supplemented by interim management statements, the daily release of the net asset value per share to the London Stock Exchange and the publication by the Investment Manager of a monthly factsheet.

All this information together with the Investment Manager's presentations is available from the Company's website at www.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. Twenty working days notice of the AGM has been given to shareholders and separate resolutions are proposed in relation to each substantive issue.

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

continued

Where the vote is decided on a show of hands, the proxy votes received are relayed to the meeting and subsequently published on the Company's website. Proxy forms have a 'vote withheld' option. The Notice of Meeting sets out the business of the AGM together with the full text of any special resolutions. Shareholders may submit questions for the AGM in advance of the meeting or make general enquiries of the Company via the company secretary at the registered office of the Company.

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

Corporate Responsibility

Socially responsible investing and exercise of voting powers

The Board has instructed the Investment Manager to take into account the published corporate governance of the companies in which they invest.

The Company has also considered the Investment Manager's Stewardship Code and Proxy Voting Policy. The Voting Policy is for the Investment Manager to vote at all general meetings of UK companies in favour of resolutions proposed by the management where it believes that the proposals are in the interests of shareholders. However, in exceptional cases, where it believes that a resolution could be detrimental to the interests of shareholders or the financial performance of the company, appropriate notification will be given and abstentions or a vote against will be lodged.

The Investment Manager reports to the Board, when requested, on the application of the Stewardship Code and Voting Policy. The Investment Manager's Stewardship Code and Voting Policy can be found on the Company's website in the Corporate Governance section.

Environment

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

Statement of Compliance

The AIC Code comprises 21 principles. The Board consider for the period 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 and with the relevant provisions of Section 1 of the Combined Code. For the reasons set out in the AIC Guide, and in the preamble to the Combined Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company;

- As all Directors are non executive and day to day management has been contracted to third parties the Company does not have a separate role for a Chief Executive from that of Chairman of the Board
- As there are no executive Directors it does not comply with the Combined 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
- Due to the structure of the Board it was considered unnecessary to identify a senior non executive. 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.

By order of the Board

N P Taylor FCIS

Polar Capital Secretarial Services Limited

Company Secretary

7 December 2011

Directors' Remuneration Report

Introduction

This report is submitted in accordance with section 420 – 422 of the Companies Act 2006 and the Listing Rules of the Financial Services Authority in respect of the period ended 30 September 2011. It has been audited where indicated as such. An ordinary resolution to approve the report will be put to the AGM on 25 January 2012.

Consideration of Matters Relating to Directors' Remuneration

The board as a whole considers and decides on the remuneration of the Directors. The Company has no employees other than the non-executive Directors.

Statement of the Company's Policy on Directors' Remuneration

The Board consists entirely of non-executive Directors, who meet regularly throughout the period to deal with the Company's affairs. The total fees payable to all the Directors is limited by the Articles of Association to £200,000 per annum.

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

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

The policy also recognises:

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

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

Performance

A 5 year performance comparison is required to be presented in this report. However, as 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.

The MSCI Healthcare Index (total return in sterling with net dividends reinvested) is shown because, as a market capitalisation weighted index it is the most appropriate single market index.



Directors' Remuneration Report

continued

Service Contracts

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

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

Directors' and officers' liability insurance cover is held by the Company in respect of the Directors. The Company has provided each Director with a Deed of Indemnity which, subject to the provisions of UK legislation, indemnifies the Director against liability to third parties (excluding criminal and regulatory penalties) which pays Directors' legal costs up-front provided they reimburse the Company if the individual is convicted or, in an action brought by the Company, judgment is given against him. These are qualifying third party provisions as defined by Section 234 of the Companies Act 2006, and were in force from the date of the Director's appointment and are currently in force.

Remuneration Arrangements

In the period under review the Directors' fees were paid at the following annual rates, the Chairman £30,000; other Directors £20,000 with the Chairman of the Audit Committee receiving an extra £5,000 for performing that additional role.

Remuneration (Audited)

The fees payable in respect of each of the Directors were as follows:

	Date of appointment	Period from date of appointment to 30 September 2011
James Robinson	12 May 2010	£41,654
John Aston (Chairman of the Audit and Management Engagement Committees)	12 May 2010	£34,711
Anthony Brampton	25 May 2010	£27,077
Antony Milford	13 May 2010	£27,692
TOTAL		£131,134

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

Approved by the Board on 7 December 2011

By order of the Board

N P Taylor FCIS

Polar Capital Secretarial Services Limited

Company Secretary

Statement of Directors' Responsibilities

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

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

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

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

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

Disclosure of Information to the Auditors

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

Going Concern

The Board's assessment of the Group's position as at 30 September 2011 and the factors impacting the forthcoming year are set out in the Chairman's Statement and the Investment Manager's Report on pages 4 to 6 and in the Directors' Report which incorporates the business review and corporate governance statements.

The financial position of the Group, its cash flows, and its liquidity position is described in the Business Review on pages 12 to 16. Note 25 to the financial statements includes the Group'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.

