woodford

WOODFORD PATIENT CAPITAL TRUST PLC
ANNUAL REPORT
For the year ended 31 December 2016

CONTENTS

STRATEGIC REPORT

THE INVESTMENT OBJECTIVE OF WOODFORD PATIENT CAPITAL TRUST PLC (WPCT) OR (THE COMPANY) IS TO ACHIEVE LONG-TERM CAPITAL GROWTH THROUGH INVESTING IN A PORTFOLIO CONSISTING PREDOMINANTLY OF UK COMPANIES, BOTH QUOTED AND UNQUOTED.

THE COMPANY WILL AIM TO DELIVER A RETURN IN EXCESS OF 10 PER CENT PER ANNUM OVER THE LONGER TERM*.

*** THIS IS A TARGET ONLY, NOT A PROFIT FORECAST, AND THERE CAN BE NO ASSURANCE THAT IT WILL BE MET.**

Diversified portfolio
The money raised at launch is fully deployed across a mix of unquoted and quoted securities as set out in the Company's prospectus at launch.

Low cost
Annual costs, including all transaction fees, of 0.2 per cent – no fee paid to Portfolio Manager unless cumulative returns in excess of 10 per cent are met.

Operational milestones
Encouraging progress of holdings against commercial and technical milestones, the key performance indicator for the Company's long-term strategy.

Building conviction
Portfolio may become more concentrated on key investments as value emerges, resulting in some holdings potentially becoming very significant as a proportion of the Company's portfolio.

Global evolution
Most holdings in the Company's portfolio emanate from the UK but as they grow some will evolve into global businesses as a result of changes in capital values or an overseas listing.

Unconstrained
Board seeking shareholder approval to amend current investment restrictions, providing the Company with greater flexibility to capture growth and follow-on investment opportunities.

FINANCIAL HIGHLIGHTS

At 31 December	2016 £'000	2015 £'000
Total assets	771,093	805,264

31 December Net asset value and share price	2016 pence	2015 pence
Net asset value per share	93.24	97.37
Share price	91.00	101.00

31 December Net asset value and share price performance	2016 %	2015 %
Decrease in net asset value per share	(4.2)	(1.5)*
Decrease/increase in share price	(9.9)	1.0*
Share price discount/premium to net asset value	(2.4)	3.7

31 December	2016	2015
Ongoing charges ratio**	0.2	0.1

* Net asset value at admission (21 April 2015) was 98.83 pence per share.

** Ongoing charges ratio – calculated as a percentage of average shareholders' funds and using expenses, excluding finance costs, performance fees and taxation in accordance with Association of Investment Companies (AIC) guidelines. The ongoing charges figure has increased compared to the previous period as it covers the Company's first full year period. 2015 figure calculated from the date of admission (21 April 2015) to 31 December 2015.

CHAIRMAN'S STATEMENT

We commenced the year looking forward to some solid operational progress from the early-stage technology-based businesses in which the Company has invested. This progress has been forthcoming, as demonstrated in Neil's portfolio review that follows.

Success, however, can be measured in different ways and ultimately it's the Company's progress in terms of net asset value and share price that will count for investors. In this respect, 2016 was a more challenging year for the Company, with its net asset value declining modestly from 97.37p to 93.24p over the period under review. Meanwhile, the Company's share price moved from a 3.7 per cent premium to net asset value at the end of 2015, to a slight discount of -2.4 per cent at the end of the period, which meant a share price decline of -9.9 per cent during 2016.

The Company's share price traded in a relatively tight range to its net asset value throughout the year and, on average, stood at a marginal premium. This reflects a stable and supportive shareholder base who are attracted to the Company's unique value proposition and understand that it is a long-term investment strategy.

The net asset value and share price performance of the Company in 2016 fails to reflect much of the operational progress in portfolio companies that has been made in 2016. At launch, the Board was excited about the vision of building a portfolio that reflected Neil's conviction in the opportunity to invest in innovative science-based businesses with the potential to disrupt existing industries and create new ones over time. Our focus has been on whether the businesses in the portfolio are making operational progress and achieving milestones – these, in the Board's view, are the key performance indicators in this unique portfolio of quoted and unquoted assets.

As one would expect from a portfolio, these businesses are at different stages of their development but several are on the cusp of delivering their commercial potential. Milestones have been met and progress in many holdings, including Prothena, Purplebricks and Immunocore, has exceeded expectations. You can read about the progress of the Company's top 10 holdings on pages 11 and 12.

In light of the progress being made across much of the portfolio, Woodford has undertaken an analysis of how the shape of the portfolio may change over time, as material success on a stock-specific basis emerges. This analysis has highlighted a rationale for amending some of the portfolio's investment restrictions, in order to make the most of investment opportunities and avoid constraints in the future. The Board is therefore proposing a number of changes, which can be read in more detail on page 19.

You will also find enclosed with this Annual Report a letter asking whether you would prefer to receive future communications in electronic form rather than printed. I encourage you to consider the electronic option.

Patient capital providers build close relationships with early-stage businesses. They help nurture them to their full potential but, as we have always said, returns on investment may take time to mature. Just as some companies are ahead of schedule, some remain many years away from their commercial destiny and, inevitably, some will never complete that journey. It is why companies need capital partners such as WPCT and its investors, who are prepared to stay with them for the long term.

With the capital raised at launch fully invested, the Company is now in a position to nurture its portfolio of innovative businesses on the road to commercial success. The Board shares Neil's confidence that the solid operational progress seen across much of the portfolio will ultimately be reflected in the Company's valuation. Indeed, the uplifts to the valuations of unquoted holdings such as Oxford Nanopore, Oxford Sciences Innovation and Proton Partners International towards the end of the year hint at the value that is already beginning to accrue within the portfolio.

Susan Searle
Chairman
20 April 2017

We began 2016 with the money raised at the launch of WPCT fully deployed – and so the period under review started with a portfolio primed for its long-term patient capital journey. It is rich in quality, broad in terms of development stage and technology and, most importantly, high in potential.

The operational progress made during the year, across the majority of the portfolio, was extremely encouraging. Much of this fundamental progress has yet to be reflected in the net asset value of the Company itself, which declined 4.2 per cent in 2016. I understand that some investors may be disappointed at the net asset value progress thus far and, although I would have preferred to have been writing this review having delivered a positive return, it must be remembered that the investment strategy was never designed to deliver significant short-term wins.

It remains early days for this strategy, which is seeking to exploit very long-term investment opportunities. Indeed, it is the disconnect between the short-term focus of the modern stock market and the long-term needs of early-stage businesses that in part explains the Company's performance last year and which has created such a compelling investment opportunity in the first place.

Long-term capital providers such as WPCT must work closely with the early-stage businesses they have backed in pursuit of commercial success, but this ultimate goal can take years, sometimes decades, to fulfil. While on the journey towards commercialisation, these companies need capital partners that are prepared to stay with them for the long term. For years, the UK has been failing to make the most of its knowledge economy assets, with increasingly adverse implications for the long-term health of the overall economy. Primarily, this is because the early-stage businesses that look to develop and commercialise the outstanding intellectual property that emanates from British universities have been deprived of the capital they need to succeed.

Encouragingly, the government does now seem to be paying attention to this fundamental problem. We are currently engaged in its Patient Capital Review, which was announced by the Chancellor in last year's Autumn Statement – and we await its outcomes with interest and optimism.

In the meantime, however, the opportunity that exists for those capital providers that are prepared to take a long-term, supportive view towards investing in early-stage businesses remains compelling.

Positive progress

Barely a week goes by when I don't hear of something coming to fruition within the portfolio. In my view, it is only a matter of time before this starts to be reflected in the net asset value and share price of the Company.

Indeed, some of this progress is already beginning to be reflected in the individual company valuations of our unquoted holdings. The unquoted portion of the portfolio, which accounted for approximately 40 per cent of the Company's assets, delivered a positive contribution to returns of more than two per cent in 2016. In contrast, the quoted part of the portfolio, which accounted for approximately 60 per cent of assets, delivered a negative contribution of more than five per cent during the year.

To an extent, this is of course down to stock specifics as I explore below. However, broadly speaking, I do not believe that the operational performance of the portfolio's quoted businesses was, in aggregate, so much worse than the operational performance of its unquoted holdings. There is a world of difference between the underwhelming progress of share prices last year and the underlying progress of the portfolio – which has surpassed my expectations. That such a wide disconnect exists serves, I believe, to highlight the problem that the Patient Capital Review is aiming to solve.

Ultimately, the probability of success or failure is no different for an unquoted company than it is for a quoted company. An issue for early-stage businesses is whether to remain unquoted or list on the stock market and, depending on the business, staying private for longer can make the journey easier. Indeed, for some there is little benefit to a stock market listing for an early-stage business that could still be several years away from generating revenues, let alone profits. But, for the patient investor, this source of market inefficiency can at least be exploited because it can lead to substantial valuation anomalies.

There's more detail on the progress being made by each of the Company's top 10 holdings at the end of this review but one stock I wish to highlight to demonstrate my conviction and investment strategy is Prothena – a company I have known for many years.

Having performed well in 2015, Prothena's share price fell significantly in the first few weeks of 2016, primarily as a result of an increase in the short interest in the stock. Our investment focus is resolutely on the long-term fundamentals of the business, which, despite the short-term share price performance, have been improving all year. News from the company has significantly reinforced our positive view on the stock and we took advantage of temporary share price weakness to add to the Company's position.

In particular, my increasing conviction is due to the progress that Prothena has made with its leading drug development candidate, which is for AL amyloidosis, a rare and often fatal organ disease affecting fewer than 10,000 patients a year. Results from its phase I and II trials have been outstanding, while patient advocacy groups have been calling for its urgent approval. There are currently no approved drugs for AL amyloidosis and in 2018 we will learn the results of two late-stage trials, which, if positive, would result in a significant revaluation of the company.

From a fundamental perspective, the AL amyloidosis opportunity on its own would warrant a valuation far above that of today's, in my view. Meanwhile, Prothena has also made significant progress on two other development candidates, one in Parkinson's disease and the other in psoriatic arthritis. The speed with which it has identified and developed these three assets suggests that there could be more to follow in time.

The company's rapid progress and its positive share price performance in the second half of the year are the principal reasons why its position in the portfolio has grown significantly from 6.3 per cent of assets to 14.4 per cent at year end.

In the world of equity investment, nothing is certain. As with any therapy in clinical trials, there is a risk that one or more of them fails to deliver the positive outcome that we hope for and expect. However, I am convinced that this business is poised to deliver incredibly attractive long-term returns to its shareholders and to improve the lives of patients suffering from these awful, debilitating diseases.

Overcoming hurdles

Some businesses in the portfolio have encountered problems and, undoubtedly, others will too. This is part of the territory when investing in early-stage businesses. What's important, in my opinion, is how one reacts to these hurdles when they arise and the lessons one learns.

For patient capital investing to be a success, one has to work through the difficult periods. My approach has always been to favour voice over exit, which means overcoming hurdles to continue to support and nurture businesses that I retain my long-term faith in.

This was the case with Circassia, which announced results from a late-stage trial into its cat allergy vaccine in June. Although many aspects of the trial data were highly encouraging, further evidencing the drug's strong therapeutic benefits, the results also showed that a placebo had broadly the same impact on symptoms. This development led to Circassia's share price declining by more than two-thirds during the period, making it a significant negative contributor to performance. More recently (and outside the period under review), it announced similar results for its house dust mite vaccine and has now decided to stop investing in the development of its allergy portfolio.

We share the management team's obvious disappointment at these trial results but remain supportive shareholders. There is much more to Circassia than its allergy platform and it remains in a strong position. It continues to successfully develop the asthma and respiratory assets that it acquired in 2015, with three new pipeline candidates added in the second half of the period under review. In March 2017, it announced a commercial collaboration with AstraZeneca, which significantly strengthens the company's strategy as a speciality biopharma business.

New entrants

Several new holdings were introduced to the portfolio during 2016, primarily funded by reducing the Company's exposure to larger, more liquid companies early in the period.

These new holdings included Thin Film Electronics, a Norwegian company that specialises in printed electronics, an innovative new technology with a huge range of commercial applications, especially in relation to the 'internet of things'. I have known the company for a long time and I am confident that it is poised for substantial growth as its technology becomes more widely adopted.

We also participated in the IPO of Draper Esprit, a leading venture capital investment company involved in the creation, funding and development of high-growth technology businesses with a like-minded investment approach to our own.

Among new unquoted positions were Metalysis, a titanium materials company serving the 3D printing industry, Nexeon, a battery technology company with enormous potential to improve battery performance across a wide range of industries, and Accelerated Digital Ventures, a newly-formed business that aims to provide patient capital to young British digital businesses with significant growth potential.

Looking ahead

The WPCT has evolved in 2016, but the original investment hypothesis remains in place. In fact, I believe it is stronger than ever. That statement may surprise those investors that have been eager to see an early return on their investment or those that are frustrated by the lack of net asset value progress seen thus far. To an extent, I share those emotions, but they are insignificant compared to the confidence and excitement that I have in the opportunity from here.

I know how much fundamental progress our businesses are delivering and I hope I have managed to convey some of that progress in this update. In my view, it is only a matter of time before this progress is reflected in valuations. As for how long this takes, it is difficult to be precise. I said towards the start of this review that it is still early days for this long-term investment strategy but I acknowledge that I can't say that for ever.

At launch, I set out to deliver double-digit annualised long-term returns. It is, of course, critical that I do so and I remain absolutely confident that I will.

In the meantime, I'd like to thank investors for their continued support.

Neil Woodford
20 April 2017

From the outset, it was the Portfolio Manager's intention to put greater emphasis on the companies in the portfolio about which it has the strongest conviction. The direction of travel of several holdings in the portfolio has been rapid and operational milestones are being met.

Name	Weight (%)
Prothena	14.34

A US-based biotechnology company focused on discovering, developing and commercialising therapies directed specifically to disease-causing proteins. We have known its management team since the company spun out of Elan in 2012 and, over the years, the company has made considerable operational progress. Prothena is developing three main therapies, each in multi-billion dollar indications. A phase III trial for its lead asset, NEOD001 (a potential treatment for AL amyloidosis), is well advanced. Meanwhile, in October 2016, the company reported highly encouraging data from a phase Ib trial for PRX002, its potential therapy for Parkinson's disease, which is being developed in collaboration with Roche. Additionally, Prothena announced plans to progress its potential treatment for psoriatic arthritis, PRX003, into phase II following positive results from earlier clinical trials.

Oxford Nanopore	7.69

A healthcare technology company spun out of Oxford University in 2005, which has developed a highly disruptive, next-generation nanopore platform technology that enables the analysis of biological molecules, such as DNA. The company is making excellent progress in commercialising its technology, with its lead product, MinION, gaining increasing attention from a growing base of clients, not least because it can provide real-time data analysis at a starting price of $1,000. In 2016, MinION was used to sequence the human genome, perform surveillance of the Ebola and Zika viruses and to research cancer genetics. In August 2016, MinION was also successfully tested on board the International Space Station. The company raised a further £100m from investors in December 2016 to accelerate commercial roll-out.

Immunocore	5.60

A clinical-stage biotech founded in 2008 with technology spun out of Oxford University in 1999. The company is developing immuno-oncology drugs that redirect the human immune system to unmask and kill cancer cells. Immunocore's proprietary platform creates ImmTACs (for cancer) and ImmTAVs (for viral infection) – drugs that are made from engineered T-cell receptors (key components of our immune system) to bind to peptides found on cancer cells or viruses. Since funding, the company has commenced pivotal studies in uveal (eye) melanoma and cutaneous (skin) melanoma and has continued investing into its broader pipeline – success here could see it rivalling some of the US biotech sector's most successful stories for size and scale. In June 2016, the company announced positive data from its first in-human, phase I clinical trial for IMCgp100, its lead ImmTAC asset.

Theravance Biopharma	4.62

Theravance Biopharma is a US biotechnology company with a broad set of assets and a robust R&D engine. The company was spun out of Theravance in 2014 and it retains a valuable economic interest in the future commercial potential of the Closed Triple (a combination of three respiratory drugs into one) programme. This is being developed by GlaxoSmithKline and Innoviva as a potential treatment for patients with respiratory conditions such as chronic obstructive pulmonary disease (COPD) and asthma. During 2016, the company made excellent overall progress, announcing some very positive clinical data from a COPD phase III study for the Closed Triple programme, while a phase III study for patients with asthma is ongoing. In 2017, the company is also set for a number of phase I and II trial results in its earlier-stage pipeline of small molecule drugs. Meanwhile, its on-market antibiotic, Vibativ, is enjoying solid rates of growth, with net sales in the US increasing by 100 per cent during 2016.

Name	Weight (%)
Proton Partners	4.41

Proton Partners is on track to introduce the UK's first cancer centres offering proton beam therapy to cancer patients. New compact equipment has significantly improved the cost benefit of proton beam therapy versus conventional radiotherapy. Clinically, proton beam therapy should provide better outcomes for cancer patients as it reduces the damage to peripheral tissue and organs. Its first centre, in Newport, is due to open in the first half of 2017 and will offer proton beam therapy from early 2018. Meanwhile, building on its second centre in Northumberland is underway and is expected to be operational in early 2018, while in December the company announced that building at its third centre in Reading's Thames Valley Science Park will start in 2017. Proton Partners also marked their international expansion by securing a contract to manage and install their proton beam therapy technology in a private clinic in Abu Dhabi, UAE.

Allied Minds	4.03

An intellectual property commercialisation company that aims to "form, fund, manage and build" technology businesses using its unparalleled access to the best intellectual property emanating from US universities and other government-sponsored research institutions. Existing portfolio companies include Federated Wireless (which develops technology that allows the sharing of highly valuable and scarce mobile telecommunications spectrums) and SciFluor (which aims to optimise drugs through 'strategic fluorination' in order to improve potency, selectivity and to reduce harmful side effects). The company announced a write-down of several subsidiary companies in April 2017 (outside the period under review), which will allow it to focus more aggressively on the companies that are rapidly progressing towards their commercial goals and reallocate capital towards new ideas.

Mereo BioPharma	3.81

A UK-based specialty biopharmaceutical company formed in March 2015 by a highly experienced team to acquire and develop early-stage assets from major pharmaceutical companies. WPCT helped fund its acquisition of an initial portfolio of three programmes, all with proof of concept, from Novartis in July 2015 and, 11 months later, in July 2016 the company listed on London Stock Exchange's AIM market. This provided a positive uplift to the company's valuation in the Company's portfolio. Mereo benefits from an extensive network of experts with solid knowledge across multiple clinical disciplines. It has the potential to create substantial long-term shareholder returns by commercialising assets itself or by extracting value through out-licensing deals.

Purplebricks	3.79

Purplebricks is fast becoming a household name and Woodford was an early investor. It is a 'hybrid' property agent, combining a simple-to-use online platform with a team of flesh-and-blood agents. It operates 24/7 and is well placed to significantly disrupt the UK's traditional estate agency business model – indeed it is already doing so. Its growth revenues increased by 159 per cent for the six months to October 2016 after it sold £2.6bn worth of properties over that period, making it the third largest operator in the market. With the strategic and successful launch of its branch in Australia in September, Purplebricks' disruptive and competitive business model is beginning to demonstrate its international viability and it has recently raised capital to expand into the US in 2017.

Oxford Sciences Innovation	3.53

An Oxford-based investment company which provides long-term, patient capital to young, innovative businesses formed on technology and intellectual property emanating from Oxford University. The company aims to commercialise world-beating IP originating from a wide range of scientific fields, including healthcare, computer science and engineering. Existing portfolio companies include Vaccitech (which develops viral vector vaccines, good at treating recalcitrant illnesses such as prostate cancer) and Evox Therapeutics (which aims to develop an entirely novel class of biotherapeutics based on harnessing and engineering exosome proteins). The company raised a further £230m in December, which raised its capital base to £580m and provided an uplift to its valuation in the Company's portfolio.

4D pharma	3.20

An early-stage biotechnology company focused on the development of live biotherapeutics, a novel and emerging class of drugs which contain a live organism such as bacteria. The company was founded in 2014 and its proprietary platform MicroRx has already helped to build a diverse pipeline of programmes across a range of therapeutic areas including multiple sclerosis, Crohn's disease and cancer. It is making excellent operational progress, with its lead asset, Blautix, a potential treatment for patients with irritable bowel syndrome, successful in its phase I trial in 2016 and expected to move forward into phase II in 2017.

* as at 31 December 2016

Further detail on the unquoted holdings can be found in Appendix 2 on pages 96 and 97.

