woodford

WOODFORD PATIENT CAPITAL TRUST PLC
ANNUAL REPORT
For the year ended 31 December 2017

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 DIVERSIFIED PORTFOLIO WITH A FOCUS ON UK COMPANIES, BOTH QUOTED AND UNQUOTED. AS THESE COMPANIES EVOLVE, THE GEOGRAPHICAL PROFILE OF THE PORTFOLIO MAY CHANGE TO BECOME MORE GLOBAL IN NATURE FOR REASONS SUCH AS AN OVERSEAS LISTING OR AS THE RESULT OF CHANGES TO 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.

OPERATIONAL MILESTONES

Many of the Company's biggest holdings have reached significant milestones on the road to commercial success.

FINDING UNICORNS

The Company is invested in four companies that are valued at more than $1bn – Purplebricks, Oxford Nanopore, Benevolent AI and Immunocore.

BUILDING CONVICTION

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

STOCK MARKET LISTINGS

Some of the Company's holdings have plans to IPO within the next 12 months.

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.

At 31 December	2017 £'000	2016 £'000
Net assets	**755,295**	**771,093**

31 December Net asset value and share price	2017 pence	2016 pence
Net asset value per share	91.33	93.24
Share price	84.45	91.00

31 December Net asset value and share price performance	2017 %	2016 %
Decrease in net asset value per share	(2.0)	(4.2)
Decrease in share price	(7.2)	(9.9)
Share price discount to net asset value	(7.5)	(2.4)

31 December	2017	2016
Ongoing charges ratio*	**0.2**	**0.2**

* 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.

During the period under review, the Board has continued to focus on whether the businesses in the portfolio are making operational progress and achieving milestones. These are the Company's key performance indicators given the exposure to early-stage businesses, most of which are unquoted securities.

We monitor the companies' milestones set by the Portfolio Manager throughout the year, receiving regular updates at Board meetings on the top ten companies, new investments and in-depth analysis on specific companies. These updates show the underlying progress that many of the companies held in the portfolio are making and we highlight the milestones the Company's biggest holdings have met in a selection of case studies on pages 12 to 23.

The Board believes that there is commercial value being developed and, as milestones are met, this should be reflected in the net asset value (NAV) and share price. However, for the period under review, the Board understands shareholders will be disappointed that the Company's NAV declined 2 per cent and the share price by 7.2 per cent. The Board keeps the Company's discount (the difference between the NAV and the share price) under very regular review.

The Portfolio Manager's focus is on delivering performance and growing the value of the Company over the longer term. As the portfolio matures, it should deliver capital as companies list on the stock market or are acquired by larger companies. Naturally, there will be various demands on this capital that will include new investments, follow-on investments, reduction of debt and the buyback of shares. The choice of how this capital is invested in the future will depend on, among other things, the shape of the portfolio, the financial cycle and the performance of the Company's share price and NAV. The Board currently sees most long-term value in using liquidity to invest in the portfolio – particularly in ensuring that the unquoted portfolio companies remain well funded. However, as the Company matures, the Board will keep the use of this cash under review.

With 68.4 per cent of the portfolio now invested in unquoted securities, it's worth reminding shareholders how these companies are valued. Unlike listed companies, unquoted companies aren't valued on a daily basis, valuations will only be revised when milestone events trigger a revision, such as a new fundraising round or announcement of an IPO. Therefore, movement of the NAV will always lag behind the underlying progress and value of many of the unquoted portfolio companies. The appointed Alternative Investment Fund Manager (AIFM), in the Company's case Link Fund Solutions Limited (Link) (formerly known as Capita), is responsible for the pricing of these unquoted securities. Link determines the price with input from an independent third party, Duff & Phelps. This valuation process has an added layer of independence with a review by the Company's independent auditor, Grant Thornton. Each year, Grant Thornton reviews approximately one third of the Company's unquoted portfolio, with a particular focus on milestone events that have triggered a valuation change (either upwards or downwards). The Board took part in a workshop with Link and Duff & Phelps to discuss the process and methodology, and this reinforced the Board's view that the Company's valuation process is very robust.

With the Company fully invested, the Board regularly reviews liquidity and the ability to meet follow-on financing commitments. There is often a misconception that unquoted assets are illiquid. While some are, many of the companies are very attractive to a number of parties such as existing investors and potential new owners. The Company has continued to invest during 2017 and participated in 38 follow-on funding rounds for companies already held in the portfolio. Post period end, the Portfolio Manager sold two of the Company's first unquoted investments, Gigaclear and AJ Bell, with both having generated attractive rates of return for shareholders of 24 per cent and 17 per cent respectively.

The Board, many of whom have in-depth experience of the early-stage asset class, is well aware that young companies do not develop in a linear fashion. This is the case with Prothena, which announced in April 2018 that its trial for NEOD001 in AL amyloidosis, has been unsuccessful. It is clearly disappointing that this particular milestone has not been met. However, this is not the only product in its pipeline and we will be discussing with the Portfolio Manager how Prothena and its management team will be executing its strategy going forward.

Many companies will experience failures on their journey to successfully fulfilling their commercial potential, but the Board believes that many will succeed. In either case, the Board maintains its view that patience is required and that portfolio returns will take time to mature. Clearly the recent news from Prothena will have a material impact as its lead asset has not delivered and at the end of the year it accounted for 7.75% of the gross portfolio assets. However we note that Prothena has two other programmes that are partnered with two major pharmaceutical companies and cash on its balance sheet.

That said, since the end of the period under review, there have been tangible signs that many of the companies in the portfolio are making exciting progress that we hope to see, in due course, reflected in the financials. I have already mentioned the Company's successful exits of Gigaclear and AJ Bell, while Oxford Nanopore and Atom Bank both completed significant fundraising rounds as they seek to execute their commercial strategies. Autolus announced plans to list on the stock market this year, while Benevolent AI is now valued at $2bn following a fundraise of $115m in April 2018.