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

Responsibility Statement under the Disclosure and Transparency Rules

The Directors of Polar Capital Global Healthcare Growth and Income Trust plc, who are listed on page 10, confirm to the best of their knowledge:

- The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and give a true and fair view of the assets, liabilities, financial position and profit of the Group and the undertakings included in the consolidation taken as a whole; and
- The Chairman's Statement, Investment Manager's Report and Directors' Report (together constituting the Management Report) include a fair review of the development and performance of the business and financial position of the Company and undertakings included in the consolidation taken as a whole, and include a description of the principal risks and uncertainties.

The financial statements were approved by the Board on 7 December 2011 and the responsibility statement was signed on its behalf by James Robinson, Chairman of the Board.

James Robinson
Chairman

Independent Auditors' Report

to the Members of Polar Capital Global Healthcare Growth and Income Trust plc

We have audited the financial statements of Polar Capital Global Healthcare Growth and Income Trust plc for the period ended 30 September 2011 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 29, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2011 and of the group's profit and the group's and parent company's cash flows for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 29, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Karyn Lamont (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh

7 December 2011

Notes:

1. The maintenance and integrity of the Company's website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Statement of Comprehensive Income

for the period from incorporation on 12 May 2010 to 30 September 2011

	Notes	Period to 30 September 2011		
		Revenue return £'000	Capital return £'000	Total return £'000
Investment income	3	4,512	281	4,793
Other operating income	4	747	–	747
Gains on investments held at fair value	5	–	3,636	3,636
Other movements on written options	6	–	(89)	(89)
Other currency losses	7	–	(610)	(610)
Total income		5,259	3,218	8,477
Expenses				
Investment management fee	8	(204)	(814)	(1,018)
Other administrative expenses	9	(510)	–	(510)
Total expenses		(714)	(814)	(1,528)
Profit before finance costs and tax		4,545	2,404	6,949
Finance costs	10	–	(1)	(1)
Profit before tax		4,545	2,403	6,948
Tax	11	(549)	46	(503)
Net profit for the period and total comprehensive income		3,996	2,449	6,445
Earnings per ordinary share (basic) (pence)	13	4.37	2.68	7.05
Earnings per ordinary share (diluted) (pence)	13	4.34	2.66	7.00

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.

All items in the above statement derive from continuing operations.

All income is attributable to the equity holders of Polar Capital Global Healthcare Growth and Income Trust plc. There are no minority interests.

The net profit for the year of the Company was £6,445,000.

The Group does not have any other Comprehensive Income and hence the net profit, as disclosed above, is the same as the Group's total Comprehensive Income.

The notes on pages 36 to 53 form part of these financial statements.

Consolidated and Company Statement of Changes in Equity

for the period from incorporation on 12 May 2010 to 30 September 2011

	Notes	Called up share capital £'000	Share premium reserve £'000	Special distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
Group and Company							
Total equity at 12 May 2010		–	–	–	–	–	–
Total comprehensive income:							
Profit for the period to 30 September 2011		–	–	–	2,449	3,996	6,445
Transactions with owners, recorded directly to equity:							
Issue of 97,899,999 ordinary shares		24,475	74,133	–	–	–	98,608
Issue of 17,800,000 subscription shares		178	(178)	–	–	–	–
Share issue costs		–	(1,798)	–	–	–	(1,798)
Transfer of Share Premium to Special Distributable Reserve			(64,792)	64,792	–	–	–
Equity dividends paid	12	–	–	–	–	(2,831)	(2,831)
Total equity at 30 September 2011		24,653	7,365	64,792	2,449	1,165	100,424

The notes on pages 36 to 53 form part of these financial statements.

Consolidated and Company Balance Sheet

at 30 September 2011

	Notes	30 September 2011 £'000
Non current assets		
Investments held at fair value	14	93,903
Current assets		
Other receivables	15	455
Cash and cash equivalents	23	6,839
		7,294
Total assets		101,197
Current liabilities		
Other payables	16	(638)
Fair value of open derivative contracts	14	(135)
		(773)
Net assets		100,424
Equity attributable to equity shareholders		
Called up share capital	17	24,653
Share premium reserve	18	7,365
Special distributable reserve	19	64,792
Capital reserves	20	2,449
Revenue reserve	21	1,165
Total equity		100,424
Net asset value per ordinary share (pence)	22	102.58
Net asset value per ordinary share (diluted) (pence)	22	102.18

The financial statements were approved and authorised for issue by the Board of Directors on 7 December 2011.

J Robinson

Chairman

The notes on pages 36 to 53 form part of these financial statements.

Company Registration Number
7251471 (Registered in England)

Consolidated and Company Cash Flow Statement

for the period from incorporation on 12 May 2010 to 30 September 2011

	Notes	Period to 30 September 2011 £'000
Cash flows from operating activities		
Profit before finance costs and tax		6,949
Adjustment for non-cash items:		
Gain on investments held at fair value through profit or loss		(3,636)
Adjusted profit before finance costs and tax		3,313
Adjustments for:		
Purchases of investments, including transaction costs		(144,999)
Sales of investments, including transaction costs		54,971
Increase in receivables		(319)
Increase in payables		534
Overseas tax deducted at source		(639)
Net cash used in operating activities		(87,139)
Cash flows from financing activities		
Proceeds for Issue of share capital		96,810
Equity dividends paid		(2,831)
Finance costs paid		(1)
Net cash generated from financing activities		93,978
Net increase in cash and cash equivalents		6,839
Cash and cash equivalents at the beginning of the period		–
Cash and cash equivalents at the end of the period	23	6,839

The notes on pages 36 to 53 form part of these financial statements.

