POLAR CAPITAL

Polar Capital Global Healthcare Growth and Income Trust plc

Report and Financial Statements for the year ended 30 September 2015

Year ended
2015

About Your Company

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 are set out in the Strategic Report.

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.

Benchmark

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

Capital Structure

At 30 September 2015 the Company had in issue 122,650,000 ordinary shares of 25p each of which 1,875,000 are held in treasury (2014: 122,650,000 ordinary shares of which 1,030,000 were held in treasury).

During the year ended 30 September 2015 the Company has not issued any additional ordinary shares, but has bought back 845,000 ordinary shares which as at 30 September 2015 were held in treasury.

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 Articles of Association provide that 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. Polar Capital LLP is also the Alternative Investment Fund Manager for the purposes of AIFM Regulations.

The Investment Manager is entitled to a management fee at the rate of 0.85% per annum of the lower of the 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 Strategic Report.

Contents

Financial Highlights
For the year ended 30 September 2015

Performance	
Net asset value per ordinary share (total return) (note 1)	**8.1%**
Benchmark index (MSCI ACWI/Healthcare Index (total return in Sterling with dividends reinvested))	**9.6%**
Total return for investors since inception (note 2)	**101.3%**

Financials	As at 30 September 2015	As at 30 September 2014	% Change
Net asset value per ordinary share	174.24p	164.41p	6.0%
Ordinary share price	168.25p	155.50p	8.2%
Discount	-3.4%	-5.4%	

Share Capital		
Total issued ordinary shares	122,650,000	122,650,000
Ordinary shares held in treasury	1,875,000	1,030,000
Ordinary shares in issue	120,775,000	121,620,000

Expenses		
Ongoing charges (note 3)	1.00%	1.04%

Dividends

The Company has paid the following dividends relating to the financial year ended 30 September 2015:

Pay date	Amount per ordinary share	Record date	Ex-date	Declared date
27 February 2015	0.60p	6 February 2015	5 February 2015	23 January 2015
29 May 2015	0.60p	15 May 2015	14 May 2015	11 May 2015
28 August 2015	1.80p	7 August 2015	6 August 2015	27 July 2015
27 November 2015	0.65p	6 November 2015	5 November 2015	27 October 2015
Total (2014: 3.5p)	**3.65p**			

All data sourced from Polar Capital LLP

Note 1 – The total return NAV performance per ordinary share for the period is calculated by reinvesting the dividends in the assets of the Company from the relevant payment date and adjusting for the subscription share dilution.

Note 2 – The total return for investors since Inception calculation is adjusted for dividends to have been reinvested on the payment date in ordinary shares at the prevailing share price and assumes that all investors have exercised their subscription rights.

Note 3 – Ongoing charges represents the total expenses of the fund, excluding finance costs, expressed as a percentage of the average daily net asset value, in accordance with AIC guidance issued in May 2012.

Chairman's Statement

James Robinson
Chairman

Net Asset Value total return was 8.1% over the year

Performance

It was a financial year of two distinct halves. The first half saw very strong NAV performance of over 18% following which we warned shareholders that it was unrealistic to expect this pace of performance to continue. The second half saw our NAV fall by over 10% with the result that the total return for the financial year as a whole was pared back to 8.1%. This compares to 7.2% for the NYSE Pharmaceutical Index and 9.6% for our benchmark, the MSCI Global Healthcare Index. The total return of 8.1% represents 6% capital appreciation together with 2.1% in respect of dividends received by shareholders.

As far as market selection was concerned, we were underweight in the US which, after Japan, was the best performing major market, helped by the strength of the U.S. dollar which rose by 6.6% against sterling over the period. However this was more than offset by our excellent stock selection in the US with the result that this part of the portfolio was a big contributor overall. Our investments in the biotechnology sector, although small, benefited from excellent stock selection by our managers and therefore made a meaningful contribution to performance, notwithstanding the considerable correction in this area which started in late July and went on until the end of September. Where we did lose out, however, was through our underweight positioning in health care services and managed health care both of which performed well.

High performing funds often achieve their performance by taking big risks and are therefore particularly vulnerable to a setback at any time. It is therefore reassuring to note that, as a measure of risk, your Company has a relatively low Beta of 0.8 as compared with its benchmark.

Share Capital

It is pleasing to be able to report that the discount of our share price to NAV which had moved out to 9.8% at the half way stage had reduced to 3.4% by the end of the period, some 2% lower than at the start of the year.

We bought back a total of 845,000 shares into treasury during the year and we now have a total of 1,875,000 treasury shares available for re-issue should the opportunity arise. Meanwhile we will continue to use our share buyback facility where we judge this to be in the best interest of shareholders.

Dividends

The Company aims to increase the dividend on an annual basis progressively and we have again achieved this for the latest year by paying out a total of 3.65p per share compared with 3.50p the previous year, an increase of 4.3%. Although there can obviously be no guarantee, your Board is hoping to continue to increase annual dividend payouts in the future and will be prepared, if necessary, to dip into revenue reserves in order to achieve this.

Life

The Articles of Association provide for the Company to be wound up at its seventh Annual General Meeting which is expected to take place in January 2018. In our half yearly report we provided some initial guidance to shareholders. While the Board will make available a cash exit at that time, it is mindful of the adverse tax implications of winding-up the Company for some shareholders and therefore expects in due course to consider suitable rollover alternatives. By this time next year we should be in a position to provide more detail about this.

Total annual dividend increased by 4.3% to 3.65p per share

Outlook

In healthcare today it is all about giving value for money and being able to demonstrate this. Our Managers believe that companies that help to deliver better healthcare for less money are set to thrive. With this in mind they continue to focus on companies that are either consolidators or innovators that will decrease the cost or increase the quality of healthcare, respectively.

Since the stock market correction this summer healthcare stocks have bounced relatively little compared to the rest of the market. Selling on a price to earnings ratio of 14 times the healthcare sector is now cheaper than the overall market which seems good value given stronger forecast earnings growth.

Since inception in June 2010 your Company has aimed to deliver a total return of 10–12% per annum over the life of the Company and our managers believe that they can continue to achieve this level of return over the next two years.

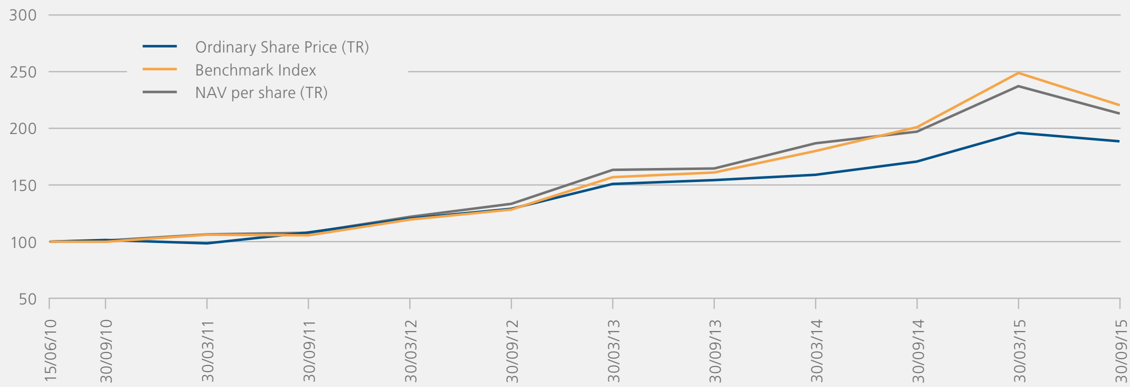
Annual General Meeting

The Company's fifth Annual General Meeting (AGM) will take place at noon on Wednesday 27 January 2016 at the offices of our managers, Polar Capital, 16 Palace Street, London SW1E 5JD and the nearest tube and main line station is Victoria. A Map of the location is contained in the separate Notice of Annual General Meeting. This will be the first time we have held the meeting in the offices of our manager and we look forward to welcoming you to this new venue. Our manager, Dr Daniel Mahony, will be making a presentation and I would encourage as many of you as possible to come and hear what he has to say. He really is an excellent presenter! Attendance at this meeting also provides a good opportunity for you to meet the members of your Board and to ask any questions you might have, either of us or the manager. A buffet lunch will be served at the conclusion of the meeting.

James Robinson
Chairman

15 December 2015

Performance Since Launch



Source: Polar Capital

Investment Manager's Report

For the year ended 30 September 2015

Dr Daniel Mahony and Gareth Powell

Performance review

For the fiscal year to 30 September 2015, the Company delivered a total return of 8.1%, which was behind the benchmark (MSCI Global Healthcare Index) that recorded a total return of 9.6% over the same period. The healthcare sector was a relative outperformer over the fiscal year with global markets flat to modestly up over this period of time. However, most of the Company's returns came in the first half of the fiscal year with the healthcare sector's strong run beginning to stall in August. Over the course of the fiscal year, the best performing healthcare sub-sectors were managed care and healthcare services with pharmaceutical stocks modestly underperforming the benchmark.

Global stock markets have continued to be volatile over the reporting period with the major drivers related to macroeconomic factors. Equity markets continued on a positive trend over the 6 months to 31 March 2015. Both the Bank of Japan and the European Central Bank embarked on additional quantitative easing (QE) programmes at the beginning of the fiscal year that provided a boost for equities in the final quarter of calendar 2014. Moreover, the Chinese stock market experienced an exuberant rally in March driven in part by hopes that the Chinese government would also provide a stimulus package.

However, investor sentiment turned more negative for the second half to 30 September 2015. Slowing GDP growth for the Chinese economy and the spectre of an asset bubble, especially in property, caused Chinese stock markets to stall in April with a rapid decline over the summer months. For U.S. investors, the prospect of an interest rate rise by the Federal Reserve and the potential for an economic recession drove the change towards a more negative stance. These macroeconomic concerns seemed to come to a head in August with a rapid sell off in equity markets around the world.

For the healthcare sector, the key positive drivers for outperformance during the reporting period have been an increase in patient volumes and utilisation as well as mergers and acquistions (M&A). As we have discussed previously, President Obama's healthcare reforms have increased healthcare insurance coverage in the U.S. and this has had a positive impact on the top and bottom line for many companies across the healthcare value chain. We have also continued to see consolidation across the sector, especially in speciality pharmaceutical and managed care, as companies look to build scale to improve efficiency.

The one negative concern over the last year has been related to drug pricing. We discuss this in more detail below, but drug companies are beginning to see more pricing pressure from insurers and governments – especially in therapeutic areas where there are a number of competing drugs. However, the big negative in September came from U.S. Democratic Presidential Candidate Hillary Clinton who accused the pharmaceutical industry of 'outrageous price gouging'. These comments relate to the business model for certain generic and speciality pharmaceutical companies but the negative market reaction suggests that there is a perceived risk of government interference in drug pricing.

Despite this negativity at the end of the reporting period, we remain optimistic on the outlook for healthcare. Importantly, we believe that pharmaceutical companies that are delivering true innovation and, more importantly, value to patients and healthcare systems will be able to command strong pricing for their products. Over the last 12 months, positive clinical data support our view that drug pipelines are being replenished across the sector and this should translate into double-digit earnings growth for the sector.

We remain committed to our investment strategy and will continue to maintain a concentration in pharmaceutical stocks in the portfolio to the end of the Company's life in January 2018. Our goal continues to be to deliver a total return of 10–12% per annum over the life of the Company and we believe that we can achieve this level of return going forward.

Review of the portfolio

The Company's investments are split into an income portfolio and a growth portfolio with an 80:20 split of assets, respectively. All of the companies in the income portfolio pay a dividend and there is a large weighting in the major pharmaceutical companies. Dividend yields for the large pharmaceutical companies are projected to be in the region of 2 to 4% for the coming year with GlaxoSmithKline an outlier with a current dividend yield of 6%. We expect 4-5% dividend growth for the large pharmaceutical peer group over the next fiscal year. The growth portfolio comprises stocks in biotechnology, medical devices, services and pharmaceutical companies.

The Company's investment portfolio has a bias towards large capitalisation companies (greater than $5 billion) and pharmaceutical companies, with weightings of 76% and 70%, respectively, as of 30 September 2015. As a measure of risk, the beta of the portfolio was maintained at 0.8 throughout the year.

Income Portfolio

The sub-sector composition of the income portfolio has not changed significantly over the last 12 months. The large weighting in pharmaceutical stocks has been maintained and we continue to hold positions in healthcare services, medical technology and healthcare real estate investment trusts (REITs).

We have made changes to the top five positions in the income portfolio. Our largest position is now Pfizer and Johnson & Johnson is now a top five holding. We have reduced our holding in Merck and over the course of the reporting period we sold our entire position in GlaxoSmithKline.

We increased our position in Pfizer towards the end of March when it became clear that Pfizer was unlikely to pursue the acquisition of AstraZeneca – we had been concerned that Pfizer would have to offer a significant premium to persuade AstraZeneca's board to enter into any M&A discussions.

Pfizer generates significant cash flow and is one of the cheaper large pharmaceutical stocks based on price to earnings ratio. Moreover, the management team is focused on delivering shareholder value and has openly discussed the possibility of splitting the company into two separate businesses.

Such a break up could split Pfizer into an established products and vaccines business, which would be highly cash generative, and an innovative product development company, which as a stand-alone would have a much higher growth rate than the combined business.

After the end of the reporting period, Pfizer announced its intention to acquire Allergan – to create the largest pharmaceutical company globally. The structure of the deal will enable the new company to be located in Ireland for tax purposes and so benefit from a significantly lower tax rate. Pfizer's management team has not ruled out the possibility of a break-up, although the merger could push this out to the 2018 timeframe.

Probably the most significant change in the income portfolio was the complete exit from our position in GlaxoSmithKline. The company continues to face pricing pressure in its respiratory business and we think management has little financial flexibility given the commitment to the dividend. We see few exciting opportunities in the pipeline that will reach the market before 2021 and so we are concerned that the stock could trade sideways for the next year or two.

In terms of absolute attribution, the biggest contributors have been Eli Lilly and Bristol-Myers. We highlighted Eli Lilly as a pipeline-driven recovery story two years ago and the stock has performed well this year on the back of positive clinical trial announcements. Over the course of the reporting period, the company reported encouraging data for a novel Alzheimer's disease drug candidate as well as new clinical data for Jardiance, a treatment for diabetes. The latter showed that treatment with Jardiance resulted in a statistically significant reduction in cardiovascular events – a first for a diabetes drug.

Investment Manager's Report continued

For the year ended 30 September 2015

Income Portfolio continued

It has not all been positive news for Eli Lilly. In September, the company announced the failure of a Phase III trial for a novel cholesterol-lowering drug candidate. The share price reacted negatively to this event but has since rebounded following the release of positive Phase III data for its novel rheumatoid arthritis treatment after the end of the reporting period.

We continue to like Eli Lilly and expect more clinical news flow over the coming year that should provide upside potential to consensus earnings projections.

Bristol-Myers continues to be the leader in the new field of immuno-oncology – novel treatments that enable a cancer patient's own immune system to attack tumour cells. Bristol-Myers has a first-to-market advantage and its new drugs are beginning to drive top-line growth. The company is entering a period of expanding margins and strong earnings growth and we think there is potential upside to earnings estimates over the mid-term.