The Board expects significant news flow in the next period and will continue to track the top portfolio companies and the achievement or not of business milestones. We continue to share the Portfolio Manager's confidence that investors' patience will ultimately be rewarded.

Susan Searle
Chairman
23 April 2018

From day one, our ambition for WPCT has been to help early-stage businesses fulfil their potential through the provision of appropriately long-term capital and working with them to deliver commercial success. We wanted to invest in great ideas and help to turn those ideas into great businesses – in terms of quality and in terms of scale.

We are building some great businesses, and although this progress has not yet flowed through in terms of share price and net asset value performance, I continue to strongly believe that it will. Indeed, there have been some notable milestones met post period, which I will touch on later, and you can read more in a selection of case studies that follow, which focus primarily on the Company's larger holdings.

Clearly not all investments we've made have developed in the direction initially envisaged. That is the nature of investing in earlier-stage, higher-risk businesses. We have just heard from Prothena, the company's largest holding for much of the year, that its Pronto trial, investigating NEOD001 in AL amyloidosis, was unsuccessful. This is an extremely disappointing outcome and one which has surprised the company, with a much bigger and more significant placebo effect being observed than anything seen in prior trials would have suggested. As a result, Prothena has announced that it will halt all spending on NEOD001 immediately, including the termination of the ongoing Vital study, which had been due to read-out next year.

Since the launch of WPCT, we have been clear why we have backed Prothena and, given the positive progress throughout the development of the drug, we have been increasingly confident it would be successful. Such trial results are often symptomatic of early-stage investing and with regard to biotech trials the outcome is often binary – it comes down to whether a final trial is successful or not. Nevertheless, the result of the trial is undoubtedly a blow but we will be working with Prothena and its management on its strategy beyond Pronto – it has options.

The company still has an early and mid-stage clinical pipeline. It has a technology platform and a world-leading specialism in misfolding proteins, which are implicated in a number of different neurological disorders. This research platform has been validated by two major pharmaceutical companies – Roche (which is partnering Prothena in PRX002 in Parkinson's disease, currently in phase II trials) and Celgene (which has recently collaborated with Prothena on three earlier stage clinical assets). The company also has its own, unpartnered assets about to enter the clinic and, with more than $500m on its balance sheet, it is very well-funded.

While Prothena's announcement is disappointing, it should not overshadow the progress many of the portfolio companies have made – particularly in recent months. Many are inevitably now reaching the point at which a market listing is appropriate, and several of our portfolio holdings are either already progressing down that route or actively considering it. This is, of course, a legitimate route towards value realisation for early-stage businesses and one that we encourage companies to pursue, if it feels like the right time and an appropriate price.

Since year end, we have had positive developments from several companies. Proton Partners is now the UK's first high energy proton beam therapy provider having started to treat its first patient in its Newport Centre this month. Unlike conventional cancer treatments, proton beam therapy uses protons to target and kill cancer cells with little or no damage to the surrounding tissue.

Benevolent AI, the London-based start-up using artificial intelligence to discover new drugs announced last week that it received $115m in additional funding from new and existing investors, to hire more people and expand its focus to new diseases. This new investment now values the business at just over $2bn.

Oxford Nanopore, now valued at $1.5bn, has completed a further £100m fundraising, which provides the capital it needs to move on to the next leg of its commercial journey. Purplebricks, whose shares trebled in 2017, has received a strategic investment from one of Europe's leading digital publishers, Axel Springer, representing a major, positive endorsement of its business model and future growth potential. While Autolus, the company at the forefront of a revolutionary immuno-oncology cancer treatment dubbed the 'living medicine', has announced its intention to list on Nasdaq in 2018. Meanwhile, we received a bid for our stake in Gigaclear at an attractive premium to its carrying value at year-end. All of this points to a positive year ahead.

There are many examples of companies in the portfolio that have made meaningful progress on the road to commercialisation. Several have overcome significant challenges to get where they are today. There are many businesses in this portfolio that I believe should become multi-billion-dollar organisations within the next five years. Patience has been required to get to this stage and it remains a prerequisite for investing in this part of the asset class. The investment case for WPCT, despite Prothena's news, remains compelling.

Thank you for your continued support.

Neil Woodford
Head of Investment
23 April 2018

THE RATE OF PROGRESS OF MANY HOLDINGS IN THE PORTFOLIO HAS BEEN RAPID AND OPERATIONAL MILESTONES ARE BEING MET. SEVERAL OF THE COMPANIES ARE VALUED AT AROUND THE £1BN MARK AND MANY ARE APPROACHING INFLECTION POINTS THAT COULD TRIGGER FURTHER UPLIFTS IN THEIR VALUATIONS.

ON THE FOLLOWING PAGES, WE EXAMINE IN MORE DETAIL A SELECTION OF COMPANIES IN THE PORTFOLIO...

ATOM BANK
AUTOLUS
BENEVOLENT AI
FEDERATED WIRELESS
GIGACLEAR
IMMUNOCORE
MEREO BIOPHARMA
OXFORD NANOPORE
PROTHENA
PROTON PARTNERS
PURPLEBRICKS
ULTRAHAPTICS

Mobile banking

Atom's digital-only approach enables its customers to manage their money quickly, easily and efficiently.

In less than three years since it received regulatory approval, the challenger bank's balance sheet has grown to £1bn and this is expected to increase further throughout 2018.

The bank, which is now part owned by Spanish banking giant BBVA, offers a range of fixed-term savings accounts and, with the support of its broker network, provides loans and mortgages to SMEs and private consumers. The company held off plans to launch current accounts and is awaiting the outcome of this year's strategic review of retail banking business models from the Financial Conduct Authority (FCA) before making a decision regarding launching a product.