Notes to the Financial Statements

for the period from incorporation on 12 May 2010 to 30 September 2011

1. General Information

The Company was incorporated on 12 May 2010 and started trading on 15 June 2010 and has a fixed life expected to expire in January 2018.

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

The Group and Company's presentational currency is pounds sterling. Pounds sterling is also the functional currency because it is the currency which is most relevant to the majority of the Company's shareholders and creditors and the currency in which the majority of the Company's operating expenses are paid.

2. Accounting Policies

The principal accounting policies followed are set out below:

(a) Basis of Preparation

The consolidated financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the 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 January 2009 is consistent with the requirements of IFRS, in so far as those requirements are applicable to the consolidated financial statements, the Directors have sought to prepare the consolidated financial statements on a basis compliant with the recommendations of the SORP.

(b) Basis of Consolidation

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

The financial position of the Group and Company at 30 September 2011 is shown in the balance sheet on page 34. The assets of the Company consist of securities that are readily realisable. The Directors consider that the Company has adequate financial resources to enable it to continue in operational existence for the foreseeable future. Accordingly, the Directors believe that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

(c) 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.

In accordance with the Company's status as a UK investment company under section 833 of the Companies Act 2006, net capital returns may not be distributed by way of dividend. Additionally, the net revenue is the measure the directors believe appropriate in assessing the Company's compliance with certain requirements set out in section 1158 of the Corporation Tax Act 2010.

(d) Income

Dividends receivable from equity shares are 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 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 annually by the REITs.

Where the Company has received dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised in the revenue return column of the 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.

The fixed returns on debt securities and non-equity shares are recognised under the effective interest rate method.

Bank interest and other income receivable are accounted for on an accruals basis.

Stock lending fees, net of agent's fees and commissions, are accounted for on an accruals basis and recognised in the revenue return column of the Statement of Comprehensive Income.

Underwriting commission is recognised when the issue takes place and is credited to the revenue return column of the Statement of Comprehensive Income in so far as it relates to the shares the Company is not required to take up.

Where the Company is required to take up a proportion of the shares underwritten, an equal proportion of the commission is credited to the capital return column of the Statement of Comprehensive Income.

(e) Written Options

The 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 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.

(f) Expenses and Finance Costs

All expenses, including the management fee, are accounted for on an accruals basis.

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 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.

Finance costs are calculated using the effective interest rate method and are accounted for on an accruals basis and, in line with the management fee expense, are charged 20% to the revenue account and 80% 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.

(g) 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 period since incorporation to 30 September 2011. 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 Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Notes to the Financial Statements

for the period from incorporation on 12 May 2010 to 30 September 2011 continued

2. Accounting Policies continued

(g) Taxation continued

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 accounts and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

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.

(h) 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 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 and open derivative contracts 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 (ie as prices) or indirectly (ie 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.

(i) Other Receivables

Other receivables do not carry any interest and are short-term in nature and are accordingly stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

(j) Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash.

(k) Dividends Payable

Dividends payable to shareholders are recognised in the accounts when they are paid or, in the case of final dividends, when they are approved by the shareholders.

(l) Other Payables

Other payables are not interest-bearing and are stated at their nominal value.

(m) 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.

(n) Capital Reserves

Capital reserve arising on investments sold includes:

- gains/losses on disposal of investments
- exchange differences on currency balances
- 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.

(o) Accounting Standards

(i) Standards, amendments and interpretations becoming effective in the period to 30 September 2011:

- IFRS 1 (Amendment), 'First Time Adoption of International Financial Reporting Standards' simplified the structure of IFRS 1 without making any technical changes. No impact on the Company's Financial Statements.
- IFRS 3 (Revised), 'Business Combinations' harmonised business combination accounting with US GAAP. Not currently relevant to the Company and therefore has no impact on the Financial Statements.
- IFRS 5 (Amendment), 'Non-current Assets Held for Sale and Discontinued Operations' (as part of Improvements to IFRSs issued in 2009). Not currently relevant to the Company and therefore has no impact on the Financial Statements.
- IAS 27 (Revised), 'Consolidated and Separate Financial Statements' introduced changes to the accounting for transactions with non-controlling interests in consolidated financial statements. Adoption did not have any impact on the Company's Financial Statements.
- IAS 32 (Amendment), 'Financial Instruments: Presentation' - amendments relating to classification of rights issues. No impact on the Company's Financial Statements.
- IAS 39 (Amendment), 'Eligible Hedged Items'. The amendment prohibits designating inflation as a hedgeable component of a fixed debt, and in a hedge of a one-sided risk with options, prohibits including time value in the hedged risk. Not currently relevant to the Company therefore no impact on the Financial Statements.
- IFRIC 15, 'Agreements for Construction of Real Estate'. Not relevant to the Company.
- IFRIC 16, 'Hedges of a Net Investment in a Foreign Operation'. Provides clarification to net investment hedging issues. Not currently relevant to the Company therefore no impact on the Financial Statements.
- IFRIC 17, 'Distributions of Non Cash Assets to Owners' clarifies how an entity should measure distributions of assets other than cash made as a dividend to its owners. Not currently relevant to the Company therefore no impact on the Financial Statements.
- IFRIC 18 'Transfer of Assets from Customers'. Not relevant to the Company.
- Improvements to IFRS' issued in 2009 comprised numerous other minor amendments to IFRS, resulting in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments. These amendments had no impact on the Company's Financial Statements.