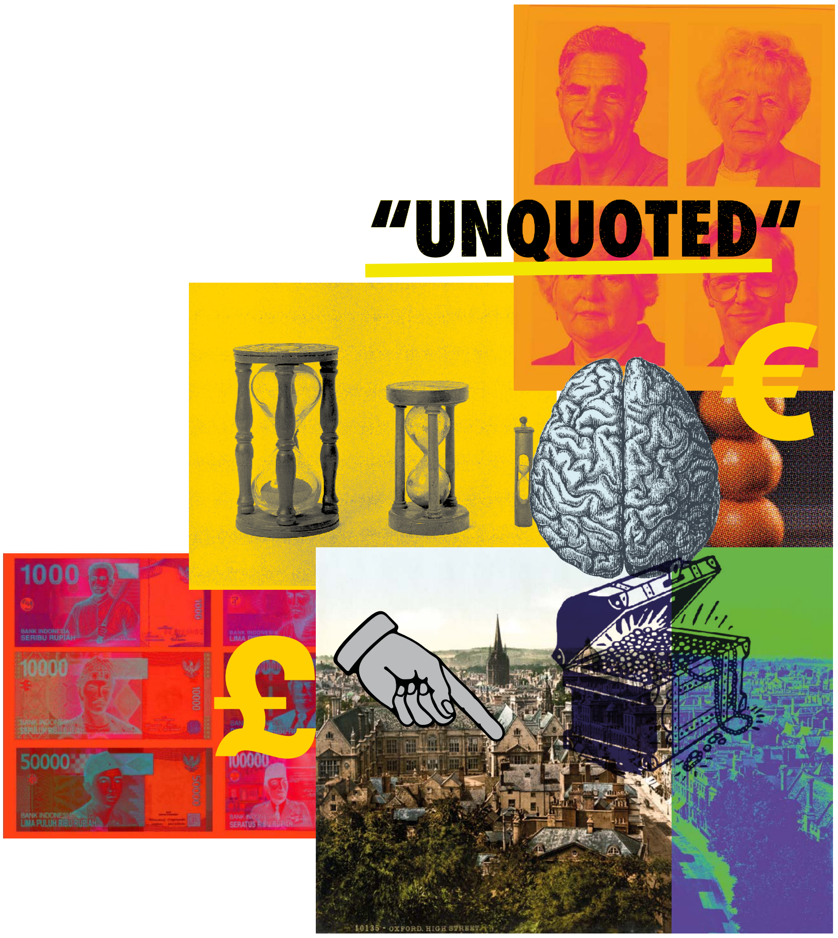
PORTFOLIO COMPOSITION

Please find below the composition of the Woodford Patient Capital Trust portfolio by maturity stage and listing status.

	Listing status	%
01	Quoted	61.29
02	Unquoted	47.62
03	Cash	-8.91 *

	Maturity stage	%
01	Early stage	51.10
02	Early growth	34.08
03	Mid/large	23.73
04	Cash	-8.91*

Source: Woodford
** negative due to use of overdraft facility.*



PORTFOLIO COMPOSITION

And by industry and geography.*

Industry		%
01	Health Care	65.72
02	Financials	26.08
03	Industrials	8.37
04	Technology	6.02
05	Telecommunications	1.66
06	Consumer Goods	0.70
07	Basic Materials	0.36

Geographical allocation		%
01	United Kingdom	78.71
02	United States	22.74
03	Norway	3.26
04	Ireland	2.55
05	Switzerland	1.03
06	Luxembourg	0.62

Source: Woodford
** totals more than 100 per cent due to overdraft facility.*

Name	Industry	Weight (%)	Holding (%)*
01 Prothena	Health Care	14.34	8.17
02 Oxford Nanopore (unquoted)	Health Care	7.69	4.80
03 Immunocore A (unquoted)	Health Care	5.60	6.70
04 Theravance Biopharma	Health Care	4.62	2.70
05 Proton Partners International (unquoted)	Health Care	4.41	28.00
06 Allied Minds	Financials	4.03	2.87
07 Mereo BioPharma	Health Care	3.81	17.30
08 Purplebricks	Financials	3.79	8.49
09 Oxford Sciences Innovation (unquoted)	Financials	3.53	4.30
10 4D pharma	Health Care	3.20	5.47
11 Kymab B Pref (unquoted)	Health Care	2.69	11.50
12 Malin	Financials	2.55	4.85
13 IDEX	Technology	2.42	5.40
14 Touchstone	Financials	1.97	2.83
15 Verseon	Health Care	1.94	6.32
16 IP	Financials	1.89	1.47
17 Atom Bank (unquoted)	Financials	1.88	9.60
18 Vernalis	Health Care	1.76	7.71
19 Gigaclear (unquoted)	Telecommunications	1.66	12.50
20 ReNeuron	Health Care	1.61	15.21
21 Industrial Heat (unquoted)	Industrials	1.53	14.20
22 Horizon Discovery	Health Care	1.51	8.68
23 Circassia	Health Care	1.50	4.37
24 Drayson Technologies (unquoted)	Technology	1.34	12.20
25 Ombu (unquoted)	Financials	1.33	6.80
26 Benchmark	Health Care	1.32	2.42
27 AJ Bell (unquoted)	Financials	1.19	3.20
28 SciFluor Life Sciences (unquoted)	Health Care	1.17	8.60
29 CeQur (unquoted)	Health Care	1.03	8.10
30 AMO Pharma (unquoted)	Health Care	1.03	20.60
31 Precision Biopsy (unquoted)	Health Care	1.03	10.90
32 RM2 International	Industrials	1.00	6.14
33 Utilitywise	Industrials	0.98	4.91
34 NetScientific	Health Care	0.95	22.22
35 Mercia Technologies	Financials	0.93	6.78
36 Xeros	Industrials	0.87	3.76
37 Thin Film Electronics	Industrials	0.84	2.33
38 Mission Therapeutics (unquoted)	Health Care	0.80	8.10
39 Draper Espirit	Financials	0.78	4.34
40 Arix bioscience (unquoted)	Financials	0.77	10.10
41 Seedrs (unquoted)	Financials	0.77	21.50
42 Metalysis (unquoted)	Industrials	0.77	7.90
43 Benevolent Ai (unquoted)	Technology	0.74	0.50
44 Federated Wireless (unquoted)	Technology	0.70	9.10
45 Nexeon (unquoted)	Industrials	0.68	4.70
46 Ultrahaptics Pref (unquoted)	Technology	0.64	21.20
47 Mafic (unquoted)	Industrials	0.62	9.70
48 Industrial Heat A2 Pref (unquoted)	Industrials	0.56	45.00
49 Silence Therapeutics	Health Care	0.53	5.97
50 Abzena	Health Care	0.44	6.97
51 Inivata (unquoted)	Health Care	0.43	15.90
52 hVIVO	Health Care	0.40	2.39
53 Kind Consumer C (unquoted)	Consumer Goods	0.38	13.9
54 Autolus (unquoted)	Health Care	0.38	4.70
55 Revolymer	Basic Materials	0.36	13.29
56 Sphere Medical	Health Care	0.33	19.51

** weighting in underlying portfolio company*

Name	Industry	Weight (%)	Holding (%)*
57 Oxford Pharmascience	Health Care	0.30	12.32
58 Cambridge Innovation Capital (unquoted)	Financials	0.26	1.50
59 Origin (unquoted)	Health Care	0.24	2.20
60 PsiOxus (unquoted)	Health Care	0.23	2.40
61 Fibre 7 (unquoted)	Industrials	0.22	51.90
62 Northwest Biotherapeutics	Health Care	0.22	3.95
63 American Financial Exchange (unquoted)	Financials	0.21	1.70
64 Evofem C (unquoted)	Health Care	0.21	1.30
65 Accelerated Digital Ventures (unquoted)	Financials	0.20	9.30
66 Econic (unquoted)	Industrials	0.20	8.30
67 Ultrahaptics (unquoted)	Technology	0.18	5.80
68 Kind Consumer (unquoted)	Consumer Goods	0.17	12.10
69 Eve Sleep (unquoted)	Consumer Goods	0.13	2.80
70 Halosource Reg S	Industrials	0.10	4.94
71 Kind Consumer B (unquoted)	Consumer Goods	0.02	1.80

** weighting in underlying portfolio company*

The strategic report on pages 3 to 25 has been prepared in accordance with the requirements of Section 414 A-D of the Companies Act 2006 to help shareholders assess how the Company has performed and to understand its objectives and policies. The business review section of the strategic report discloses the Company's risks and uncertainties as identified by the Board, the key performance indicators used by the Board to measure the Company's performance, the strategies used to implement the Company's objectives, and the Company's environmental, social and ethical policy.

Principal activity

The Company carries on business as an investment trust and under the period under review its principal activity was investment in quoted and unquoted equities of companies incorporated or listed predominantly in the United Kingdom, with a view to achieving the Company's investment objective. Investment companies are a way for investors to make a single investment that gives a share in a much larger portfolio. A type of collective investment, they allow investors to spread risk and diversify in investment opportunities which may not otherwise be easily accessible to them. More information can be found on the Association of Investment Companies (AIC) website, via the following link: http://www.theaic.co.uk/guide-to-investment-companies.

Investment strategy and policy

As a result of the progress being made across much of the portfolio, the fund manager has undertaken an analysis of how the shape of the portfolio may change over time, as material success on a stock-specific basis materialises. This analysis has highlighted a rationale for amending the current investment objective and policy in order to avoid the Portfolio Manager becoming unintentionally constrained in the future. The existing investment objective and policy and proposed new objective and policy are set out below. The proposed new investment objective and investment policy are set out in full in Appendix 1 on page 95 of this annual report, with all the amendments to the existing investment objective and investment policy highlighted for ease of reference.

The Company's current investment objective is to achieve long-term capital growth through investing in a portfolio consisting predominantly of UK companies, both quoted and unquoted.

The Company will aim to deliver a return in excess of 10 per cent per annum over the longer term*.

* This is a target only, not a profit forecast, and there can be no assurance that it will be met.

The Company's portfolio is constructed on the basis of an assessment of the fundamental value of individual securities and is not structured on the basis of sector weightings. The Company's portfolio is diversified across a number of sectors and, while there are no specific limits placed on exposure to any one sector, the Company will at all times invest and manage the portfolio in a manner consistent with spreading investment risk.

The Company's current investment policy is as follows:

Asset allocation and risk diversification

The Company invests in a diversified portfolio consisting predominantly of UK companies, both quoted and unquoted.

The Company invests in:
(i) early-growth companies, which are typically quoted although may be unquoted companies
(ii) early-stage companies, which are likely to include both quoted and unquoted companies
(iii) mid and large-capitalisation, listed mature companies

To acknowledge the Company's evolving structure, the Company's portfolio is generally expected to reflect the following asset allocation:

(i) between 15 and 30 per cent invested in early-growth companies
(ii) between 40 and 70 per cent invested in early-stage companies
(iii) between 15 and 30 per cent invested in mid- and large-capitalisation listed, mature companies

However, the actual portfolio composition at any one time will reflect the opportunities available to the Portfolio Manager, the performance of the underlying investee companies and the maturity of the portfolio.

The Company's portfolio is expected to consist of 50-100 holdings. The Company may become a significant shareholder in any of the underlying portfolio companies.

Investment restrictions

The Company is currently subject to the following investment restrictions:

(i) investment in unquoted companies will be limited to 60 per cent of net asset value at the time of investment
(ii) investment in non-UK companies will be limited to 30 per cent of net asset value at the time of investment
(iii) the Company's portfolio shall be invested in a minimum of 40 holdings
(iv) the Company shall not invest more than 10 per cent of its net asset value at the time of investment in an investee company, save that the Portfolio Manager may make further investments into an investee company subject to an aggregate investment limit in any investee company of 15 per cent of net asset value at the time of investment
(v) the Company may invest in other investment funds, including listed closed-ended investment funds, to gain investment exposure, but such investment will be unleveraged and (other than in relation to investment in money market funds for the purposes of cash management) limited, in aggregate, to 10 per cent of net asset value at the time of investment
(vi) the Company shall not have exposure of more than 10 per cent of net asset value, at the time of investment, to any one issuer

Borrowing

The Company does not intend to deploy long-term gearing but may employ gearing of up to 20 per cent of net asset value, calculated at the time of borrowing, for the purpose of capital flexibility, including for investment purposes.

The Board oversees the level of gearing in the Company, and reviews the position with the Portfolio Manager on a regular basis. As at the year end, the Company had £74.6m borrowings (9.7 per cent of the Company's net asset value).

Hedging

The Company may use derivatives for the purposes of hedging any currency risk to which the Company may be subject but will not use derivatives for investment purposes. During the period under review the Company partially hedged its exposure to foreign currency denominated holdings in the portfolio using forward currency contracts. No other derivatives were employed during the period.

Cash management

While it is intended that the Company will be fully invested in normal market conditions, the Company may hold cash on deposit or invest on a temporary basis in a range of debt securities and cash equivalent instruments. There is no restriction on the amount of cash or cash equivalent instruments that the Company may hold and there may be times when it is appropriate for the Company to have a significant cash position instead of being fully or near fully invested. As at the year end the cash position was nil.

Proposed investment objective

The Company's investment objective is to achieve long-term capital growth through investing in a diversified portfolio with a focus on UK companies, both quoted and unquoted. As these companies evolve, the geographical profile of the portfolio may also change to become more global in nature for reasons such as an overseas listing or as the result of changes to the capital value of a non-UK company.

The Company will aim to deliver a return in excess of 10 per cent per annum over the longer term*.

* This is a target only, not a profit forecast, and there can be no assurance that it will be met.

Proposed investment policy

Asset allocation and risk diversification

The Company invests in a diversified portfolio with a focus on UK companies (either incorporated in the UK or traded on a UK exchange), both quoted and unquoted. As these companies evolve, the geographical profile of the portfolio may also change to become more global in nature for reasons such as an overseas listing or as the result of changes to the capital value of a non-UK company.

The Company invests in:

- early-stage companies, which are likely to include both quoted and unquoted companies; and
- mid- and large-capitalisation quoted, mature companies.

The actual portfolio composition at any one time will reflect the opportunities available to the Portfolio Manager, the performance of the underlying investee companies and the maturity of the portfolio.

The Company's portfolio will typically consist of 50-100 holdings. The Company may become a significant shareholder in any of the underlying portfolio companies.

The Company's portfolio is constructed on the basis of an assessment of the fundamental value of individual securities and will not be structured on the basis of sector weightings. The Company's portfolio is diversified across a number of sectors and, while there are no specific limits placed on exposure to any one sector, the Company will at all times invest and manage the portfolio in a manner consistent with spreading investment risk.

Investment restrictions

The Company is subject to the following investment restrictions:

- investment in unquoted companies will be limited to 80 per cent of net asset value at the time of investment;
- the Company's portfolio shall be invested in a minimum of 40 holdings;
- the Company shall not invest more than 10 per cent of its net asset value at the time of initial investment in an investee company save that the Portfolio Manager may make further investments into an investee company subject to an aggregate investment limit in any investee company of 20 per cent of net asset value at the time of investment;
- the Company may invest in other investment funds, including listed closed-ended investment funds, to gain investment exposure, but such investment will be unleveraged and (other than in relation to investment in money market funds for the purposes of cash management) limited, in aggregate, to 10 per cent of net asset value at the time of investment; and
- with respect to cash deposits, the Company shall not have exposure of more than 10 per cent of net asset value, at the time of investment, to any one issuer.

Borrowing

The Company may employ gearing of up to 20 per cent of net asset value, calculated at the time of borrowing, for the purpose of capital flexibility, including for investment purposes.

The Board will oversee the level of gearing in the Company, and will review the position with the Portfolio Manager on a regular basis.

Hedging

The Company may use derivatives for the purposes of hedging any currency risk to which the Company may be subject but will not use derivatives for investment purposes.

Cash management

While it is intended that the Company will be fully invested in normal market conditions, the Company may hold cash on deposit or invest on a temporary basis in a range of debt securities and cash equivalent instruments. There is no restriction on the amount of cash or cash equivalent instruments that the Company may hold and there may be times when it is appropriate for the Company to have a significant cash position instead of being fully or near fully invested.

Unquoted securities valuation policy

The Company unquoted securities valuation policy provides an objective, consistent and transparent basis for estimating the fair value of unquoted equity securities in accordance with Financial Reporting Standard (FRS) 102 as well as International Private Equity and Venture Capital Valuation Guidelines.

The unquoted securities valuation policy and the Portfolio Manager's valuation procedures are subject to review on a regular basis, and updated as appropriate, in line with industry best practice. In addition, the Portfolio Manager works with Duff & Phelps Ltd, an independent third-party valuation firm, to obtain assistance, advice, assurance and documentation in relation to the ongoing valuation process.

The Portfolio Manager seeks to mitigate any conflicts of interest in the valuation process by clearly segregating responsibilities in order to ensure independence in the process. The Portfolio Manager considers it impractical to perform an in-depth valuation analysis for every unquoted investment on a daily basis (whether internally or with the assistance of an independent third party). Therefore, an in-depth valuation of each investment is performed independently by Duff & Phelps (i) at the time of initial investment, (ii) with a semi-annual frequency thereafter and (iii) as required where the Portfolio Manager determines that a 'triggering event' has occurred.

A triggering event may include any of the following:

- a subsequent round of financing (whether pro rata or otherwise) by the relevant investee company.
- a significant or material milestone achieved by the relevant investee company.
- a secondary transaction involving the relevant investee company on which sufficient information is available.
- a change in the makeup of the management of the relevant investee company.
- a material change in the recent financial performance or expected future financial performance of the relevant investee company.
- a material change in the market environment in which the relevant investee company operates; or
- a significant movement in market indices or economic indicators.

Once a valuation review has been established, fair value will be assumed to be representative of fair value each business day until a valuation change is enacted by Capita Financial Managers Limited (the AIFM).

Once completed, the valuations are submitted to the Portfolio Manager's Pricing Committee for review. The Pricing Committee comprises representatives from the Portfolio Manager, the AIFM and Duff & Phelps. The AIFM is the decision-maker on valuations and enacts the price change. Where the Pricing Committee considers such an adjustment to be material, the Portfolio Manager will inform the Board of the nature and reasons for the adjustment.

Business model

The management of the Company's assets and the Company's administration has been outsourced to third-party service providers. The Board has oversight of the key elements of the Company's strategy, including the following:

- the Company's level of gearing. The Company has a maximum limit of 20 per cent of net asset value at the time of borrowing.
- the Company's investment policy which determines the diversity of the Company's portfolio. The Board sets limits and restrictions with the aim of reducing risk and maximising returns.
- the appointment, amendment or removal of the Company's third-party service providers.
- an effective system of oversight over the Company's risk management and corporate governance.
- the Board regularly reviews the premium/discount to net asset value.

In order to effectively undertake its duties the Board may seek expert legal advice. It also can call upon the advice of the company secretary.

Premium/Discount management

The Board monitors the premium or discount at which the Company's ordinary shares trade in relation to the Company's underlying net asset value and takes action accordingly. During the period under review, the Company's ordinary shares traded predominantly at a premium to its underlying net asset value. The Board is of the view that an increase of the Company's ordinary shares in issue provides benefits to shareholders, including a reduction in the Company's administrative expenses on a per share basis and increased liquidity in the Company's shares. The Company may also seek to address any significant imbalance between the supply of and demand for ordinary shares in the secondary market and to manage any discount to the net asset value at which its ordinary shares may be trading by purchasing its own ordinary shares in the market on an ad hoc basis.

As a means of controlling the discount at which the shares may, from time to time, trade, the Board may seek shareholder authority to buy back ordinary shares. The Directors have not bought back any shares under the Annual General Meeting (AGM) authority granted at the AGM held on 9 May 2016. At the forthcoming AGM, the Board is seeking to renew this authority.

Board diversity

The Board consists of six non-executive directors, three of whom are female. The Board's policy on diversity, including gender, is to consider this during the recruitment process. The Board is committed to appointing the most appropriate candidate who is the best fit for the Company regardless of gender or other forms of diversity.

Corporate and operational structure

Alternative Investment Fund Manager's Directive (AIFMD)

In accordance with the AIFMD, the Company has appointed Capita Financial Managers Limited to act as its Alternative Investment Fund Manager (AIFM). The AIFM has in turn appointed Woodford Investment Management Ltd to act as its Portfolio Manager, to manage the Company's assets. The AIFM monitors the Portfolio Manager of the Company and ensures that the Company's assets are valued appropriately in accordance with the relevant regulations and guidance. In addition, the Company has appointed The Northern Trust Company (as a delegate of the depositary) to provide custody services to the Company as required by the AIFMD.

Operational and portfolio management

In addition to the above, the Company has outsourced its operations to the following service providers:

– Capita Company Secretarial Services Limited has been appointed to act as the Company's company secretary;
– Northern Trust Global Services Limited (Northern Trust) has been appointed to act as the Company's investment accountant and administrator;
– Duff & Phelps Limited has been appointed to provide third-party valuation assistance in their capacity as a valuation firm to act as the Company's tax adviser;
– Capita Registrars Limited has been appointed as the Company's registrar; and
– Winterflood Investment Trusts (a division of Winterflood Securities Limited) has been appointed to act as the Company's corporate broker and financial adviser.