As it continues to scale up, the bank expects to use technology to enable it to operate at a significantly lower cost base than traditional banks. This will give it the confidence to offer market-leading rates of interest to its customers, while maintaining a low-risk approach towards generating value for its investors.

VALUATION UPLIFTS

"FOLLOWING SUCCESSFUL APPROVAL (WITH RESTRICTIONS) FROM THE PRUDENTIAL REGULATION AUTHORITY (PRA)"

*

IN 2015:

NOVEMBER – WPCT INVESTS FOR THE FIRST TIME

THE COMPANY RECEIVED LICENCE BY THE BANK OF ENGLAND

IT OBTAINED REGULATORY APPROVAL (WITH RESTRICTIONS) FROM THE PRA

SPANISH MULTINATIONAL BANK BBVA INVESTED IN ATOM BANK

IN 2016:
A FURTHER VALUATION UPLIFT OF 11% FOLLOWING FULL PRA APPROVAL

IN 2017:
THE COMPANY SAW SOLID BALANCE SHEET GROWTH TO £1BN

IN JANUARY 2017, THE VALUE OF THE COMPANY WAS UPLIFTED BY AN ADDITIONAL 15%

MARCH 2018:
RAISES £149M FROM INVESTORS INCLUDING BBVA

* Illustrative purposes only.

Living medicine

Autolus is at the forefront of a revolutionary immuno-oncology cancer treatment, dubbed the 'living medicine', that is offering new hope to cancer patients suffering from blood-related cancers such as lymphoma and myeloma.

CAR-T cell therapy involves extracting white blood cells from a patient and genetically engineering them to recognise and kill specific cancer cells before infusing them back into the patient. This treatment approach has turned from hope to reality as the first two products have received regulatory approval in the US, made by competitors Novartis and Kite (acquired by Gilead) following successful clinical trials. The potential in treating cancers is being recognised not just by big pharmas looking to acquire the next big innovation, but by investors and patients alike.

Founded just four years ago, Autolus, whose advanced cell programming technology was pioneered at University College London, is an early entrant in the CAR-T cell therapy space. Using its patent-protected technology, it has one of the most experienced management teams advancing CAR-T products beyond what its peers have already proven.

For example, by using dual-targeting CAR-T's – engineering an immune cell to recognise two cancer cell-specific features, not just one – the treatment is less likely to result in the cancer escaping and reoccurring, one of the most common reasons for the current CAR-T therapies to fail. With its lead products already in development, Autolus has the potential to bring improved products to market ahead of any other company. The company is developing multiple other features such as a 'safety switch' to help reduce the risks of unwanted side effects, and a feature with the ability to recognise and challenge a hostile tumour environment that is trying to resist CAR-T cells.

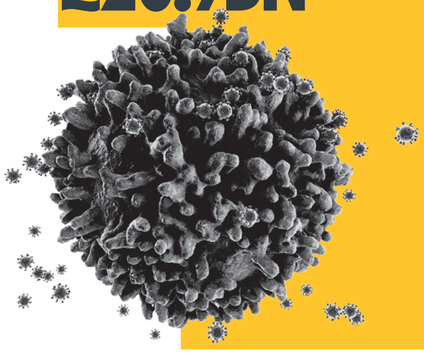
The company has announced its intention to list on Nasdaq in 2018.

MARKET POTENTIAL

FOOD AND DRUG ADMINISTRATION (FDA) COMMISSIONER SCOTT GOTTLIEB: "NEW TECHNOLOGIES SUCH AS GENE AND CELL THERAPIES HOLD OUT THE POTENTIAL TO TRANSFORM MEDICINE AND CREATE AN INFLECTION POINT IN OUR ABILITY TO TREAT AND EVEN CURE MANY INTRACTABLE ILLNESSES"

$11.9BN PRICE GILEAD PAID FOR KITE PHARMA AND $9BN PRICE CELGENE PAID FOR JUNO THERAPEUTICS HIGHLIGHTS POTENTIAL OF CAR-T ASSETS

£20.9BN



Intelligent research

In less than 50 years, artificial intelligence will be able to beat humans at all of their own tasks, according to an Oxford University study. Benevolent AI could claim that it is doing that in the pharmaceutical field and, according to a University of Oxford study, healthcare research already*.

Each year, more than one million research papers are published in the quest to discover new drugs, yet the vast majority are overlooked because researchers simply do not have the capacity to analyse them all.

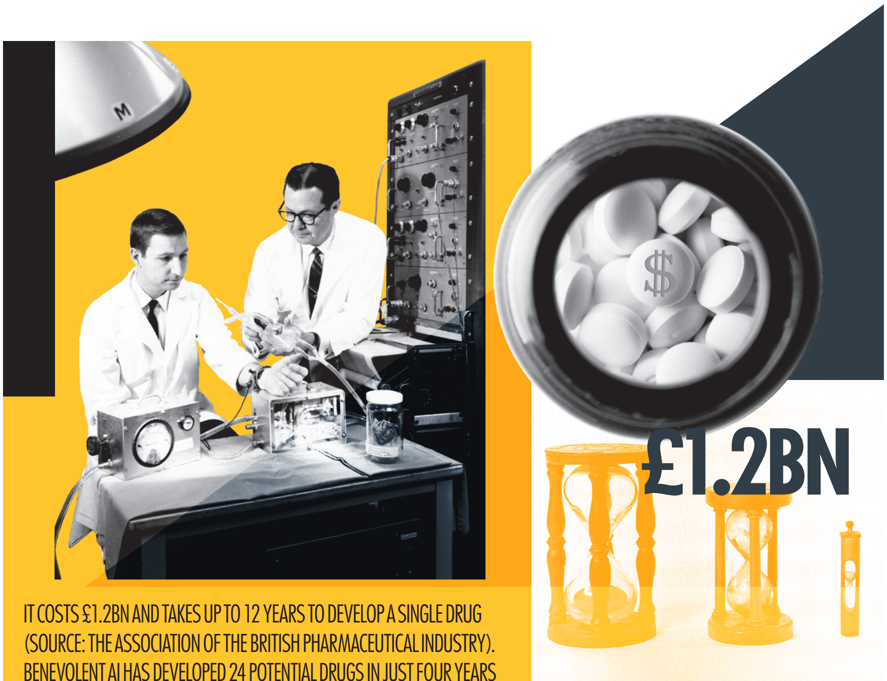
Using artificial intelligence, Benevolent AI is able to mine and analyse vast reams of academic literature, studies and other data about particular diseases, enabling researchers to come up with more conclusive hypotheses in a fraction of the time.