Notes to the Financial Statements

for the period from incorporation on 12 May 2010 to 30 September 2011 continued

2. Accounting Policies continued

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

- IFRS 9, 'Financial Instruments' (effective for financial periods beginning on or after 1 January 2013).
Replaces IAS 39. Simplifies accounting for financial assets, replacing the current multiple measurement categories with a single principle-based approach to classification. All financial assets to be measured at either amortised cost or fair value. The Company will apply IFRS 9 to all business combinations from 1 October 2013, subject to endorsement by the EU.
- IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.
- IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.
- IFRS 13, 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.
- AS 24 (revised), 'Related Party Disclosures' (effective for financial periods beginning on or after 1 January 2011, subject to EU endorsement). Revises definition of related parties. Unlikely to have a significant effect.

(iii) The following standards, amendments and interpretations to existing standards become effective in future accounting periods, but are not relevant for the Company's operations:

- IFRS 1 (amendment), 'First-time Adoption of International Financial Reporting Standards'
- IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments'
- IFRIC 14 (Amendment), 'IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'

(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 has only one operating segment and as such no distinct segmental reporting is required.

3 Investment income

	Period to 30 September 2011 £'000
Revenue:	
Franked: Listed investments	
Dividend income	958
Unfranked: Listed investments	
Dividend income	3,554
Total investment income allocated to revenue	4,512
Capital:	
Special dividends allocated to capital	225
Dividends from REITs allocated to capital	56
Total investment income allocated to capital	281

4 Other operating income

	Period to 30 September 2011 £'000
Option premium income	744
Bank interest	3
Total other operating income	747

Option premium income for the period 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. A loss of £89,000 has been recognised in the capital return for the period in respect of these options.

5 Gains on investments held at fair value

	Period to 30 September 2011 £'000
Net losses on disposal of investments at historic cost	(355)
Valuation gains on investments held during the period	3,991
	3,636

6 Other movements on written options

	Period to 30 September 2011 £'000
Other movements on written options	(89)

This movement arises from differences between the change in fair value of written options and the amount of premium income recognised in the revenue return, in accordance with the policy explained in note 2(e).

Notes to the Financial Statements

for the period from incorporation on 12 May 2010 to 30 September 2011 continued

7 Other currency losses

	Period to 30 September 2011 £'000
Exchange losses on currency balances	(610)

8 Investment management fee

	Period to 30 September 2011 £'000
Management fee	
– charged to revenue	204
– charged to capital	814
Investment management fee payable to Polar Capital LLP.	1,018

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

9 Other administrative expenses (including VAT where appropriate)

	Period to 30 September 2011 £'000
Directors' fees	131
Auditors' remuneration	
– for audit services	58
– for other services	8
Other expenses	313
	510

In addition PricewaterhouseCoopers LLP received fees of £23,500 in acting as reporting accountants for the Prospectus issued by the Company during the period. These fees are included within issue costs charged to the Share Premium Reserve.

The total expense ratio ("TER") is based on the total annualised investment management fee (shown in Note 8) and other annualised administrative expenses as a percentage of the average equity shareholders' funds over the period:

For the period from 15 June 2010 to 30 September 2011 the TER was 1.27%.

10 Finance costs

	Period to 30 September 2011 £'000
Interest on overdraft	1
– charged to revenue	–
– charged to capital	1
	1

Finance costs are allocated 20% to revenue and 80% to capital.

11 Taxation

	Period to 30 September 2011		
	Revenue return £'000	Capital return £'000	Total return £'000
a) Analysis of tax charge for the period:			
Overseas tax	498	5	503
Tax relief from revenue	51	(51)	–
Total tax for the period (see note 11b)	549	(46)	503
b) Factors affecting tax charge for the period:			
The charge for the period can be reconciled to the profit per the Company Statement of Comprehensive Income as follows:			
Profit before tax	4,545	2,403	6,948
Tax at the UK corporation tax rate of 26%*	415	219	634
Tax at the UK corporation tax rate of 28%*	826	437	1,263
Tax effect of non-taxable dividends	(1,130)	(77)	(1,207)
Gains on investments that are not taxable	–	(801)	(801)
Unrelieved current period expenses and deficits	–	125	125
Expenses and finance costs not deductible for tax purposes	1	–	1
Overseas tax suffered	498	5	503
Tax relief on overseas tax suffered	(61)	46	(15)
Total tax for the period (see note 11a)	549	(46)	503

* In addition to the changes in rates of Corporation tax disclosed above a number of further changes to the UK Corporation tax system were announced in the March 2011 UK Budget Statement. Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 was substantively enacted on 5 July 2011. As such the unrecognised deferred tax asset has been revalued using a tax rate of 25%. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

c) Factors that may affect future tax charges:	£'000
There is an unrecognised deferred tax asset comprising:	
Unrelieved management expenses	119
	119