Environment, social, human rights, community and employee issues

The Board has high standards on all issues that concern the environment, social matters, human rights, community and employees. The Company has no employees and all of its Board members are non-executive. There are therefore no disclosures to be made in respect of employees. The Board has delegated the Company's day-to-day operations and investment decisions to third-party service providers.

The Portfolio Manager considers, amongst other things, the environment, social and human rights, employee and community implications of the companies within which it invests the Company's assets. The Board is provided with detailed information on each of the Company's underlying holdings on a regular basis. It has regular meetings with members of the investment management team who provide them with detailed feedback on the affairs of the Company's underlying holdings and can request that action is taken to bear pressure on the companies with which the Portfolio Manager invests on behalf of the Company to ensure the highest standards are maintained. The Portfolio Manager aims to exercise its votes at the shareholders' meetings of the Company's underlying holdings in every situation it can. In addition, the Portfolio Manager meets regularly with the management of many of the Company's underlying holdings and encourages high standards with regard to each company's approach to social, environmental, human rights, community and employee matters.

Principal risks and uncertainties

The Board has carried out a robust assessment of its risks and controls during the period under review. The process involves the maintenance of a risk register, which identifies the risks facing the Company and assesses each risk on a scale, classifying the likelihood of the risk and the potential impact of each risk to the Company. This helps the Audit Committee and Board focus on any identified risk of particular concern and aids with the development of the Board's risk appetite. In developing the risk management process, the Board took into consideration the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council (FRC).

The Board has established controls to mitigate against risks faced by the Company, which are reviewed on a regular basis to ascertain the effectiveness of each control.

The Company's operations are undertaken by third-party service providers who have established controls to mitigate against risks identified by the Board. The controls and operations of each service provider are subject to a detailed analysis of their operations, which includes testing their key systems to identify any weaknesses, by independent auditors on at least an annual basis. The findings of each review are detailed in Assurance Reports, copies of which are provided to the Audit Committee for their review, so that it can gain a greater understanding of the risk management processes and how they apply to the Company's business.

The principal risks and uncertainties faced by the Company in respect of the year ended 31 December 2016 are set out below. The risks arising from the Company's financial instruments are set out in Note 22 of the financial statements, on pages 76 to 81. Proposed changes to the current investment restrictions for future years are set out on page 95 and explained in further detail on page 19.

The Board has determined that the three key risks for the Company are portfolio concentration; potential key man dependency; and the outsourced service provider model.

Portfolio risk: Portfolio Manager failure and/or concentration risk

The company invests a significant proportion of its assets in early-stage companies and early-growth companies. Such companies may not have the financial strength, diversity and resources of larger, more established companies and may find it difficult to operate, especially in periods of low economic growth. The shares of such companies, if quoted, may be less liquid, and as a consequence their share prices may be more volatile than larger investments. The success of such quoted and unquoted companies may depend on commercial and technical milestones, some of which may not be in their control – for example, the failure of a clinical trial in a biotechnology company.

Some of the company's investments may demonstrate potentially swift growth, which could lead to those investments representing larger proportions of the portfolio than might be expected. The Board feels that in those circumstances, portfolio concentration is acceptable as it evidences the success of the Portfolio Manager's judgement. The alternative, imposing limits on the size of any one investment, would potentially result in the Company being a forced seller of an investment that still had further growth potential. The Board does not feel that this would be in the best interests of the shareholders and this view is in line with the Portfolio Manager's investment strategy.

The risk linked to any portfolio concentration might be compounded due to the nature of some of the business and the risk associated with both commercial and technical milestones. For example, the value of the trust's holding in Prothena had grown to 14.34% of the trust's assets at the end of the year. Prothena is a US-listed biotech company and in common with other biotech companies is subject to clinical trials risk.

Mitigation – The Company's portfolio is monitored closely by the Board and Portfolio Manager. The Company seeks to invest in a diversified portfolio across a wide range of companies so as to mitigate against the risk posed by an individual early-stage or early-growth company. However, the Board is mindful that the Company was established with the aim of providing long-term growth and that concentration should be a sign of success as a result of assets backed becoming more valuable. Short-term liquidity problems with the Company's underlying holdings should be mitigated over time when such companies deliver on their milestones and value is recognised. The risk is further mitigated by proposed changes to the investment policy set out on page 19.

Portfolio Manager and key man risk

The departure of some or all of the Portfolio Manager's investment professionals could prevent the Company from achieving its investment objective. In particular, Neil Woodford is considered a key individual as the fund manager principally responsible for the management of the Company's assets. The past performance of the Portfolio Manager's investment professionals cannot be relied upon as an indication of the future performance of the Company.

Woodford Investment Management could terminate its contract with the Company. This event would have an impact on the management of the portfolio and on the provision of the debt facility.

Mitigation – The Portfolio Manager has developed a suitable succession planning programme which seeks to ease the impact that the loss of a key investment professional may have on the Company's performance. The Board has reached an agreement with the Portfolio Manager that any change in its key professionals will be notified to the Board at the earliest possible opportunity and the Board will be made aware of all efforts made to fill a vacancy. Furthermore, investment decisions are made by a team of professionals, mitigating the impact of the loss of any key professional within the Portfolio Manager's organisation on the Company's performance. The risk of Woodford Investment Management (WIM) terminating the contract is thought to be low given the key part in the Woodford portfolio that the product plays and the associated risk to reputation.

Outsourced service provider model risk

The Company has no employees and the Directors have been appointed on a non-executive basis. The Company is reliant upon the performance of third-party service providers for its executive function. The AIFM, the Portfolio Manager, the depositary, the company secretary and the administrator will be performing services which are integral to the operation of the Company. Failure of any of its third-party service providers to perform in accordance with the terms of its appointment could have a material detrimental impact on the operation of the Company. Furthermore, any of the Company's service providers could terminate their contract.

Mitigation – The performance of the Company's service providers is monitored closely by the Board and its Committees.

Performance and indicators

Performance is measured against the Company's objective of in excess of 10 per cent growth per year. During the period to 31 December 2016 the Company's net asset value declined by 4.2 per cent. A more detailed explanation of the Company's performance can be found in the Portfolio Manager's review on pages 8 to 10 and the Chairman's statement on page 7.

The key performance indicators (KPIs) monitored by the Board are the progress that the top 10 holdings in the portfolio make against commercial, operational and technical milestones. Progress on the next 10 holdings is also reviewed with less frequency. New entrants and emerging portfolio company progress is also discussed.

Performance against other trusts

The Company is positioned within the AIC's UK All Companies sector by most investment company broker analysts. The Board does not have a specific benchmark against which performance is measured. It believes that operational progress is the key performance indicator in this unique portfolio of quoted and unquoted assets.

Share price premium/(discount) to net asset value per share

During the Company's first financial period to 31 December 2015, it issued a total of 827,000,000 ordinary shares in order to meet natural market demand and no shares were bought back. However, no further shares were issued in the year under review. The Company's shares traded at an average premium of 0.4 per cent to its net asset value (cum income) throughout the year to 31 December 2016.

Ongoing charges

Woodford does not receive a fee for managing this investment trust, unless it delivers cumulative annual returns in excess of 10 per cent. The ongoing charges cover the general administrative and management costs associated with running the trust.

The Company calculates the ongoing charges ratio as a percentage of average shareholders' funds and expenses, excluding finance costs, performance fees and taxation, in accordance with AIC guidelines. This gives an indication as to the Company's expenses to its shareholders and potential investors. The Board monitors the Company's estimated ongoing charges against its peers at each Board meeting to ensure that the Company remains competitive against its peers. It is not expected that the ongoing charges will exceed 0.2 per cent, which compares favourably with the Company's peers who operate with an average ongoing charges level of 1.03 per cent. As at 31 December 2016 the Company's ongoing charge was 0.18 per cent.

Woodford is committed to greater transparency on the total cost of investing. Since July 2016, all transaction costs, in addition to the ongoing charge figure, have been disclosed monthly on its website to help investors better understand the total, true cost of investing.

Gearing

As at 31 December 2016, the Company had gearing of £74,640,000 (9.6 per cent), in respect of an overdraft, while the average level of gearing amongst its peers was 3.8 per cent.

Portfolio diversification

At each Board meeting the Board reviews the Company's portfolio to monitor the Company's exposure to various sectors, geographical areas, investment split between listed and unlisted equities and early-growth, early-stage and mid-large companies to ensure there is sufficient diversification of the Company's portfolio. However, as the portfolio value grows it is expected to become more concentrated around a number of large assets.

For and on behalf of the Board of Directors by
Capita Company Secretarial Services Limited
Secretary
20 April 2017

DIRECTORS' REPORT

Susan Searle

(Chairman of the Board and the Management Engagement Committee and a member of the Audit Committee)

Susan served as the Chief Executive of Touchstone Innovations plc (formerly Imperial Innovations plc) from January 2002 to July 2013, where she led funding rounds totalling circa £250m. During her tenure, Touchstone Innovations invested £121m in a portfolio of healthcare, engineering and software businesses linked to major universities.

Previously she worked at Montech in Australia (science commercialisation), Signet Group plc, Bank of Nova Scotia and Shell Chemicals in a variety of business development and commercial roles. Susan currently serves as non-executive director of Horizon Discovery Group plc, Benchmark Holdings plc and QinetiQ Group plc. She is also Chair of Mercia Technologies plc, an investment business that invests in high-growth technology businesses with a focus on the Midlands, North and Scotland. Susan has an MA in Chemistry from Oxford University.

Scott Brown

(Member of the Management Engagement and Audit Committees)

Scott is Chief Executive of Nexeon Limited, an Imperial College spin-out focused on developing silicon anode technology for next generation Li-ion battery technology. During his tenure, he has led the change in the company's strategy to successfully move from an IP licensing business model to one of material production and supply. Previously, Scott was Executive Vice President at Cambridge Display Technology (CDT), responsible for commercial and IP activities of the company. Prior to CDT, Scott was Global R&D Director for the Electronic Materials Business at Dow Corning, a US-headquartered multinational corporation with over US$6bn in annual revenues. Scott holds a PhD in Chemistry and is a Fellow of the Royal Society of Chemistry.

Carolan Dobson

(Member of the Management Engagement and Audit Committees)

Carolan Dobson has a background in fund management and is an experienced non-executive director in public and private sector organisations, including a diverse portfolio of investment trust roles. She spent her executive career at Murray Johnstone Ltd, where she managed Murray Income plc and was a main board director, and later joined Abbey National Asset Management as head of UK.

Carolan is currently the Chair of JP Morgan European Smaller Companies Trust plc, The Brunner Investment Trust plc, Schroders UK Growth plc and Blackrock Latin American Investment Trust plc. She retires from her position as Chairman of Aberdeen Smaller Companies Income Trust plc on 28th April 2017 having served for a number of years. She is also a non-executive director of Nest Corporation.

Steven Harris

(Chairman of the Audit Committee and a member of the Management Engagement Committee)

Steven is Chief Executive of Circassia Pharmaceuticals plc. He is a bioscience entrepreneur with extensive experience of founding and leading specialty pharmaceutical companies. Prior to co-founding Circassia in 2006, he was a founding member of the team that grew Zeneus Pharma Ltd into a leading specialty pharmaceuticals company.

Prior to Zeneus, he spent seven years at PowderJect Pharmaceuticals plc as Chief Financial Officer, where he was a key member of the team that grew the early-stage private biotechnology organisation into an integrated, profitable public company, which became the world's fifth largest vaccines business before being acquired by Chiron Corporation in 2003. Steven holds a BSc from Southampton University and is a Chartered Accountant and member of the Institute of Chartered Accountants of England and Wales.

Alan Hodson

(Member of the Management Engagement and Audit Committees)

Alan Hodson is the senior independent director of JPMorgan Elect plc and non-executive director HarbourVest Global Private Equity Limited. He joined Rowe and Pitman (subsequently SG Warburg, SBC and UBS) in 1984 and worked in a range of roles, all related to international equity markets. He became Global Head of Equities in April 2001 and was a member of the Executive Committee of UBS Investment Bank and of the UBS AG Group Managing Board.

Alan retired from UBS in June 2005 and has since held positions on a variety of financial and charity boards. He joined BlackRock Commodities Income Investment Trust plc in 2005, as Chair of the Board, a role he held until 2015, on completion of his nine-year tenure. He was a partner at Mill Street Asset Management from 2006 to 2014, and a member of the Advisory Board of Norges Bank Investment Management between 2006 and 2011.

In addition to his commercial board roles, Alan has served on the boards of a number of charities, including as Chairman of Trustees of the Great Ormond Street Hospital Children's Charity (2007-2015).

Dame Louise Makin

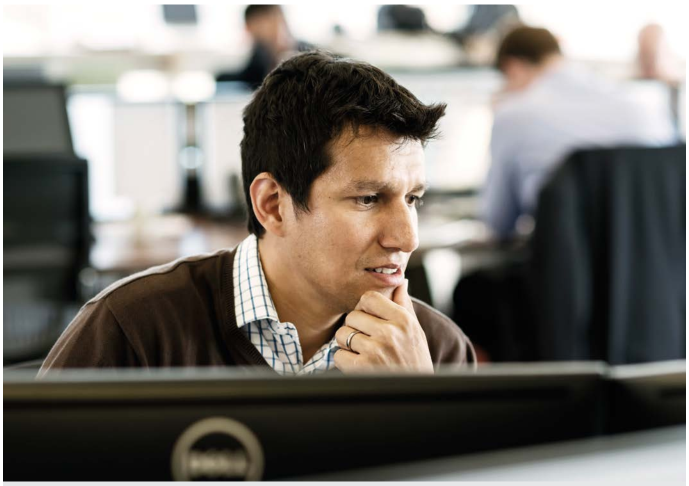
(Member of the Management Engagement and Audit Committees)

Louise joined BTG plc, a growing global specialist healthcare company in the FTSE 250, as Chief Executive in October 2004. During her time with the company, Louise has overseen a strategic business review leading to a focus on life sciences, expansion into the US and a series of acquisitions. Prior to joining BTG, Louise was with Baxter Healthcare – initially as Vice President, Strategy & Business Development Europe and then as President, Biopharmaceuticals Europe, where she was responsible for Europe, Africa and the Middle East.

Louise's previous roles include director of Global Ceramics at English China Clay and a variety of positions at ICI between 1985 and 1998. Louise is a non-executive director of Intertek Group plc, and a trustee of the Outward Bound Trust. Louise holds an MA and PhD in Materials Science and is an Honorary Fellow of St. John's College, Cambridge.

Neil Woodford
Head of Investment
Neil Woodford is one of the most respected fund managers in the UK. His disciplined, valuation-oriented approach has consistently delivered outstanding long-term performance to his clients. He was a pivotal part of the UK equities team at Invesco Perpetual for more than 26 years, fine-tuning his distinctive approach and making his mark on the investment industry. He was appointed a Commander of the Order of the British Empire (CBE) in 2013 for services to the economy. Neil announced he was leaving Invesco Perpetual in October 2013 to set up his own fund management business. He joined the company on 1 May 2014. Woodford's first fund was launched on 2 June 2014.

Paul Lamacraft
Fund Manager
An experienced finance industry professional, Paul began his career at Ernst & Young (now EY) and his most recent role, prior to joining Woodford, was as a fund manager on the UK Equities team at Invesco Perpetual. His private equity and corporate finance background provides our team with invaluable expertise. Paul is focused on comprehensive and diligent analysis of fundamentals to deliver positive long-term outcomes and has a particular specialism in the early-stage and early-growth components of the portfolios.



Saku Saha

Fund Manager

Saku's previous role was as Analyst and Investment Director for the Invesco Perpetual UK Equities team. In this role, he was responsible for analysing investment opportunities and assisting Neil Woodford, with a specific focus on early-stage and early-growth companies. His many years at a senior level in the British Army, stationed at home and abroad, have equipped him with exceptional discipline and rigour in his analysis and interpretation of market intelligence.

Stephen Lamacraft

Fund Manager

For the six years prior to joining Woodford, Stephen made his mark at Invesco Perpetual as a UK Fund Manager. Responsible for £120m of assets, his strategy focused on fundamental analysis, an approach inspired by his mentor and colleague Neil Woodford. An intensely competitive addition to the Woodford team, Stephen is highly focused on performance and has a naturally challenging mind that endeavours to enhance the business's collective understanding of investment opportunities. He has a particular focus on the mature, blue-chip elements of the portfolio.

Lucinda Crabtree

Senior Investment Analyst

Lucinda brings invaluable expertise and knowledge to the Woodford investment team. Over the past decade, she has worked in various analyst roles covering the pharmaceutical and biotechnology sectors at a number of investment banks, including Goldman Sachs and JPMorgan. Lucinda also has significant experience working within the industry itself, having worked at AstraZeneca and Grünenthal Group. Lucinda graduated from University College, London in 2004, with a BSc (first class) in Physiology and Pharmacology and a PhD in Pharmacology.

Harry Raikes

Investment Analyst

Harry joined Woodford as an early-stage investment analyst in 2015 from Envestors, an FCA-regulated corporate finance adviser, where he evaluated business proposals and conducted due diligence research for high-growth unquoted companies seeking up to £10m in equity funding. While studying for a BSc in Economics and Finance at Bristol University, Harry completed internships at Kite Lake Capital and Fidelity Biosciences Venture Capital.

Richard Lockington
Investment Analyst
Richard joined Woodford in 2015 from Duff & Phelps, the global valuations adviser, where he was Senior Associate working on valuations of intangible assets and businesses. Richard's extensive skills and experience help the team evaluate investment opportunities and performance, with responsibilities including due diligence, company valuation modelling, performance monitoring and internal reporting. A qualified Chartered Accountant (ACA), Richard gained previous audit and due diligence experience during three years at Shipleys, the accountancy and advisory firm.

Grant Wentzel
Head of Trading
Grant has held a number of significant roles including Senior Vice President at JPMorgan (London) and director at Lehman Brothers (London and Tokyo). Before joining Woodford in May 2014, he had been a director at Barclays (London) for five years. Grant is an exceptionally experienced trader, dedicated to making sure the fund management team can execute its investment strategy successfully. The nature of his role at Woodford demands that he understands and interprets short-term market influences, enabling him to keep the fund managers informed with intra-day market developments and changes in sentiment, thereby allowing them to focus on long-term fundamentals.

Mohammad Sohail

Trading and Trade Operations

Mohammed joined Woodford as trading and dealing specialist in 2015 from Ruffer LLP, where he had worked for the previous four years. He began his career as a relationship manager at Fidelity before moving to Ruffer where he became a dealer in 2013, responsible for all areas of executions, including global equities, fixed income and FX. Mohammad graduated from Kingston University in 2008 with a BA in Financial Economics and in 2010 completed an MSc in Investment Management at London's Cass Business School. He also holds the Investment Management Certificate.

THE DIRECTORS HAVE PLEASURE IN PRESENTING THEIR ANNUAL REPORT AND THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016.

Board members, and Directors' and officers' insurance

The names and biographical details of the Directors who served on the Board as at the year end can be found on pages 28 to 30. Carolan Dobson and Alan Hodson were appointed to the Board on 28 July 2016.

During the year under review, the Company purchased and maintained Directors' and officers' liability insurance for its Directors and officers as permitted by Section 233 of the Companies Act 2006. Additionally, the Company has specific Public Offering and Securities Insurance which commenced on 24 February 2015 with a five-year run-off period.

Status of the Company

The Company was incorporated in England & Wales on 26 January 2015 and started trading on 21 April 2015, immediately upon the Company's listing. It is an investment company within the meaning of Section 833 of the Companies Act 2006 and operates as an investment trust in accordance with Sections 1158/1159 of the Corporation Tax Act (CTA) and the Investment Trust (Approved Company) (Tax) Regulations 2011. HM Revenue & Customs approved the Company as an investment trust upon its listing. In the opinion of the Directors, the Company has conducted its affairs so that it is able to maintain its status as an investment trust. The Company is not a close company within the meaning of the provisions of the CTA and has no employees.

Internal controls and risk management

The Board has established an ongoing process for identifying, evaluating and managing risk on behalf of the Company. Further details of the Company's principal risks can be found on pages 23 and 24 and internal controls can be found on page 46.

Share capital – voting and dividend

As at 31 December 2016, the Company had 827 million ordinary shares in issue. There are no other classes of shares in issue and no shares are held in treasury.

At the last AGM, the Board was granted authority to allot ordinary shares in the Company up to a maximum aggregate nominal amount of £827,000, representing approximately 10 per cent of the Company's issued ordinary share capital. No shares have been issued under this authority. The Directors are seeking to renew this authority which will expire at the forthcoming AGM to be held on 12 June 2017.

The ordinary shares carry the right to receive dividends and have one voting right per ordinary share. There are no shares which carry specific rights with regard to the control of the Company. The shares are freely transferable. There are no restrictions or agreements between shareholders on the voting rights of any of the ordinary shares or the transfer of shares. The Company does not have a fixed life nor is the Company subject to a continuation vote as can sometimes be required of investment companies in accordance with their Articles of Association. On wind up, the ordinary shareholders are entitled to the capital of the Company.