Faster to market

Getting a successful drug to market faster has positive commercial implications too. A drug's patent typically lasts 20 years, but it can take up to 12 years after a drug's discovery to get it to market, leaving just eight years of patent protection remaining. If Benevolent AI is able to extend this patent protection to more than 10 years, the net benefit could be significant, not forgetting the hundreds of millions of pounds that will be saved by having a shorter development stage.

Set up in 2013, London-based Benevolent AI's technology has so far led to potential breakthroughs for previously untreatable conditions such as motor neurone disease (ALS) and cystic fibrosis. Its ground-breaking technology has also not gone unnoticed by the industry, including several major pharmaceutical companies. In April 2018, it received $115m in additional funding from new and existing investors, to hire more people and expand its focus to new diseases. This new investment now values the business at just over $2bn.

MORE TREATMENTS, LESS TIME



IT COSTS £1.2BN AND TAKES UP TO 12 YEARS TO DEVELOP A SINGLE DRUG (SOURCE: THE ASSOCIATION OF THE BRITISH PHARMACEUTICAL INDUSTRY). BENEVOLENT AI HAS DEVELOPED 24 POTENTIAL DRUGS IN JUST FOUR YEARS

Beating the spectrum crunch

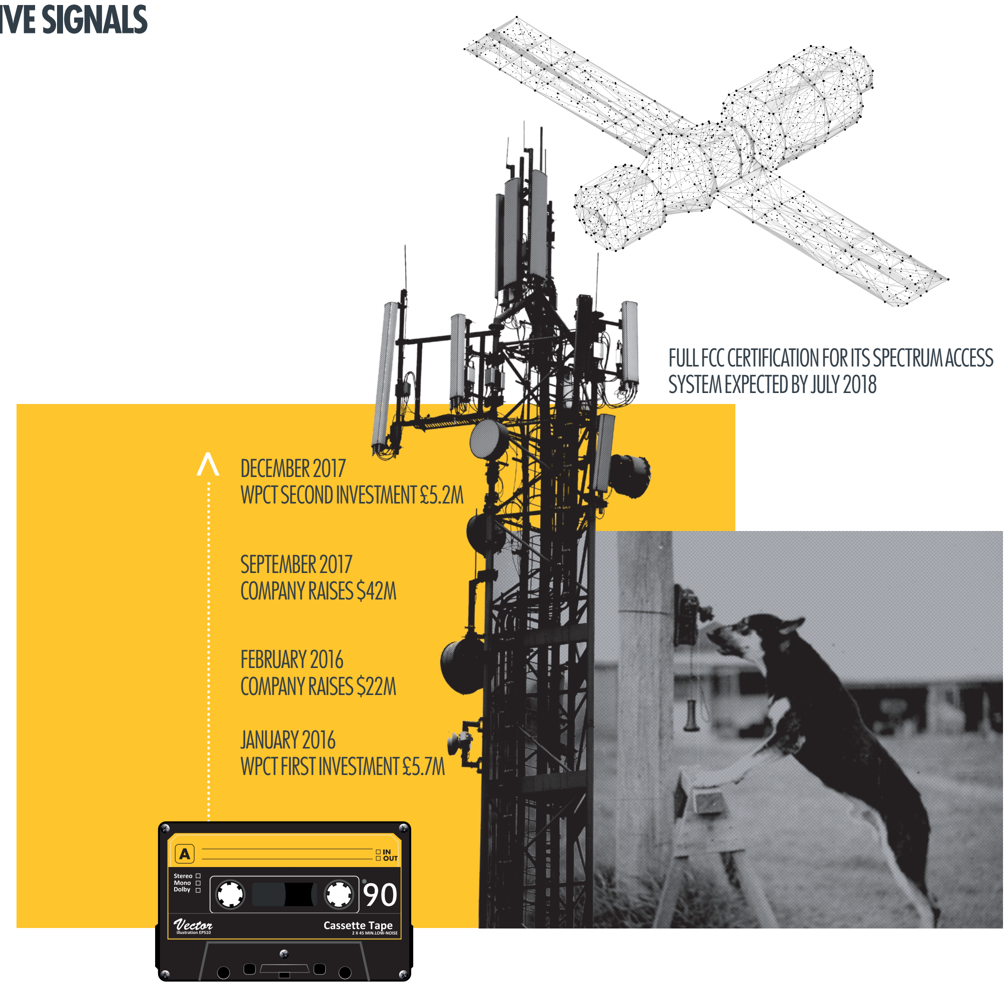
There is only so much space available to send wireless signals – the so-called spectrum – and this is becoming a burning issue for the rapidly growing wireless industry.

The big carriers all have their own spectrum, but they need more space if they are to reap the benefits of the increasing demand for all things Wi-Fi, from smartphones and tablets to the broader ecosystem of the Internet-of-things.

Federated Wireless, founded by Allied Minds, might just have the solution. It has developed a cloud-based spectrum access system (SAS) that will enable carriers and others in the industry to extend the access of wireless networks by unlocking the value potential of a 'shared spectrum'.

The company has made significant commercial, operational and technical progress since it was launched in 2012. It is on course to receive full certification from the Federal Communications Commission (FCC), which will enable the company to launch its innovative technology commercially in the second half of 2018. Customer interaction is high with trials underway with major players including Verizon, Ericsson, Qualcomm, Nokia and Samsung. While Charter, the second largest cable company in the US, invested in the company in September 2017.