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

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

Notes to the Financial Statements

for the period from incorporation on 12 May 2010 to 30 September 2011 continued

12 Dividends on the Ordinary Shares

Amounts recognised as distributions to Ordinary shareholders in the period:				Period to 30 September 2011 £'000
	No of shares	Pence per share	Payment date	
1st interim	89,000,000	0.40p	30 November 2010	356
2nd interim	89,000,000	0.40p	22 February 2011	356
3rd interim	91,000,000	0.40p	31 May 2011	364
4th interim	97,475,000	1.80p	31 August 2011	1,755
				2,831

The total dividend payable in respect of the financial period, which is the basis on which the requirements of Section 1158 Corporation Tax Act 2010 are considered, is set out below:				Period to 30 September 2011 £'000
	No of shares	Pence per share	Payment date	
1st interim paid	89,000,000	0.40p	30 November 2010	356
2nd interim paid	89,000,000	0.40p	22 February 2011	356
3rd interim paid	91,000,000	0.40p	31 May 2011	364
4th interim paid	97,475,000	1.80p	31 August 2011	1,755
5th interim paid	97,899,999	0.46p	30 November 2011	450
				3,281

13 Earnings per ordinary share

	Period to 30 September 2011		
	Revenue return	Capital return	Total return
The calculation of basic earnings per share is based on the following data:			
Net profit for the period (£'000)	3,996	2,449	6,445
Weighted average ordinary shares in issue during the period from 15 June 2010 to 30 September 2011	91,406,144	91,406,144	91,406,144
Basic – ordinary shares (pence)	4.37	2.68	7.05
The calculation of diluted earnings per share is based on the following data:			
Net profit for the period (£'000)	3,996	2,449	6,445
Diluted number of shares in issue during the period	92,029,651	92,029,651	92,029,651
Diluted – ordinary shares (pence)	4.34	2.66	7.00

The calculation of the diluted total, revenue and capital returns per ordinary share are carried out in accordance with IAS 33 "Earnings per Share". For the purposes of calculating diluted returns per ordinary share, the number of ordinary shares is the weighted average used in the basic calculation plus the number of ordinary shares deemed to be issued for no consideration on exercise of all subscription shares by reference to the average share price of the ordinary shares during the period.

14 Investments and derivatives

(a) Investments

	Group and Company
	30 September 2011
	£'000
Additions at cost	145,238
Proceeds on disposal	(54,971)
Losses on disposal	(355)
Cost at 30 September 2011	89,912
Add: Valuation gains	3,991
Valuation at 30 September 2011	93,903

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

	Group and Company
	30 September 2011
	£'000
On acquisition	256
On disposal	105
	361

(b) Fair value of open derivative contracts

	Group and Company
	30 September 2011
	£'000
Health Care REIT Call Option 50 closing 22 October 2011	(4)
GlaxoSmithKline Call Option 1350 closing 21 October 2011	(7)
HCP Call Option 35 closing 22 October 2011	(14)
Abbott Laboratories Call Option 52.5 closing 19 November 2011	(16)
GlaxoSmithKline Call Option 1350 closing 18 November 2011	(16)
Bristol Myers Squibb Call Option 41 closing 19 November 2011	(23)
Bayer AG Call option 41 closing 21 October 2011	(55)
Fair value at 30 September 2011	(135)

(c) Fair value hierarchy

	Group and Company
	30 September 2011
	£'000
Level 1 assets	93,768
Valuation at 30 September 2011	93,768

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

(d) Subsidiary companies

The Company owns the entire share capital consisting of 2 ordinary shares of £1 of Polar Capital Global Healthcare Finance Limited, which is registered in England and Wales and operates in the United Kingdom. This subsidiary is currently dormant.

The cost of the investment in the subsidiary was £2.

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

Notes to the Financial Statements

for the period from incorporation on 12 May 2010 to 30 September 2011 continued

15 Other receivables

	Group and Company
	30 September 2011
	£'000
Overseas tax recoverable	136
Prepayments and accrued income	319
	455

The carrying values of other receivables approximate their fair value.

16 Other payables

	Group and Company
	30 September 2011
	£'000
Purchases for future settlement	239
Accruals	399
	638

The carrying values of other payables approximate their fair value.

17 Called up share capital

	Group and Company
	30 September 2011
	£'000
97,899,999 ordinary shares at 25p each	24,475
17,800,000 subscription shares at 1p each	178
At 30 September 2011	24,653

On 15 June 2010 the Company issued 89,000,000 Ordinary Shares at 100p per share.

The subscription shares were issued as a bonus issue to ordinary shareholders at a rate of one bonus subscription share for every five ordinary shares held on 15 June 2010.

A subscription share carries the right to subscribe in cash for one ordinary share at a price of 100p on 31 January 2014.

On 14 February 2011, 31 May 2011, 29 July 2011 and 15 August 2011 2,000,000, 4,275,000, 2,200,000 and 424,999 ordinary shares of 25p each were issued at prices of 102.25p, 110.55p, 109.75p and 99.375p respectively.