The Directors do not propose the payment of a dividend in respect of the year ended 31 December 2016 (2015: 0.16 pence per share).

Substantial share interest

During the year to 31 December 2016, the Company received notification in accordance with the Financial Conduct Authority (FCA)'s Disclosure Guidance and Transparency Rule 5.1.2R of the following interests in 3 per cent or more of the voting rights attaching to the Company's issued share capital.

Holder	Ordinary shares	Securities lending*	Percentage of total voting rights	Date notified
BlackRock, Inc	98,697,719	5,006,724	12.53%	29 December 2016

Following the year end, the Company received the following notifications:

Holder	Ordinary shares	Securities lending*	Percentage of total voting rights	Date notified
BlackRock, Inc	97,754,873	2,764,266	12.15%	15 February 2017

**Securities lending is the act of loaning a stock, derivative or other security to an investor or firm.*

Independent auditor

The Company's independent auditor, Grant Thornton UK LLP (Grant Thornton), has expressed willingness to continue to act as the Company's auditor for the forthcoming financial year. The Audit Committee has carefully considered the auditor's appointment, as required in accordance with its Terms of Reference, and, having regard to its effectiveness and the services it has provided the Company during the period under review, has recommended to the Board that the independent auditor be re-appointed at the forthcoming AGM. Resolutions are therefore to be proposed for its appointment and to authorise the Directors to agree its remuneration for the forthcoming financial year. In reaching its decision, the Audit Committee considered the points detailed on page 49 of the Audit Committee's report.

Audit information

As required by Section 418 of the Companies Act 2006, the Directors who held office at the date of this report each confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the steps required of a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Articles of Association

Any amendments to the Company's Articles of Association must be made by special resolution.

Global greenhouse gas emissions for the period from 1 January 2016 to 31 December 2016

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Going concern

The financial statements have been prepared on a going concern basis. Having had regard to the Company's projected income and expenses, the Directors consider that going concern is the appropriate basis as they have a reasonable expectation that, with in excess of £771m of total assets, 52 per cent of which is realisable, the Company has adequate resources to continue in operational existence for at least the next 12-month period. The Directors shall continue to adopt the going concern basis of accounting in preparing the financial statements.

Viability statement

In accordance with Principle 21 of the AIC Code of Corporate Governance published in July 2016 and provision C.2.2 of the UK Corporate Governance Code, published by the FRC in April 2016, the Directors have assessed the prospects of the Company over the five-year period to 31 December 2021. The Directors consider that a period of at least five years is required to assess the viability of an investment company that holds predominantly young unquoted or small- to medium-sized companies, as they believe this to be a reasonable period of time for such young companies to make meaningful progress on the journey towards fulfilling their long-term potential. In its assessment of the viability of the Company, the Directors have considered each of the Company's principal risks and uncertainties detailed on pages 23 and 24 and in particular the impact of the total collapse of one or more of the Company's significant holdings. The Board has considered the Company's likely income and expenditure. The Board is particularly mindful that a significant proportion of the Company's portfolio comprises cash and equity assets traded on public markets (52 per cent as at 31 December 2016), which are easily realisable and that can be sold to meet funding requirements, if required.

The Board has given careful consideration to the Company's estimated annual expenditure on operating costs, the Company's risks and internal controls, the Company's asset allocation and diversification, portfolio risk, financial controls, and the restrictions set to the Company's level of gearing. Following the Board's detailed analysis, it has concluded that there is a reasonable expectation that the Company will be able to continue to operate and to meet its liabilities as they fall due over the five-year period to 31 December 2021.

Management and administration

Company secretary

Capita Company Secretarial Services Limited (the 'company secretary') is the corporate company secretary of the Company on the basis of a fee of £55,000 per annum (exclusive of VAT and out-of-pocket expenses) plus any additional ad hoc expenses that may fall outside the scope of their agreement that are normally charged on a time-spent basis unless otherwise agreed with the Board. The company secretarial agreement can be terminated by either party by providing six months' written notice.

Administrator

Northern Trust Global Services Limited (the 'administrator'), a company authorised and regulated by the FCA, has been appointed as the administrator of the Company. The administrator is responsible for the Company's general administrative functions, such as the calculation of the net asset value and maintenance of the Company's accounting records. The fee payable to the administrator is based on the Company's net assets. The fees for the period under review equated to 0.01 per cent of the Company's net assets (exclusive of VAT and out-of-pocket expenses). The administrator agreement can be terminated by either party by providing six months' written notice.

AIFM
Capita Financial Managers Limited, a UK-based Company authorised and regulated by the FCA, has been appointed the Company's AIFM for the purposes of the AIFMD. The AIFM monitors the Portfolio Manager of the Company and ensures that the Company's assets are valued appropriately in accordance with the relevant regulations and guidance. The fees payable to the AIFM are on a sliding scale, based on the Company's proportion of Woodford Investment Management Limited's gross assets. Throughout the period the fees payable were based on 0.0125 per cent of the Company's total assets. The AIFM's agreement can be terminated by either party providing three months' written notice.

Portfolio Manager
The Company's Portfolio Manager is Woodford Investment Management Limited, an investment management firm authorised and regulated by the FCA. Neil Woodford has primary responsibility for management of the Company's portfolio. Further details of how the Portfolio Manager is remunerated can be found in note 4 on pages 66 and 67. The Portfolio Manager's agreement may be terminated after the Company's third anniversary following its listing by the AIFM or the Portfolio Manager providing three months' written notice.

Depositary
The Company's depositary is Northern Trust Global Services Limited (the 'depositary'), a company authorised by the Prudential Regulation Authority (PRA) and regulated by the FCA and PRA. The Northern Trust Company (as a delegate of the depositary) provides custody services to the Company. The fee payable to the depositary is based on the Company's net assets. The fees throughout the period under review equated to 0.01 per cent of the Company's net assets (exclusive of VAT and out-of-pocket expenses). The depositary agreement can be terminated by either party by providing six months' written notice.

Continuing appointment of the Portfolio Manager
The Board keeps the performance of the Portfolio Manager under continual review. It is the opinion of the Directors that the continuing appointment of the Portfolio Manager is in the interests of shareholders as a whole. The reasons for this view are that the Company's performance has been in line with expectations for a long-term, patient capital portfolio. The Directors believe that by paying the portfolio management fee as a percentage of excess returns over a cumulative 10 per cent per annum hurdle rate, subject to a high watermark, the interests of the Portfolio Manager are more closely aligned with those of shareholders.

Change of control
There are no agreements which the Company is party to that might be affected by a change of control of the Company.

Post year-end events
Save as otherwise disclosed, there have been no important events to disclose since the period end under review.

Regulatory disclosures – information to be disclosed in accordance with Listing Rule 9.8.4
The Company has nothing to disclose in respect of Listing Rule 9.8.4.

AGM
The Company's AGM will be held on 12 June 2017 at Modern Art Oxford, 30 Pembroke St, Oxford, OX1 1BP at 11.00 am.

Shareholders are being asked to vote on various items of business, being:

- the receipt and adoption of the Company's annual financial statements for the year ended 31 December 2016, together with the strategic report, Directors' reports and the auditor's report on those financial statements;
- the receipt and approval of the Directors' remuneration report;
- the election/re-election of Directors; and
- the re-appointment of Grant Thornton UK LLP as auditor and the authorisation of the Board to determine the remuneration of the auditor.

Resolutions relating to the following items of business will also be proposed at the forthcoming AGM.

Resolution 11: authority to allot shares
Resolution 11 set out in the Notice of AGM is an ordinary resolution and will, if passed, authorise the Directors for a period of 15 months from the date on which the Resolution is passed (or until the following AGM to be held in 2018, if earlier) to allot up to 82,700,000 ordinary shares of 1p each or 10 per cent of the Company's shares in issue, with a nominal value of £827,000, which will replace the current authority granted to the Directors at the last AGM.

The shares will only be issued at par or at a premium to net asset value at the time of issue and at a time when the Directors believe it to be in the best interest of the Company's shareholders.

Resolution 12: authority to disapply pre-emption rights
Resolution 12 set out in the Notice of AGM is a special resolution and will, if passed, authorise the Directors for a period of 15 months from the date on which the Resolution is passed (or until the following AGM to be held in 2018, if earlier) to allot up to 82,700,000 ordinary shares of 1p each, or 10 per cent of the Company's shares in issue with a total nominal value of £827,000 for cash on a non-pre-emptive basis, which will replace the current authority granted to the Directors at the last AGM.

The Directors intend to use this authority at a time when they believe it to be in the best interest of the shareholders as a whole and to satisfy demand for the Company's shares. The shares will only be issued at par or at a premium to net asset value at the time of issue.

Resolution 13: authority to buy back shares
Resolution 13 set out in the Notice of AGM is a special resolution and will, if passed, authorise the Directors for a period of 15 months from the date on which the resolution is passed (or until the following AGM to be held in 2018, if earlier) to buy back up to 123,967,300 ordinary shares of 1p each, or 14.99 per cent of the Company's shares in issue with a nominal value of £1,239,673, which will replace the current authority granted to the Directors at the last AGM. The maximum price (exclusive of expenses) which may be paid by the Company in relation to any such purchase is the higher of:

(i) five per cent above the average of the market value of shares for the five business days before the day of purchase; or
(ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange.

The minimum price which may be paid is 1p per share, being the nominal price per share. The decision as to whether to buy back any ordinary shares will be at the discretion of the Board. Ordinary shares bought back in accordance with the authority granted to the Board will either be held in treasury or cancelled. If the shares are held in treasury, they may be reissued from treasury but will only be reissued at a price that is in excess of the Company's then prevailing net asset value. The Company will fund any buyback by using the Company's cash resources or utilising the Company's loan facility.

Resolution 14: notice period for general meetings
Resolution 14 set out in the Notice of AGM is a special resolution and will, if passed, allow the Company to hold General Meetings (other than Annual General Meetings) on a minimum notice period of 14 clear days, rather than 21 clear days as required by the Companies Act 2006. The approval will be effective until the Company's next AGM to be held in 2018. The Directors will only call General Meetings on 14 clear days' notice when they consider it to be in the best interests of the Company's shareholders and will only do so if the Company offers facilities for all shareholders to vote by electronic means.

Special business

Resolution 15: amendment to investment policy
Resolution 15 set out in the Notice of AGM is an ordinary resolution and will, if passed, allow the Company to amend its investment policy as described on page 19. The proposed new investment objective and investment policy are set out in full in Appendix 1 on page 95 of this annual report, with all the amendments to the existing investment objective and investment policy highlighted for ease of reference.

Resolution 16: electronic communications
The Company is seeking to take advantage of the provisions of the Companies Act 2006 to allow electronic communications with its shareholders, including making important documents available through its website, and an ordinary resolution authorising this is included in the Notice of AGM.

The resolution, if passed, would allow the Company to use electronic communications with shareholders by placing documents such as the annual report on a website rather than sending them in hard copy. The Company will notify those shareholders who have elected for electronic communication, by post or email if they have provided an email address, that the document is available on the website. Shareholders can, however, ask for a hard copy of any document at any time.

If this resolution is passed, the new arrangements are expected to result in potential administrative, printing and postage cost savings for the Company, while preserving shareholders' rights to receive hard copy documents if they so wish.

The full text of the resolutions being proposed at the AGM can be found on pages 90 and 91.

The Board considers that all of the resolutions described above and disclosed on pages 90 and 91 are in the best interests of the Company's shareholders and are likely to promote the success of the Company. The Board and Portfolio Manager recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings.

By order of the Board

Capita Company Secretarial Services Limited
Company secretary
20 April 2017

This corporate governance statement forms part of the Directors' report.

Statement of compliance

The Company is committed to maintaining high standards of corporate governance. The Board has considered the principles and recommendations of the AIC Code of Corporate Governance (the 'AIC Code') by reference to the AIC Corporate Governance Guide for Investment Companies (the 'AIC Guide') published in July 2016. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code (the 'UK Code') published in September 2014, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

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

The FRC, the UK's independent regulator for corporate reporting and governance responsible for the UK Code, has endorsed the AIC Code and the AIC Guide. The terms of the FRC's endorsement mean that AIC members who report against the AIC Code and the AIC Guide meet fully their obligations under the UK Code and the related disclosure requirements contained in the Listing Rules.

Both the AIC Code and AIC Guide are available from the AIC website at www.theaic.co.uk. A copy of the UK Code can be obtained at www.frc.org.uk.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code, except as set out below.

– the role of the chief executive; and
– executive directors' remuneration.

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers these provisions are not relevant to the Company, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

The Directors have determined that the size of the Company's Board does not warrant the appointment of a senior independent director at this time. All of the Directors are available to address shareholder queries or engage in consultation as required.

The Directors believe that the Company does not require an internal audit function, principally because the Company delegates its day-to-day operations to third parties, which are monitored by the Audit Committee, and which provide control reports on their operations at least annually.

The Board of Directors

The Board consists of six Directors, all of whom are independent non-executive directors. Biographies of the Directors are shown on pages 28 to 30 and demonstrate the wide range of skills and experience that they bring to the Board. The Directors possess business and financial expertise relevant to the direction of the Company and consider themselves to be committing sufficient time to the Company's affairs.

During the year, it was agreed that the appointment of two additional non-executive directors with specific investment trust experience would help ensure that the Board had the necessary skills to take the Company through its next phase of development. Sapphire Partners, an independent external search consultancy with no connection to the Company, was engaged by the Company to identify suitable candidates prior to the appointment of Carolan Dobson and Alan Hodson on 28 July 2016.

None of the Directors has a service contract with the Company, nor are any such contracts proposed. Each Director has been appointed pursuant to a letter of appointment entered into with the Company. The Directors' appointment can be terminated in accordance with the Articles of Association and without compensation. Copies of the letters of appointment are available on request from the company secretary and will be available at the AGM.

The Chairman

The Chairman, Susan Searle, is independent and considers herself to have sufficient time to commit to the Company's affairs. The Chairman's other commitments are detailed in her biography on page 28.

The operation of the Board

The Board of Directors meets at least four times a year and more often if required. In addition to the four Board meetings, the Directors meet annually for a formal session devoted entirely to reviewing strategic matters, as well as meeting at least once a year without the Portfolio Manager being present to reflect on the Company's progress.

The table below sets out the Directors' attendance at Board and Committee meetings held from 1 January 2016 to 31 December 2016, against the number of meetings each Board or Committee member was eligible to attend.

	Board	Audit Committee	Management Engagement Committee
Susan Searle	4/4	1/1	1/1
Scott Brown	4/4	1/1	1/1
Carolan Dobson	1/1	0/0	0/1
Steven Harris	4/4	1/1	1/1
Alan Hodson	1/1	0/0	1/1
Louise Makin	4/4	1/1	1/1

Carolan Dobson and Alan Hodson were appointed to the Board and its Committees on 28 July 2016. Further to their appointment, there was one Board meeting and Management Engagement Committee meeting held during the year.

No individuals other than the Board or Committee members are entitled to attend the relevant meetings unless they have been invited to attend by the Board or relevant Committee.

Directors are provided with a comprehensive set of papers for each Board or Committee meeting, which equips them with sufficient information to prepare for the meetings. In addition, the company secretary aims to circulate meeting papers at least seven days prior to each meeting to allow the Board or Committee members sufficient time to review the meeting packs.

The Board has a formal schedule of matters specifically reserved to it for decision to ensure effective control of strategic, financial, operational and compliance issues, which includes:

- company's structure, including share issues and setting a discount/premium management programme;
- risk management;
- reviewing the performance of the Portfolio Manager and other service providers and setting their fees;
- setting the overall objectives and investment restrictions;
- approving Board changes;
- authorising Board conflicts of interest;
- approving the Company's annual accounts and half-yearly accounts, including accounting policies;
- the approval of dividend payments and distributions to the Company's shareholders;
- approving the Company's level of gearing;
- the approval of terms of reference and membership of Board Committees;
- approving the Directors' and officers' liability insurance; and
- agreeing the terms of the appointment of the third-party service providers.

There is a procedure in place for the Directors to take independent professional advice at the expense of the Company.

The Company has maintained Directors' and officers' liability insurance, such cover to be maintained for the full term of each Director's appointment.

Save for such indemnity provisions in the Company's Articles of Association, there are no qualifying third-party indemnity provisions in force.

Independence of Directors

Each of the Directors was considered to be independent on appointment and remained so throughout the period. In particular, the Board remained independent of the Portfolio Manager and the AIFM and free from any business or other relationship that could materially interfere with the exercise of his or her independent judgement. There are no relationships or circumstances relating to the Company that are likely to affect their judgement.

Care will be taken at all times to ensure that the Board is composed of members who, as a whole, have the required knowledge, abilities and experience to properly fulfil their role and are independent.

Directors' interests
The Directors hold shares in the following companies, all of which represent more than 1 per cent of the Company's portfolio as at 31 December 2016:

Susan Searle:	Horizon Discovery, Benchmark Holdings plc
Scott Brown:	Nil
Carolan Dobson:	Nil
Steven Harris:	Circassia
Alan Hodson:	Nil
Louise Makin:	Nil

Board evaluation
As a FTSE 250 Company, the Board is required to be externally evaluated at least every third year. The first Board evaluation was undertaken by Lintstock Limited, an external board evaluation company. Following this evaluation, the Board considers that all of the Directors contribute effectively to the operation of the Board and the strategy of the Company and that it has the appropriate balance of skills, experience, length of service and knowledge.

Board training and induction
The company secretary, Board or the Portfolio Manager upon request of the Board, will offer induction training to new Directors about the Company, its key service providers, the Directors' duties and obligations and other matters as may be relevant from time to time.

The Board members are encouraged to keep up to date and attend training courses on matters which are directly relevant to their involvement with the Company. The Company has joined the AIC and the Board has taken advantage of various webinars, meetings and conferences organised by the AIC in the furtherance of their training. The Directors also receive regular briefings from, among others, the auditor and the company secretary regarding any proposed developments or changes in laws or regulations that could affect them or the Company.

Board appointment, election and tenure
The rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association and the Companies Act 2006.

None of the Directors consider length of service as an impediment to independence or good judgement but, if they felt this had become the case, the relevant Director would stand down.

The Directors of the Company and their biographies are set out on pages 28 to 30. At the forthcoming AGM, Carolan Dobson and Alan Hodson, who were appointed to the Board on 28 July 2016, will put themselves forward for election. As the Company is within the FTSE 250, the other Directors will put themselves forward for re-election. The Board has considered each Board member's independence of the AIFM and Portfolio Manager and believes that it is in the best interests of shareholders that each of the Directors be elected or re-elected at the forthcoming AGM.

Board responsibilities and relationship with the Portfolio Manager
The Board is responsible for the determination of the Company's investment policy and strategy and has overall responsibility for the Company's activities, including the review of investment activity and performance and the control and supervision of all suppliers of services to the Company, including the Portfolio Manager. The Board is also responsible for the Company's systems of internal and financial controls and for ensuring that commercial risks and financing needs are properly considered and that the obligations of a public limited company are adhered to.

Arrangements have been put in place to delegate the operations of the Company to the AIFM, Portfolio Manager and other third-party service providers. The AIFM has delegated the management of the Company's portfolio to the Portfolio Manager to manage the Company's investment portfolio within the guidelines set by the Board.

The Portfolio Manager is in frequent contact with the Board and supplies the Directors with monthly updates on the Company's activities and detailed reports are provided for review at each Board meeting. The Chairman encourages open and constructive debate to foster a supportive and co-operative approach at all meetings.

Conflicts of interest
The Articles of Association provide that the Directors may authorise any actual or potential conflict of interest that a Director may have, with or without imposing any conditions that they consider appropriate on the Director. Directors are not able to vote in respect of any contract, arrangement or transaction in which they have a material interest and in such circumstances, they are not counted in the quorum. A process has been developed to identify any of the Directors' potential or actual conflicts of interest. This includes declaring any potential new conflicts before the start of each Board meeting. A schedule is maintained of each Board member's potential conflicts of interest.

Board committees
Given the size of the Board, it is not considered appropriate for the Company to establish separate Remuneration and Nomination Committees. It is, therefore, the practice for the Board as a whole to consider and approve Directors' remuneration and new appointments. The need for separate Remuneration and Nomination Committees is considered on an annual basis.

Audit Committee

The Audit Committee is comprised of all Directors and is chaired by Steven Harris, who is a Chartered Accountant. Susan Searle, the Company's Chairman, is a member of the Audit Committee. The Directors believe it is appropriate for the Chairman of the Board to be a member of the Audit Committee, given her financial experience. The Audit Committee is also of the view that her membership would not compromise her independence as Chairman of the Board. The Board has delegated certain responsibilities to its Audit Committee, details of which can be found on pages 47 to 49.