The biggest detractors have been Sanofi and Teva. Sanofi was a particularly poor performer in the last quarter of calendar 2014 – the company continues to face pricing pressure in its core diabetes business and a series of disappointing earnings announcement led to the removal of the CEO in October 2014. A new CEO is now on board but the company has lowered expectations for the diabetes franchise in 2016. There is a pipeline opportunity at Sanofi but it may take time for new products to generate top-line growth if the company continues to see pressure in the diabetes business.

We bought the position in Teva in late July just before the rapid market decline in August – the company looks well positioned to generate good mid-term earnings growth following the acquisition of Allergan's generics portfolio and the launch of new branded drugs for central nervous system (CNS) diseases.

Growth Portfolio

The growth portfolio is invested in a number of biotechnology, healthcare services, medical device and pharmaceutical companies. There is a bias towards smaller companies in the growth portfolio – just over 50% have a market capitalisation of $1 billion or less. Over the reporting period, the number of positions was reduced from 40 to 36. We continue to hold a diversified portfolio of small companies that had a market capitalisation of less than $100 million at the time of investment. We have made no new investments in this segment of the portfolio over the last year.

On an absolute basis, the most important contributors during the period were biotechnology companies – notably, Esperion Therapeutics, Newron Pharmaceuticals and Receptos. All three of these companies reported positive news flow for their lead drug programmes over the course of the year. In March, Esperion announced positive data for its lead drug candidate to treat high cholesterol that surpassed expectations when used in combination with another drug. Newron announced the European approval for safinamide, its novel treatment for Parkinson's disease, in January as well as the acceptance of its new drug approval (NDA) filing by the Food and Drug Administration (FDA). Receptos announced positive Phase II data for its lead candidate to treat multiple sclerosis in October 2014. This caused a large increase in the share price and we exited the position in January – the company was subsequently acquired by Celgene in August.

The biggest detractors to performance were two UK small companies – Futura Medical and Synairgen. Synairgen announced a major collaboration with AstraZeneca last year for its lead clinical programme for asthma. However, in the absence of any major clinical news flow the stock has slowly declined over the reporting period. Futura Medical has developed a condom containing Zanifil, a formulation of glycerol trinitrate, to help maintain an erection during intercourse. The commercial launch of the product has proceeded more slowly than expected and the share price performance has been disappointing. However, we expect the company to announce clinical data for other compounds in its pipeline over the next year.

Pipeline Progress is the Primary Focus for Pharmaceutical Companies

When the Company was launched in 2010, we argued that the market was too pessimistic on the potential for an improvement in R&D productivity and that the pharmaceutical sector would return to growth by the end of the decade. Five years later, it seems as though we had underestimated how quickly clinical pipelines could be replenished. More importantly, this is beginning to be translated into top and bottom-line growth for the industry.

Clinical pipelines are now the primary focus for investors and this has been the emphasis at all of the recent large pharmaceutical company annual update meetings we have attended. A few companies have even started to talk about drug launches in the 2021–2025 time frame, which we find a little surprising given the unpredictability of drug development.

In general, pipelines are improving across the industry and we believe that we are at the beginning of a new wave of drug development that has been driven in large part by advances in the biotechnology sector. Over the past year, we have seen positive clinical data announcements in therapeutic areas such as Alzheimer's disease, cancer, diabetes and inflammatory disease.

It is clear that some companies have more advanced pipelines than others – either through serendipity or because of strategic planning (or a bit of both). Going forward, we expect to see a greater dispersion of returns for stocks within the pharmaceutical sector based on the perceived strength of each company's pipeline and, therefore, its earnings growth potential.

Our investment strategy is focused on identifying the large pharmaceutical companies where the clinical pipeline may be underappreciated and mid- and long-term earnings estimates may be too low.

Drug Pricing is Currently a 'Hot' Political Issue

As we noted above, the healthcare sector's period of outperformance came to an abrupt halt in September 2015. The catalyst for this rapid decline appeared to be comments from U.S. Democratic Presidential Candidate Hillary Clinton. Mrs. Clinton accused the pharmaceutical industry of 'outrageous price gouging' practices and published proposals on how she would reform prescription drug pricing and improve access to healthcare for lower income families.

Hillary Clinton was responsible for the first attempt at healthcare reform in the early 90s during President Bill Clinton's first term. The Clinton healthcare plan ultimately failed but at the time was responsible for a significant decline in healthcare stocks – the recent comments seem to have caused a 'knee jerk' reaction in the stock market.

It is important to put these comments and proposals into context. The first point is that there is nothing particularly new in Mrs. Clinton's plan – many of the issues being discussed were part of the failed plan from the 1990s. Moreover, a key part of her proposal is to allow the U.S. government, through its Medicare programme, to negotiate pricing directly with drug companies. This idea was discussed and rejected during the negotiations surrounding President Obama's healthcare reform in 2009.

The second point is that Mrs. Clinton's principal targets are the generic and speciality pharmaceutical companies that have raised drug prices egregiously. Her comments seem to have been triggered by the public outcry over a 5,000% price hike for an old anti-parasitic drug, called Daraprim, by Turing Pharmaceuticals, a start-up specialty pharmaceutical company. We agree that this is a business practice that should be called into question.

Investment Manager's Report continued

For the year ended 30 September 2015

Drug Pricing is Currently a 'Hot' Political Issue continued

In our view, pharmaceutical companies that are delivering true innovation and, more importantly, value to patients and healthcare systems will be able to command strong pricing for their products. We do not like business models that rely on pricing power in the absence of innovation. It was worth highlighting that following her initial comments, Mrs. Clinton re-affirmed her commitment to supporting innovation on social media saying that '…companies working on life-saving breakthroughs won't have anything to fear from my plan…'.

While we continue to see political rhetoric and news headlines as a risk to sentiment for healthcare as we enter into a U.S Presidential election campaign in 2016, we think there is little appetite in Congress to revisit President Obama's healthcare reform law. Moreover, while the healthcare sector has declined over the last few weeks the fundamentals remain unchanged.

The underlying driver is an ageing population that needs and demands more healthcare – we continue to focus on companies that are either consolidators or innovators that will decrease the cost and increase the quality of healthcare, respectively.

The Healthcare Industry has Embarked on Structural Change

The move to more cost-effective healthcare is the catalyst for major structural change in the industry. Over the last year, we have seen some significant events that indicate this change has started and highlight some of the challenges and opportunities for healthcare companies.

Health Insurers are Exercising Greater Pricing Power

The first significant event was the competitive activity in the Hepatitis C Virus (HCV) drug market in late 2014/early 2015. For the vast majority of patients, the new generation of HCV drugs provides a cure for an infectious disease that ultimately leads to liver failure where liver transplantation is the only treatment option.

Gilead was first to market with its drug Sovaldi – the company made some convincing arguments related to the cost-effectiveness of the treatment. The ca. $85,000 treatment price could be justified on economic grounds given the high costs of treating a patient with liver failure and liver transplantation.

In December 2014, AbbVie received approval for VieKira Pak, its treatment for HCV – the first competitor for Gilead's HCV drug. AbbVie then announced an exclusive deal with Express Scripts, a pharmacy benefit manager (PBM), which positioned VieKira Pak as the Express Scripts' preferred product for its members. Within a few weeks, Gilead announced a series of similar agreements with a number of other PBMs including CVS.

Preferential pricing deals with PBMs are not new, they allow a pharmaceutical company to get preferential access to drug formularies and thus potentially greater market share. However, it is unusual to see such agreements so soon after the launch of a new drug category – in the case of AbbVie the negotiations must have started well before FDA approval.

With the recent consolidation in the PBM and health insurance industries, the PBMs have garnered much greater purchasing power. Moreover, they are using this power to control access to the market and are developing ways of influencing and measuring consumer behaviour.

It is worth noting that both GlaxoSmithKline and Sanofi have suffered from increased pricing pressure from PBMs over the last year in their respiratory and diabetes franchises, respectively. While pharmaceutical companies have historically looked to engage primarily with physicians to drive usage of their products, we think interaction with the PBMs and insurers is becoming essential to ensure market access.

Drug Companies are Becoming More Proactive

The need to interact proactively with PBMs was demonstrated by Novartis after the approval of its new heart failure drug, Entresto, in July. As part of the Phase III clinical trial, Novartis collected data on the economic benefits of Entresto. In particular, the company showed that there was a reduction in the hospitalisation rate for heart failure patients treated with Entresto. Hospitalisation is one of the major drivers of cost in any chronic disease.

Shortly after launch, Novartis announced that it was in negotiations with PBMs on the pricing of Entresto. As part of these negotiations, Novartis is trying to get a higher price for Entresto – in the region of $12 per day – but is prepared to offer a significant rebate to the PBMs and insurers if the reduction in hospitalisation does not materialise in a real world setting.

In our view, Novartis has crossed the Rubicon – it is effectively offering a money back guarantee if its drug does not deliver the proposed benefits. While this is a normal state of affairs for most industries this is a major change for the drug industry. Such agreements are not without precedent, there are a few cases in the UK, but such agreements have been entered into rather reluctantly rather than proactively. This is, to our knowledge, the first time a large drug company has approached a PBM in the U.S. offering a money back guarantee on what could be a major blockbuster drug.

Digital Health is a Driver of Change

This leads to a third observation, which relates to the emergence of digital health technology. Digital health is an all-encompassing term that covers a broad array of products and services arising from the convergence of information technology with healthcare.

As we have discussed in prior years, a key investment thesis for healthcare is identifying companies that are delivering better healthcare for less money. One aspect of digital health is the development of analytical tools that can help payers determine whether they are getting better value for money. Reimbursement systems across the world are changing and beginning to move away from a fee-for-service, which incentivises over-utilisation, and towards systems where there are payments for quality, best practice or clinical outcomes.

In principle, paying for performance makes sense for any health insurer or government. However, the critical issues are how you (a) measure clinical outcomes and (b) determine attribution. In the case of Entresto, for example, even if you could measure hospitalisation rates for a group of heart failure patients, how do you know this is because they have taken a specific drug? Moreover, patients rarely suffer from only a single disease. If a heart failure patient was admitted to hospital because of a complication of their asthma, for example, would this trigger a rebate from Novartis?

These are difficult questions to answer but over the last year we have seen a number of small companies trying to develop solutions to these problems. More importantly, some of the larger companies seem to be taking the potential applications of digital health very seriously. Novartis' CEO has been vocal about the need for pharmaceutical companies to use technology to prove that their drugs are delivering value. In July, Novartis announced a collaboration with Google and it has also invested in a digital health venture fund.

It is not just drug companies looking at this area. In the last year, we have visited OptumHealth – the health services division of UnitedHealth – and have seen some of the new analytical tools that the company is developing. Such tools help analyse the cost trends for an insurer and identify any healthcare provider who may be running ahead of budget or not delivering care according to the insurer's care guidelines or protocols. In addition, OptumHealth is developing tools and apps for patients via its patient portal that will help individuals manage their own medical conditions

Healthcare is Being Disrupted by Technology

In last year's report, we talked about the potential for structural change within healthcare. We continue to see evidence that this change has already begun and is beginning to accelerate. While this is not a major threat to the pharmaceutical industry on a two year time horizon, this is an area that may evolve very rapidly over the next five years.

In the mid-term to long term there is a risk that the use of data and analytical tools to evaluate products and services will create unexpected pricing pressure for companies that have not grasped the scope of the impending change. Given the long development times for drugs and medical devices, companies that have not already embarked on proving the value of their products in clinical development could be left far behind.

Investment Manager's Report continued

For the year ended 30 September 2015

Outlook

Over the next year, we think that macroeconomic factors and uncertainty will continue to drive the ebb and flow of global markets – the volatility we have seen over the last year is likely to continue. Given the economic uncertainty, and the prospect of low growth in most major economies, we think healthcare remains attractive. The fundamentals for the sector remain strong – an ageing population will continue to drive demand and companies that help to deliver better healthcare for less money are set to thrive. Innovation within the healthcare sector is certainly not slowing and arguably it is accelerating.

For the pharmaceutical industry, we expect more positive clinical news flow over the next 12 months that should support our view that strengthening pipelines and new drug launches can support double digit earnings growth. For the broader healthcare sector, we continue to see the risks and opportunities of a structural change in the way that healthcare is managed and delivered. We continue to advocate a two-pronged approach that focuses on (a) the consolidators or (b) the innovators – these are the companies that will decrease the cost and increase the quality of healthcare, respectively.

From a valuation perspective, healthcare is not expensive. On an absolute level, price to earnings (P/E) multiples are in-line with historical averages and compared to the broader market the sector looks very attractive given the projected growth profile. Therefore, we believe that our investment strategy – where we will maintain a low risk portfolio with a high weighting to pharmaceutical stocks – should be able to meet our goal of delivering a total return in the region of 10–12% per annum through to the end of the life of the Company in January 2018.

Dr Daniel Mahony
Investment Manager

Gareth Powell
Investment Manager

15 December 2015

Portfolio
As at 30 September 2015

		Stock	Country	Market Value £'000		% of total net assets	
				2015	2014	2015	2014
1	(6)	Pfizer	United States	18,656	9,120	8.9%	4.6%
2	(5)	Novartis	Switzerland	16,913	10,476	8.0%	5.2%
3	(3)	Eli Lilly	United States	15,737	13,089	7.5%	6.5%
4	(2)	Roche Holding	Switzerland	15,182	15,913	7.3%	8.0%
5	(11)	Johnson & Johnson	United States	11,708	5,919	5.6%	3.0%
6	(4)	AstraZeneca	United Kingdom	10,454	11,948	5.0%	6.0%
7	(8)	Sanofi	France	9,383	8,863	4.5%	4.4%
8	(9)	Astellas Pharma	Japan	7,218	7,798	3.4%	3.9%
9	(1)	Merck & Co	United States	7,169	16,089	3.4%	8.0%
10	(13)	Bristol-Myers Squibb	United States	6,250	5,051	3.0%	2.5%
Top 10 investments				118,670		56.6%	
11	–	Teva	Israel	6,148	–	2.9%	–
12	(7)	AbbVie	United States	6,103	9,060	2.9%	4.5%
13	(16)	Consort Medical	United Kingdom	5,298	3,395	2.5%	1.7%
14	(15)	Takeda Pharmaceutical	Japan	4,319	4,011	2.1%	2.0%
15	(14)	Bayer	Germany	4,210	4,325	2.0%	2.2%
16	(17)	Abbott	United States	2,390	2,309	1.1%	1.1%
17	(23)	Newron Pharmaceuticals	Italy	2,367	1,444	1.1%	0.7%
18	–	Unitedhealth	United States	2,297	–	1.1%	–
19	(42)	Cambian Group	United Kingdom	2,252	1,040	1.1%	0.5%
20	(29)	Quintiles Transnational	United States	1,994	1,306	0.9%	0.7%
Top 20 investments				156,048		74.3%	
21	(27)	Oxford Pharmascience	United Kingdom	1,982	1,367	0.9%	0.7%
22	(18)	Sonic Healthcare	Australia	1,945	2,184	0.9%	1.1%
23	(30)	Hutchison China Meditech	Hong Kong	1,925	1,287	0.9%	0.6%
24	–	Stryker	United States	1,815	–	0.9%	–
25	(65)	Revance Therapeutic	United States	1,809	685	0.9%	0.3%
26	(19)	Summit	United Kingdom	1,702	1,887	0.8%	0.9%
27	(25)	Medtronic	Ireland	1,635	1,414	0.8%	0.7%
28	(20)	Religare Health Trust	India	1,544	1,600	0.8%	0.8%
29	(48)	UDG Healthcare	Ireland	1,509	992	0.7%	0.5%
30	(69)	AmSurg	United States	1,503	638	0.7%	0.3%
Top 30 investments				173,417		82.6%	