18 Share premium reserve

	Group and Company
	30 September 2011
	£'000
Issue of 89,000,000 ordinary shares at 100p each	66,750
Bonus issue of 17,800,000 subscription shares at 1p each	(178)
Transfer to special distributable reserve	(64,792)
Issue of 2,000,000 ordinary shares at 102.25p each	1,545
Issue of 4,275,000 ordinary shares at 110.55p each	3,657
Issue of 2,200,000 ordinary shares at 109.75p each	1,865
Issue of 424,999 ordinary shares at 99.375p each	316
Issue costs	(1,798)
At 30 September 2011	7,365

On 18 August 2010 the Company received the approval of the Court to cancel the share premium account from the initial share offering and create a special distributable reserve.

19 Special distributable reserve

	Group and Company
	30 September 2011
	£'000
Transfer from share premium reserve	64,792
At 30 September 2011	64,792

Surpluses to the credit of the special distributable reserve can be used to purchase the Company's own shares. In addition the Company may use this reserve for the payment of dividends, provided that it has first revoked its investment company status by notice to the Registrar of Companies.

20 Capital reserves

	Group and Company
	30 September 2011
	£'000
Net losses on disposal of investments	(355)
Valuation gains on investments held during the period	3,991
Other movements on derivatives held during the period	(89)
Exchange losses on currency balances	(610)
Capital dividends	281
Irrecoverable tax on special capital dividends	(5)
Tax relief due from revenue	51
Investment management fee allocated to capital	(814)
Finance cost allocated to capital	(1)
At 30 September 2011	2,449

The balance on the capital reserve represents a profit of £3,991,000 on investments held and a loss of £1,542,000 on investments sold.

Notes to the Financial Statements

for the period from incorporation on 12 May 2010 to 30 September 2011 continued

21 Revenue reserve

	Group and Company
	30 September 2011
	£'000
Revenue profit for the period from 12 May 2010 to 30 September 2011	3,996
Interim dividends paid	(2,831)
At 30 September 2011	1,165

22 Net asset value per ordinary share

	Group and Company
	30 September 2011
Undiluted:	
Net assets attributable to ordinary shareholders (£'000)	100,424
Ordinary shares in issue at end of period	97,899,999
Net asset value per ordinary share (pence)	102.58
Diluted:	
Net assets attributable to ordinary shareholders (£'000)	118,224
Ordinary shares in issue at end of period if subscription shares converted	115,699,999
Net asset value per ordinary share (pence)	102.18

The diluted net asset value per ordinary share has been calculated on the assumption that 17,800,000 subscription shares in issue were converted at 100 pence per share, resulting in a total number of shares in issue of 115,699,999.

23 Cash and cash equivalents

	Group and Company
	30 September 2011
	£'000
Cash at bank	6,795
Cash held at derivative clearing houses and brokers	44
	6,839

24 Related party transactions

Under the terms of an agreement dated 26 May 2010 the Company has appointed Polar Capital LLP (Polar Capital) to provide investment management, accounting, secretarial and administrative services. Details of the fee arrangement for these services are given in the Report of the Directors. The total fees, paid under this agreement to Polar Capital in respect of the period ended 30 September 2011 were £1,018,000 of which £70,000 was outstanding at the period end.

The Company has no employees and therefore key management personnel. The Company paid £131,000 to the Directors and the Remuneration Report is set out on pages 27 and 28.

25 Derivatives and other financial instruments

Risk management policies and procedures for the Group and Company

The Group comprises an investment trust and a wholly owned subsidiary. The Company invests in equities and other financial instruments for the long term to further the investment objective set out on page 13. This exposes the Company to a range of financial risks that could impact the assets or performance of the Company.

The main risks arising from the 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 Company's exposure to financial instruments can comprise:

- Equity and non-equity shares and fixed interest securities which are held in the investment portfolio in accordance with the Company's investment objective.
- Bank overdrafts, the main purpose of which is to raise finance for the Company's operations.
- Cash, liquid resources and short-term receivables and payables that arise directly from the Company's operations.
- Derivative transactions which the 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 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 25(a)(i)), currency risk (see note 25(a)(ii)), and interest rate risk (see note 25(a)(iii)).

(i) Market Price Risk

The 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 Company faces. Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's operations. It represents the potential loss the Company might suffer through holding market positions in the face of price movements. A detailed breakdown of the investment portfolio is given on pages 7 to 9. Investments are valued in accordance with the Company's accounting policies as stated in Note 2(h).

At the period end, the Company's portfolio included seven derivative instruments. Four of the derivatives matured in October 2011 and three matured in November 2011.

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.

Notes to the Financial Statements

for the period from incorporation on 12 May 2010 to 30 September 2011 continued

25 Derivatives and other financial instruments continued

Market price risks exposure

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

	30 September 2011 £'000
Non-current asset investments at fair value through profit or loss	93,903
Current liability investments at fair value	(135)
	93,768

At 30 September 2011 the Company's overall notional exposure on derivative contracts was as follows:

	Group and Company 30 September 2011 £'000
Net notional exposure from options	3,210

The exposure noted above is covered by the holding of equities in the companies for which open derivative contracts are held. The overall level of risk from the holding of such contracts is not therefore considered to be material.