Management Engagement Committee

The Management Engagement Committee is comprised of all the Directors and is chaired by Susan Searle. The Management Engagement Committee meets at least once a year or more often if required. Its principal duties are to consider the terms of appointment and ongoing performance of the AIFM, Portfolio Manager and the Company's other service providers, including the level of fees payable and the length of notice period, to ensure that they remain competitive and in the best interests of shareholders, as well as reviewing service providers' anti-bribery and corruption policies to address the provisions of the Bribery Act 2010. Following review, the Management Engagement Committee has recommended that the appointments of all of the Company's third-party service providers continue.

During the year, the Management Engagement Committee has undertaken a review of the performance of the AIFM, Portfolio Manager and its other third-party service providers.

The terms of reference of the Committees are available on the Company's website: www.woodfordfunds.com/funds/wpct

Company secretary

The Board has direct access to the advice and services of the company secretary, who is responsible for ensuring that Board and Committee procedures are followed and that applicable rules and regulations are complied with.

Review of shareholder profile

The Board reviews reports provided by qualified independent industry consultants and the Company's broker on the Company's shareholder base and its underlying beneficial owners. The Portfolio Manager and brokers disclose any concerns raised by shareholders to the Board.

Stewardship responsibilities and the use of voting rights

The FRC introduced a Stewardship Code which sets out the responsibilities of institutional shareholders in respect of investee companies.

Under this, managers should:

- publicly disclose their policy on how they will discharge their stewardship responsibilities to their clients;
- disclose their policy on managing conflicts of interest;
- monitor their investee companies;
- establish clear guidelines on how they escalate engagement;
- be willing to act collectively with other investors where appropriate;
- have a clear policy on proxy voting and disclose their voting record; and
- report to clients.

The Portfolio Manager recognises that one of the important obligations that it has, as the steward of the Company's underlying shares and securities, is the right to vote on issues submitted to shareholders. These issues may include the election of directors and other important matters that affect the structure of the investee company. Woodford recognises its fiduciary responsibility to its clients and the Woodford investment team will consider proxy voting papers, supported by independent providers, ahead of making an election.

The Woodford investment team considers its position on all major proxy voting issues, is responsible for all elections and a record of the election is maintained electronically.

Woodford has retained the services of Institutional Voting Information Service (IVIS), a leading provider of corporate governance research. IVIS outlines a number of best practice guidelines that cover corporate governance and share capital management.

Woodford considers the advice and recommendations made by IVIS in reaching a proxy voting decision. However, it is the responsibility of the Woodford investment team to decide how to vote and it may choose not to follow the advice provided by a third party. Woodford's default position is to vote with management.

Woodford manages the proxy voting process via 'ProxyEdge', a platform provided by Broadridge Financial Solutions. The system manages the process of notifications, voting, tracking, mailing, reporting and record maintenance. ProxyEdge provides proxy information through an automated electronic interface based on share positions provided directly to Broadridge by Woodford back office or directly from the client's custodian, bank or broker-dealer.

Relations with shareholders

All shareholders have the opportunity to attend and vote, in person or by proxy, at the AGM. The notice of the AGM, which is sent out at least 20 working days in advance, sets out the business of the meeting and any item not of an entirely routine nature is explained in the Directors' report. Separate resolutions are proposed in respect of each substantive issue.

Shareholders are encouraged to attend the AGM and to participate in proceedings. The Chairman of the Board and the Directors, together with representatives of the Portfolio Manager, will be available to answer shareholders' questions at the AGM. Proxy voting figures are available to shareholders at the AGM.

The Portfolio Manager holds regular discussions with major shareholders, the feedback from which is provided to and greatly valued by the Board. The Directors are available to enter into dialogue and correspondence with shareholders regarding the progress and performance of the Company. Further information about the Company can be found on the Company's section of the Portfolio Manager's website: www.woodfordfunds.com.

Internal control review

The Directors are responsible for the systems of internal control relating to the Company and the reliability of the financial reporting process and for reviewing their effectiveness.

The Directors have reviewed and considered the guidance supplied by the FRC on Risk Management, Internal Control, and Related Finance and Business Reporting and the FRC's Guidance on Audit Committees published in April 2016. An ongoing process has been established for identifying, evaluating and managing the principal risks faced by the Company. This process, together with key procedures established with a view to providing effective financial control, was in place during the year under review and at the date of the signing of this report. The internal control systems are designed to ensure that proper accounting records are maintained, that the financial information on which business decisions are made and which are issued for publication is reliable and that the assets of the Company are safeguarded. The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Company's objectives. It should be recognised that such systems can only provide reasonable, not absolute, assurance against material misstatement or loss.

The Directors have carried out a review of the effectiveness of the Company's risk management and internal control systems as they have operated over the period and up to the date of approval of the report and financial statements. There were no matters arising from this review that required further investigation and no significant failings or weakness were identified.

The Company has established a risk matrix consisting of the key risks and controls in place to mitigate those risks. Details of the Company's risks can be found on pages 23 and 24 of the Directors' report, together with an explanation of the robust controls that have been established to manage each risk. Financial risks are explained in note 22 on pages 76 to 81. The risk matrix provides a basis for the Audit Committee and the Board to regularly monitor the effective operation of the controls and to update the matrix when new risks are identified. During the year, the Company has assessed the risk posed by Brexit and updated the matrix accordingly.

Most functions for the day-to-day management of the Company are sub-contracted, and the Directors therefore obtain regular assurances and information from key third-party suppliers regarding the internal systems and controls operated in their organisations. In addition, each of the third parties is requested to provide a copy of its report on internal controls each year, which is reviewed by the Audit Committee. During the period under review, the Board has not identified any significant failings or weaknesses in the internal control systems of its service providers.

As Chairman of the Audit Committee, I am pleased to present its report for the year ended 31 December 2016.

The membership of, and attendance at, its meetings is set out on page 43. As a whole the Audit Committee considers itself to have the required breadth of skills and experience to discharge its role.

The role of the Audit Committee

The role of the Audit Committee is defined in its terms of reference, which can be found on the Company's section of the Portfolio Manager's website at www.woodfordfunds.com. In summary, the role includes the following:

- to monitor the financial reporting process;
- to review and monitor the integrity of the half-year and annual financial statements and review and challenge where necessary the accounting policies and judgements of the AIFM, Portfolio Manager and administrator;
- to review the adequacy and effectiveness of the Company's internal financial and internal control and risk management systems;
- to review the effectiveness of the external audit process;
- to make recommendations to the Board on the re-appointment or removal of the external auditor and to approve its remuneration and terms of engagement;
- to review and monitor the external auditor's independence and objectivity;
- to consider the provision of non-audit services;
- to consider the provision of services by the Company's appointed tax advisers;
- to consider any dividend payments and distributions to shareholders;
- to consider and review the valuation and existence of the Company's assets;
- to consider the need for an internal audit function; and
- to review the whistleblowing policies of the third-party service providers and receive assurances that the appropriate bribery risk and anti-corruption policies are in place to ensure compliance with the Bribery Act 2010.

Matters considered during the year

The Audit Committee has met twice during the year and once post the year end. At those meetings, the Audit Committee has reviewed the following:

- the Company's financial statements for the half year and year end and made formal recommendations to the Board. In doing so, the Audit Committee has reviewed the appropriateness of the Company's accounting policies and whether appropriate estimates and judgements had been made;
- the internal controls and risk management systems of the Company's third-party service providers to which it has delegated its operations;
- the Company's risk matrix, including consideration of the risk posed by the United Kingdom's decision to leave the EU;
- the whistleblowing policy of the AIFM and the Portfolio Manager;
- the policy on non-audit services;
- the audit plan and fees with the auditor, including the key areas of focus;
- the dividend policy and recommendation of dividend; and
- the need for an internal audit function.

UK non-audit services

The Audit Committee has reviewed and implemented a policy on the engagement of the auditor to supply non-audit services. During the year ended 31 December 2016, the auditor has provided the following non-audit service: review of the Company's half-year accounts for the period ended 30 June 2016. Prior to undertaking this non-audit service, the Audit Committee reviewed the auditor's controls in place to ensure that the auditor's objectivity and independence were safeguarded. The fee for this non-audit service was £10,000. The fee to be paid with respect to the audit of the annual report and accounts for the year ended 31 December 2016 is £45,000. Therefore, the ratio of non-audit to audit fees is 1:5.5.

It was agreed that all requests or applications for other services to be provided by the auditor should be submitted to the Audit Committee and will include a description of the services to be rendered and an anticipated cost. Following the annual review of this policy, the Audit Committee has concluded that it still remained appropriate.

Significant accounting matters

The Audit Committee met on 16 March 2017 to review the report and accounts for the year ended 31 December 2016. The Audit Committee considered the following significant issues, including principal risks and uncertainties in light of the Company's activities and issues communicated by the Auditors during their review, all of which were satisfactorily addressed:

Issue considered	How the issue was addressed
Valuation of the investment portfolio, including the unquoted holdings	The Company's assets are principally invested in listed and unlisted equities. The Audit Committee reviewed internal control reports from the Portfolio Manager in the year, reporting on the systems and controls around the pricing and valuation of securities. The Audit Committee notes that listed investments are valued using stock exchange prices provided by third-party financial data vendors. In respect of the unquoted holdings, at each meeting the Audit Committee reviews a report on the revaluations undertaken on the unquoted holdings during the period and challenges the considerations and key assumptions made where appropriate, to ensure that the valuations are accurate. During the period under review, the Audit Committee has also reviewed the process in place to ensure the accurate valuation of unquoted holdings on an ongoing basis. The Audit Committee has also considered the work of the Pricing Committee set up with representatives of the AIFM, Portfolio Manager and Duff & Phelps, who act as independent investment advisers, which considers the pricing of the unquoted holdings. Please see note 2(b) on page 64 for further details of how unlisted equities are valued.
Compliance with Section 1158 of the CTA	The Audit Committee receives assurance from the Company's administrator that the Company has been in compliance with Section 1158 of the CTA. This is other than monitoring of close company status, which is monitored by way of an alert that has been set up by the Company's registrar to notify the company secretary should more than 0.5 per cent of shares change hands.
Risk of misappropriation of assets and unsecured ownership of investments and Management override of controls	The Audit Committee reviews reports from its service providers on key controls over the assets of the Company. Any significant issues are reported by the AIFM to the Board. The AIFM has put in place procedures to ensure that investments can only be made to the extent that the appropriate contractual and legal arrangements are in place to protect the Company's assets.
The risk that income is overstated, incomplete or inaccurate through failure to recognise proper income entitlements or to apply the appropriate accounting treatment for recognition of income.	The Audit Committee regularly reviews income forecasts, including special dividends. The audit includes checks on the completeness and accuracy of income and also checks that this has been recognised in accordance with stated accounting policies.

External auditor

The Company's external auditor, Grant Thornton, was appointed prior to the listing of the Company in 2015 and is therefore in its second year of tenure. Under the FRC's new ethical standards applicable to public interest entities, the Company is required to re-tender, at the latest, by 2025. The Audit Committee intends to re-tender within the timeframe set by the FRC. Due to the short period of time since the auditor was appointed, it is not considered appropriate to consider the auditor's succession at this point in time.

During the period under review, the Company's appointed audit partner at Grant Thornton, Mr Julian Bartlett, retired and Mr Marcus Swales was appointed as the new audit partner following the Company's half year. Mr Swales has a commendable level of experience in the audit of investment trusts and the Audit Committee has received sufficient assurance that a proper handover has been undertaken in relation to the affairs of the Company. In accordance with UK legislation, the audit partner must rotate at least every five years. As this is Mr Swales' first year as audit partner, he will be due to rotate out of this role during 2021 at the latest. Mr Swales has led the audit of the year-end accounts.

The audit fees for the period under review can be found in note 5 to the accounts on page 67.

The Audit Committee monitors the auditor's objectivity and independence on an ongoing basis. In determining the auditor's independence, the Audit Committee has assessed all relationships with the auditor and received confirmation from the auditor that it remained independent and that it had implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards. The Audit Committee has also received confirmation that no issues of conflict had arisen during the period. The Audit Committee is therefore satisfied that Grant Thornton is independent.

The Audit Committee monitors and reviews the effectiveness of the external audit process on an annual basis and makes recommendations to the Board on its re-appointment, remuneration and terms of engagement. The Audit Committee has reviewed the Letter of Engagement from Grant Thornton and agreed that it reflected the services outlined in the annual audit plan for the year. The Audit Committee has met with the audit partner and assessed Grant Thornton's performance to date. I have met with Mr Swales separately, together with the Chairman, to discuss the Company's audit and other matters concerning the Company. I can confirm that Mr Swales did not raise any issues of concern during our meeting. The review has involved an examination of the auditor's remuneration, the quality of its work, including the quality of the audit report, the quality of the audit partner and audit team, the qualifications and expertise of the audit firm and the resources available to it, the identification of audit risk, the planning and execution of the audit and the terms of engagement. The Audit Committee has also reviewed feedback from service providers in respect of the conduct of the audit for the year ended 31 December 2016 and concluded that they were generally satisfactory. Accordingly, the Audit Committee has recommended to the Board that it proposes to shareholders via an ordinary resolution that Grant Thornton be re-appointed as auditor at the AGM. Grant Thornton has confirmed its willingness to continue in office.

The Audit Committee has direct access to the Company's auditor and provides a forum through which the auditor reports to the Board. Representatives of the auditor attend the Audit Committee meetings at least annually.

Tax adviser

The Audit Committee monitors and reviews the effectiveness of the Company's tax adviser on an annual basis and makes recommendations to the Board as to its appointment and remuneration.

CMA Order

The Company has complied throughout the year ended 31 December 2016 with the provisions of the Statutory Audit Services Order 2014, issued by the Competition and Markets Authority ('CMA Order').

Approved
20 April 2017
Steven Harris
Chairman of the Audit Committee

Statement from the Chairman

I am pleased to present the Directors' remuneration report for the year ended 31 December 2016. An ordinary resolution to approve the Directors' remuneration report will be put to shareholders at the forthcoming AGM. The Company's auditor is required to verify certain information within this report subject to statutory audit by the Companies Act 2006. Where information set out below has been audited, it is indicated as such.

As at 31 December 2016 and the date of this report, the Board consists entirely of independent non- executive directors and the Company has no employees. The Directors' fees for the year are set out as follows: £40,000 per annum for the Chairman, £32,000 per annum for the Chairman of the Audit Committee and £27,000 for the other Directors. The Board took the decision not to increase the Directors' fees at this stage in the Company's development.

Directors' remuneration policy

An ordinary resolution to approve the Directors' remuneration policy was duly passed at the Company's AGM held on 9 May 2016. There will be no significant change in the way the approved remuneration policy will be implemented in the course of the next financial year.

The key elements of the remuneration policy are summarised below:

- The fees for the Board as a whole are limited to £500,000 per annum in accordance with the Company's Articles of Association. The current total annual fee, excluding expenses, is £148,816.
- Directors' fees are set to reflect the experience and responsibilities of the Board and the time commitment required, and to ensure that the Company can attract individuals of a suitable calibre appropriate to promote the long-term success of the Company.
- Board members are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other non-cash benefits. No other payments are made to Directors, other than reasonable expenses for attending to the Company's affairs and nothing is payable to the Directors by way of exit payment or loss-of-office compensation.
- The Directors may from time to time perform special services, which are likely to be exceptional and would result in additional consultancy payments. Such fees would be set at the market rate.
- Shareholders have the opportunity to express their views in respect of Directors' remuneration at the AGM. Any comment will be carefully considered by the Board.
- Remuneration is reviewed on an annual basis and third-party information is considered.
- An externally-facilitated review of remuneration is carried out every three years.
- None of the Directors has a service contract with the Company; they are all engaged under letters of appointment.

The full version of the approved remuneration policy can be viewed on the Company's website.

	Expected fees for the year to 31 December 2017	Fees for the year ended 31 December 2016
Chairman	£40,000	£40,000
Chairman of the Audit Committee	£32,000	£32,000
Non-executive director	£27,000	£27,000

Remuneration report

Voting at AGM

The Directors' remuneration report and remuneration policy were approved by shareholders at the AGM held on 9 May 2016. The votes cast by proxy were as follows:

Resolution	Votes for	% For	Votes against	% Against	Number of votes withheld
Approval of remuneration report	191,301,877	99.79	94,917	0.05	2,122
Approval of remuneration policy	186,113,650	99.75	170,240	0.09	5,115,026

Directors' fees (audited)

The Directors who served during the year received the following emoluments, including expenses.

	Fees paid from 1 January 2016 to 31 December 2016	Expenses paid from 1 January 2016 to 31 December 2016	Total 2016	Fees paid from 21 April 2015 to 31 December 2015	Total 2015
Susan Searle	£40,000	£219	£40,219	£27,897**	£27,897**
Scott Brown	£27,000	£124	£27,124	£18,832**	£18,832**
Carolan Dobson	£11,458*	£1,618	£13,076*	N/A	N/A
Steven Harris	£32,000	Nil	£32,000	£22,318**	£22,318**
Alan Hodson	£11,458*	Nil	£11,458*	N/A	N/A
Louise Makin	£27,000	£1,930	£28,930	£18,832**	£18,832**
Alexander Hayes#	N/A	N/A	N/A	Nil	Nil
Nicholas Horton#	N/A	N/A	N/A	Nil	Nil
Total	£148,916	£3,767	£152,683	£87,879	£87,879

* Carolan Dobson and Alan Hodson were appointed to the Board on 28 July 2016.

** Susan Searle, Steven Harris, Scott Brown and Louise Makin were appointed to the Board on 13 February 2015, but did not receive a Director's fee until 21 April 2015.

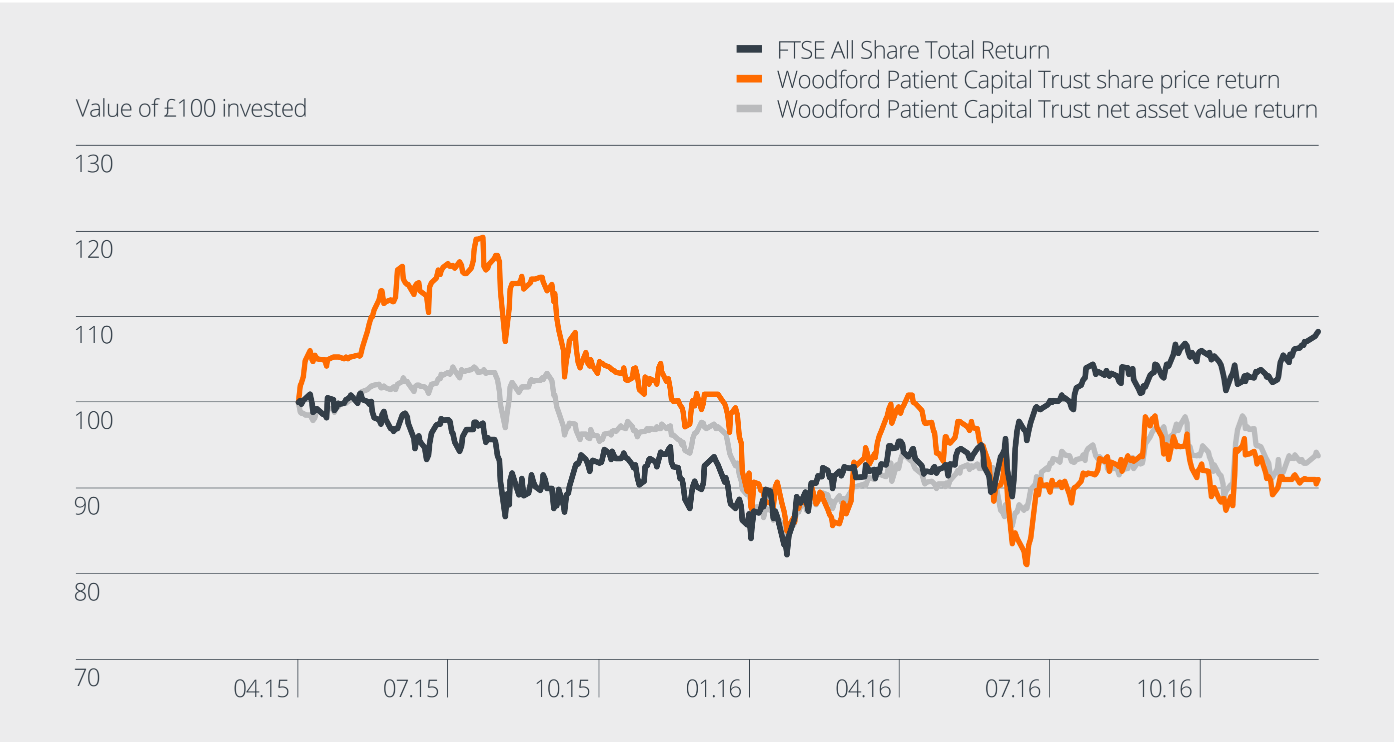
\# Alexander Haynes and Nicholas Horton were appointed as Directors upon the Company's incorporation, but resigned from the Board on 13 February 2015, prior to the Company's listing.