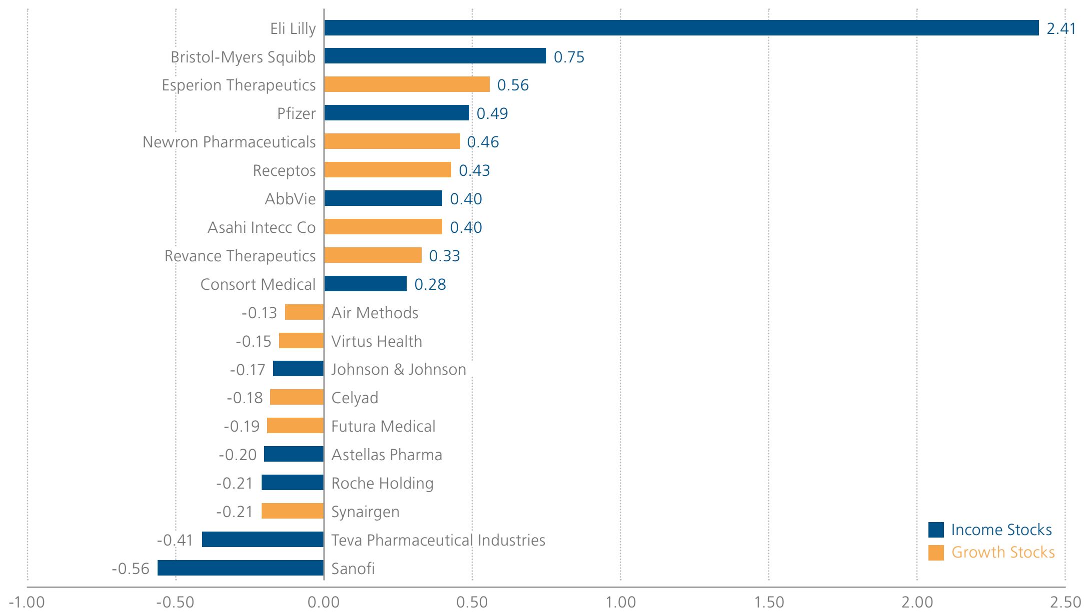
Portfolio continued
As at 30 September 2015

		Stock	Country	Market Value £'000		% of total net assets	
				2015	2014	2015	2014
31	(33)	Medical Properties Trust	United States	1,459	1,224	0.7%	0.6%
32	–	WellCare Health Plans	United States	1,403	–	0.7%	–
33	(45)	Acadia Healthcare	United States	1,365	1,016	0.7%	0.5%
34	(49)	Endologix	United States	1,347	980	0.6%	0.5%
35	–	Sienna Senior	Canada	1,243	–	0.6%	–
36	(50)	HCP	United States	1,229	980	0.6%	0.5%
37	(21)	Omega Healthcare	United States	1,160	1,581	0.6%	0.8%
38	(53)	Medical Facilities	Canada	1,149	931	0.5%	0.5%
39	(63)	Sabra Health Care REIT	United States	1,147	749	0.5%	0.4%
40	(76)	Virtus Health	Australia	1,127	358	0.5%	0.2%
Top 40 investments				186,046		88.6%	
41	(43)	HCA Holdings	United States	1,117	1,026	0.5%	0.5%
42	–	Envision Healthcare	United States	1,092	–	0.5%	–
43	(35)	Senior Housing Property Trust	United States	1,070	1,161	0.5%	0.6%
44	–	St Jude Medical	United States	1,041	–	0.5%	–
45	(70)	Dynavax Technologies	United States	1,030	600	0.5%	0.3%
46	–	Cardinal Health	United States	1,014	–	0.5%	–
47	(55)	Healthcare Reality Trust REIT	United States	984	876	0.5%	0.4%
48	(32)	National Health Investors	United States	949	1,234	0.5%	0.6%
49	(51)	Coltene Holding	Switzerland	946	944	0.4%	0.5%
50	–	Celyad	Belgium	903	–	0.4%	–
Top 50 investments				196,192		93.4%	
51	(44)	Novadaq Technologies	Canada	895	1,018	0.5%	0.5%
52	(66)	Healthcare Services Group	United States	853	677	0.4%	0.3%
53	(68)	Ablynx	Belgium	847	658	0.4%	0.3%
54	(59)	NIB Holdings	Australia	755	786	0.4%	0.4%
55	(72)	Photocure	Norway	721	491	0.3%	0.2%
56	(47)	Brookdale Senior Living	United States	707	994	0.3%	0.5%
57	(57)	Primary Health Care	Australia	617	827	0.3%	0.4%
58	–	Jazz Pharmaceuticals	Ireland	613	–	0.3%	–
59	–	Civitas Solutions	United States	605	–	0.3%	–
60	–	HealthStream	United States	567	–	0.3%	–
Top 60 investments				203,372		96.9%	

		Stock	Country	Market Value £'000		% of total net assets	
				2015	2014	2015	2014
61	(41)	Synairgen	United Kingdom	534	1,084	0.3%	0.5%
62	–	Intersect	United States	524	–	0.2%	–
63	(62)	Circle Holdings	United Kingdom	504	770	0.2%	0.4%
64	(71)	Extendicare	Canada	491	561	0.2%	0.3%
65	(64)	Futura Medical	United Kingdom	488	704	0.2%	0.4%
66	–	Oxford Immunotec	United Kingdom	484	–	0.2%	–
67	(73)	Meridian Biosciences	United States	484	467	0.2%	0.2%
68	(52)	Conatus Pharmaceuticals	United States	458	935	0.2%	0.5%
69	–	Esperion Therapeutics	United States	293	–	0.1%	–
70	(74)	Epistem Holdings	United Kingdom	255	450	0.1%	0.2%
Top 70 investments				207,887		98.8%	
71	(56)	Sigma Pharmaceuticals	Australia	190	842	0.1%	0.4%
72	(77)	EOS Imaging	France	170	238	0.1%	0.1%
Total equities				208,247		99.0%	
Other net assets				2,191		1.0%	
Net assets				210,438		100.0%	

Figures in brackets denote the comparative ranking as at 30 September 2014

Top 10 and Bottom 10 Absolute Contributors (Total Portfolio)



These figures show the percentage NAV contribution to the portfolio (before expenses) for the year ended 30 September 2015.
Source: Polar Capital

Portfolio continued
As at 30 September 2015

Geographical Exposure at	30 September 2015	30 September 2014
United States	48.1%	46.3%
Switzerland	15.7%	13.7%
United Kingdom	11.3%	15.0%
Japan	5.5%	6.7%
France	4.6%	4.6%
Israel	2.9%	–
Australia	2.2%	2.5%
Germany	2.0%	2.7%
Denmark	–	2.7%
Other	6.7%	5.6%
Cash	1.0%	0.2%
Total	100.0%	100.0%

Sector Exposure at	30 September 2015	30 September 2014
Pharmaceuticals	70.1%	69.4%
Healthcare Equipment	7.2%	8.6%
Healthcare Facilities	5.4%	5.4%
Specialised REITs	4.5%	4.5%
Biotechnology	3.9%	4.9%
Healthcare Services	2.4%	3.3%
Managed Healthcare	1.7%	–
Healthcare Distributors	1.3%	0.9%
Life Sciences Tools & Services	1.1%	0.9%
Healthcare Supplies	0.7%	1.1%
Life & Health Insurance	0.4%	0.4%
Healthcare Technology	0.3%	0.3%
Other	–	0.1%
Cash	1.0%	0.2%
Total	100.0%	100.0%

Market Cap at	30 September 2015	30 September 2014
Large (>US$5bn)	76.3%	75.4%
Medium (US$1bn – US$5bn)	7.8%	10.2%
Small (<US$1bn)	15.9%	14.4%
	100.0%	100.0%

Strategic Review

The Company is required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out a report to shareholders outlining a fair review of the strategy and performance of the Company during the year ended 30 September 2015, the position of the Company at the year end 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 should be read in conjunction with this Strategic Review and the Report of the Directors which follows.

The Strategic Report Section of this annual report which comprises the Chairman's Statement, the Investment Manager's Report and this Strategic Review has been prepared solely to provide additional information to shareholders on the Company's strategies and potential for those strategies to succeed. The Strategic Report Section contains certain forward looking statements. These statements are made by the Directors in good faith based on the information available to them at the time of their approval of this report and such statements should be treated with caution due to inherent uncertainties, including both economic and business risk factors underlying any such forward-looking information.

Regulatory Arrangements

The Company is designated an Alternative Investment Fund ('AIF') under the Alternative Investment Fund Management Directive ('AIFMD') and as required by the Directive has contracted with Polar Capital LLP to act as the Alternative Investment Fund Manager ('AIFM') and HSBC Bank Plc to act as the Depositary. Both the AIFM and the Depositary have responsibilities under AIFMD for ensuring that the assets of the Company are managed in accordance with the investment policy and are held in safe custody. The Board remains responsible for setting the investment strategy and operational guidelines as well as meeting the requirements of the applicable FCA Listing Rules and the Companies Act.

Statements from the Depositary and the AIFM can be found on pages 84 to 87.

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

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

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 business and the outlook.

Service Providers

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

The Company also contracts directly with a number of third parties for the provision of specialist services:

- Panmure Gordon & Co as corporate broker;
- Equiniti Limited as the share registrars;
- PricewaterhouseCoopers LLP as independent auditors and tax advisers;
- Accrue Fulton as designers and printers for shareholder communications and;
- Huguenot Limited as website designers and internet hosting services.

Strategic Review continued

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 put 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.

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 Articles of Association provide that the Company may borrow up to 15% of its Net Asset Value at the time of drawdown, for tactical deployment when the Board believes that gearing will enhance returns to shareholders.

Benchmark

The Company will measure the Investment Manager's performance against the MSCI ACWI/Healthcare Index total return, in Sterling with dividends reinvested. 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.

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 shareholders measured by long-term NAV total return relative to the Benchmark Index.	The Board reviews at each meeting the performance of the portfolio and considers the views of the Investment Manager.	The Company's NAV total return, over the year ended 30 September 2015, was 8.1% while the Benchmark Index over the same period increased by 9.6%. The underperformance is explained in the Chairman's Report and the Investment Manager's Report.
The achievement of the dividend policy.	Financial forecasts are reviewed to track income and distributions.	A total of four dividends amounting to 3.65p per share have been paid in respect of the year ended 30 September 2015 representing an increase of over 4.3% over the dividends paid in respect of the year to 30 September 2014 of 3.5p per share.
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, calculated in accordance with the AIC guidelines is issued to the London Stock Exchange.	The discount of the ordinary share price to the NAV per ordinary share over the year ended 30 September 2015 has ranged from -11.1% to 0%. The Company has bought back into treasury 845,000 ordinary shares in the year ended 30 September 2015. This brought the number of shares in treasury at the year end to 1,875,000.
To continue to meet the requirements for Sections 1158 and 1159 of the Corporation Tax Act 2010.	The Board receives regular financial information which discloses the current and projected financial position of the Company against each of the tests set out in Sections 1158 and 1159.	Investment trust status was granted to the Company in respect of subsequent periods from 1 October 2014 subject to the Company continuing to satisfy the conditions of Section 1158 of the Corporation Taxes Act 2010 and other associated ongoing requirements. The Directors believe that the conditions and other ongoing requirements have been met in respect of the year ended 30 September 2015 and they believe that the Company will continue to meet the requirements.
Ongoing charges	The Board receives regular financial information which discloses expenses against budget.	Ongoing charges for the year ended 30 September 2015 were 1.00%, compared to 1.04% the previous year.

Strategic Review continued

Principal Risks and Uncertainties

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

The Board maintains a Risk Map which seeks to record the principal risks in four main risk categories, Business, Portfolio Management, Infrastructure and External. The Risk Map details each identified risk and any factors, both internal and external, that could provide mitigation as well as recording a reporting structure to monitor and mitigate as far as practical such risks.

The Risk Map is regularly considered to monitor existing principal risks and identify new risks or developments and additions to the controls and reporting environment.

Principal Business Risks and Uncertainties	Management of Risks through Mitigation & Controls
Business	
Failure to achieve investment objective. Investment performance below agreed benchmark objective or market/industry average. Such failures could lead to: Possible loss of liquidity in shares and shrinkage in assets. Loss of portfolio manager or other key staff. Persistent excessive share price discount to NAV.	The Board seeks to mitigate the impact of such risks through the regular reporting and monitoring of the investment performance against its peer group, benchmark and other agreed indicators of relative performance. For months when the Board is not scheduled to meet they receive a monthly report containing financial information on the Company including gearing and cash balances. Performance and strategy are reviewed throughout the year at regular Board meetings where the Board can challenge the Investment Manager. They also receive a monthly commentary from the Investment Manager published in the factsheets for all the healthcare funds. The Management Engagement Committee undertakes the year-end consideration of suitability of Investment Manager on the basis of performance and other services provided. In consultation with its advisors, including the corporate stock broker, the Board regularly considers the level of premium and discount of the share price to the NAV and the Board reviews ways to enhance shareholder value including share issuance and buy backs. The Board is committed to a clear communication programme to ensure shareholders understand the investment strategy. This is maintained through the use of monthly factsheets which have a market commentary from the Investment Manager as well portfolio data, an informative and relevant website as well as annual and half year reports. Windup date in 2018 should help to limit discount volatility. The Chairman regularly engages with the senior management of the Investment Manager.

Principal Business Risks and Uncertainties	Management of Risks through Mitigation & Controls
Portfolio Management	
While the portfolio is diversified across a number of stock markets worldwide, the investment mandate is focused on healthcare and thus the portfolio will be more sensitive to investor sentiment and the commercial acceptance of healthcare developments than a general investment portfolio. As the Company's assets comprise mainly listed equities the portfolio is exposed to risks such as market price, credit, liquidity, foreign currency and interest rates. The portfolio is actively managed. The Investment Managers' style focuses primarily on the investment opportunity of individual stocks and, accordingly, may not follow the makeup of the Benchmark. This may result in returns which are not in line with the Benchmark. The degree of risk which the Investment Manager incurs in order to generate the investment returns and the effect of gearing on the portfolio by borrowed funds which can magnify the portfolio returns per share positively or negatively.	The Board has set appropriate investment guidelines and monitors the position of the portfolio against such guidelines which includes guidelines on exposures to certain investment markets and sectors. The Board discusses with the Investment Manager at each Board meeting developments in healthcare and drug pipelines. At each Board meeting the composition and diversification of the portfolio by geographies, sectors and capitalisations are considered along with sales and purchases of investments. Individual investments are discussed with the Investment Manager as well as the Investment Manager's general views on the various investment markets and the healthcare sector in particular. Analytical performance data and attribution analysis is presented by the Investment Manager. The policies for managing the risks posed by exposure to market prices, interest rates, foreign currency exchange rates, credit and liquidity are set out in note 24 to the financial statements.
Gearing, either through bank debt or the use of derivatives may be utilised from time to time. Whilst the use of gearing is intended to enhance the NAV total return, it will have the opposite effect when the return on the Company's investment portfolio is negative.	If any gearing is contemplated the Board agrees the overall levels of gearing with the AIFM. The arrangement of bank facilities and drawing of funds under such arrangements are controlled by the Board. Derivatives are considered as being a form of gearing and a policy for their use has been agreed by the Board. The deployment of borrowed funds (if any) is based on the Investment Manager's assessment of risk and reward.
The ability to fund dividend due to exposure to currency risk is impaired. Income less than expected due to currency exposure underlying the portfolio. Level of dividend lower than intended or previously paid.	Board monitors exposure through monthly management accounts and discussion and currency hedging takes place if appropriate. Investors have sight of the entire portfolio and geographic exposure to investments.