Market price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the period and the value of shareholders' funds to an increase or decrease of 15% in the fair values of the 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 Company's investments at the balance sheet date, with all other variables held constant.

	Group and Company 30 September 2011	
	Increase in fair value £'000	Decrease in fair value £'000
Income statement – profit after tax		
Revenue return	(24)	24
Capital return	13,969	(13,969)
Change to the profit after tax for the period	13,945	(13,945)
Change to equity attributable to shareholders	13,945	(13,945)

(ii) Currency Risk

The Company's total return and net assets can be significantly affected by currency translation movements as the majority of the 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.

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.

	30 September 2011
	£'000
Monetary Assets:	
Cash and short term receivables	
Swiss franc	127
US dollars	72
Japanese yen	60
Euros	19
Canadian dollars	4
Monetary Liabilities:	
Other payables	
US dollars	(221)
Foreign currency exposure on net monetary items	61
Non-Monetary Items:	
Investments at fair value through profit or loss that are equities	
US dollars	49,583
Swiss franc	13,654
Euros	6,489
Japanese yen	3,846
Australian dollars	2,021
Canadian dollars	559
Swedish kroner	211
Danish krona	193
Brazilian real	133
Total net foreign currency exposure	76,750

From incorporation on 12 May 2010 to 15 June 2010 when the Company commenced trading there was no foreign currency exposure. Over the financial period from 15 June 2010 to 30 September 2011 Sterling appreciated by 5.2% against the US dollar, depreciated by 11.3% against the Japanese yen, depreciated by 3.1% against the Euro, and depreciated by 15.5% against the Swiss franc.

Foreign currency sensitivity

The following table illustrates the sensitivity of the profit after tax for the period and the value of shareholders' funds in regard to the financial assets and financial liabilities and the exchange rates for the £/US dollar, £/Euro, £/Japanese yen and £/Swiss franc.

Notes to the Financial Statements

for the period from incorporation on 12 May 2010 to 30 September 2011 continued

25 Derivatives and other financial instruments continued

Foreign currency sensitivity continued

If sterling had depreciated by 10% against the currencies shown, this would have the following effect:

Group and Company	30 September 2011			
	£'000			
	US dollar	Euro	Yen	Swiss Franc
Statement of Comprehensive Income – profit after tax				
Revenue return	8	1	7	14
Capital return	5,485	722	427	1,517
Change to the profit after tax for the period and to shareholders' funds	5,493	723	434	1,531

If sterling had appreciated by 10% against the currencies shown, this would have the following effect:

Group and Company	30 September 2011			
	£'000			
	US dollar	Euro	Yen	Swiss Franc
Statement of Comprehensive Income - profit after tax				
Revenue return	(7)	(1)	(5)	(12)
Capital return	(4,487)	(591)	(350)	(1,241)
Change to the profit after tax for the period and to shareholders' funds	(4,494)	(592)	(355)	(1,253)

In the opinion of the Directors, while these are regarded as reasonable estimates, neither of the above sensitivity analyses are representative of the period as a whole since the level of exposure changes frequently as part of the currency risk management process used to meet the Company's objectives.

(iii) Interest Rate Risk

Although the majority of the Company's financial assets are equity shares, which pay dividends, not interest, the 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 period end, financial assets and liabilities exposed to floating interest rates were as follows:

Group and Company	30 September 2011
	£'000
Financial Assets:	
Cash at bank	6,839
	6,839

The above period end amounts may not be representative of the exposure to interest rates in the period ahead since the level of cash held during the period 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 Company to realise sufficient assets to meet its financial liabilities.

Management of the risk

The 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:

Group and Company	30 September 2011
	£'000
Due within 1 month:	
Balances due to brokers	239
Accruals	399
Liability for derivative financial instruments	80
Due after 1 month but within 3 months:	
Liability for derivative financial instruments	55
	773

(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 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.

These arrangements were in place throughout the current period.

Credit risk exposure

The maximum exposure to credit risk at 30 September 2011 was £7,128,000 comprising:

Group and Company	30 September 2011
	£'000
Accrued Income	289
Cash at bank	6,839
	7,128

None of the Group's financial assets are past due or impaired. All deposits were placed with banks that had ratings of A or higher.

(d) Capital Management Policies and Procedures

The Company's capital management objectives are:

The Company's capital, or equity, is represented by its net assets which are managed to achieve the Company's investment objective set out on page 13.

The Board monitors and reviews the broad structure of the 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 (ie the level of share price discount or premium) and(ii) the determination of dividend payments.

The Company is subject to externally imposed capital requirements through the Companies Act with respect to its status as a public company.

In addition, in order to pay dividends out of profits available for distribution by way of dividend, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by company law.

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 of 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).

Investing

Market Purchases

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

Share Dealing Services

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

For telephone sales call 0800 876 6889 (or +44 121 415 7047) between 8.30am and 4.30pm for dealing and up to 6.00pm for enquiries, Monday to Friday.

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

Savings Scheme & ISA

UK residents can invest through the Alliance Trust. They provide and administer a range of self-select investment plans, including tax-advantaged ISAs and SIPPs (self-invested personal pensions) and also Investment Plans and First Steps, an investment plan for children.