Company performance

The graph below shows the total return to ordinary shareholders compared to the total shareholder returns of the FTSE All Share Index during the period since inception. This index has been selected as the most relevant, although there is no listed index that is directly comparable to the Company's portfolio.

Woodford Patient Capital Trust performance

Source: Bloomberg



Past performance cannot be relied upon as a guide to future performance.
Source: Morningstar Direct on a total return basis, with net income reinvested.

Expenditure by the Company on Directors' remuneration compared with distributions to shareholders

The following table sets out the relative importance of spend on pay in respect of the year ended 31 December 2016.

When considering the table below, shareholders should take into account the Company's principal investment objective of achieving capital growth. As the Company has no employees and undertakes its operations through third-party service providers, the spend on service providers was chosen to assist the shareholders in understanding the relative importance of spend on pay. The spend on service providers is an aggregate of the fees paid to each service provider in accordance with their respective agreements.

Year ended 31 December	2016	2015
Total remuneration paid to Directors	£152,683	£87,879*
Service providers and administrative costs	£1,218,686	£728,577
Shareholder distribution – dividends or share buybacks	£1,323,200	Nil

* Fees paid from 21 April 2015 to 31 December 2015.

Directors' interests (audited)

There is no requirement for any Director to own shares in the Company. The interests of the Directors (including connected persons) in the shares of the Company are set out below:

	Class of Shares	31 December 2016	31 December 2015
Susan Searle	Ordinary shares	36,062	36,062
Scott Brown	Ordinary shares	24,341	24,341
Carolan Dobson	Ordinary shares	25,000	Nil
Steven Harris	Ordinary shares	45,077	45,077
Alan Hodson	Ordinary shares	50,000	Nil
Louise Makin	Ordinary shares	13,523	13,523

There have been no changes to any holdings between 31 December 2016 and the date of this report.

Approval of the annual report on remuneration

The annual report on remuneration was approved by the Board on 20 April 2017.

By order of the Board
Susan Searle
Chairman

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 as at the end of each financial year and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:
- present fairly the financial position, financial performance and cash flows of the Company;
- select suitable accounting policies in accordance with United Kingdom Generally Accepted Accounting Practice and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a 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 comply with the Companies Act 2006. 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 also responsible for preparing the strategic report, the Directors' report, the Directors' remuneration report, the corporate governance statement and the report of the Audit Committee in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure Guidance and Transparency Rules. The Directors have delegated responsibility to the Portfolio Manager for the maintenance and integrity of the Company's corporate and financial information included on Woodford Investment Management Limited's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names are listed on pages 28 to 30, confirms that:
- the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- the strategic report contained in the annual report and financial statements includes 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 UK Corporate Governance Code requires Directors to ensure that the annual report and financial statements are fair, balanced and understandable. In order to reach a conclusion on this matter, the Board has requested that the Audit Committee advises on whether it considers that the annual report and financial statements fulfil these requirements. The process by which the Audit Committee has reached these conclusions is set out in its report on pages 47 to 49. As a result, the Board has concluded that the annual report and financial statements for the year ended 31 December 2016, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Signed on behalf of the Board of Directors by:

Susan Searle
Chairman
20 April 2017

Our opinion on the financial statements is unmodified

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Who we are reporting to

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

What we have audited

Woodford Patient Capital Trust plc's financial statements for the year ended 31 December 2016 comprise the Income statement, the Statement of financial position, the Statement of changes in equity, the Cash flow statement and the related notes.

The financial reporting framework that has been applied in their preparation is United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Overview of our audit approach

- overall materiality: £7,754,000, which represents one per cent of the company's net assets; and
- the key audit risk was identified as existence and valuation of investments.

Our assessment of risk

In arriving at our opinions set out in this report, we highlight the following risk that, in our judgement, had the greatest effect on our audit:

Audit risk

Existence and valuation of investments

The Company's business is to achieve long-term capital growth through investing in a portfolio consisting predominantly of UK companies, both quoted and unquoted. As a consequence of this, the Company has significant exposure to quoted and unquoted investments which represent over 99 per cent of the company's total assets. We therefore identified existence and valuation of quoted and unquoted investments as risks that required particular and special audit attention respectively.

How we responded to the risk

Our audit work included, but was not restricted to:

- assessing the appropriateness of the company's accounting policy in accordance with FRS 102 and its consistent application year on year;
- obtaining an understanding of how the valuations were performed by the Company's investment manager;
- obtaining a confirmation of all investments held at the year end directly from the independent custodian;
- confirming year-end holdings for a sample of unquoted investments directly with investee companies;
- testing of the controls implemented by the investment manager in relation to unquoted investment pricing;
- assessing whether the valuations were made in accordance with the published guidance, in particular the International Private Equity and Venture Capital Guidelines and FRS 102;
- on a sample basis, reviewing and challenging the reasonableness of both the valuation techniques used and the assumptions made by management, including corroboration of financial inputs underlying those valuation and other supporting information;
- consulting with our own internal valuations experts on the valuation methodologies applied by the investment manager;
- assessing the investment manager's consideration of other factors that might require adjustment to the valuation; and
- agreeing the valuation of quoted investments to an independent source of market prices.

The Company's accounting policy on investments, including valuation of unquoted investments, is shown in note 2(b) to the financial statements and related disclosures are included in note 9. The Audit Committee identified valuation of the investment portfolio, including the unquoted holdings, as an issue in its report on page 48, where the Audit Committee also described the action that it has taken to address this issue.

Our application of materiality and an overview of the scope of our audit

Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our work and in evaluating the results of that work.

We determined materiality for the audit of the financial statements as a whole to be £7,754,000, which is one per cent of net assets. This benchmark is considered the most appropriate because net assets, which is primarily composed of the Company's investment portfolio, is considered to be the key driver of the Company's total return performance. No revision to the materiality determined at the planning stage of our audit was necessary as we judged that it remained appropriate in the context of the Company's actual financial results for the year ended 31 December 2016.

Materiality for the current year is lower than the level that we determined for the period ended 31 December 2015, which reflects the fair value movement of investments during 2016 and therefore the lower level of Company's net assets upon which materiality is based.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75 per cent of financial statement materiality. We also determine a lower level of specific materiality for certain areas such as Directors' remuneration and related-party transactions.

We determined the threshold at which we will communicate misstatements to the Audit Committee to be £388,000. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Overview of the scope of our audit

A description of the generic scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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

We are independent of the Company in accordance with the Auditing Practices Board's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with those Ethical Standards.

Our audit approach was based on a thorough understanding of the Company's business and is risk-based. The day-to-day management of the Company's investment portfolio, the custody of its investments and the maintenance of the Company's accounting records are outsourced to third-party service providers. Accordingly, our audit work included:

- obtaining an understanding of and evaluating relevant internal controls at both the Company and third-party service providers. This included obtaining and reading controls reports prepared by third-party auditors on the description, design and operating effectiveness of internal controls at the custodian and administrator;
- obtaining an understanding of and testing the controls around valuations of unquoted investments in place at the Company's investment manager; and
- undertaking substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the design effectiveness of controls over individual systems and the management of specific risks.

Other reporting required by regulations

Our opinions on other matters prescribed by the Companies Act 2006 are unmodified

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

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

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

- 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; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules, we are required to review:

- the Directors' statements in relation to going concern and longer-term viability, set out on page 39; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Under the ISAs (UK and 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.

In particular, we are required to report to you if:

- we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable; or
- the annual report does not appropriately disclose those matters that were communicated to the Audit Committee which we consider should have been disclosed.

We have nothing to report in respect of any of the above matters.

We also confirm that we do not have anything material to add or to draw attention to in relation to:

- the Directors' confirmation in the annual report 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;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in the financial statements about whether they have considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements; and
- the Directors' explanation in the annual report 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.

Responsibilities for the financial statements and the audit

What the Directors are responsible for:

As explained more fully in the Statement of Directors' responsibilities set out on page 54, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

What we are responsible for:

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Marcus Swales
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
20 April 2017

FINANCIAL STATEMENTS

INCOME STATEMENT

Year ended 2016	Notes	Revenue £000	Capital £000	Total £000
Losses on investments and derivatives measured at fair value through profit or loss	15	0	(32,193)	(32,193)
Income	3	1,255	0	1,255
Portfolio management fee	4	0	0	0
Other expenses	5	(1,367)	0	(1,367)
Return before finance costs & taxation		(112)	(32,193)	(32,305)
Finance costs	6	(599)	0	(599)
Return before taxation		(711)	(32,193)	(32,904)
Taxation	7	0	0	0
Return for the period		(711)	(32,193)	(32,904)
Return per ordinary share (pence)	18	(0.09)p	(3.89)p	(3.98)p

Period from 26 January to 31 December 2015	Notes	Revenue £000	Capital £000	Total £000
Losses on investments and derivatives measured at fair value through profit or loss		0	(17,587)	(17,587)
Income	3	2,374	0	2,374
Portfolio management fee	4	0	0	0
Other expenses	5	(816)	0	(816)
Return before finance costs & taxation		1,558	(17,587)	(16,029)
Finance costs	6	(20)	0	(20)
Return before taxation		1,538	(17,587)	(16,049)
Taxation	7	0	0	0
Return for the period		1,538	(17,587)	(16,049)
Return per ordinary share (pence)	18	0.25p	(2.88)p	(2.63)p

The notes on pages 64 to 81 form part of these accounts.
The total column of this statement is the profit and loss account of the Company.
All the revenue and capital items in the above statement derive from continuing operations.
There is no other comprehensive income.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

31 December	Notes	2016 £'000	2015 £'000
Fixed assets			
Investments at fair value through profit or loss	9	841,159	796,929
Current assets			
Derivative financial instruments at fair value through profit or loss	12	5,730	0
Debtors	10	38	326
Cash at bank		0	12,008
		5,768	12,334
Creditors – amounts falling due within one year			
Derivative financial instruments at fair value through profit or loss	12	(996)	(368)
Other creditors	11a	(198)	(3,631)
Bank overdraft	11b	(74,640)	0
Net current (liabilities)/assets		(70,066)	8,335
Total assets less current liabilities		771,093	805,264
Net assets		771,093	805,264
Capital and reserves			
Share capital	13	8,270	8,270
Share premium	14	813,099	813,043
Capital reserve	15	(49,780)	(17,587)
Revenue reserve	16	(496)	1,538
Total shareholders' funds		771,093	805,264
Net asset value per share – ordinary shares (pence)	19	93.24p	97.37p

The financial statements on pages 64 to 81 of Woodford Patient Capital Trust plc, company number 09405653, were approved by the Board and authorised for issue on 20 April 2017 and were signed on its behalf by:
Susan J Searle
Chairman

STATEMENT OF CHANGES IN EQUITY

Year ended 2016	Share capital £'000	Share premium account £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Beginning of year	8,270	813,043	(17,587)	1,538	805,264
Total comprehensive income for the financial year	0	0	(32,193)	(711)	(32,904)
Issue of ordinary shares	0	0	0	0	0
Share issue costs written back	0	56	0	0	56
Dividends paid	0	0	0	(1,323)	(1,323)
Balance at 31 December 2016	8,270	813,099	(49,780)	(496)	771,093

Period from 26 January to 31 December 2015	Share capital £'000	Share premium account £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Beginning of year	0	0	0	0	0
Total comprehensive income for the financial year	0	0	(17,587)	1,538	(16,049)
Issue of ordinary shares	8,270	822,190	0	0	830,460
Share issue costs written back	0	(9,147)	0	0	(9,147)
Dividends paid	0	0	0	0	0
Balance at 31 December 2015	8,270	813,043	(17,587)	1,538	805,264

Distributable reserves comprise: the revenue reserve and capital reserve attributable to realised profits.

Share capital represents the nominal value of shares that have been issued. The share premium account includes any premiums received on issue of share capital. Any direct transaction costs associated with the issuing of shares are deducted from share premium.

All investments are held at fair value through profit or loss. When the Company revalues the investments still held during the period, any gains or losses arising are credited/charged to the capital reserve.

CASH FLOW STATEMENT

31 December	2016 £'000	2015 £'000
Cash flow from operating activities		
Loss before finance costs and taxation	(32,305)	(16,029)
Adjustments for:		
Movement in investments held at fair value through profit or loss	32,193	17,587
Decrease in debtors	288	(326)
Increase in creditors	15	550
Net cash (used)/generated from operating activities	191	1,782
Cash flows from investing activities		
Purchases of investments	(217,879)	(820,489)
Proceeds from sales of investments	136,354	9,365
Cash outflows from derivative financial instruments	(5,507)	0
Cash inflows from derivative financial instruments	2,115	0
Net cash used in investing activities	(84,917)	(811,124)
Cash flows from financing activities		
Issue of ordinary share capital	0	830,460
Share issue costs	0	(9,090)
Dividends paid	(1,323)	0
Fee paid for credit facility	(599)	(20)
Net cash (used in)/ from financing activities	(1,922)	821,350
Net (decrease)/increase in cash and cash equivalents	(86,648)	12,008
Cash and cash equivalents at the beginning of the year	12,008	0
Cash and cash equivalents at the end of the year	(74,640)	12,008

1. General information

Woodford Patient Capital Trust Plc (the 'Company') was incorporated in England and Wales on 26 January 2015 with registered number 09405653, as a closed-ended investment Company. The Company commenced its operations on 21 April 2015. The Company intends to carry on business as an investment trust within the meaning of Chapter 4 of Part 24 of the Corporation Tax Act 2010.

The Company's investment objective is to achieve long-term capital growth through investing in a portfolio consisting predominantly of UK companies, both quoted and unquoted. The Company will aim to deliver a return in excess of 10 per cent per annum over the longer term.

The Company's shares were admitted to the Official List of the UK Listing Authority with a premium listing on 21 April 2015. On the same day, trading of the ordinary shares commenced on the London Stock Exchange. The registered office is 40 Dukes Place, London EC3A 7NH, United Kingdom.

2. Accounting policies

The principal accounting policies followed by the Company are set out below:

(a) Basis of accounting

The Company's financial statements have been prepared in compliance with FRS102 as it applies to the financial statements of the Company for the year ended 31 December 2016 and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (issued in November 2014 and updated in January 2017). The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The financial statements have been prepared on a going concern basis (see page 39) and on assumption that approval as an investment trust will continue to be granted.

The financial statements have been presented in Sterling (£), which is also the functional currency of the Company.

(b) Investments

The Company has adopted the provisions of Sections 11 and 12 of FRS 102 for measuring and disclosing its financial instruments. All investments held by the Company are classified as "fair value through profit or loss", and are valued in accordance with the International Private Equity and Venture Capital Valuation (IPEVCV) guidelines.

For investments actively traded on organised financial markets, fair value is generally determined by reference to Stock Exchange market quoted bid prices at the close of business on the balance sheet date. Purchases and sales of quoted investments are recognised on the trade date where a contract of sale exists whose terms require delivery within a time frame determined by the relevant market. Purchases and sales of unlisted investments are recognised when the contract for acquisition or sale becomes unconditional.

Unquoted investments are a significant accounting judgement which is stated at fair value by the Directors in accordance with the following rules, which are consistent with the IPEVCV guidelines:

All investments are held at the price of a recent investment for an appropriate period where there is considered to have been no change in fair value. Where such a basis is no longer considered appropriate, the following factors will be considered:

(i) where a value is indicated by a material arms-length transaction by an independent third party in the shares of a company, this value will be used.

2. Accounting policies *(continued)*

(ii) in the absence of i), and depending upon both the subsequent trading performance and investment structure of an investee company, the valuation basis will usually move to an earnings multiple basis or, if appropriate, other valuation methods are also used. The shares may be valued by applying a suitable price-earnings ratio to that company's historic, current or forecast post-tax earnings before interest and amortisation (the ratio used being based on a comparable sector, but the resulting value being adjusted to reflect points of difference identified by the investment adviser compared to the sector including, inter alia, a lack of marketability).

At the year end, of the unquoted holdings, 93 per cent were valued using the process explained in (i) above and the remaining 7 per cent valued using techniques described in (ii) above.

(c) Foreign currency

Transactions denominated in foreign currencies are translated into Sterling at actual exchange rates as at the date of the transaction. Assets and liabilities denominated in foreign currencies at the period end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss to capital or revenue in the income statement as appropriate. Foreign exchange movements on investments are included in the income statement within gains on investments.

(d) Derivatives

Derivatives, including forward foreign exchange contracts, are non-basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss.

(e) Income

Investment income has been accounted for on an ex-dividend basis or when the Company's right to the income is established. Special dividends are credited to capital or revenue in the income statement, according to the circumstances surrounding the payment of the dividend. UK dividends are accounted for net of any tax credits. Overseas dividends are included gross of withholding tax. Interest receivable on deposits is accounted for on an accruals basis.

(f) Expenses

All expenses are accounted for on an accruals basis and are charged as follows (31 December 2015: the Company commenced its operations on 21 April 2015):

- any performance fee is allocated to capital
- investment transactions costs are allocated to capital
- other expenses are charged wholly to revenue
- direct issue costs are deducted from the share premium account
- finance costs are charged wholly to revenue.

(g) Taxation

The charge for taxation is based upon the net revenue for the year. The tax charge is allocated to the revenue and capital accounts according to the marginal basis whereby revenue expenses are first matched against taxable income arising in the revenue account. Deferred taxation will be recognised as an asset or a liability if transactions have occurred at the interim reporting date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. An asset will not be recognised to the extent that the transfer of economic benefit is uncertain.

(h) Cash and cash equivalents

Cash and cash equivalents are defined as cash and demand deposits readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within current liabilities.

2. Accounting policies (continued)

(i) Finance costs
Finance costs are interest costs on the overdraft facility and are recognised in the profit and loss account within Revenue.

3. Income

	Year ended 31 December 2016 £'000	26 January to 31 December 2015 £'000
Income from investments		
UK franked dividends	1,255	2,317
Other Income	0	57
Total	1,255	2,374

4. Portfolio management fee

	Year ended 31 December 2016 £'000	Period from 26 January to 31 December 2015 £'000
Performance fee accrual: 100% charged to capital	0	0
Total	0	0

The Portfolio Manager is entitled to receive a performance fee equal to 15 per cent of any excess returns over a cumulative 10 per cent per annum hurdle rate, subject to a high watermark. The performance fee is calculated on the following basis.

PF = ((A-B) x C) x 15 per cent.

Where:
- PF is the performance fee, if any, payable to the Portfolio Manager
- A is the adjusted net asset value per ordinary share
- B is the higher of: (i) the high watermark net asset value per ordinary share and (ii) the hurdle
- C is the time weighted average number of ordinary shares in issue since the last performance period in respect of which a performance fee was earned, or if no performance fee has yet been earned, admission

In the event that A-B is a negative number, it shall be taken to equal zero.

For these purposes:
'Performance period' means: (i) the period beginning on the date of admission and ending on 31 December 2015 and (ii) each subsequent period corresponding to each accounting period of the Company.

'Adjusted net asset value per ordinary share' means the net asset value per ordinary share on the last business day of each performance period, adjusted by adding back any performance fee accrual in respect of such performance period.

4. Portfolio management fee (continued)

'High watermark net asset value per ordinary share' means the net asset value per ordinary share as at the last business day of the performance period in respect of which a performance fee was last earned, adding back the effect of any performance fee paid in respect of such performance period (or, if no performance fee has yet been earned, the issue price).

'Hurdle' means the issue price increased, from admission, at a rate of 10 per cent per annum, compounded annually as at the last business day of each performance period (pro-rated, in the case of the first performance period, from the date of admission).

The high watermark net asset value per ordinary share and the hurdle will be adjusted to reflect the impact on the adjusted net asset value per ordinary share from a capital return and/or dividend and/or distribution to shareholders at the time of such capital return and/or dividend and/or distribution, on a pence per ordinary share basis.

If at any time a potential adjustment event shall occur, the Portfolio Manager and the Company will discuss in good faith what adjustment would be appropriate for the purpose of calculation of the performance fee. Failing such agreement, the Company will instruct another independent firm of accountants, to report to the Company and the Portfolio Manager regarding any adjustment which in the opinion of the independent firm of accountants, shall be appropriate to be made for the purpose of the calculation of the performance fee.

'Potential adjustment event' means, in relation to the Company, every issue by way of capitalisation of profits or reserves and every issue by way of rights or bonus and every consolidation or sub-division or reduction of capital or share premium or capital dividend or redemption of ordinary shares, or other reconstruction or adjustment relating to the share capital of the Company (or any shares, stock or securities derived therefrom or convertible thereinto) and also includes any other amalgamation or reconstruction affecting the share capital of the Company (or any shares, stock or securities derived therefrom or convertible thereinto).

No performance fee is payable in respect of the year ended 31 December 2016 (2015: nil).

5. Other expenses

	Year ended 31 December 2016 £'000	Period from 26 January to 31 December 2015 £'000
Secretarial services	88	50
Administration expenses	1,071	628
Auditor's remuneration – Fees payable to the Company's auditors for the audit of the Company's annual accounts	45	40
– Fees payable to the Company's auditors for audit related assurance services: interim review	10	10
Directors' fees	153	88
Total	1,367	816

The above expenses includes employer's National Insurance Contributions of £12,452 (period ended 31 December 2015: £5,821).