Strategic Review continued

Principal Business Risks and Uncertainties	Management of Risks through Mitigation & Controls
Infrastructure	
There are risks from the failure of, or disruption to, operational and accounting systems and processes provided by the Investment Manager including any subcontractors to which the Investment Manager has delegated a task as well as directly appointed suppliers. The mis-valuation of investments or the loss of assets from the custodian or sub custodians which affect the NAV per share or lead to a loss of shareholder value. There is taxation risk that the Company may fail to continue as an investment trust and suffer Capital Gains tax or recover as fully as possible withholding taxes on overseas investments. The legal and regulatory risks include failure to comply with the FCA's Prospectus Rules, Listing Rules and Transparency and Disclosure Rules; not meeting the provisions of the Companies Act 2006 and other UK, European and overseas legislation affecting UK companies and not complying with accounting standards. Further risks arise from not keeping abreast of changes in legislation and regulations which have in recent years been substantial.	At each Board meeting there is an administration report which provides details on general corporate matters including legislative and regulatory developments and changes, changes in substantial shareholdings and the share register. There is an annual review of suppliers and their internal control reports which includes the disaster recovery procedures of the Investment Manager. Regular reporting from the Depositary on the safe custody of the Companies' assets and the operation of control systems related to the portfolio reconciliation are monitored. Specialist advice is sought on taxation issues as and when required. The Audit Committee has oversight on such work. Information and guidance on legal and regulatory risks is managed by using the Investment Manager or professional advisers where necessary and the submission of reports to the Board for discussion and, if required, any remedial action or changes considered necessary. As an investment company, the Company is dependent on a framework of tax laws, regulation (both UK and EU) and Company law. The Board monitors new developments and changes in the regulatory environment and seeks to ensure that their impact on the Company is understood and complied with although the Board has no control over such legislative changes and such changes may be intended to affect the Company, or we may suffer unintended consequences from changes designed to affect others.
External	
There is significant exposure to the economic cycles of the markets in which the underlying investments conduct their business operations as well as the economic impact on investment markets where such investments are listed. The fluctuations of exchange rates can also have a material impact on Shareholder returns.	The Board regularly discusses the general economic conditions and developments. Note 24 describes the impact of changes in foreign exchange rates.

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 has an Investment Management Agreement with Polar Capital LLP (the Investment Manager), which is authorised and regulated by the Financial Conduct Authority, to act as Investment Manager and AIFM 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 in providing such services will be for the account of the Company.

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. 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.

Strategic Review continued

Management Company and Management of the Portfolio continued

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 year 80% of the management fee payable is charged to capital and the remaining 20% to income.

Performance Fee

The Investment Manager may be entitled to a performance fee. The performance fee 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 since inception and up to 30 September 2015.

Corporate Responsibility

Socially Responsible Investing and Exercising 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 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 has voted at 86 Company meetings over the year ended 30 September 2015 in each case following the recommendations of the management of that company on the casting of votes.

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 Investment Manager's website (www.polarcapital.co.uk).

Environment

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

Diversity, Gender Reporting and Human Rights Policy

The Company has no employees and a Board comprised entirely of male non-executive Directors.

Given the relatively short life expectancy of the Company, it is not anticipated that any new appointments will be made to the Board but, in the event that new Directors are appointed, the Board would have regard to the benefits of diversity, including gender, when seeking to make any such appointment(s).

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

Greenhouse Gas Emissions

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

Approved by the Board on 15 December 2015

By order of the Board

N P Taylor FCIS

Polar Capital Secretarial Services Limited

Company Secretary

Directors

James Robinson

Chairman

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 35 years investment experience and is currently a director of JPMorgan Elect plc, Aberdeen New Thai Investment Trust PLC, Invesco Asia Trust plc, Fidelity European Values PLC, and Montanaro UK Smaller Companies Investment Trust plc. He is also a Council member and chairman of the investment committee of the British Heart Foundation.

John Aston, OBE

Director

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 PWC. John is also a director of International Biotechnology Trust plc and is a member of the Advisory Board of CRT Pioneer Fund. He is a chartered accountant and has a degree in Mathematics from Cambridge University.

Anthony Brampton

Director

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 a partner of Longbow Capital LLP and currently holds non-executive directorships at Abzena plc, Origin Inc, Domainex Ltd and iPulse Ltd.

Antony Milford

Director

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

Daniel Mahony, Ph.D

Fund Manager

Daniel has more than 17 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, Daniel worked as a research scientist for 7 years with the majority of his time at Schering Plough Corporation in California.

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

Gareth Powell, CFA

Fund Manager

Gareth has 16 years investment experience in the Healthcare sector, with 9 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.

David Pinniger CFA

Fund Manager

David joined Polar Capital's healthcare team in August 2013 and is the lead manager of the Polar Capital Biotechnology Fund. He has over 14 years' investment experience in the healthcare sector. Prior to joining Polar Capital, David was a portfolio manager of the International Biotechnology Trust at SV Life Sciences. He also previously spent three years working at venture capital firm Abingworth as an analyst managing biotechnology investments held across the firm's venture and specialist funds, and four years at Morgan Stanley as an analyst covering the European pharmaceuticals and biotechnology sector.

Deane Donnigan D.Pharm

Senior Analyst

Deane joined Polar Capital in June 2013 as a senior analyst for the healthcare team. She trained as a clinical pharmacist having graduated with a post baccalaureate Doctor of Pharmacy from the University of Georgia. In 1990, she accepted a position with Emory University Hospital in Atlanta, Georgia as a clinical specialist in Drug Information and Adult Internal Medicine. In 1997, Deane left the US to begin her career in fund management at Framlington in the UK, working on the healthcare unit trust there led by Antony Milford. Having started as an analyst, she spent 14 years at Framlington, eventually becoming lead portfolio manager on both the Framlington Healthcare and Biotechnology funds.

James Douglas, Ph.D

Senior Analyst

James joined Polar Capital in September 2015 as a senior analyst for the healthcare team. He has 16 years of experience within the healthcare sector. Prior to joining Polar Capital, he was in equity sales specialising in global healthcare at Morgan Stanley, RBS and HSBC. James also has equity research experience garnered from his time at UBS, where he worked as an analyst in the European pharmaceutical and biotechnology team. Before moving across to the financial sector, he worked as a consultant for EvaluatePharma. James received both his Ph.D and his first class honours degree in Medicinal Chemistry from Newcastle University and holds an ACCA diploma in financial management (DipFM).

Inga Shpilevaya, D.Phil

Junior Analyst

Inga joined Polar Capital in September 2014 as a junior analyst for the healthcare team, having recently been awarded her doctoral degree in Chemistry from the University of Oxford. Inga holds an MSc in Chemistry with Honours from Lomonosov Moscow State University and is currently a CFA Level 1 candidate.

Report of the Directors

The Directors present their Report including the Report on Corporate Governance together with the Audited Financial Statements for the Company prepared under International Financial Reporting Standards as adopted by the European Union (IFRSs) for the year ended 30 September 2015.

Introduction and Status

The Strategic Report Section sets out the Regulatory Arrangements, Future Developments, Service Providers, Investment Objectives, Benchmark, Performance and Key Performance Objectives, Principal Risks and Uncertainties, Management Company, and Corporate Responsibilities of the Company.

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

The close company provisions do not apply.

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 portfolio is managed within a framework of investment limits and guidelines 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 is registered under the United States' FATCA legislation and its GIIN number is ID3ME4.99999.SL.826.

The Company seeks to operate as an investment trust in accordance with Section 1158 Corporation Tax Act 2010. Confirmation has been received from HM Revenue and Customs that on the basis of the information provided, the Company has been accepted as an approved investment trust for accounting periods commencing on or after 1 October 2014 and subject to the Company continuing to meet the eligibility conditions of and the ongoing requirements for approved companies in Chapter 3 of Part 2 Investment Trust (Approved Company) (Tax) Regulations 2011 (Statutory Instrument 2011/2999).

The Directors are of the opinion that the Company has conducted its affairs in respect of the year ended 30 September 2015 and will continue to conduct its affairs so as to maintain its status as an investment trust.

The Company's ordinary shares are eligible for inclusion 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.

Annual General Meeting ('AGM')

The Annual General Meeting will be held at 12 noon on 27 January 2016 at the offices of Polar Capital, 16 Palace Street, London SW1E 5JD.

The separate Notice of Annual General Meeting contains the full text of the resolutions and an explanation of each.

Dividends

The Company aims 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 payment or equally there may be instances when the level of dividend must be increased in order to comply with Sections 1158 and 1159 of the Corporation Tax Act 2010. Where this would result in paying a dividend beyond the Board's 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 1.

Share Capital History, Structure and Voting Interests

The Company was incorporated on 12 May 2010. On 15 June 2010 the Company issued 89,000,000 ordinary shares of 25p each and 17,800,000 subscription shares of 1p each which were admitted to trading on the Main Market of the London Stock Exchange. The original subscription price for each ordinary share was £1 and the Net Asset Value (NAV) per share on 15 June 2010 was 98p (after launch costs).

The subscription share rights expired on 31 January 2014, following the issue of 17,800,000 ordinary shares and the subscription shares were subsequently cancelled.

Issued

At 30 September 2015 the Company's share capital was divided into ordinary shares of 25p and there were 122,650,000 ordinary shares in issue of which 1,875,000 were held in treasury by the Company.

Changes During the Year and Since the Year End

The Company made four market purchases during the year amounting to 845,000 ordinary shares at prices between 164p and 179p per share all of which are held in treasury.

Voting Rights

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

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

Listing Rule 9.8.4

There is no information to be disclosed in respect of Listing Rule 9.8.4.

Report of the Directors continued

Capital Structure and Voting Interests

Transferability

Shares in the Company may be held in uncertificated form and, subject to the Articles of Association ('Articles'), title to uncertificated shares may be transferred by means of a relevant system.

The Articles can be changed by a shareholder resolution passed at a general meeting of the Company.

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

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

The Board may decline to register a transfer of any of the Company's certificated shares by a person with a 0.25% interest (as defined in the Articles) if such a person has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act 2006, unless the transfer is shown to the Board to be pursuant to an arm's length sale (as defined in the Articles).

Powers to Issue Ordinary Shares and Make Market Purchases of Ordinary Shares

At the AGM in 2015 the Board was granted by shareholders the power to allot equity securities up to a nominal value of £3,066,250 being 10% of the Company's issued ordinary share capital at that date, and to issue those shares for cash without offering those shares to shareholders in accordance with their statutory pre-emption rights.

These powers will expire at the AGM in 2016. These powers have been used as described above and renewal of the authorities will be sought at the AGM in 2016. New ordinary shares will not be allotted and issued at below the Net Asset Value per share after taking into account the costs of issue. The re-issue of shares from treasury will follow institutional guidelines.

The Board also obtained shareholder authorities at the AGM in 2015 to make market purchases of up to 18,224,092 ordinary shares of the Company in accordance with the terms and conditions set out in the shareholder resolution. This authority expires at the AGM in 2016 and renewal of the authority will be sought at the AGM in 2016.

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 Annual General Meeting.

Major Interests in Ordinary Shares

The Company has received notifications from the following Shareholders in respect of their interests in the voting rights of the Company at 30 September 2015:

		Number of ordinary shares	Percentage of voting rights*
Investec Wealth & Investments Limited	Indirect	16,828,175	13.93%
Brewin Dolphin Limited	Indirect	14,566,916	12.06%
Rathbone Brothers Public Limited Company	Indirect	14,494,021	12.00%
Schroders plc	Indirect	7,655,947	6.34%
Charles Stanley	Indirect	6,151,086	5.09%
Cheviot Asset Management Limited	Direct	4,805,275	3.98%

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

		Number of ordinary shares	Percentage of voting rights*
Schroders plc	Indirect	8,933,914	7.40%

* The above percentages are calculated by applying the ordinary shareholdings as notified to the Total Voting Rights of the issued ordinary share capital at 15 December 2015 of 120,775,000, being all the issued ordinary shares except for those held in treasury where voting rights are suspended.

Report on Corporate Governance

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

The Association of Investment Companies ('AIC') publishes a Code of Corporate Governance ('AIC Code') and a Corporate Governance Guide for Investment Companies ('AIC Guide'). In March 2015 the AIC published a revised AIC Code and AIC Guide to reflect changes made to the UK Code in September 2014. In line with the UK Code, the revised AIC Code and AIC Guide apply to accounting periods beginning on or after 1 October 2014, so accordingly, the Company has adopted the new AIC Code.

The AIC Code and AIC Guide address the principles set out in the UK Code as well as additional principles and recommendations on issues that are specific to investment trusts. The AIC Code can be viewed at www.theaic.co.uk

The Financial Reporting Council has confirmed that by following the AIC Code and the AIC Guide, boards of investment companies will meet their obligations in relation to the UK Code and paragraph 9.8.6 of the FCA Listing Rules.

As an investment company most of the day to day responsibilities are delegated to outside parties as the Company has no employees and all the Directors are non-executive. Many of the provisions of the UK Code are not directly applicable to the Company and the Board has determined that reporting against the AIC Code, which incorporates the UK Code, provides the most appropriate information to shareholders.

Statement of Compliance

The AIC Code comprises 21 principles. The Board consider that for the year under review the Directors, Board and Company have complied with the recommendations of the AIC Code in so far as they apply to the Company's business. For the reasons set out in the AIC Guide, the Board considers 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 Chief Executive. The Chairman of the Board is non-executive;
- as there are no executive Directors it does not comply with the UK Code in respect of executive directors' remuneration;
- the Company does not have an internal audit function as it relies on the systems of control operated by third party suppliers, in particular those of the Investment Manager. The Board monitors these systems of internal control to provide assurance that they operate as intended insofar as they relate to the affairs of the Company and;
- due to the structure of the Board it was considered unnecessary to identify a senior independent 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.

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

Application of the AIC Code's Principles

The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Guide. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board 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.

It should be noted that, as an investment Company 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. Each Director has different qualities and areas of expertise on which they may lead where issues arise.

The Directors' biographies, set out on page 24, 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 38 to 41.

The Board has considered the contribution and performance of each Director as part of the Director and Board performance evaluation. It 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.

Succession

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.

Election of Directors at the AGM

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

- The Articles permit the Board to appoint further Directors without shareholder approval but subject to any such Directors standing for election by shareholders at the first AGM following their appointment.
- All Directors are appointed for an initial term of three years and are subject to re-election by shareholders at a general meeting in accordance with the Articles.
- The Articles and the Companies Act provide for the removal of a Director.

All Directors were required to offer themselves for re-election at the AGM in 2015, having last been elected at the AGM in 2012 and under the Articles of Association they are required to offer themselves for re-election at every third AGM after their last election. The Directors will thus be required to offer themselves up for re-election at the AGM in 2018. All the Directors have been in office throughout the year ended 30 September 2015. The appointment date for each Director is given on page 24.

Report on Corporate Governance continued

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 shares of the Company are set out in the Directors' Remuneration Report.