POSITIVE SIGNALS



GIGACLEAR (2.47%)

Countryside connectivity

For many years, under-investment in broadband networks in rural areas had left much of the UK in a virtual blackout for new web-based services. Gigaclear was one of the first investments in the portfolio and it has seized the opportunity to identify those rural communities where there is pent-up demand for reliable, ultrafast broadband.

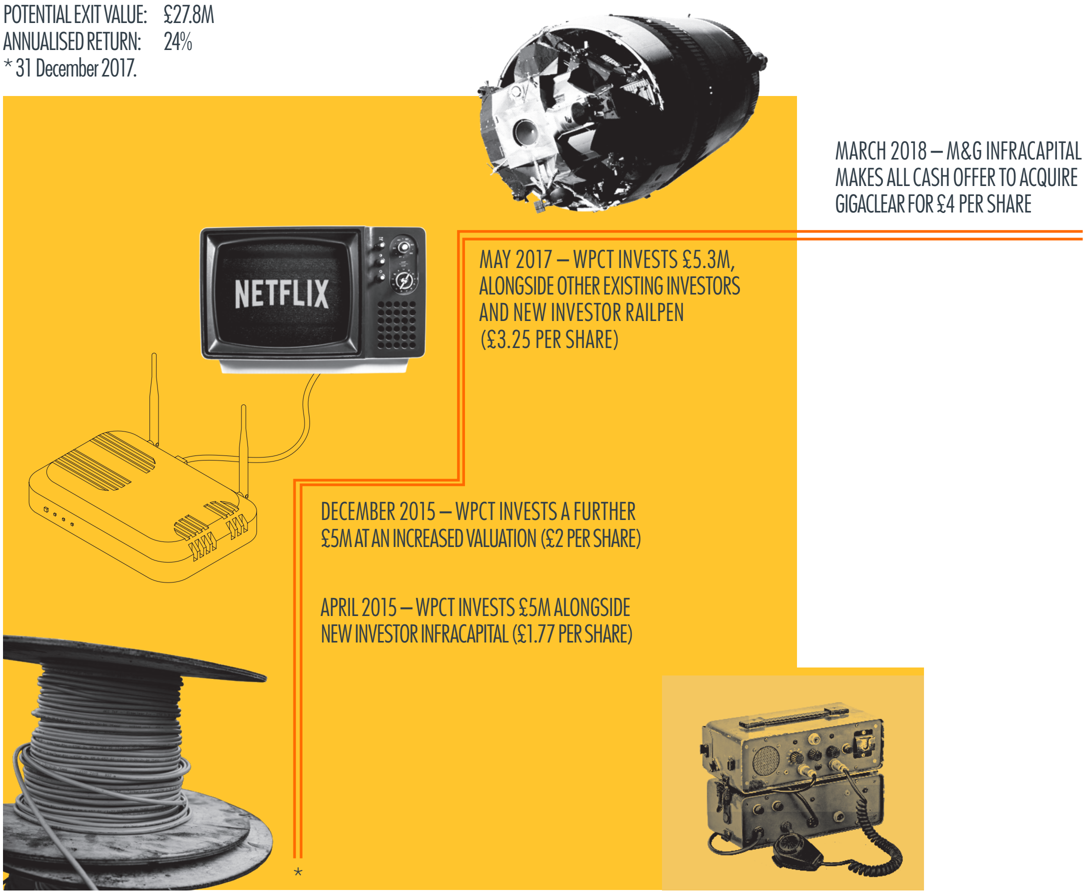
Founded in 2010, the company designs, builds and operates superfast, pure fibre broadband networks for rural areas in the UK and it was still at its early roll-out stage when the Company invested. We saw a niche commercial opportunity and a company with a clear, compelling business plan overseen by an experienced management team.

Despite being a capital-intensive business, management has successfully executed its business plan during the time we have been invested and it now has more than 60,000 rural properties with access to broadband compared to 15,000 in 2014. In March of this year, Gigaclear received a bid from Infracapital, an infrastructure investment vehicle managed by M&G Prudential. It has given the Company the opportunity to exit at an appropriate valuation, locking in gains from a successful investment and accessing liquidity in an unexpected part of the market.

FUNDING PROFILE

SMALL, REGULAR INVESTMENTS THAT BUILD A POSITION OVER TIME AS MANAGEMENT PROVES THE ROLL-OUT MODEL AND EXPAND REGIONALLY ACROSS THE UK.

CURRENT VALUE: £22.6M
POTENTIAL EXIT VALUE: £27.8M
ANNUALISED RETURN: 24%
* 31 December 2017.



* Illustrative purposes only.

Immuno-oncology leader

Spun out of Oxford University in 2008, Immunocore is at the forefront of the fast-growing field of immuno-oncology (treatments that use the immune system to kill cancers). The company's T cell receptor (TCR) technology alters white blood cells known as T cells to recognise and attack cancerous ones.

Its main TCR asset, IMCgp 100, is currently in a pivotal clinical study for the treatment of metastatic uveal melanoma, a rare eye disease with no current treatments. It also has a range of earlier-stage drug candidates, which are being developed as potential treatments for various types of solid cancer.

Major partnerships

In addition to its own pipeline, the £1bn-valued company has secured partnerships with major pharmaceutical companies including Genentech, GlaxoSmithKline, Eli Lilly and MedImmune, the biologics division of AstraZeneca. In late 2017 it received $40m of backing from the Bill & Melinda Gates Foundation.