The comparative is from the date the Company commenced its operations 21 April 2015 to 31 December 2015.

Other fees paid to Grant Thornton in 2015 (£30,000 in connection with the launch of the Company) are included in the share issue costs charged to share premium which are disclosed in note 14.

6. Finance costs

	Year ended 31 December 2016 £'000	Period from 26 January to 31 December 2015 £'000
Fee paid for credit facility and interest paid	599	20

7. Taxation

(a) Analysis of charge in the year:

	Year ended 31 December 2016 Revenue £000	Year ended 31 December 2016 Capital £000	Year ended 31 December 2016 Total £000	Period from 26 January to 31 December 2015 Total £000
Overseas tax	0	0	0	0
Total tax charge for the year (see note 7(b))	0	0	0	0

(b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for a large company over the period in question of 20.0%. (2015: 20.19%). The differences are explained below:

	Year ended 31 December 2016 Revenue £000	Year ended 31 December 2016 Capital £000	Year ended 31 December 2016 Total £000	Period from 26 January to 31 December 2015 Total £000
Total return before taxation	(711)	(32,193)	(32,904)	(16,049)
UK corporation tax at 20.0% (2015: 20.19%)	(142)	(6,439)	(6,581)	(3,240)
Effects of:				
Capital (gains)/losses not subject to corporation tax	0	6,439	6,439	3,551
UK dividends which are not taxable	(251)	0	(251)	(468)
Loan relationship deficit not utilised	120	0	120	0
Movement in unutilised management expenses	269	0	269	157
Expenses not deductible for UK corporation tax purposes	4	0	4	0
Total tax charge	0	0	0	0

7. Taxation *(continued)*

The Company is not liable to tax on capital gains due to its status as an investment trust. Due to the Company's status as an investment trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided for deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

After claiming relief against accrued income taxable on receipt, the Company has a deferred tax asset of approximately £361,079 (31 December 2015: £140,191) based on the long-term prospective corporation tax rate of 17% (31 December 2015: 18%) relating to excess management expenses of £2,123,996 (31 December 2015: £778,836). The Company has deferred tax assets of approximately £101,846 (31 December 2015: £nil) based on the long-term prospective corporation tax of 17% (31 December 2015: 18%) relating to non-trading loan relationship expenses of £599,093 (31 December 2015: £nil). It is unlikely that the Company will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset in respect of either of these expense types has been recognised.

8. Dividend

No dividend is payable for the year ended 31 December 2016 (31 December 2015: 0.16 pence per share).

Dividend paid:	2016		2015	
	Pence	£000	Pence	£000
Final dividend in respect of previous year	16	1,323	0	0
	16	1,323	0	0

Dividend proposed:	2016		2015	
	Pence	£000	Pence	£000
Final dividend proposed	0	0	16	1,323
	0	0	16	1,323

9. Investments

For financial reporting purposes, fair value measurements are categorised into a fair value hierarchy based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

Level 1 – the unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
Level 2 – inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.
Level 3 – inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

In preparing these financial statements, the Company has early adopted 'Amendments to FRS102: Fair value hierarchy disclosure (March 2016)' published by the FRC.

9. Investments *(continued)*

31 December	2016 £'000	2015 £'000
Level 1		
Investments listed on a recognised investment exchange:	472,883	507,267
Level 3		
Unquoted investments:	368,276	289,662
Total	841,159	796,929

(b) Movements

Year ended 31 December 2016	Listed £000	Unquoted £000	Total £000
Book cost at beginning of year	533,913	275,843	809,756
(Losses)/gains on investments held at beginning of year	(26,646)	13,819	(12,827)
Valuation at beginning of year	507,267	289,662	796,929
Movements in year:			
Purchases at cost	139,670	72,974	212,644
Sales:			
– proceeds	(131,837)	(4,096)	(135,933)
– (losses)/gains on investment holdings sold in the year	(11,906)	808	(11,098)
Movements in (losses)/gains on investment holdings held at end of year	(30,311)	8,928	(21,383)
Valuation at end of year	472,883	368,276	841,159

9. Investments *(continued)*

(b) Movements *(continued)*

Period from 26 January to 31 December 2015	Listed £000	Unquoted £000	Total £000
Book cost at beginning of year	–	–	–
Gains/(losses) on investments held at beginning of year	–	–	–
Valuation at beginning of year	–	–	–
Movements in year			
Purchases at cost	548,038	275,843	823,881
Sales:			
– proceeds	(9,365)	–	(9,365)
– losses on investment holdings sold in the year	(4,760)	–	(4,760)
Movements in (losses)/gains on investment holdings held at end of year	(26,646)	13,819	(12,827)
Valuation at end of year	507,267	289,662	796,929

	Total Year ended 31 December 2016 £'000	Total Period from 26 January to 31 December 2015 £'000
Comprising:		
Book cost at end of year	875,370	809,756
Losses on investment holdings at end of year	(34,211)	(12,827)
Valuation at end of year	841,159	796,929

		2016	
	Listed	Unquoted	Total
Book cost at end of year	529,841	345,529	875,370
Losses on investment holdings at end of year	(56,958)	22,747	(34,211)
Valuation at end of year	472,883	368,276	841,159

Transaction costs on purchases for the year ended 31 December 2016 amounted to £175,000 (31 December 2015: £763,000) and on sales for the year amounted to £35,000 (31 December 2015: £8,000).

10. Debtors

31 December	2016 £'000	2015 £'000
Accrued income and prepayments	38	326

11a. Other creditors

31 December	2016 £'000	2015 £'000
Amounts falling due within one year:		
Purchases for future settlement	0	3,392
Other creditors	198	239
	198	3,631

11b. Bank overdraft

31 December	2016 £'000	2015 £'000
Amounts falling due within one year:		
Bank overdraft	74,640	0
	74,640	0

The Company has a bank overdraft credit facility provided by The Northern Trust Company, London Branch of £75,000,000 as at 31 December 2016. Commitment fees are charged on any undrawn amounts at commercial rates. Interest is charged at a rate per annum equivalent to the Bank of England base rate plus 1.25 per cent.

The terms of the bank overdraft facility are typical of those normally found in facilities of this nature. Since the year end, the bank overdraft facility has been increased to £150,000,000.

12. Derivative financial instruments

31 December 2016	Current assets £'000	Current liabilities £'000	Net current assets/ (liabilities) £'000
Forward foreign exchange contracts – GBP/CHF	495	0	495
Forward foreign exchange contracts – GBP/EUR	1,001	(118)	883
Forward foreign exchange contracts – GBP/NOK	1,370	(56)	1,314
Forward foreign exchange contracts – GBP/USD	2,864	(822)	2,042
Total derivative financial instruments	5,730	(996)	4,734

12. Derivative financial instruments *(continued)*

31 December 2015	Current assets £'000	Current liabilities £'000	Net current assets/ (liabilities) £'000
Forward foreign exchange contracts – GBP/EUR	–	(368)	(368)
Total derivative financial instruments	–	(368)	(368)

The above derivatives are classified as level 2 as defined in note 9.

13. Share capital

The table below details the issued share capital of the Company as at the date of the accounts:

31 December	2016 No of Shares	2016 £'000	2015 No of Shares	2015 £'000
Allotted, issued & fully paid:				
Ordinary shares of 1p	827,000,000	8,270	827,000,000	8,270
	827,000,000	8,270	827,000,000	8,270

The ordinary shares carry the right to receive dividends and have one voting right per ordinary share.
There are no shares which carry specific rights with regard to the control of the Company. The shares are freely transferable.
There are no restrictions or agreements between shareholders on the voting rights of any of the ordinary shares or the transfer of shares.

Share movement

The table below sets out the share movement since incorporation (26 January 2015) to 31 December 2015.

	Total Ordinary Shares in issue number	Total Redeemable Preference Shares in issue number
Issue of shares on incorporation	1	50,000
Ordinary shares of 1p	826,999,999	0
Cancellation of Redeemable Preference Shares	0	50,000
At 31 December 2015	827,000,000	0
At 31 December 2016	827,000,000	0

	2016 £'000	2015 £'000
Issued and fully paid:		
Ordinary shares of 1p	8,270	8,270

14. Share premium

31 December	2016 £'000	2015 £'000
Opening balance	813,043	0
Share premium issue of ordinary shares	0	822,190
Share issue costs written back/costs	56	(9,147)
Closing balance	813,099	813,043

15. Capital reserve

31 December	2016 £'000	2015 £'000
Opening balance	(17,587)	–
Losses on investments – held at fair value through profit or loss	(32,193)	(17,587)
Closing balance	(49,780)	(17,587)

During the year, the Company made realised losses of £16,017 (2015: £4,286) and unrealised losses of £16,176 (2015: £13,301). At the year end, the Company had total realised losses of £20,303 and unrealised losses of £29,477.

16. Revenue reserve

31 December	2016 £'000	2015 £'000
Opening balance	1,538	–
Retained (loss)/profit for the year	(711)	1,538
Dividends paid	(1,323)	–
Closing balance	(496)	1,538

17. Financial commitments

At 31 December 2016 there were no commitments in respect of unpaid calls or underwriting.

18. Return per ordinary share

Year ended 31 December 2016	Revenue	Capital	Total
Return per ordinary share	(0.09)p	(3.89)p	(3.98)p

Period from 26 January to 31 December 2015	Revenue	Capital	Total
Return per ordinary share	0.25p	(2.88)p	(2.63)p

Revenue return per ordinary share is based on the net return after taxation of £(711,000) (2015: £1,538,000).

Capital return per ordinary share is based on net capital return of £(32,193,000) (2015: £(17,587,000)).

Total return per ordinary share is based on the return after taxation of £(32,904,000) (31 December 2015: £(16,049,000)). These calculations are based on 827,000,000 ordinary shares in issue during the year (31 December 2015: calculation is based on the weighted average of 610,349,412 ordinary shares in issue during the period).

There were no instruments outstanding at the year end (2015: nil) with a dilutive impact on return per share.

19. Net asset value per share

Total shareholders' funds and the net asset value per share attributable to the ordinary shareholders at the year end calculated in accordance with the Articles of Association were as follows:

31 December	2016 Net asset value per share pence	2016 Net assets available £'000	2015 Net asset value per share pence	2015 Net assets available £'000
Ordinary shares (827,000,000 shares in issue)	93.24	771,093	97.37	805,264

The net asset value per share is based on total shareholders' funds above, and on 827,000,000 ordinary shares in issue at the year end.

20. Transactions with the Portfolio Manager and the AIFM

The Company provides additional information concerning its relationship with the Portfolio Manager, Woodford Investment Management Ltd. The amount of the accrual established as a provision for the performance fee due to Woodford is nil as set out in note 4. At 31 December 2016 no amount was payable in respect of the fee as it only crystallises at the end of a performance period, although it would accrue if over the hurdle (31 December 2015: no amount was payable in respect of the fee).

Capita Financial Managers Limited, as the AIFM of the Company, was paid £83,000 in respect of the year ended 31 December 2016 (31 December 2015: £54,000) and also has a fee payable for the year ended 31 December 2016 of £6,250 (31 December 2015: £18,000). Capita Company Secretarial Services Limited, which provides the Company with company secretarial services, was paid £77,250 in respect of the year ended 31 December 2016 (31 December 2015: £33,000 paid during the year and £17,000 payable).

Woodford has subcontracted to Northern Trust Global Services Limited (NT) the provision of the middle office function on behalf of the Company. NT charges the Company directly for that service. From time-to-time Woodford instructs various third parties to undertake various functions on behalf of the Company which they recharge the Company at cost. During the year charges relating to middle office services amounts to £78,496 (period since incorporation to 31 December 2015: charges relating to middle office services amounted to £67,807).

21. Related party transactions

Under the Listing Rules, the Portfolio Manager is regarded as a related party of the Company. However, the existence of an independent Board of Directors demonstrates that the Company is free to pursue its own financial and operating policies and therefore, in terms of FRS 102, the Portfolio Manager is not considered a related party.

Fees paid to the Company's Directors are disclosed in the Directors' remuneration report.

22. Risk management policies and procedures

As an investment trust the Company invests in equities and other investments for the long term so as to secure its investment objectives stated on pages 17 and 18. In pursuing its investment objectives, the Company is exposed to a variety of risks that could result in either a reduction in the Company's net assets or a reduction of the profits available for dividends.

The Company's financial instruments comprise securities in unquoted and quoted companies, trade receivables, trade payables and cash.

The main risks arising from the Company's financial instruments are fluctuations in market price, interest rate, credit, liquidity, capital and foreign currency exchange rate risk. The policies for managing each of these risks are summarised below.

(a) Market risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk (see (b) below), interest rate risk (see (c) below) and other price risk (see (d) below). The Board reviews and agrees policies for managing these risks. The Company's AIFM assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

(b) Currency risk

Certain of the Company's assets, liabilities and income are denominated in currencies other than Sterling (the Company's functional currency, in which it reports its results). As a result, movements in exchange rates may affect the Sterling value of those items.

The AIFM monitors the Company's exposures and reports to the Board on a regular basis. Income denominated in foreign currencies is converted to Sterling on receipt. The Company does not use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt.

Foreign currency exposures

An analysis of the Company's equity investments and liabilities at 31 December 2016 (shown at fair value, except derivatives at gross exposure value) that are priced in a foreign currency based on the country of primary exposure are shown below:

As at 31 December 2016	Investments £'000	Derivative financial instruments £'000	Net financial assets £'000
Currency			
Euro	19,000	(17,251)	1,749
Norwegian Krone	25,267	(23,409)	1,858
Swiss Francs	8,090	(7,289)	801
US Dollar	202,836	(183,137)	19,699
Total	255,193	(231,086)	24,107

22. Risk management policies and procedures *(continued)*
(b) Currency risk (continued)

As at 31 December 2015	Investments £'000	Derivative financial instruments £'000	Net financial assets £'000
Currency			
Euro	16,547	(15,204)	1,343
Norwegian Krone	23,282	–	23,282
Swiss Francs	10,370	–	10,370
US Dollar	141,544	–	141,544
Total	191,743	(15,204)	176,539

Foreign currency sensitivity
The following table illustrates the sensitivity of the return after taxation for the year and the equity in regard to the Company's non-monetary financial assets to changes in the exchange rates for the portfolio's significant currency exposure, being Sterling / US Dollar.

It assumes the following changes in exchange rates:

Sterling/US Dollar 10 per cent (2015: +/- 2 per cent)

These percentages have been determined based on a reasonable estimate of the potential volatility. The sensitivity analysis is based on the foreign currency financial instruments held at each statement of financial position date.

If Sterling had strengthened against the US Dollar, this would have had the following effect:

As at 31 December	2016 US Dollar £'000	2015 US Dollar £'000
Projected change	10%	2%
Impact on capital return	(1,970)	(2,831)
Return after taxation for the period	(1,970)	(2,831)

If Sterling had weakened against the US Dollar, this would have had the following effect:

As at 31 December	2016 US Dollar £'000	2015 US Dollar £'000
Projected change	10%	2%
Impact on capital return	1,970	2,831
Return after taxation for the period	1,970	2,831

22. Risk management policies and procedures *(continued)*

(b) Currency risk (continued)

In the opinion of the Directors, the above sensitivity analyses are not representative of the period as a whole, since the level of exposure changes frequently as part of the currency risk management process used to meet the Company's objectives.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk specifically through its bank overdraft (2015: cash holdings). Interest rate movements may affect the level of income receivable from any cash at bank and on deposits or payable on the bank overdraft facility (see note 11b). The effect of interest rate changes on the earnings of the companies held within the portfolio may have a significant impact on the valuation of the Company's investments.

The Company does not have any fixed rate exposure at 31 December 2016.

Due to the insignificant impact of fluctuations in interest rates no sensitivity analysis is shown.

(d) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The Company is exposed to market price risk arising from its equity investments. The movements in the prices of these investments result in movements in the performance of the Company.

The Board manages the market price risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the AIFM. The Board meets regularly and at each Board meeting reviews investment performance. The Board monitors the AIFM's compliance with the Company's objectives.

Concentration of exposure to other price risks

A sector breakdown and geographical allocation of the portfolio is contained on pages 13 and 14.

Other price risk sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year to an increase or decrease of 10 per cent in the fair values of the Company's equities. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Company's equities at the balance sheet date, with all other variables held constant.

	2016 Increase in fair value £'000	2016 Decrease in fair value £'000	2015 Increase in fair value £'000	2015 Decrease in fair value £'000
Income statement – return after taxation:				
Capital return – increase/(decrease)	84,116	(84,116)	79,693	(79,693)
Return after taxation other than arising from interest rate or currency risk – increase/(decrease)	84,116	(84,116)	79,693	(79,693)

22. Risk management policies and procedures *(continued)*

(e) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk exposure

The Company's assets comprise quoted and unquoted equity shares. While the unquoted equity is intentionally illiquid, the quoted assets comprise readily realisable securities which can be sold to meet funding requirements if necessary.

For the avoidance of doubt, none of the assets of the Company are subject to special liquidity arrangements.

The investment in unquoted securities may have limited liquidity and be difficult to realise. At 31 December 2016 the unquoted securities are valued at £368,276,000 (31 December 2015: £289,662,000).

(f) Credit risk

The failure of the counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss.

The cash is subject to counterparty credit risk as the Company's access to its cash could be delayed should the counterparties become insolvent or bankrupt.

In summary, the exposure to credit risk at 31 December 2016 was as follows:

	2016 3 months or less £'000	2015 3 months or less £'000
Cash at bank	–	12,008
Debtors	38	326
Total	38	12,334

None of the above assets were impaired or past due but not impaired.

Investment transactions are carried out with a number of brokers, whose credit standing is reviewed periodically by the AIFM, and limits are set on the amount that may be due from any one broker.

Cash at bank is held only with reputable banks with high-quality external credit ratings.

(g) Fair value measurements of financial assets and financial liabilities

The financial assets and liabilities are either carried in the balance sheet at their fair value, or the balance sheet amount is a reasonable approximation of fair value (due from brokers, dividends receivable, accrued income, due to brokers, accruals and cash balances).

The valuation techniques used by the Company are explained in the accounting policies note 2(b) on pages 64 and 65.

The table below sets out fair value measurements using fair value hierarchy.

22. Risk management policies and procedures *(continued)*

(g) Fair value measurements of financial assets and financial liabilities (continued)

Financial assets at fair value through profit or loss:

At 31 December 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets:				
Equity investments	472,883	0	368,276	841,159
Derivative financial instruments	0	5,730	0	5,730
Total	472,883	5,730	368,276	846,889

At 31 December 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets:				
Equity investments	507,267	–	289,662	796,929
Total	507,267	–	289,662	796,929

A reconciliation of the fair value movements in Level 3 is set out below:

31 December 2016	£'000
Opening fair value of Level 3	289,662
Purchases at cost	72,974
Sales proceeds	(4,096)
Profits on investment holdings sold in the year	808
Movement in holding gains on assets held at the year end	8,928
Closing fair value of Level 3	368,276

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset (see note 9 on pages 69 to 71 for details).

The change in fair value for the current year is recognised through the income statement.

22. Risk management policies and procedures *(continued)*

(g) Fair value measurements of financial assets and financial liabilities *(continued)*

Financial liabilities at fair value through profit or loss:

At 31 December 2016	Note	Level 2 £'000	Total £'000
Liabilities:			
Derivative financial instruments	12	996	996
Total		996	996

At 31 December 2015	Note	Level 2 £'000	Total £'000
Liabilities:			
Derivative financial instruments	12	368	368
Total		368	368

Categorisation within the liabilities has been determined on the basis of level input 2 that is significant to the fair value measurement of the relevant liability (see note 9 on page 69 to 71 for details).

(h) Capital management policies and procedures

The Company's capital management objectives are:

– to ensure that the Company will be able to continue as a going concern
– to deliver a return in excess of 10 per cent per annum over the longer term.

Although the Company has the ability to deploy gearing of up to 20 per cent of its net asset value, this is primarily to be achieved through equity capital.

The Company's total capital at 31 December 2016 was £771,093,000 with an overdraft facility of £74,640,000 (31 December 2015: £805,264,000).

23. Segmental analysis

There is only one class of business and the operations of the Company are wholly in the United Kingdom.