Directors have a duty to avoid a situation in which they have or could have a conflict of interest or possible conflict with the interests of the Company. Under the Companies Act 2006 public companies may authorise conflicts or potential conflicts if the Articles of Association contain provisions to this effect and the Company's Articles of Association contain such provisions.

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

Directors are reminded at each Board meeting of their obligations to notify any changes in their statement of conflicts and also to declare any benefits from third parties in their capacity as a Director of the Company which might give rise to a conflict or potential conflict with the Company's interests.

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

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

No Director has any links with the Investment Manager and there were no contracts during or at the end of the 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, Responsibilities and Committees

The Board

The Board meets regularly and as required. During the period Board and Board Committee meetings were held to deal with the ongoing stewardship of the Company and other matters including the setting and monitoring of investment strategy and performance, review of financial statements, and shareholder issues including investor relations. The level of the ordinary share price discount or premium to the Net Asset Value together with policies for re-purchase or issuance (or re-issuance) of shares are kept under review along with matters affecting the industry and the evaluation of third party service providers.

A formal schedule of matters specifically reserved for decision by the full Board has been defined and a procedure has been adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company. No such advice has been sought during the period.

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

Year ended 30 September 2015

Committee	Board	Audit Committee	Management Engagement Committee
Number of Meetings*	7	4	2
James Robinson	7	4	2
John Aston	7	4	2
Anthony Brampton	7	4	2
Antony Milford	7	4	2

All the Directors attended the AGM.

* In addition to the above meetings, a number of ad hoc special purpose Board and committee meetings were held during the period to approve or enact matters agreed by the full Board including the approval of documents, the issue of new shares and approval of regulatory announcements.

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 a list of candidates.

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

Audit Committee

The Audit Committee comprises all the independent non-executive Directors under the chairmanship of John Aston. The Board is satisfied that the Committees' members have recent and relevant financial experience. The experience and qualification of the Committee members are set out in the biographical details on page 24.

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

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

A separate report of the work of the Audit Committee over the year is set out on pages 42 to 47.

Report on Corporate Governance continued

Role, Responsibilities and Committees continued

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 relationship with the Investment Manager including the annual review of the Investment Management and other services and resources supplied by the Investment Manager, prior to making its recommendation to the Board, whether the retention of the Investment Manager is in the interests of shareholders.

Work of the Management Engagement Committee

During the year ended 30 September 2015 the Management Engagement Committee has met twice. Both times to carry out the review of the Investment Manager and consider its continued appointment for the year ended 30 September 2015 and again for the year ended 30 September 2016.

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.

It 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.

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. Each Director may be contacted through the Registered Office of the Company.

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 may also participate in the Investment Manager's online training as well as also regularly participating in professional and industry seminars.

Performance Evaluation

The Board

The evaluation of the Board, its Committees and individual Directors is carried out annually. The process involves the use of a written questionnaire and the Chairman seeking the views of each Director. The responses to the questionnaire were reviewed and discussed by the full Board.

The review of the Chairman's performance was conducted by the full Board led by the Chairman of the Audit Committee. The Chairman was absent from this discussion.

In carrying out these evaluations each Director is assessed on their relevant experience, their strengths and weaknesses in relation to the overall requirements of the Board and their commitment to the Company in terms of time by regular attendance 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 Company 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 years, subject to reappointment and Companies Act provisions.

The Investment Manager

The Board has contractually delegated the management of the portfolio to the Investment Manager, Polar Capital LLP (the 'Investment Manager'). It is the Investment Manager's sole responsibility to take decisions as to the purchase and sale of individual investments. The Investment Manager has responsibility for asset allocation and sector selection within the limits established and regularly reviewed by the Board. The investment team provided by the Investment Manager, led by Dr Daniel 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 Investment Manager also provides or procures accountancy services, company secretarial and administrative services including the monitoring of third party suppliers which are directly appointed by the Company. The Investment Manager provides in a timely manner all relevant management, regulatory and financial information to the Directors. Representatives of the Investment Manager attend Board meetings enabling the Directors to probe further on matters of concern or seek clarification on certain issues.

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

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

Report on Corporate Governance continued

Accountability and Audit

The Statement of Directors' Responsibilities in respect of the financial statements is set out on pages 48 and 49 and the Independent Auditors' Report is on pages 50 to 55.

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.

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 has an internal control framework to provide reasonable but not absolute assurance on the effectiveness of the internal controls operated on behalf of its clients. The Investment Manager is authorised and regulated by the Financial Conduct Authority and its compliance department monitors its compliance with the FCA rules.

The Board through the Audit Committee has established an ongoing 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 Audit Committee and accords with the Revised Guidance for Directors on the Combined Code published 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 Company and for publication is reliable. Controls covering the risks identified, including financial, operational, compliance and risk management are monitored by a series of regular reports covering investment performance, attribution analysis, reports from various third parties and from the Investment Manager including risks not directly the responsibility of the Investment Manager.

Operation

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 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 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 year ended 30 September 2015 and up to the date of this report.

The Board has adopted a zero tolerance to bribery and corruption in its business activities and uses the anti-bribery policy formulated and implemented by Polar Capital LLP which was sent to all suppliers of both Polar Capital LLP and the Company.

Relations with Shareholders

The Board and the Investment Manager consider maintaining good communications with shareholders and engaging with larger shareholders through meetings and presentations a key priority. Shareholders are kept informed by the publication of annual and interim reports which include financial statements. These reports are supplemented by 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.

At least twenty working days' notice of the AGM is given to shareholders and separate resolutions are proposed in relation to each substantive issue.

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 Annual General 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.

By order of the Board

N P Taylor FCIS
Polar Capital Secretarial Services Limited
Company Secretary

15 December 2015

Directors' Remuneration Report

Introduction

This report is submitted in accordance with the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulation 2013 and the Listing Rules of the Financial Conduct Authority in respect of the year ended 30 September 2015. It has been audited where indicated as such.

Chairman's Report

Shareholders approved the Directors Remuneration Policy by way of an ordinary resolution passed at the AGM on 23 January 2015. The Policy will remain in force until 30 September 2017 unless renewed approval is obtained before that date. It is expected that a new Directors' Remuneration Policy will be put to shareholders at the AGM in 2017. The approved policy is given below:

Company's Policy on Directors' Remuneration

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

Fee Reviews

As the Company is an investment trust with no executive directors or employees, the Board as a whole performs the role of the Remuneration Committee.

- The Board acting as the Remuneration Committee undertook the annual review of the fees paid to the Directors in September 2015 and considered that there should be an increase to the fees with effect from 1 October 2015.
- The Chairman's fee increased from £33,000pa to £35,000pa.
- The other Directors' fees increased from £23,000pa to £25,000pa.
- The supplement for the Chairman of the Audit Committee remains unchanged at £5,000pa.
- Directors' fees will continue to be reviewed on an annual basis.

Implementation Report – Directors Remuneration Paid for the Year Ended 30 September 2015

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.

Remuneration Report for the Year Ended 30 September 2015

The result of the advisory shareholder vote on the Directors' Implementation Report submitted to the 2015 Annual General Meeting was as follows:

	Implementation Report
Votes for	99.95% (of voted shares)
Votes against	0.05%
Votes abstained	0%

The Board considers this level of support from shareholders a positive endorsement of its Remuneration Policy and its operation.

Directors' and Officers' Liability Insurance

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

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

Remuneration Arrangements

In the year under review the Directors' fees were paid at the following annual rates, the Chairman £33,000; other Directors £23,000 with the Chairman of the Audit Committee receiving an extra £5,000 for performing that additional role.

Directors' Remuneration Report continued

Remuneration (Audited)

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

	Date of appointment	Year ended 30 September 2015	Year ended 30 September 2014
James Robinson	12 May 2010	£33,000	£33,000
John Aston (Chairman of the Audit and Management Engagement Committees)	12 May 2010	£28,000	£28,000
Anthony Brampton	25 May 2010	£23,000	£23,000
Antony Milford	13 May 2010	£23,000	£23,000
TOTAL*		£107,000	£107,000

* See note 9 on page 67

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

Directors' Share Interests (Audited)

The interests of Directors in the ordinary shares of the Company on 30 September 2015 and at 30 September 2014:

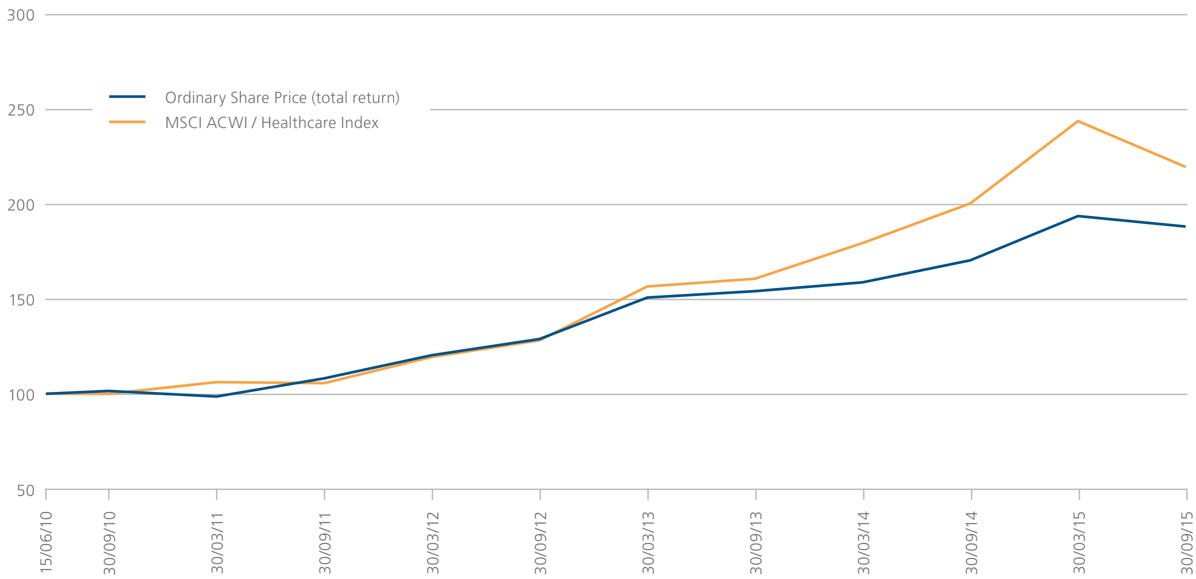
	Ordinary Shares	
	30 September 2015	30 September 2014
James Robinson	66,733	66,733
John Aston	12,000	12,000
Anthony Brampton	24,000	24,000
Antony Milford	12,000	12,000

All holdings are beneficially held and there have been no changes in these interests between the end of the financial year and 15 December 2015.

Performance

A 6 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 ACWI Healthcare Index (total return in Sterling with dividends reinvested) is used as the comparator because, as a market capitalisation weighted index, the Board considers that it is the most appropriate single market index.



Source: Polar Capital

Approved by the Board on 15 December 2015

James Robinson
Chairman

Audit Committee Report

The constitution and composition of the Audit Committee is given on page 33. There have been no changes to the membership of the Committee over the financial year ended 30 September 2015.

During the year under review the Committee was chaired by John Aston and comprises all the Directors. The Board is satisfied that the Committee has sufficient recent and relevant financial experience for the Committee to discharge its functions effectively. The experience of the members of the Committee can be assessed from the Directors' biographies set out on page 24.

PricewaterhouseCoopers LLP ('PwC') has been the appointed auditor since 2010.

During the year the Committee met four times, with all members attending each meeting, and considered the following matters:

- the scope of the annual audit and agreement with the external auditors of the key areas of focus;
- the reports from the external auditors concerning their audit of the annual financial statements of the Company;
- the performance of the external auditors and the level of fees charged for their services;
- the appropriateness and any changes to the accounting policies of the Company including any judgements required by such policies and the reasonableness of such;
- the financial disclosures contained in the annual report and semi-annual report to shareholders;
- the policy for non-audit services which may be provided by the auditors in line with the FRC guidance;
- the extent of the non-audit services, the quality of such work and the fees;
- the independence and objectivity of the external auditors;
- the appointment of the auditors and the need to put the audit out for tender;
- the Risk Map covering the identification of new risks, adjustments to existing risks and the mitigation and controls in place to manage the principal risks;
- the consideration of reports from the Investment Manager and auditors on the effectiveness of the system of internal financial controls including the risk map; and
- the going concern statement, longer-term viability statement and the requirement that the annual report and financial statements when taken as a whole is fair, balanced and understandable.

Efficacy of Audit Process

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

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

As part of the year end audit the Committee considered the level of fees paid to the auditors bearing in mind the nature of the audit and the quality of services previously received.

Consideration of the Annual Report and Financial Statements

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

Significant Matters in Relation to the Financial Statements for the Year Ended 30 September 2015

In addition to the matters considered by the Committee in forming its opinions on Going Concern and longer-term viability described below and in concluding that the annual report is fair, balanced and understandable, the Committee also considered the following matters in relation to the financial statements:

Significant matter	How the issue was addressed
Valuation, existence and ownership of investments	The valuation is carried out in accordance with the accounting policy described in note 2. The Depositary has reported on its work and safe keeping of the Company's investments.
Compliance with S1158 of the Corporation Tax Act 2010	Consideration of compliance with the requirements of investment trust status is carried out at each board meeting throughout the year.

There were no adverse matters brought to the Audit Committee's attention in respect of the 2015 audit, which were material or significant or which should be brought to shareholders' attention.

Conclusions in Respect of the Annual Report and Financial Statements

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

- the comprehensive control framework over the production of the Annual Report, including the verification processes in place to deal with the factual content;
- extensive levels of review are undertaken in the production process, by the Investment Manager and the Committee; and
- an unqualified audit report from the auditors confirming their work and their views on the effectiveness of internal control.

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 30 September 2015, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, and it has reported on these findings to the Board.

Audit Committee Report continued

Consideration of the Semi-Annual Report and Financial Statements

The Committee considered and reviewed the semi-annual report and financial statements which were not audited or reviewed by the external auditors to ensure that they reflected the accounting policies used in the annual financial statements.

Non-Audit Work

The Audit Committee has discussed the specific non-audit activities provided by the auditors to ensure that none of these services would put the auditor in the position of auditing their own work. The Committee has also carried out a review of the non-audit services to satisfy itself that these are provided within the policy and have been delivered in an efficient and cost effective way. The Audit Committee believes the objectivity and independence of the auditors is maintained, notwithstanding that non-audit work may be undertaken.

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

The Committee reviewed the non-audit work and considered that PwC was an appropriate provider as this work related to the provision of IXBRL tagging of the Financial Statements for presentation to HMRC.

The fees paid to PwC in respect of the audit of the annual financial statements amounted to £21,650 (2014: £21,100) and the fees for the non-audit work have been agreed at £500 (2014: £500).

The Committee does not consider the provision of this non-audit work to the Company affects the independence of the auditors.

Appointment of Auditors and Tenure

The Committee also considers by way of meetings and reports, the appointment, remuneration and work of the auditors.

PwC have provided audit services to the Group from its incorporation in 2010 to date. As the Company has an expected fixed life lasting less than 10 years the Audit Committee has concluded that there is no need to plan for an audit tender.

There are no contractual obligations restricting the choice of external auditor.

The Committee having considered the above factors consider it appropriate to recommend to the Board and shareholders that PwC be reappointed as auditors at the AGM. PwC have agreed to offer themselves for reappointment as auditors in accordance with section 487(2) of the Companies Act 2006 and a resolution requesting approval of their reappointment and to authorise the Directors to determine their remuneration will be presented at the AGM.