For more information, please contact Alliance Trust on 08000 326 323, or visit www.alliancetrust.co.uk

Please remember that any investment in the shares of Polar Capital Global Healthcare Growth and Income Trust either directly or through a savings scheme or ISA carries the risk that the value of your investment and any income from them may go down as well as up due to the fluctuations of the share price, the market and interest rates. This risk may result in an investor not getting back their original amount invested. Past performance is not a guide to future performance.

Polar Capital Global Healthcare Growth and Income Trust 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.

Other Information

Disability Act

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

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

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

Nominee 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 and speak at meetings when invited by the Chairman.

Subscription Shares

Polar Capital Global Healthcare Growth and Income Trust plc issued subscription shares on 15 June 2010 on the basis of one subscription share for every five ordinary shares subscribed. The subscription shares were admitted to trading on the London Stock Exchange on 15 June 2010.

Subscription shares offer the right to subscribe for ordinary shares of the Company at 100p per ordinary share on 31 January 2014. It is intended that a reminder letter will be sent to holders of subscription shares along with the Annual Report for the year ending 30 September 2013.

Subscription shares acquired other than pursuant to the placing are qualifying investments for the stocks and shares component of an ISA, and should be eligible for inclusion in a UK SIPP.

Subscription shares tax implications

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

Please note this is a summary of some of the information contained in the Prospectus issued by the Company on 26 May 2010 (the "Prospectus") in connection with the Placing and Offer for Subscription of ordinary shares and subscription shares and should be read as such. Full details of the subscription shares, their issue and conversion are set out in the Prospectus and reference should be made to that document for a complete and full understanding of the matters terms of the subscription shares.

Warnings to Shareholders

Past performance is no guarantee of future performance.

The value of your investment and any income from it may go down as well as up and you may not get back the amount invested. This is because the share price is determined by the changing conditions in the relevant stock markets in which the Company invests and by the supply and demand for the Company's shares.

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.

Boiler Room Scams

Over the last year, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive, and a 2006 survey by the Financial Services Authority (FSA) has reported that the average amount lost by investors is around £20,000.

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

If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation
- Check that they are properly authorised by the FSA before getting involved by visiting www.fsa.gov.uk/register
- Report the matter to the FSA either by calling 0845 606 1234 or visiting www.moneymadeclear.fsa.gov.uk
- 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. The FSA can be contacted by completing an online form at www.fsa.gov.uk/pages/doing/regulated/law/alerts/overseas.shtml. Details of any share dealing facilities that the company endorses will be included in company mailings.

More detailed information on this or similar activity can be found on the FSA website www.moneymadeclear.fsa.gov.uk

Forward Looking Statements

Certain statements included in this Annual Report and Accounts contain forward-looking information concerning the Company's strategy, operations, financial performance or condition, outlook, growth opportunities or circumstances in the countries, sectors or markets in which the Company operates. By their nature, forward-looking statements involve uncertainty because they depend on future circumstances, and relate to events, not all of which are within the Company's control or can be predicted by the Company. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Actual results could differ materially from those set out in the forward-looking statements. For a detailed analysis of the factors that may affect our business, financial performance or results of operations, we urge you to look at the principal risks and uncertainties included in the Business Review on pages 15 and 16 of this Annual Report and Accounts. No part of these results constitutes, or shall be taken to constitute, an invitation or inducement to invest in Polar Capital Global Healthcare Growth and Income 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.

Company 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 (appointed 12 May 2010)

John Aston, OBE (appointed 12 May 2010)

Antony Milford (appointed 13 May 2010)

Anthony Brampton (appointed 25 May 2010)

Investment Manager

Polar Capital LLP

4 Matthew Parker Street

London

SW1H 9NP

Authorised and regulated by the

Financial Services Authority.

Telephone: 020 7227 2700

Website: www.polarcapital.co.uk

Fund Managers

Dr Daniel Mahony and Mr. Gareth Powell

Secretary

Polar Capital Secretarial Services Limited

represented by Neil Taylor

Registered Office

4 Matthew Parker Street

London SW1H 9NP

Website: www.polarcapitalhealthcaretrust.co.uk

Chartered Accountants and Statutory Auditors

PricewaterhouseCoopers LLP

Erskine House

68 - 73 Queen Street

Edinburgh EH2 4 NH

Solicitors

Herbert Smith LLP

Exchange House

Primrose Street

London EC2A 2HS

Stockbrokers

Matrix Corporate Capital

One Vine Street

London W1J 0AH

Bankers and custodian

HSBC Bank Plc

8 Canada Square

London E14 5HQ

Identification Codes

Ordinary shares

SEDOL: B6832P1

ISIN: GB00B6832P16

TICKER: PCGH

Subscription shares

SEDOL: B68VXC9

ISIN: GB00B68VXC96

TICKER: PCGS

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 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

Portfolio Details

Portfolio information is provided to the AIC for its monthly statistical information service (www.theaic.co.uk).

aic

The company is a member of the Association of Investment Companies

designed and produced by

FULTON.

UNCOVERING CORPORATE CHARISMA
Brand | Literature | On-line | Reporting

www.fulton-design.co.uk