VALUATION CHANGES

IMMUNOCORE'S VALUATION HAS RISEN OVER THE YEARS AS THE COMPANY HAS MET MILESTONES AND PROGRESSED :

IN OCTOBER 2015, THE VALUATION OF THE COMPANY WAS ADJUSTED DOWN BY 6% IN ORDER TO ACCOUNT FOR A DECLINE IN THE SHARE PRICE OF IMMUNOCORE'S STAKE IN ADAPTIMMUNE (A CLINICAL STAGE BUSINESS FOCUSED ON IMMUNOTHERAPY PRODUCTS WHICH AT THE TIME WAS LISTED ON NASDAQ)

* Illustrative purposes only.

Drug discovery with a twist

Mereo BioPharma isn't an ordinary biopharmaceutical company – it doesn't do conventional drug discovery. Instead, it has seized on an opportunity to commercialise potential life-changing drugs that are being overlooked for business reasons by healthcare giants.

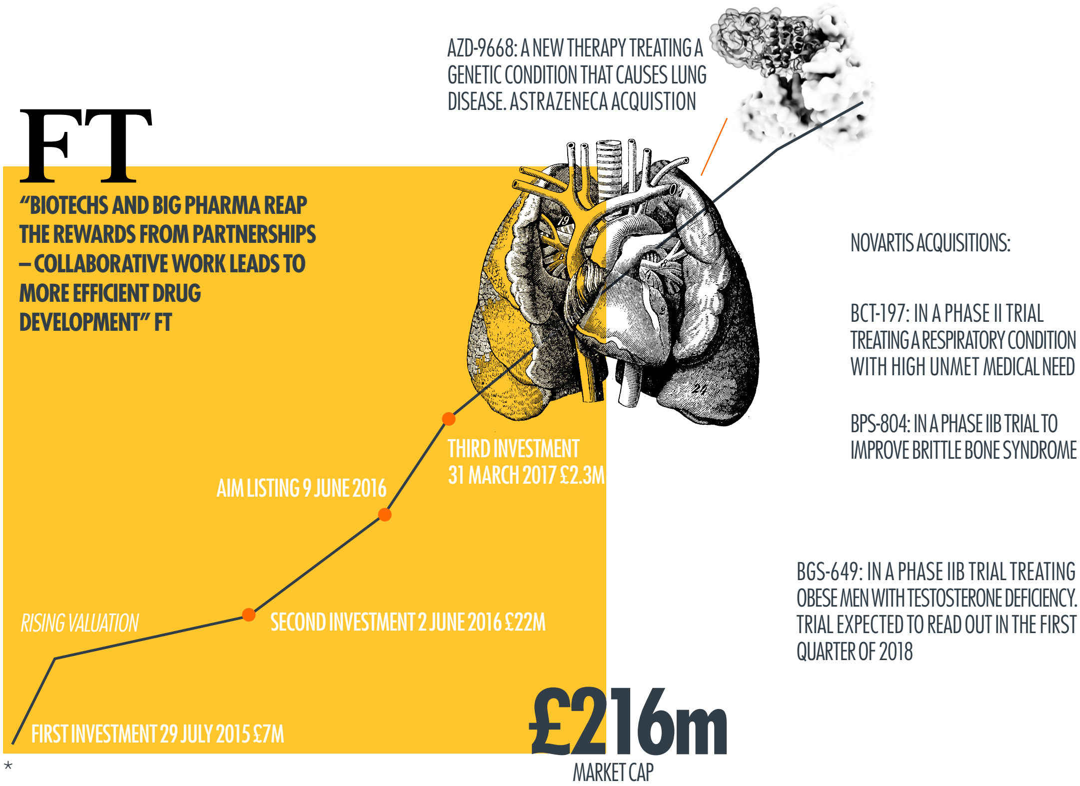
The cost of drug development is huge – it can cost around £2bn to develop a single treatment from discovery to launch – and subsequent margin pressure is forcing many big healthcare companies to focus on their core areas, resulting in many potential treatments falling by the wayside. This is where Mereo steps in.

The UK-based company seeks to acquire mainly rare disease drug candidates that have already had 'gold-standard development' and commercialise them. Its experienced team of scientists and researchers examine the trial data to identify only therapies that demonstrate significant medical and commercial potential. A key part of its analysis is exploring whether a drug tested for one type of disease could also be used as a treatment for another.

Founded in 2015, the AIM-listed company has already acquired three pipeline product candidates from Novartis that have passed phase II clinical trials and in October 2017 entered into an agreement with AstraZeneca for its fourth asset. In all of the deals, Mereo has purchased the assets with full intellectual property rights, with Novartis and AstraZeneca taking equity stakes in the company in exchange.

The company has announced its intention to list on Nasdaq in 2018.

GROWING PIPELINE



* Illustrative purposes only.

OXFORD NANOPORE (7.92%)

A DNA breakthrough

DNA is the source code of life and the ability to sequence this code has become increasingly important for scientific research, including developing treatments for diseases such as cancer.