Overview of Risk

The Board has ultimate responsibility for the management of risk throughout the Company and has asked the Audit Committee to assist in maintaining an effective internal control environment.

The Company has a Risk Map which seeks to identify, monitor and control principal risks as far as possible. Over the year the Audit Committee has undertaken a review of the Risk Map used by the Company to identify the principal risks facing the business and reviewed each risk as to its likelihood and impact. The Audit Committee has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance and liquidity. The Committee also robustly considered the mitigating factors and controls to reduce the impact of such risks as described on pages 18 to 20. This process was active throughout the year and permits the Risk Map to be monitored and kept relevant to reflect changes.

As part of the year end processes the Audit Committee also undertook a review of the effectiveness of the system of internal controls taking into account any issues that had arisen during the course of the year. Representatives of the Investment Manager reported to the Committee on the internal controls operated by the Investment Manager and it also received internal control reports from other key suppliers on the quality and effectiveness of the services provided to the Company. The annual review of the Risk Map and the effectiveness of the system of internal controls, was conducted by the Audit Committee assisted by the Investment Manager as part of the year end process for the preparation of the annual report. There were no issues which arose during the course of the year ended 30 September 2015 and up to the date of this report which were considered significant.

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

The Audit Committee has also discussed with the Investment Manager their anti-bribery policy and the controls and monitoring operated by the Investment Manager to implement their policy across the main contractors which supply goods and services to the Investment Manager and the Company.

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

Audit Committee Report continued

Going Concern and Longer-Term Viability

Going Concern

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

The Audit Committee has considered:

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

The financial position of the Company and its cash flows and liquidity position are described in the Strategic Report and the Financial Statements. Note 24 to the Financial Statements includes the Company's policies and process for managing its capital; its financial risk management objectives; details of financial instruments and hedging activities. Exposure to credit risk and liquidity risk are also disclosed.

In light of the information provided to the Committee and the assessment of the financial position of the Company the Committee has recommended that a going concern basis should be adopted by the Board for the preparation of the Financial Statements for the year ended 30 September 2015.

Longer-Term Viability

The Board has also asked the Audit Committee to address the new requirement that a longer-term viability statement be provided to shareholders. This statement should take account of the Company's current position and the principal risks as set out on pages 18 to 20 so that the Board may state that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment.

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

- the portfolio comprises investments traded on major international stock exchanges, and there is a spread of investments by size of company. Approximately 93% of the current portfolio could be liquidated within seven trading days and there is no expectation that the nature of the investments held within the portfolio will be materially different in future;
- the expenses of the Company are predictable and modest in comparison with the assets and there are no capital commitments foreseen which would alter that position;
- the Company has no employees and consequently has no redundancy or other employment related liabilities or responsibilities.

The Audit Committee as well as considering the principal risks on pages 18 to 20, together with the mitigating factors which are assumed to operate appropriately, and the financial position of the Company as set out above, has also considered the following assumptions in considering the longer-term viability:

- the fact that the Company faces a liquidation vote at the seventh AGM expected to be held in January 2018 which is enhanced such that, provided any single vote is cast in favour, the resolution will be passed;
- healthcare will continue to be an investable sector of the international stock markets and that investors will still wish to have an exposure to such investments;
- closed ended investment trusts will continue to be wanted by investors;
- regulation will not increase to a level that makes the running of the Company uneconomical in comparison to other competitive products;
- the performance of the fund will continue to be satisfactory and should performance be less than the Board deems acceptable it has appropriate powers to replace the Investment Manager;
- there are no material or significant changes in the principal risks.

In light of these considerations the Audit Committee has recommended to the Board that a statement may be made on the Company's longer-term prospects to continue its operations and meet its expenses and liabilities as they fall due until the winding up vote at the seventh AGM of the Company expected to be in January 2018.

John Aston
Chairman of the Audit Committee
15 December 2015

Statement of Directors' Responsibilities

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

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

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Financial Statements, Article 4 of the IAS Regulations. They are also responsible for safeguarding the assets of the Company 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 although day to day maintenance has been delegated to Polar Capital LLP. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions. The work carried out by the 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.

The Directors consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

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 has, through the Audit Committee, considered the Company's position as at 30 September 2015 and the factors impacting the forthcoming year are set out in the Chairman's Statement and the Investment Manager's Report on pages 2 to 10 and in the Strategic Review and in the Report of the Directors which incorporates the corporate governance statements.

The financial position of the Company, its cash flows, and its liquidity position is described in the Strategic Report section on pages 2 to 23. Note 24 to the Financial Statements includes the Company's policies and process for managing its capital; its financial risk management objectives and details of financial instruments and hedging activities. Exposure to credit risk and liquidity risk are also disclosed.

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

Longer-Term Viability

The Board through the Audit Committee considered and addressed the ability of the Company to continue to operate over a longer period. The work of the Audit Committee in looking at the longer-term viability is described on pages 46 and 47.

As an investment company with a liquid portfolio, the majority of which can be sold within seven working days, limited expenses which are modest in relation to the asset base of the company, and no employees the Directors are of the opinion that the company can continue in operation up to its wind up date expected to be in January 2018.

Responsibility Statement Under the Disclosure and Transparency Rules

Each of the Directors of Polar Capital Global Healthcare Growth and Income Trust plc, who are listed on page 24, confirm that, to the best of their knowledge:

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

The financial statements were approved by the Board on 15 December 2015 and the responsibility statements were signed on its behalf by James Robinson, Chairman of the Board.

James Robinson
Chairman
15 December 2015

Independent Auditors' Report

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

Report on the Financial Statements

Our opinion

In our opinion, Polar Capital Global Healthcare Growth and Income Trust plc's financial statements (the 'financial statements'):

- give a true and fair view of the state of the company's affairs as at 30 September 2015 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Report and Financial Statements (the 'Annual Report'), comprise:

- the Balance Sheet as at 30 September 2015;
- the Statement of Comprehensive Income for the year then ended;
- the Cash Flow Statement for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

Our audit approach

Overview

Overall materiality:

- £2.1 million which represents 1% of net assets.

Audit Scope:

- The company is a standalone Investment Trust Company and engages Polar Capital LLP (the 'Manager') to manage its assets.
- We conducted our audit of the financial statements at HSBC Securities Services (the 'Administrator') to whom the Manager has, with the consent of the directors, delegated the provision of certain administrative functions.
- We tailored the scope of our audit taking into account the types of investments within the company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the company operates.

Areas of focus:

- Investment income
- Valuation and existence of investments

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)').

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Investment income Refer to page 42 (Audit Committee Report), page 60 (Accounting Policies) and page 60 (Notes to the Financial Statements). We focused on the accuracy and completeness of dividend income recognition and its presentation in the Statement of Comprehensive Income as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the 'AIC SORP'). This is because incomplete or inaccurate income could have a material impact on the company's net asset value.	We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy. We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy. We understood and assessed the design and implementation of key controls surrounding income recognition. In addition, we tested dividend receipts by agreeing the dividend rates from a sample of investments to independent third party sources. No misstatements were identified by our testing which required reporting to those charged with governance. To test for completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared by a sample of investment holdings in the portfolio. Our testing did not identify any unrecorded dividends. We tested the allocation and presentation of dividend income between the revenue and capital return columns of the Statement of Comprehensive Income in line with the requirements set out in the AIC SORP. We then tested the validity of revenue and capital special dividends to independent third party sources. We did not find any special dividends that were not treated in accordance with the AIC SORP.
Valuation and existence of investments Refer to page 42 (Audit Committee Report), page 60 (Accounting Policies) and page 60 (Notes to the Financial statements). The investment portfolio at the year-end comprised of listed equity investments valued at £208 million. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Balance Sheet in the financial statements.	We tested the valuation of the listed equity investments by agreeing the prices used in the valuation to independent third party sources. No misstatements were identified by our testing which required reporting to those charged with governance. We tested the existence of the investment portfolio by agreeing the holdings for investments to an independent custodian confirmation from HSBC Bank plc. No differences were identified which required reporting to those charged with governance.

Independent Auditors' Report continued

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

Report on the Financial Statements continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the types of investments within the Company, the involvement of the Manager and Administrator, the accounting processes and controls, and the industry in which the company operates.

The company's accounting is delegated to the Administrator who maintain their own accounting records and controls and report to the Manager and the directors.

As part of our risk assessment, we assessed the control environment in place at both the Manager and the Administrator to the extent relevant to our audit. This assessment involved obtaining and reading the relevant control reports, issued by the independent auditor of the Manager and the Administrator in accordance with generally accepted assurance standards for such work, to gain an understanding of both the Manager's and Administrator's control environment and to consider the operating and accounting structure at both the Manager and the Administrator. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

Materiality

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

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

Overall materiality	£2.1 million (2014: £2 million).
How we determined it	1% of net assets.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate and consistent year-on-year basis for our audit.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £105,000 (2014: £100,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 49, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the company has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the company's ability to continue as a going concern.

Other Required Reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion: • information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report.
• the statement given by the directors on page 48, in accordance with provision C.1.1 of the UK Corporate Governance Code (the 'Code'), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the company's performance, business model and strategy is materially inconsistent with our knowledge of the company acquired in the course of performing our audit.	We have no exceptions to report.
• the section of the Annual Report on pages 42 to 47, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

The directors' assessment of the prospects of the company and of the principal risks that would threaten the solvency or liquidity of the company

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:	
• the directors' confirmation on pages 18 to 20 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
• the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
• the directors' explanation on page 49 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.
Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the company and the directors' statement in relation to the longer-term viability of the company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.	

Independent Auditors' Report continued
To the Members of Polar Capital Global Healthcare Growth and Income Trust plc

Other Required Reporting continued

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

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

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the Financial Statements and the Audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 48 and 49, 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 ISAs (UK & 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.

What an audit of financial statements involves

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 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.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through understanding the control environment at the Manager and the Administrator, and substantive procedures.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Allan McGrath (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh

15 December 2015

Statement of Comprehensive Income

For the year ended 30 September 2015

		Year ended 30 September 2015			Year ended 30 September 2014		
	Notes	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Investment income	3	5,494	164	5,658	5,118	179	5,297
Other operating income	4	374	–	374	657	–	657
Gains on investments held at fair value	5	–	13,653	13,653	–	28,531	28,531
Other movements on written options	6	–	(7)	(7)	–	–	–
Other currency (losses)/gains	7	–	(528)	(528)	–	21	21
Total income		5,868	13,282	19,150	5,775	28,731	34,506
Expenses							
Investment management fee	8	(351)	(1,402)	(1,753)	(296)	(1,183)	(1,479)
Other administrative expenses	9	(452)	–	(452)	(419)	–	(419)
Total expenses		(803)	(1,402)	(2,205)	(715)	(1,183)	(1,898)
Profit before finance costs and tax		5,065	11,880	16,945	5,060	27,548	32,608
Finance costs		–	–	–	–	–	–
Profit before tax		5,065	11,880	16,945	5,060	27,548	32,608
Taxation	10	(662)	(2)	(664)	(583)	26	(557)
Net profit for the year and total comprehensive income		4,403	11,878	16,281	4,477	27,574	32,051
Earnings per ordinary share (basic) (pence)	12	3.63	9.81	13.44	3.86	23.76	27.62

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

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

The notes on pages 60 to 80 form part of these financial statements.

Statement of Changes in Equity

For the year ended 30 September 2015

	Notes	Called up share capital £'000	Share premium reserve £'000	Special distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
		Year ended 30 September 2015					
Total equity at 1 October 2014		30,663	28,916	63,288	74,727	2,365	199,959
Total comprehensive income:							
Profit for the year ended 30 September 2015		–	–	–	11,878	4,403	16,281
Transactions with owners, recorded directly to equity:							
Shares bought back and held in treasury		–	–	(1,444)	–	–	(1,444)
Equity dividends paid	11	–	–	–	–	(4,358)	(4,358)
Total equity at 30 September 2015		30,663	28,916	61,844	86,605	2,410	210,438

	Notes	Called up share capital £'000	Share premium reserve £'000	Special distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
		Year ended 30 September 2014					
Total equity at 1 October 2013		26,391	15,417	64,792	47,153	1,994	155,747
Total comprehensive income:							
Profit for the year ended 30 September 2014		–	–	–	27,574	4,477	32,051
Transactions with owners, recorded directly to equity:							
Issue of ordinary shares on exercise of subscription shares	16,17	4,272	13,499	–	–	–	17,771
Shares bought back and held in treasury	18	–	–	(1,504)	–	–	(1,504)
Equity dividends paid	11	–	–	–	–	(4,106)	(4,106)
Total equity at 30 September 2014		30,663	28,916	63,288	74,727	2,365	199,959

The notes on pages 60 to 80 form part of these financial statements.

Balance Sheet
As at 30 September 2015

	Notes	30 September 2015 £'000	30 September 2014 £'000
Non-current assets			
Investments held at fair value	13	208,247	199,459
Current assets			
Receivables	14	509	846
Overseas tax recoverable		212	175
Cash and cash equivalents	22	1,950	13
		2,671	1,034
Total assets		210,918	200,493
Current liabilities			
Payables	15	(206)	(424)
Bank overdraft	22	(274)	(110)
		(480)	(534)
Net assets		210,438	199,959
Equity attributable to equity shareholders			
Called up share capital	16	30,663	30,663
Share premium reserve	17	28,916	28,916
Special distributable reserve	18	61,844	63,288
Capital reserves	19	86,605	74,727
Revenue reserve	20	2,410	2,365
Total equity		210,438	199,959
Net asset value per ordinary share (pence)	21	174.24	164.41

The financial statements on pages 56 to 59 were approved and authorised for issue by the Board of Directors on 15 December 2015 and signed on its behalf by

James Robinson

Chairman

The notes on pages 60 to 80 form part of these financial statements.

Registered number 7251471

Cash Flow Statement
For the year ended 30 September 2015

	Notes	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000
Cash flows from operating activities			
Profit before tax		16,945	32,608
Adjustment for non-cash items:			
Gain on investments held at fair value through profit or loss		(13,653)	(28,531)
Adjusted profit before tax		3,292	4,077
Adjustments for:			
Purchases of investments, including transaction costs		(82,727)	(60,886)
Sales of investments, including transaction costs		87,945	44,168
Increase in receivables		(16)	(29)
(Decrease)/increase in payables		(218)	163
Overseas tax deducted at source		(701)	(595)
Net cash generated from/(used in) operating activities		7,575	(13,102)
Cash flows from financing activities			
Proceeds from issue of share capital (net of issue costs)		–	17,771
Cost of shares repurchased		(1,444)	(1,504)
Equity dividends paid	11	(4,358)	(4,106)
Net cash (used in)/ generated from financing activities		(5,802)	12,161
Net increase/(decrease) in cash and cash equivalents		1,773	(941)
Cash and cash equivalents at the beginning of the year		(97)	844
Cash and cash equivalents at the end of the year	22	1,676	(97)

The notes on pages 60 to 80 form part of these financial statements.

Notes to the Financial Statements

For the year ended 30 September 2015

1 General Information

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

The Company's presentational currency is pounds sterling. Pounds sterling is also the functional currency of the Company 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 which have been applied consistently for all years presented are set out below:

(a) Basis of Preparation

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments and derivative financial instruments at fair value through profit or loss.