SHAREHOLDER INFORMATION

Directors
Susan J Searle (Chairman)
Scott Brown
Carolan Dobson
Steven Harris
Alan Hodson
Dame Louise Makin

Registered Office
40 Dukes Place
London
EC3A 7NH
United Kingdom

Portfolio Manager
Woodford Investment Management Ltd
9400 Garsington Road
Oxford
OX4 2HN
United Kingdom

Alternative Investment Fund Manager
Capita Financial Managers Limited
40 Dukes Place
London
EC3A 7NH
United Kingdom

Company Secretary
Capita Company Secretarial Services Limited
40 Dukes Place
London
EC3A 7NH
United Kingdom

Broker
Winterflood Securities Limited
The Atrium Building
Cannon Bridge House
25 Dowgate Hill
London
EC4R 2GA
United Kingdom

Tax adviser
Duff & Phelps
The Shard, Level 14
32 London Bridge Street
London
SE1 9SG

Administrator
Northern Trust Global Services Limited
50 Bank Street Canary Wharf
London
E14 5NT
United Kingdom

Depositary
Northern Trust Global Services Limited
50 Bank Street Canary Wharf
London
E14 5NT
United Kingdom

Custodian
The Northern Trust Company
50 Bank Street Canary Wharf
London
E14 5NT
United Kingdom

Legal adviser
Stephenson Harwood LLP
1 Finsbury Circus
London
EC2M 7SH
United Kingdom

Auditor
Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU
United Kingdom

Registrar
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham Kent
BR3 4TU
United Kingdom

Website

The Company's section of Woodford's website can be found at www.woodfordfunds.com/funds/wpct. The site provides visitors with a comprehensive range of performance statistics, Company information and literature downloads.

The Company's profile is also available on third-party sites such as www.trustnet.com and www.morningstar.co.uk.

Annual and half-yearly reports

Copies of the annual and half-yearly reports may be obtained from Woodford by calling 0333 300 0381 or by visiting www.woodfordfunds.com/funds/wpct

Share prices and net asset value information

The Company's ordinary shares of 1p each are quoted on the London Stock Exchange:
SEDOL number: BVG1CF2
ISIN number: GB00BVG1CF25
EPIC code: WPCT

The codes above may be required to access trading information relating to the Company on the internet.

Electronic communications with the Company *(e-communications)*

The Company's annual report, half-yearly reports and other formal communications are available on the Company's section of Woodford's website. To reduce costs, the Company's half-yearly accounts are not posted to shareholders but are instead made available on the Company's website.

WARNING TO SHAREHOLDERS – SHARE FRAUD SCAMS

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment. While high profits are promised, if you buy or sell shares in this way, you will probably lose your money.

How to avoid share fraud

- keep in mind that firms authorised by the Financial Conduct Authority (FCA) are unlikely to contact you out of the blue with an offer to buy or sell shares;
- do not get into a conversation, note the name of the person and firm contacting you and then end the call;
- check the Financial Services Register from www.fca.org.uk to see if the person and firm contacting you is authorised by the FCA;
- beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details;
- use the firm's contact details listed on the Register if you want to call it back;
- call the FCA on 0800 111 6768 if the firm does not have contact details on the Register or you are told they are out of date;
- search the list of unauthorised firms to avoid at www.fca.org.uk/scams;
- consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme;
- think about getting independent financial and professional advice before you hand over any money; and
- remember: if it sounds too good to be true, it probably is!

5,000 people contact the FCA about share fraud each year, with victims losing an average of £20,000.

Report a scam

If you are approached by fraudsters, please tell the FCA using the share fraud reporting form at fca.org.uk/scams, where you can find out more about investment scams.

You can also call the FCA Consumer Helpline on 0800 111 6768.

If you have already paid money to share fraudsters, you should contact Action Fraud on 0300 123 2040.

Net asset value
Net asset value represents the total value of the Company's assets less the total value of its liabilities.

For valuation purposes it is common to express the net asset value on a per share basis.

Ongoing charges
Total expenses (excluding finance costs and taxation) incurred by the Company as a percentage of average net asset values.

Premium
If the share price of the Company is higher than the net asset value per share, the Company's shares are said to be trading at a premium. The premium is shown as a percentage of the net asset value.

Discount
If the share price of the Company is lower than the net asset value per share, the Company's shares are said to be trading at a discount. The discount is shown as a percentage of the net asset value.

Registrar
An entity that manages the Company's shareholder register. The Company's registrar is Capita Asset Services Limited.

AIFM
Alternative Investment Fund Manager. This is the entity that undertakes oversight of the Portfolio Manager. Capita Financial Managers Limited undertakes this role on behalf of the Company.

Hedging
An investment to reduce the risk of adverse price movements in an asset.

ALTERNATIVE INVESTMENT FUND MANAGEMENT DIRECTIVE DISCLOSURE

Report on remuneration

The AIFMD requires certain disclosures to be made with regard to the remuneration policy of the Company's AIFM.

Details of the Capita Financial Managers Limited (CFML) AIFM remuneration policy are disclosed on the website at www.capitafinancial.co.uk and have applied to CFML since 1 January 2015, being the beginning of the first financial year of CFML following its authorisation as an AIFM.

Quantitative remuneration disclosure

In accordance with FUND 3.3.5 (5) and FCA Finalised guidance – 'General guidance on the AIFM Remuneration Code' (SYSC 19B) ('the Guidelines'), dated January 2014, the total amount of remuneration paid by the AIFM, for the financial year ended 31 December 2016, in respect of the Woodford Patient Capital Trust was £55,768. The AIFM does not consider that any member of staff of the AIFM has the ability to materially impact the risk profile of the Company. It should be noted that CFML has delegated portfolio management to Woodford Investment Management Limited by way of a portfolio management agreement and CFML is satisfied that Woodford is subject to the regulatory requirements that are equally as effective as those applicable under the Guidelines.

Other disclosures

The AIFMD requires that the AIFM ensures that certain other matters are actioned and/or reported to investors, each of these is set out below.

Provision and content of an annual report (FUND 3.3.2 and 3.3.5)

The publication of the Annual Report and financial statements of the company satisfies these requirements.

Material change of information

The AIFMD requires certain information to be made available to investors in the Alternative Investment Fund (AIF) before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. There have been no changes.

Periodic disclosure (FUND 3.2.5 and 3.2.6)

There are no assets subject to special arrangements due to their illiquid nature, nor new arrangements for the managing of the liquidity of the Company.

There is no change to the arrangements, as set out in the Prospectus, for managing the AIF's liquidity.

The current risk profile of the AIF is set out in the annual report (Principal risks and uncertainties) and in further detail in Note 21 (Risk management policies and procedures).

The AIF is permitted to be leveraged and the below table below sets out the current maximum permitted and actual leverage.

As a percentage of net asset value	Gross method	Commitment method
Maximum level of leverage	320.00%	120.00%
Leverage as at 31 December 2016	141.82%	102.76%

There have been no breaches of the permitted leverage limits within the reporting period, nor any changes to maximum level of leverage employed by the AIF.

Other matters

CFML can confirm that required reporting to the FCA has been undertaken in accordance with FUND 3.4.

NOTICE OF
ANNUAL GENERAL MEETING

The following information to be discussed at the forthcoming AGM is important and requires your immediate attention. If you are in any doubt about the action you should take, you should seek advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 (as amended).

If you have sold or transferred all of your ordinary shares in the Company, you should pass this document, together with any other accompanying documents (including the form of proxy), at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

NOTICE OF ANNUAL GENERAL MEETING (AGM)

Notice is hereby given that the second AGM of Woodford Patient Capital Trust plc (the 'Company') will be held at Modern Art Oxford, 30 Pembroke St, Oxford, OX1 1BP on 12 June 2017 at 11am to transact the business set out in the resolutions below.

Resolutions 1 to 11, 15 and 16 will be proposed as ordinary resolutions; this means that for each of those ordinary resolutions to be passed, more than half of the votes cast must be in favour. Resolutions 12 to 14 will be proposed as special resolutions; this means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour.

Ordinary Business:

1. To receive the Company's annual financial statements for the year ended 31 December 2016 together with the strategic report, Directors' reports and the auditor's report on those financial statements.

2. To approve the Directors' remuneration report set out on pages 51 to 53 of the Company's Annual Report and financial statements for the year ended 31 December 2016.

3. To re-elect Susan Searle as a Director.

4. To re-elect Scott Brown as a Director.

5. To elect Carolan Dobson as a Director

6. To re-elect Steven Harris as a Director.

7. To elect Alan Hodson as a Director.

8. To re-elect Dame Pamela Louise Makin as a Director.

9. To re-appoint Grant Thornton UK LLP as auditor of the Company, to hold office from the conclusion of this meeting until the conclusion of the next meeting at which financial statements are laid before the Company.

10. To authorise the Board to determine the remuneration of the auditors.

11. THAT, in accordance with Section 551 of the Companies Act 2006 (the 'Act'), the Directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot ordinary shares in the Company up to a maximum aggregate nominal amount of £827,000, representing approximately 10 per cent of the Company's issued ordinary share capital as at the date of this Notice, such authority to expire at the conclusion of the AGM of the Company to be held in 2018, save that the Company may, before such expiry, make offers or agreements which would or might require ordinary shares to be allotted after such expiry and the Directors may allot ordinary shares in pursuance of such offers or agreements as if the authority conferred by this resolution had not expired.

12. THAT subject to the passing of Resolution 11, and in accordance with Sections 570 and 573 of the Act, the Directors be and are hereby generally empowered to allot equity securities (as defined in Section 560(1) of the Act) for cash pursuant to the authority conferred on the Directors by Resolution 11 and to sell ordinary shares from treasury for cash, as if Section 561 of the Act did not apply to any such allotment or sale, up to an aggregate nominal amount of £827,000 (being 10 per cent of the issued ordinary share capital of the Company at the date of this Notice), such power to expire at the conclusion of the AGM of the Company to be held in 2018 (unless previously renewed, varied or revoked by the Company in general meeting) save that the Company may, at any time prior to the expiry of such power, make an offer or enter into an agreement which would or might require ordinary shares to be allotted or sold from treasury after the expiry of such power and the Directors may allot or sell ordinary shares from treasury in pursuance of such an offer or agreement as if such power had not expired.

13. THAT the Company be and is hereby generally and unconditionally authorised for the purpose of Section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of ordinary shares of 1p each in the capital of the Company, provided that:

    (a) the maximum number of ordinary shares which may be purchased is 123,967,300 (representing 14.99 per cent of the ordinary shares in issue at the date of this Notice);

    (b) the minimum price, exclusive of any expenses, which may be paid for each ordinary share is 1p;

    (c) the maximum price, exclusive of any expenses, which may be paid for each ordinary share is an amount equal to the higher of:

        (i) 105 per cent of the average of the mid-market values of the ordinary shares for the five business days before the purchase is made; and

        (ii) the amount stipulated by Article 5(6) of the Market Abuse Regulation (being the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share).

    This authority shall expire at the conclusion of the AGM of the Company to be held in 2018 (unless previously revoked, varied, renewed or extended by the Company in general meeting) save that the Company may, before such expiry, enter into a contract to purchase shares which will or may be executed wholly or partly after the expiry of such authority.

14. THAT a general meeting, other than an annual general meeting, may be called on not less than 14 clear days' notice.

Special Business:

15. THAT the proposed amendment to the Company's investment policy, as set out in Appendix 1 on page 95, be and is hereby approved.

16. THAT the Company be authorised, subject to and in accordance with the provision of the Act, to send, convey, or supply all types of notices, documents or information to shareholders by electronic means, including making such notices, documents or information available on a website.

By order of the Board
Capita Company Secretarial Services Limited
Company Secretary
20 April 2017
1st Floor, 40 Dukes Place, London EC3A 7NH

IMPORTANT NOTES TO THE NOTICE OF MEETING

The following notes explain your general rights as a shareholder and your right to attend and vote at this AGM or to appoint someone else to vote on your behalf.

1. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders entered on the Company's register of members at 11am on 10 June 2017 or, if the meeting is adjourned, on the Company's register of members 48 hours before the time fixed for the adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of ordinary shares registered in their name at that time. Changes to entries on the Company's register of members after 11am on 10 June 2017 or, if the meeting is adjourned, 48 hours before the time fixed for the adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.

2. The doors will open at 11am and you may wish to arrive by 10:45am so you can register and take your seat in good time. Light refreshments will be provided at the meeting. If you have any special needs or require wheelchair access to the venue, please contact the company secretary by telephone on 01392 477500 in advance of the meeting. Mobile phones may not be used in the meeting hall, and cameras and recording equipment are not allowed in the meeting hall.

3. Members are entitled to appoint a proxy to exercise all or part of their rights to attend and to speak and vote on their behalf at the AGM. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A form of proxy which may be used to make such appointment and give proxy instructions accompanies this Notice. To appoint more than one proxy, members will need to complete a separate form of proxy in relation to each appointment (you may photocopy the proxy form). If you do not have a form of proxy and believe that you should have one, or if you require additional forms, please contact our Registrar, Capita Asset Services, on 0871 664 0300 (or from outside the UK: +44 371 664 0300). Calls cost 12p per minute plus your phone company's access charge. Lines are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales

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

5. Any person to whom this Notice is sent who is a person nominated under Section 146 of the Act to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

6. The statement of the rights of shareholders in relation to the appointment of proxies in notes 3, 4 and 8 does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

7. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the AGM.

8. To be valid, any form of proxy or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand only at the Company's Registrar, Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or in accordance with the address shown on the form of proxy or in the case of shares held through CREST, via the CREST system, (see note 11 below). In each case, for proxy appointments to be valid, they must be received by no later than 11am on 8 June 2017 (being 48 hours prior to the time of the meeting, not including non-working days). If you return more than one proxy appointment, either by paper or electronic communication, that received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully.

9. The return of a completed form of proxy, other such instrument or any CREST Proxy Instruction (as described in note 12 below) will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so. A member present in person or by proxy shall have one vote on a show of hands and on a poll every member present in person or by proxy shall have one vote for every share of which he/she is the holder. The termination of the authority of a person to act as proxy must be notified to the Company in writing.

10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM (and any adjournment of the AGM) by using the procedures described in the CREST Manual (available from www.euroclear.com/site/public/EUI). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

11. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuers' agent (ID RA10) by 11am on 8 June 2017 (being 48 hours prior to the time of the meeting, not including non-working days). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuers agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

12. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

13. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that no more than one corporate representative exercises powers in relation to the same shares. To be able to attend and vote at the meeting, corporate representatives will be required to produce prior to their entry to the meeting evidence satisfactory to the Company of their appointment.

14. As at 19 April 2017 (being the last practicable business day prior to the publication of this Notice), the Company's issued share capital was 827,000,000 carrying one vote per share. No shares are held in treasury.

15. Under Section 527 of the Act, shareholders meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Act. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under Section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the Act to publish on a website.

16. Any shareholder attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

17. The following documents are available for inspection during normal business hours at the registered office of the Company on any business day until the time of the AGM and may also be inspected at the AGM venue from 11am on the day of the meeting until the conclusion of the AGM:

- copies of the Directors' letters of appointment; and
- a copy of the Articles of Association of the Company.

18. You may not use any electronic address provided in either this Notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated. A copy of this Notice, and other information required by Section 311A of the Act, can be found on the Company's section of Woodford Investment Management Limited's website at www.woodfordfunds.com/funds/wpct.

Proposed changes to investment objective and policy

The proposed new investment objective and policy for the Company, as proposed in resolution 15 on page 91 of this report, are set out below. Changes to the existing investment objective and investment policy are marked in blackline.

Investment objective

The Company's investment objective is to achieve long-term capital growth through investing in a diversified portfolio ~~consisting predominantly of~~ with a focus on UK companies, both quoted and unquoted. As these companies evolve, the geographical profile of the portfolio may also change to become more global in nature for reasons such as an overseas listing or as the result of changes to the capital value of a non-UK company.

The Company will aim to deliver a return in excess of 10 per cent per annum over the longer term*.

* This is a target only, not a profit forecast, and there can be no assurance that it will be met.

Investment policy

Asset allocation and risk diversification

The Company invests in a diversified portfolio ~~consisting predominantly of~~ with a focus on UK ~~Companies~~ companies (either incorporated in the UK or traded on a UK exchange), both quoted and unquoted. As these companies evolve, the geographical profile of the portfolio may also change to become more global in nature for reasons such as an overseas listing or as the result of changes to the capital value of a non-UK company.

The Company invests in:

- early-stage companies, which are likely to include both quoted and unquoted companies; and
- mid and large-capitalisation ~~listed~~ quoted, mature companies.~~;~~
- ~~Early-Growth Companies, which are typically quoted although may be unquoted companies; and~~
- ~~Early-Stage Companies, which are likely to include both quoted and unquoted companies.~~

~~To acknowledge the Company's evolving structure, the Company's portfolio is generally expected to reflect the following asset allocation:~~

- ~~between 15 and 30 per cent invested in mid and large-capitalisation listed, mature companies;~~
- ~~between 15 and 30 per cent invested in Early-Growth Companies; and~~
- ~~between 40 and 70 per cent invested in Early-Stage Companies.~~

~~however, the~~ The actual portfolio composition at any one time will reflect the opportunities available to the Portfolio Manager, the performance of the underlying investee companies and the maturity of the portfolio.

The Company's portfolio will typically consist of 50-100 holdings. The Company may become a significant shareholder in any of the underlying portfolio companies.

The Company's portfolio is constructed on the basis of an assessment of the fundamental value of individual securities and will not be structured on the basis of sector weightings. The Company's portfolio is diversified across a number of sectors and, while there are no specific limits placed on exposure to any one sector, the Company will at all times invest and manage the portfolio in a manner consistent with spreading investment risk.

Investment restrictions

The Company is subject to the following investment restrictions:

- investment in unquoted companies will be limited to ~~60~~ 80 per cent of net asset value at the time of investment;
- ~~investment in non-UK Companies will be limited to 30 per cent. of Net Asset Value at the time of investment;~~
- the Company's portfolio shall be invested in a minimum of 40 holdings;
- the Company shall not invest more than 10 per cent of its net asset value at the time of initial investment in an investee company save that the Portfolio Manager may make further investments into an investee company subject to an aggregate investment limit in any investee company of ~~15~~ 20 per cent of net asset value at the time of investment;
- the Company may invest in other investment funds, including listed closed-ended investment funds, to gain investment exposure, but such investment will be unleveraged and (other than in relation to investment in money market funds for the purposes of cash management) limited, in aggregate, to 10 per cent of net asset value at the time of investment; and
- with respect to cash deposits, the Company shall not have exposure of more than 10 per cent of net asset value, at the time of investment, to any one issuer.

Borrowing

The Company ~~does not intend to deploy long-term gearing but~~ may employ gearing of up to 20 per cent of net asset value, calculated at the time of borrowing, for the purpose of capital flexibility, including for investment purposes.
The Board will oversee the level of gearing in the Company, and will review the position with the Portfolio Manager on a regular basis.

Hedging

The Company may use derivatives for the purposes of hedging any currency risk to which the Company may be subject but will not use derivatives for investment purposes.

Cash management

While it is intended that the Company will be fully invested in normal market conditions, the Company may hold cash on deposit or invest on a temporary basis in a range of debt securities and cash equivalent instruments. There is no restriction on the amount of cash or cash equivalent instruments that the Company may hold and there may be times when it is appropriate for the Company to have a significant cash position instead of being fully or near fully invested.

APPENDIX 2

Company Name	Oxford Nanopore
Company Position in Top 10	2
% of NAV at 31 Dec 16	7.69%
Industry Sector	Health Care
Geography	UK
Date of investment	24/07/15
Cost of investment	52,078,920
Valuation at 31 Dec 16	60,143,811
Basis of Valuation	Price of Recent Investment
Ownership % (Undiluted)	4.80%
Ownership % (Diluted)	4.50%
Income recognised	–
Turnover	746,000
Pre-tax profits	-43,668,000
Latest Accounts Date	31/12/15

Company Name	Immunocore
Company Position in Top 10	3
% of NAV at 31 Dec 16	5.60%
Industry Sector	Health Care
Geography	UK
Date of investment	16/07/15
Cost of investment	35,325,346
Valuation at 31 Dec 16	43,817,100
Basis of Valuation	Price of Recent Investment
Ownership % (Undiluted)	6.70%
Ownership % (Diluted)	6.60%
Income recognised	–
Turnover	14,305,000
Pre-tax profits	17,997,000
Latest Accounts Date	31/12/15

Company Name	Proton Partners
Company Position in Top 10	5
% of NAV at 31 Dec 16	4.41%
Industry Sector	Health Care
Geography	UK
Date of investment	08/06/15
Cost of investment	30,000,000
Valuation at 31 Dec 16	34,500,000
Basis of Valuation	Price of Recent Investment
Ownership % (Undiluted)	28.0%
Ownership % (Diluted)	28.0%
Income recognised	–
Turnover	–
Pre-tax profits	-2,960,000
Latest Accounts Date	29/02/16

Company Name	Oxford Sciences Innovation
Company Position in Top 10	9
% of NAV at 31 Dec 16	3.53%
Industry Sector	Financials
Geography	UK
Date of investment	01/05/15
Cost of investment	23,000,000
Valuation at 31 Dec 16	27,600,000
Basis of Valuation	Price of Recent Investment
Ownership % (Undiluted)	4.34%
Ownership % (Diluted)	4.34%
Income recognised	–
Turnover	45,000
Pre-tax profits	-131,000
Latest Accounts Date	31/12/15

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