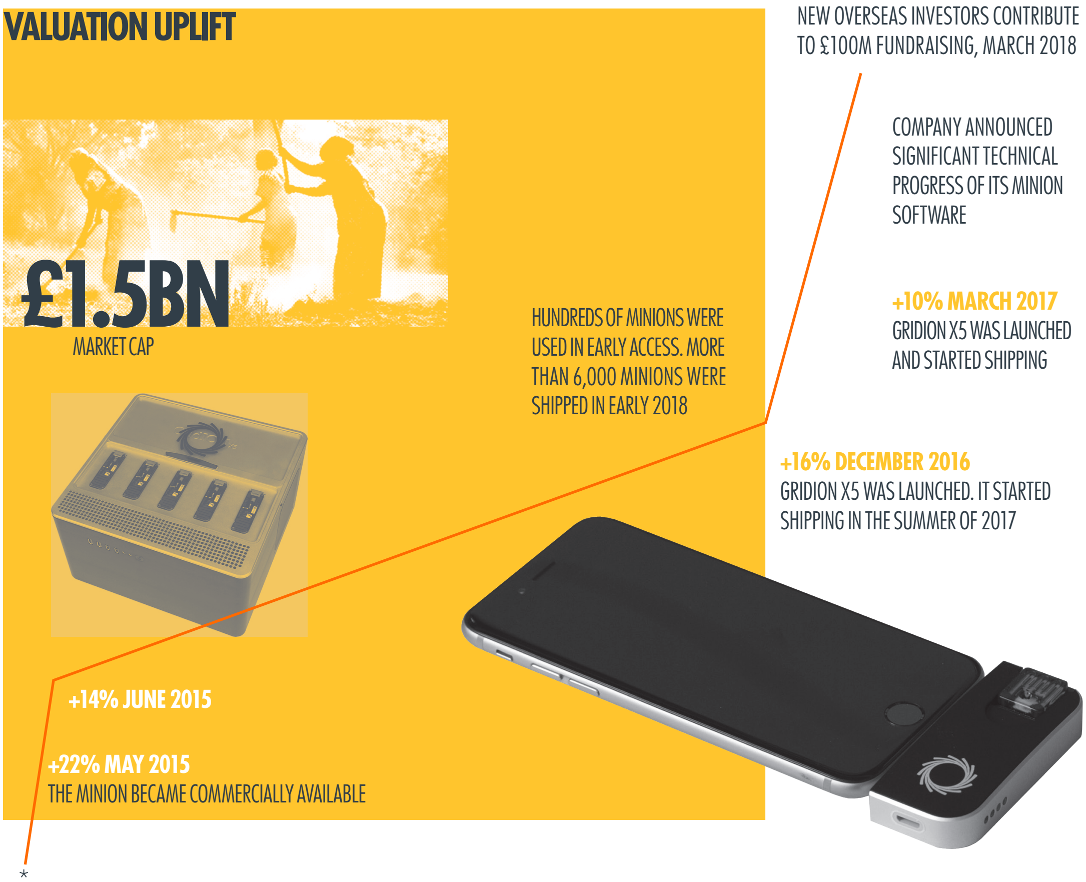
The ability to sequence DNA directly, quicker, cost-effectively and in the field creates vast opportunities for diagnostics and precision medicine, agriculture, food and water testing, as well as traditional uses in scientific research. For Oxford Nanopore, this is already a reality.

DNA sequencing systems have traditionally been bulky and costly, but Oxford Nanopore is developing a new generation of DNA sequencers, some of which are small, portable and affordable. Crucially, these are also the world's only sequencers that can deliver DNA analysis in real-time.

Commercially viable

Its pocket-size DNA sequencer the MinION, launched in 2014, has been successfully used to sequence human and crop genomes, to track outbreaks of viruses like Ebola and Zika, to research cancer genetics, and to understand the complex biological composition of seawater and ice. The MinION is just one of several products on the company's shelves. Its GridION X5 is designed to bridge the gap – in terms of the amount of DNA information required – between the pocket-size MinION and its much larger PromethION, while it is currently developing the SmidgION, which can be used with a mobile phone.

The company is valued at around £1.5bn, with its order book increasing 300% year-on-year. With a rapidly growing customer base, its focus is now on commercial execution of its core products, including the MinION and PromethION, where its future potential value now lies.



* Illustrative purposes only.

Treating the untreatable

Degenerative diseases such as Alzheimer's, Parkinson's and Huntington's are caused by the body's once-healthy proteins and cells breaking down, taking on different shapes and becoming toxic. This is Prothena's focus – researching and developing drugs for diseases, many of which are currently untreatable, caused by these misfolded proteins and cell adhesion disorders.

Spun out of Elan in 2012, the company's leading drug development candidate was for AL amyloidosis, a rare and often fatal organ disease affecting fewer than 10,000 patients a year. It announced in April 2018 that its Pronto trial, investigating NEOD001 in AL amyloidosis, was unsuccessful. As a result, Prothena has halted all spending on NEOD001 immediately, including the termination of the ongoing Vital study, which had been due to read-out next year.

The company still has an early and mid-stage clinical pipeline. It has a technology platform and a world-leading specialism in misfolding proteins, which are implicated in a number of different neurological disorders. This research platform has been validated by two major pharmaceutical companies – Roche (which is partnering Prothena in PRX002 in Parkinson's disease, currently in phase II trials) and Celgene (which has recently collaborated with Prothena on three earlier stage clinical assets, in a deal potentially worth $2.2bn). The company also has its own, unpartnered assets about to enter the clinic and, with more than $500m on its balance sheet, it is very well-funded.

TIMELINE

21 DECEMBER 2012 – COMPANY ESTABLISHED ($7 PER SHARE)

02 DECEMBER 2014 – INITIATES VITAL, A US PHASE III TRIAL FOR NEOD001

21 APRIL 2015 – WPCT'S FIRST INVESTMENT IN PROTHENA ($37 PER SHARE)

15 OCTOBER 2015 – ANNOUNCES IT WILL INITIATE PRONTO, A EUROPEAN PHASE IIB TRIAL FOR NEOD001

5 JULY 2016 – TRIAL DATA FROM ITS PHASE I/II STUDY FOR NEOD001 SHOW IMPROVEMENTS IN ORGAN SYSTEMS IN PREVIOUSLY-TREATED PATIENTS WITH AL AMYLOIDOSIS

9 NOVEMBER 2016 – POSITIVE RESULTS FROM PHASE IB STUDY FOR PRX002, ITS POTENTIAL DISEASE-MODIFYING TREATMENT FOR PARKINSON'S DISEASE