Where presentational guidance set out in the Statement of Recommended Practice (SORP) for investment trusts issued by the Association of Investment Companies (AIC) in January 2009 is consistent with the requirements of IFRS, in so far as those requirements are applicable to the financial statements, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

(b) Presentation of the Statement of Comprehensive Income

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

(c) Income

Dividends receivable from equity shares are recognised and taken to the revenue return column of the Statement of Comprehensive Income on an ex-dividend basis.

Special dividends are recognised on an ex-dividend basis and may be considered to be either revenue or capital items. The facts and circumstances are considered on a case by case basis before a conclusion on appropriate allocation is reached.

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

Where the Company has received dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised in the revenue return column of the Statement of Comprehensive Income. Any excess in value of shares received over the amount of the cash dividend foregone is recognised in the capital return column of the Statement of Comprehensive Income.

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

(d) Written Options

The 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.

(e) Expenses

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

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

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

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

(f) Taxation

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

The tax currently payable is based on the taxable profits for the year ended 30 September 2015. 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.

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

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

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

Notes to the Financial Statements continued

For the year ended 30 September 2015

2 Accounting Policies continued

(f) Taxation continued

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

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

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

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

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

On initial recognition the Company has designated all of its investments as held at fair value through profit or loss as defined by IFRS. All investments are measured at subsequent reporting dates at fair value, which is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted.

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

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

Level 2: Having inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (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.

(h) Receivables

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

(i) Cash and Cash Equivalents

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

(j) Dividends Payable

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

(k) Payables

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

(l) Foreign Currency Translation

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

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

(m) Capital Reserves

Capital reserve arising on investments sold includes:

– gains/losses on disposal of investments

– exchange differences on currency balances

– 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.

(n) Repurchase of Ordinary Shares (Including Those Held in Treasury)

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

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

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

Notes to the Financial Statements continued

For the year ended 30 September 2015

2 Accounting Policies continued

(o) New and revised accounting Standards

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

At the date of authorisation of these financial statements, the following new and amended IFRSs are in issue but are not yet effective and have not been applied in these accounts:

- IFRS 9 (2014) Financial Instruments
- IFRS 10 (amended) Consolidated Financial Instruments
- IFRS 12 (amended) Disclosures of Interests in Other Entities
- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from Contracts with Customers
- IAS 1 (amended) Presentation of Financial Statements
- IAS 16 (amended) Property, Plant and Equipment
- IAS 27 (amended) Equity Method in Separate Financial Statements
- IAS 28 (amended) Investments in Associates and Joint Ventures
- IAS 38 (amended) Intangible Assets
- IAS 39 (amended) Hedge accounting

The Directors do not expect that the adoption of the Standards listed above will have a significant impact on the Company's accounts in future periods.

(p) Segmental Reporting

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

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

3 Investment Income

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000
Revenue:		
Franked: Listed investments		
Dividend income	688	1,022
Unfranked: Listed investments		
Dividend income	4,806	4,096
Total investment income allocated to revenue	5,494	5,118
Capital:		
Special dividends allocated to capital	–	24
Dividends from REITs allocated to capital	164	155
Total investment income allocated to capital	164	179

4 Other Operating Income

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000
Option premium income	372	656
Bank interest	2	1
Total other operating income	374	657

Option premium income for the year 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 £7k (2014: £nil) has been recognised in the capital return for the year in respect of these options.

Notes to the Financial Statements continued

For the year ended 30 September 2015

5 Gains on Investments Held at Fair Value

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000
Net gains on disposal of investments at historic cost	24,040	11,664
Less fair value adjustments in earlier years	(13,986)	(5,038)
Gains based on carrying value at previous balance sheet date	10,054	6,626
Valuation gains on investments held during the year	3,599	21,905
	13,653	28,531

6 Other Movements on Written Options

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000
Other movements on written options	(7)	–

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(d).

7 Other Currency Gains/(Losses)

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000
Exchange (losses)/gains on currency balances	(528)	21

8 Investment Management Fee

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000
Management fee		
– charged to revenue	351	296
– charged to capital	1,402	1,183
Investment management fee payable to Polar Capital LLP.	1,753	1,479

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

9 Other Administrative Expenses (Including VAT where appropriate)

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000
Directors' fees	107	107
Directors' NIC	10	11
Auditors' remuneration:		
For audit of the Company financial statements	22	21
For taxation compliance services	–	–
Depositary fee	27	5
Registrar fee	17	27
Custody and other bank charges	30	23
UKLA and LSE listing fees	20	13
Legal & professional fees	7	23
AIC fees	20	15
Directors' and officers liability insurance	8	9
AGM expenses	1	1
Corporate brokers fee	27	27
Marketing expenses	20	19
Shareholder communications	24	24
HSBC administration fee	111	91
Other expenses	1	3
	452	419

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

The ongoing charges ratio for the year ended 30 September 2015 was 1.00% (2014: 1.04%).

Notes to the Financial Statements continued

For the year ended 30 September 2015

10 Taxation

	Year ended 30 September 2015			Year ended 30 September 2014		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
a) Analysis of tax charge for the year:						
Overseas tax	662	2	664	553	4	557
Tax relief in capital	–	–	–	30	(30)	–
Total tax for the year (see note 10b)	662	2	664	583	(26)	557
b) Factors affecting tax charge for the year:						
The charge for the year can be reconciled to the profit per the Statement of Comprehensive Income as follows:						
Profit before tax	5,065	11,880	16,945	5,060	27,548	32,608
Tax at the UK corporation tax rate of 20%* (2014: 21%)*	507	1,188	1,695	531	2,893	3,424
Tax at the UK corporation tax rate of 21% (2014: 23%)	532	1,247	1,779	582	3,168	3,750
Tax effect of non-taxable dividends	(1,035)	(34)	(1,069)	(1,025)	(39)	(1,064)
Gains on investments that are not taxable	–	(2,688)	(2,688)	–	(6,281)	(6,281)
Unrelieved current period expenses and deficits	6	287	293	(8)	190	182
Overseas tax suffered	662	2	664	553	4	557
Tax relief on overseas tax suffered	(10)	–	(10)	(50)	39	(11)
Total tax for the year (see note 10a)	662	2	664	583	(26)	557

* The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 20.58%.

c) Factors that may affect future tax charges:

The Company has an unrecognised deferred tax asset of £869,000 (2014: £583,000) based on a prospective corporation tax rate of 20% (2014: 21%).

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

The reduction in the standard rate of corporation tax was substantively enacted in July 2013 and will be effective from 1 April 2015.

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

11 Amounts Recognised as Distributions to Ordinary Shareholders in the Year

Dividends paid in the year ended 30 September 2015

Payment date	No of shares	Pence per share	Year ended 30 September 2015 £'000
28 November 2014	121,620,000	0.60p	730
27 February 2015	121,575,000	0.60p	729
29 May 2015	120,825,000	0.60p	725
28 August 2015	120,775,000	1.80p	2,174
			4,358

The revenue available for distribution by way of dividend for the year is £4,403,000 (2014: £4,477,000).

The total dividends payable in respect of the financial year ended 30 September 2015 which is the basis on which the requirements of Section 1158 Corporation Tax Act 2010 are considered, is set out below:

Payment date	No of shares	Pence per share	Year ended 30 September 2015 £'000
27 February 2015	121,575,000	0.60p	729
29 May 2015	120,825,000	0.60p	725
28 August 2015	120,775,000	1.80p	2,174
27 November 2015	120,775,000	0.65p	785
			4,413

Dividends paid in the year ended 30 September 2014

Payment date	No of shares	Pence per share	Year ended 30 September 2014 £'000
29 November 2013	104,850,000	0.55p	577
7 March 2014	122,000,000	0.55p	671
30 May 2014	121,720,000	0.55p	669
29 August 2014	121,620,000	1.80p	2,189
			4,106

The total dividends payable in respect of the financial year ended 30 September 2014 which is the basis on which the requirements of Section 1158 Corporation Tax Act 2010 are considered, is set out below:

Payment date	No of shares	Pence per share	Year ended 30 September 2014 £'000
7 March 2014	122,000,000	0.55p	671
30 May 2014	121,720,000	0.55p	669
29 August 2014	121,620,000	1.80p	2,189
28 November 2014	121,620,000	0.60p	730
			4,259

All dividends are paid as interim dividends.

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

Notes to the Financial Statements continued
For the year ended 30 September 2015

12 Earnings Per Ordinary Share

	Year ended 30 September 2015			Year ended 30 September 2014		
	Revenue return	Capital return	Total return	Revenue return	Capital return	Total return
The calculation of basic earnings per share is based on the following data:						
Net profit for the year (£'000)	4,403	11,878	16,281	4,477	27,574	32,051
Weighted average ordinary shares in issue during the year	121,133,452	121,133,452	121,133,452	116,029,389	116,029,389	116,029,389
Basic earnings per ordinary share (pence)	3.63	9.81	13.44	3.86	23.76	27.62

As at 30 September 2015 there were no potentially dilutive shares in issue.

13 Investments Held at Fair Value

(a) Movements on investments

	30 September 2015 £'000	30 September 2014 £'000
Cost brought forward	146,596	119,312
Valuation gains	52,863	35,996
Valuation brought forward	199,459	155,308
Additions at cost	82,727	57,408
Proceeds on disposal	(87,592)	(41,788)
Gains on disposal	10,054	6,626
Valuation gains	3,599	21,905
Valuation at 30 September	208,247	199,459
Cost at 30 September	165,771	146,596
Closing fair value adjustment	42,476	52,863
Valuation at 30 September	208,247	199,459

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

	30 September 2015 £'000	30 September 2014 £'000
On acquisition	171	124
On disposal	153	81
	324	205

(b) Fair value hierarchy

	30 September 2015 £'000	30 September 2014 £'000
Level 1 assets	208,247	199,459
Valuation at 30 September	208,247	199,459

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

14 Receivables

	30 September 2015 £'000	30 September 2014 £'000
Sales for future settlement	–	353
Accrued income	487	470
Prepayments	22	23
	509	846

The carrying values of receivables approximate their fair value.

15 Payables

	30 September 2015 £'000	30 September 2014 £'000
Accruals	206	424
	206	424

The carrying values of payables approximate their fair value.

16 Called up Share Capital

	30 September 2015 £'000	30 September 2014 £'000
Allotted, Called up and Fully paid:		
Ordinary shares of 25p each:		
Opening balance of 121,620,000 (30 September 2014: 104,850,000)	30,405	26,213
Issue of nil (2014: 17,800,000) ordinary shares on exercise of subscription shares	–	4,450
Repurchase of 845,000 (2014: 1,030,000) ordinary shares, into treasury	(211)	(258)
Allotted, Called up and Fully paid: 120,775,000 (30 September 2014:121,620,000) ordinary shares of 25p	30,194	30,405
1,875,000 (2014: 1,030,000) ordinary shares, held in treasury	469	258
At 30 September 2015	30,663	30,663

The subscription shares were issued as a bonus issue to ordinary shareholders at a rate of one bonus subscription share for every 5 ordinary shares held on 15 June 2010.

A subscription share carried the right to subscribe in cash for one ordinary share at a price of 100p on 31 January 2014, when the rights lapsed. There are no subscription shares remaining.

In addition, 845,000 ordinary shares were repurchased into treasury at a cost of £1,444,000.

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

Notes to the Financial Statements continued

For the year ended 30 September 2015

17 Share Premium Reserve

	30 September 2015 £'000	30 September 2014 £'000
As at 1 October 2014	28,916	15,417
Issue of nil (2014: 17,800,000) ordinary shares on exercise of subscription shares	–	13,499
At 30 September 2015	28,916	28,916

18 Special Distributable Reserve

	30 September 2015 £'000	30 September 2014 £'000
As at 1 October 2014	63,288	64,792
Repurchase of 845,000 (2014: 1,030,000) ordinary shares into treasury	(1,444)	(1,504)
At 30 September 2015	61,844	63,288

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.

19 Capital Reserves

	30 September 2015 £'000	30 September 2014 £'000
As at 1 October 2014	74,727	47,153
Net gains on disposal of investments	10,054	6,626
Valuation gains on investments held during the year	3,599	21,905
Other movements on derivatives held during the year	(7)	–
Exchange (losses)/gains on currency balances	(528)	21
Capital dividends	164	179
Irrecoverable tax on special capital dividends	(2)	(4)
Tax relief due from revenue	–	30
Investment management fee allocated to capital	(1,402)	(1,183)
At 30 September 2015	86,605	74,727

The balance on the capital reserve represents a profit of £42,476,000 (2014: £52,863,000) on investments held and a profit of £44,129,000 (2014: £21,864,000) on investments sold.

20 Revenue Reserve

	30 September 2015 £'000	30 September 2014 £'000
As at 1 October 2014	2,365	1,994
Revenue profit	4,403	4,477
Interim dividends paid	(4,358)	(4,106)
At 30 September 2015	2,410	2,365

21 Net Asset Value Per Ordinary Share

	30 September 2015	30 September 2014
Net assets attributable to ordinary shareholders (£'000)	210,438	199,959
Ordinary shares in issue at end of year	120,775,000	121,620,000
Net asset value per ordinary share (pence)	174.24	164.41
Total issued ordinary shares	122,650,000	122,650,000
Ordinary shares held in treasury	1,875,000	1,030,000
Ordinary shares in issue	120,775,000	121,620,000

As at 30 September 2015 there were no potentially dilutive shares in issue.

22 Cash and Cash Equivalents

Cash and cash equivalents include the following for the purpose of the Cash Flow Statement:

	30 September 2015 £'000	30 September 2014 £'000
Cash at bank	1,567	–
Cash held at derivative clearing houses	383	13
Bank overdraft	(274)	(110)
	1,676	(97)

23 Transactions with the Investment Manager and Related Party Transactions

(a) Transactions with the Manager

Under the terms of an agreement dated 26 May 2010 the 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 Strategic Report. The total fees, paid under this agreement to Polar Capital in respect of the year ended 30 September 2015 were £1,753,000 (2013: £1,479,000) of which £143,000 (2014: £260,000) was outstanding at the year-end.

(b) Related party transactions

The Company has no employees and therefore key management personnel. The Company paid £107,000 (2014: £107,000) to the Directors and the Remuneration Report is set out on pages 38 to 41.

Notes to the Financial Statements continued
For the year ended 30 September 2015

24 Derivatives and Other Financial Instruments

Risk management policies and procedures for the Company

The Company invests in equities and other financial instruments for the long-term to further the investment objective set out on page 16.

This exposes the Company to a range of financial risks that could impact on 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 may be held in the investment portfolio in accordance with the investment objective.
- Bank overdrafts, the main purpose of which is to raise finance for the 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 24(a)(i)), currency risk (see note 24(a)(ii)), and interest rate risk (see note 24(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 11 to 14. Investments are valued in accordance with the accounting policies as stated in Note 2(g).

At the year end, the Company did not hold any derivative instruments (2014: nil).

Management of the risk

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

Market price risks exposure

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

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000
Non-current asset investments at fair value through profit or loss	208,247	199,459
	208,247	199,459

Market price risk sensitivity

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

	Year ended 30 September 2015		Year ended 30 September 2014	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
Statement of Comprehensive Income – profit after tax				
Revenue return	(53)	53	(51)	51
Capital return	31,025	(31,025)	29,716	(29,716)
Change to the profit after tax for the year	30,972	(30,972)	29,665	(29,665)
Change to equity attributable to shareholders	30,972	(30,972)	29,665	(29,665)

Notes to the Financial Statements continued

For the year ended 30 September 2015

24 Derivatives and Other Financial Instruments continued

Risk management policies and procedures for the Company continued

(a) Market Risk continued

(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 Company's monetary assets, liabilities and investments that are priced in currencies other than sterling.

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000
Monetary Assets:		
Cash and short-term receivables		
Swiss francs	217	169
US dollars	434	136
Japanese yen	134	129
Australian dollars	89	46
Canadian dollars	13	12
Euros	50	7
Monetary Liabilities:		
Other payables		
Swedish krona	(274)	–
Foreign currency exposure on net monetary items	663	499
Non-Monetary Items:		
Investments at fair value through profit or loss that are equities		
US dollars	109,106	93,595
Swiss francs	35,407	28,777
Euros	15,513	16,392
Japanese yen	11,536	13,369
Danish krone	–	5,312
Australian dollars	4,633	4,997
Canadian dollars	2,884	2,602
Singapore dollars	1,544	1,600
Norwegian krona	721	491
Brazilian real	–	115
Total net foreign currency exposure	182,007	167,749

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

US dollar appreciated by 6.6% (2014: depreciated by 0.1%),
Swiss franc appreciated by 5.5% (2014: depreciated by 5.8%),
Japanese yen depreciated by 2.0% (2014: depreciated by 11.9%),
Euro depreciated by 5.7% (2014: depreciated by 7.3%).

Foreign currency sensitivity

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

Based on the year end position, if sterling had depreciated by a further 10% against the currencies shown, this would have the following effect:

	Year ended 30 September 2015 £'000			
	US dollars	Swiss Francs	Japanese Yen	Euros
Statement of Comprehensive Income – profit after tax				
Revenue return	48	24	15	6
Capital return	12,123	3,934	1,282	1,724
Change to the profit after tax for the year and to equity attributable to shareholders	12,171	3,958	1,297	1,730

	Year ended 30 September 2014 £'000			
	US dollars	Swiss Francs	Japanese Yen	Euros
Statement of Comprehensive Income – profit after tax				
Revenue return	15	19	14	1
Capital return	10,399	3,197	1,485	1,821
Change to the profit after tax for the year and to equity attributable to shareholders	10,414	3,216	1,499	1,822

Notes to the Financial Statements continued
For the year ended 30 September 2015

24 Derivatives and Other Financial Instruments continued

Risk management policies and procedures for the Company continued

(a) Market Risk continued

(ii) Currency Risk *continued*

Foreign currency sensitivity continued

Based on the year end position, if sterling had appreciated by a further 10% against the currencies shown, this would have the following effect:

	Year ended 30 September 2015 £'000			
	US dollars	Swiss Francs	Japanese Yen	Euros
Statement of Comprehensive Income – profit after tax				
Revenue return	(39)	(20)	(12)	(5)
Capital return	(9,919)	(3,219)	(1,049)	(1,410)
Change to the profit after tax for the year and to equity attributable to shareholders	(9,958)	(3,239)	(1,061)	(1,415)

	Year ended 30 September 2014 £'000			
	US dollars	Swiss Francs	Japanese Yen	Euros
Statement of Comprehensive Income – profit after tax				
Revenue return	(12)	(15)	(12)	(1)
Capital return	(8,509)	(2,616)	(1,215)	(1,490)
Change to the profit after tax for the year and to equity attributable to shareholders	(8,521)	(2,631)	(1,227)	(1,491)

In the opinion of the Directors, while these are regarded as reasonable estimates, neither of the above sensitivity analyses are representative of the year as a whole since the level of exposure changes frequently as part of the currency risk management process used to meet the 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 year-end, financial assets and liabilities exposed to floating interest rates were as follows:

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000
Cash at bank	1,950	13
Bank overdraft	(274)	(110)
	1,676	(97)

The above year-end amounts may not be representative of the exposure to interest rates in the year ahead since the level of cash held during the year will be affected by the strategy being followed in response to the Board's and 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:

	30 September 2015 £'000	30 September 2014 £'000
Due within 1 month:		
Accruals	206	424
Bank overdraft	274	110
	480	534

Notes to the Financial Statements continued

For the year ended 30 September 2015

24 Derivatives and Other Financial Instruments continued

Risk management policies and procedures for the Company continued

(c) Credit Risk

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

Management of the risk

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.

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

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

Credit risk exposure

The maximum exposure to credit risk at 30 September 2015 was £2,437,000 (2014: £836,000) comprising:

	30 September 2015 £'000	30 September 2014 £'000
Balances due from brokers	–	353
Accrued Income	487	470
Cash at bank	1,950	13
	2,437	836

All of the above financial assets are current, their fair values are considered to be the same as the values shown and the likelihood of a material credit default is considered low. None of the Company's assets are past due or impaired. All deposits were placed with banks that had a rating of A or higher.

(d) Capital Management Policies and Procedures

The Company's capital, or equity, is represented by its net assets which amounted to £210,438,000 for the year ended 30 September 2015 (2014: £199,959,000), which are managed to achieve the Company's investment objective set out on page 16.

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 (i.e. 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 two capital restriction tests imposed on investments by company law.

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

Investing

Market Purchases

The ordinary 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

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

For those investors who would like advice:

Private Client Stockbrokers

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

Financial Advisers

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

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

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

Online Stockbroking Services

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

Investing Risks

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

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

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

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

Please also see the additional disclosures on page 83.

Other Information

Disability Act

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

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

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

Nominee Shareholders

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

Capital Gains Tax

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

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

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

Further information on the subscription shares is provided in the subscription share section below.

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

Subscription Shares Tax Implications

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

Ordinary Shares 101.0p

Subscription Shares 14.875p

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

Warnings to Shareholders

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

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

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

Boiler Room Scams

Shareholders of the Polar Capital Global Healthcare Growth and Income Trust plc may receive unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments or offering to act on the shareholder's behalf on the payment of a retainer or similar in a spurious corporate event. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive. It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

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

If you receive any unsolicited investment advice:

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

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

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

Forward-looking Statements

Certain statements included in this Annual Report and Financial Statements contain forward-looking information concerning the Company's strategy, operations, financial performance or condition, outlook, growth opportunities or circumstances in the countries, sectors or markets in which the Company operates. By their nature, forward-looking statements involve uncertainty because they depend on future circumstances, and relate to events, not all of which are within the Company's control or can be predicted by the Company. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct.

Actual results could differ materially from those set out in the forward-looking statements. For a detailed analysis of the factors that may affect our business, financial performance or results of operations, we urge you to look at the principal risks and uncertainties included in the Strategic Report Section on pages 2 to 23 of this Annual Report and Financial Statements.

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

The Alternative Investment Fund Manager's Report

The Alternative Investment Fund Managers Directive ('AIFMD') is a European Union Directive that entered into force on 22 July 2013, with a 12 month transitional period allowing firms to comply with the directive by 22 July 2014. The Directive was agreed by the European Parliament and the Council of the European Union and transposed into UK legislation. The AIFMD classifies certain investment vehicles, including investment companies, as Alternative Investment Funds ('AIFs') and requires them to appoint an Alternative Investment Fund Manager ('AIFM') and Depositary to manage and oversee the operations of the investment vehicle. The Board of the Company retains responsibility for strategy, operations and compliance and the Directors retain a fiduciary duty to shareholders.

Polar Capital LLP has been appointed as the Alternative Investment Fund Manager to the Polar Capital Global Healthcare Growth and Income Trust Plc ('AIF'). The AIF and the AIFM are required to make certain disclosures to investors in the AIF on a periodic basis under the AIFMD. In addition to the periodic disclosures listed below supplemental information is set out in the Investor Disclosure Document which is available on the company website or from Polar Capital LLP, 16 Palace Street, London SW1E 5JD.

The periodic disclosures to investors are:

- Information about the investment strategy, geographic and sector investment focus and principal stock exposures of the AIF;

  These are included within the Strategic Report which includes the portfolio of all positions at 30 September 2015.

- Notification of any of the AIF's assets that are subject to special arrangements arising from their illiquid nature;

  There are no assets of this nature.

- Risk disclosures about the profile and risk management processes in place;

  These are set out in the Strategic Report and in note 24 to the Financial Statements. There have been no changes to the risk management processes in the period under review and there have been no breaches to the risk limits set. No breaches are anticipated.

- Liquidity management;

  There are no new arrangements for the management of liquidity of the AIF or any material changes to the liquidity management systems and procedures employed by the AIFM.

- Remuneration disclosures;

  During the AIFM's financial year between 1 April 2014 and 31 March 2015, the proportion of the total remuneration paid by the AIFM to its staff attributable to the Fund was £674,000. Within such figure, the proportion of the fixed remuneration of the AIFM's staff attributable to the Fund was £167,000 and the proportion of the variable remuneration of the AIFM's staff attributable to the Fund was £507,000. No performance fee was paid to staff by the Fund during the financial year.

  During the financial year, the aggregate amount of remuneration paid to the senior management of the AIFM was £2,585,000 and the aggregate amount of remuneration paid to members of staff, including senior management, whose actions had a material impact on the risk profile of the company was £10,694,000. For the purposes of identifying the members of the AIFM's staff whose actions had a material impact on the risk profile of the Fund, the AIFM has conducted an assessment that it believes to be consistent with certain guidance published by the European Securities and Markets Authority (ESMA/2013/201).

- Leverage disclosure;

  Leverage is disclosed in accordance with the AIFMD in the Shareholder Information below. There were no breaches to the leverage restrictions over the period.

- Depositary Disclosure;

  The AIF and the AIFM have appointed HSBC Bank plc as depositary to the AIF. The role of the depositary is to oversee the operations of the investment vehicle including safekeeping, cash monitoring and verification of ownership and valuation.

Leverage

Under the AIFMD it is necessary for AIFs to disclose their leverage in accordance with the prescribed calculations of the directive. Leverage is often used as another term for gearing which is included within the Strategic Report. Under the AIFMD there are two types of leverage that the AIF is required to set limits for, monitor and periodically disclose to investors. The two types of leverage calculations defined are the gross and commitment methods. These methods summarily express leverage as a ratio of the exposure of debt, non-sterling currency, equity or currency hedging and derivatives exposure against the net asset value. The commitment method nets off derivative instruments, while the gross method aggregates them.

The limits that have been set for the investment policy of the AIF under the directive have been disclosed below and accommodate the maximum level of leverage conceivable and do not reflect a level of leverage that is to be expected in the foreseeable future.

Leverage may be applied to the portfolio by utilising financial gearing (such as bank borrowings and overdrafts) and synthetic gearing (through derivatives and/or other non-fully funded instruments or techniques for efficient portfolio management purposes such as stock-lending). Typically, leverage will arise through the use of index futures, forward foreign exchange contracts or contracts for difference, where cash is paid to the counterparty as a margin against the current mark-to-market value of the derivative contract; as a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may even result in further loss exceeding any margin deposited. The use of leverage therefore creates additional risks and may significantly increase the market and counterparty risk of the AIF through non-fully funded exposure to underlying markets or securities.

Leverage is considered in terms of the AIF's overall 'exposure' to financial or synthetic gearing and includes any method by which the exposure of the AIF is increased whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means. Polar Capital is required, in accordance with the AIFMD, to calculate and monitor the level of leverage of the AIF, expressed as the ratio between the total exposure of the AIF and its net asset value with exposure values being calculated by both the gross method and commitment method.

Exposure values under the gross method basis are calculated as the absolute value of all positions in the portfolio; this includes all eligible assets and liabilities, relevant borrowings, derivatives (converted into their equivalent underlying positions) and all other positions, even those held purely for risk reduction purposes, such as forward foreign exchange contracts held for currency hedging.

The Alternative Investment Fund Manager's Report continued

Leverage continued

The gross method of exposure of the AIF requires the calculation to:

- include the sum of all non-derivative assets (if applicable) held at market value, plus the absolute value of all such liabilities;
- exclude cash and cash equivalents which are highly liquid investments held in the base currency of the Company, that are readily convertible to a known amount of cash, which are subject to an insignificant risk of change in value and provide a return no greater than the rate of a three month high quality bond;
- include derivative instruments which are converted into the equivalent position in their underlying assets;
- exclude cash borrowings that remain in cash or cash equivalents and where the amounts payable are known;
- include exposures resulting from the reinvestment of cash borrowings, expressed as the higher of the market value of the investment realised or the total amount of cash borrowed; and
- include positions within repurchase or reverse repurchase agreements and securities lending or borrowing or other similar arrangements as applicable.

Exposure values under the commitment method basis are calculated on a similar basis to the above, but may take into account the effect of netting off instruments to reflect eligible netting and hedging arrangements on eligible assets and different treatment of certain cash and cash equivalent items in line with regulatory requirements.

The table below sets out the current maximum permitted limit and actual level of leverage for the Company:

	As a percentage of net assets	
	Gross Method	Commitment Method
Maximum Leverage Limit	200%	200%
Actual Leverage Level 30 September 2015	99%	99%

There have been no breaches to the maximum limits set out above since the introduction of these limits on 22 July 2014.

B K Tomlinson
Polar Capital LLP
Chief Legal & Compliance Officer

The Directors

Polar Capital Global Healthcare Growth and Income Trust plc (Trust)

Statement of the Depositary's Responsibilities in Respect of the Trust and Report of the Depositary to the Shareholders of the Trust for the Period Ended 30 September 2015.

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Investment Funds Sourcebook, ('the Sourcebook'), the Alternative Investment Fund Managers Directive ('AIFMD') (together 'the Regulations') and the Company's Articles of Association.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary is responsible for the safekeeping of the assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the assets under management and the net asset value per share of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- that the Company's income is applied in accordance with the Regulations; and
- the instructions of the Alternative Investment Fund Manager ('the AIFM') are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Articles of Association in relation to the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the AIFM has been managed in accordance with the rules in the Sourcebook, the Articles of Association of the Company and as required by the AIFMD.

HSBC Bank plc

15 December 2015

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
John Aston, OBE
Anthony Brampton
Antony Milford

Registered Office and Contact Address for Directors

16 Palace Street
London SW1E 5JD

Investment Manager and AIFM

Polar Capital LLP

16 Palace Street
London SW1E 5JD

Authorised and regulated by the Financial Conduct Authority.

Telephone: 020 7227 2700
Website: www.polarcapital.co.uk

Portfolio Managers

Dr Daniel Mahony and Mr Gareth Powell

Company Secretary

Polar Capital Secretarial Services Limited

Represented by Neil Taylor FCIS

Depositary, Bankers and Custodian

HSBC Bank Plc

8 Canada Square
London E14 5HQ

Independent Auditors

PricewaterhouseCoopers LLP

Atria One, 144 Morrison Street
Edinburgh EH3 8EX

Solicitors

Herbert Smith Freehills LLP

Exchange House, Primrose Street
London EC2A 2HS

Stockbrokers

Panmure Gordon & Co

One New Change
London EC4M 9AF

Identification Codes

Ordinary shares

SEDOL: B6832P1
ISIN: GB00B6832P16
TICKER: PCGH
GIIN: ID3ME4.99999.SL.826

Registrar

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

In correspondence you should refer to Polar Capital Global Healthcare Growth and Income Trust plc, stating clearly the registered name and address and if available, the full account number.

Equiniti Limited

Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Shareholder helpline: 0800 313 4922
(or +44 121 415 7047)
www.shareview.co.uk

Electronic Communications

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

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

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). The portfolio is also published to the Company's website.

AIC

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

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