5 JULY 2017 – INITIATES ITS PHASE II PASADENA STUDY FOR PRX002, TRIGGERING $30M MILESTONE PAYMENT FROM ROCHE

28 SEPTEMBER 2017 – REPORTS RESULTS FROM PHASE IB STUDY FOR PRX003 IN PATIENTS WITH PSORIASIS

APRIL 2018 – THE PHASE IIB PRONTO STUDY UNSUCCESSFUL. TRIAL AND THE PHASE III VITAL TRIAL WITHDRAWN

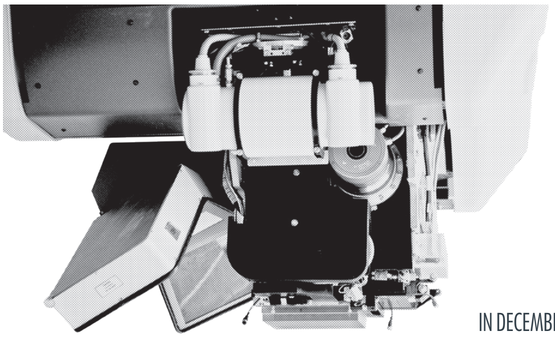
FUTURE – EXECUTION ON UP TO $2.2BN (+ ROYALTIES) COLLABORATION WITH CELGENE
– ONGOING DEVELOPMENT OF OWN CENTRAL NERVOUS SYSTEM AND RARE DISEASE PIPELINE
– READ-OUT OF PHASE II PROOF-OF-CONCEPT DATA IN PARKINSON'S WITH ROCHE

A new way to beat cancer

Proton Partners is the UK's first high-energy proton beam therapy provider. Unlike conventional cancer treatments, proton beam therapy uses protons to target and kill cancer cells with little or no damage to the surrounding tissue. This potentially ground-breaking treatment had not been available in the UK until Proton Partners opened the doors to the UK's first proton beam therapy centre in Newport, South Wales in April 2018 – several months ahead of schedule.

Although the company only launched just over three years ago, it is on track to fulfil its goal of having a network of its unique cancer centres within 90 minutes of 75 per cent of the UK's population by 2023. Construction is already underway at three further centres across the UK, which will be available to medically-insured and self-pay patients, as well as those referred by the NHS.

ON SCHEDULE



90 TONNES

IN APRIL 2018, THE COMPANY TREATED THE FIRST PATIENT USING ITS PROTON BEAM THERAPY

IN JANUARY 2018, PROTON PARTNERS STARTED WORK ON ITS FOURTH UK-BASED ONCOLOGY CENTRE IN LIVERPOOL

IN DECEMBER 2016, ITS SHARES WERE REVALUED UPWARDS BY 15% AS A RESULT OF EXCELLENT OPERATIONAL PROGRESS

IN DECEMBER 2017, WORKS STARTED ON BUILDING A CENTRE IN UNITED ARAB EMIRATES

IN MARCH 2017, PROTON PARTNERS OPENED THE DOORS TO ITS RUTHERFORD CANCER CENTRE IN NEWPORT

IN JULY 2017, THE COMPANY SUCCESSFULLY FIRED ITS FIRST HIGH-ENERGY PROTON BEAM USING ITS CYCLOTRON

IN DECEMBER 2016, THE COMPANY RECEIVED PLANNING PERMISSION TO BUILD ITS READING CANCER TREATMENT CENTRE

IN AUGUST 2016, PROTON PARTNERS STARTED WORK AT ITS BOMARSUND ONCOLOGY CENTRE IN NORTHUMBERLAND

IN AUGUST 2015, WPCT INVESTED IN THE COMPANY

*

* Illustrative purposes only.

"A PROTON BEAM THERAPY SYSTEM WEIGHS 90 TONNES, COSTS £20M AND HAS TO BE SUPER-COOLED TO FOUR DEGREES KELVIN (OR -269 DEGREES CELSIUS), SPEEDING UP HYDROGEN ATOMS TO TWO-THIRDS OF THE SPEED OF LIGHT BEFORE FIRING A PROTON"

PURPLEBRICKS (5.93%)

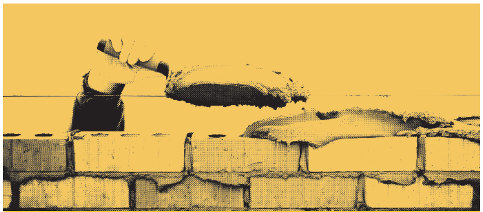
Cementing its position

Purplebricks' efficient low-cost high-quality approach to buying, selling and renting property is disrupting the property industry – and not just in the UK. The company is successfully replicating its disruptive business model internationally, currently operating across three continents.

The company has been a significant positive contributor to the portfolio since we first invested in 2015 – several months before the hybrid property agent listed on the stock market. Last year, its share price rose by 195 per cent, contributing 6.57 per cent to the overall performance of the portfolio.

It continues to grow – the number of local property experts doubled to 650 last year – and its significant commercial progress in just a few years suggests that Purplebricks is ideally placed to drive and capitalise on the structural shift in the estate agency market that is being seen worldwide.

GLOBAL DISRUPTOR



MARCH 2018: £125M STRATEGIC INVESTMENT BY EUROPE'S LEADING DIGITAL PUBLISHER AXEL SPRINGER

MILESTONE AFTER MILESTONE

- OVERALL GROUP REVENUE UP 150% TO £46.8M FOR THE FIRST HALF OF 2017, FROM WHICH
- £40M OF REVENUE GENERATED BY THE UK BUSINESS (UP 118%)
- £7M OF REVENUE GENERATED BY AUSTRALIAN BUSINESS
- £100K OF REVENUE GENERATED BY THE US BUSINESS (IN THE FIRST MONTH OF OPERATIONS)
- CAPTURING MORE UK ONLINE MARKET SHARE: FROM 56% IN OCTOBER 2015 TO 74% IN OCTOBER 2017

Subway

+195%

SHARE PRICE RISE IN 2017

JANUARY 2018, PURPLEBRICKS ANNOUNCED ITS EXPANSION INTO NEW YORK (7.4M HOUSEHOLDS), WITH THE BUSINESS DUE TO LAUNCH IN APRIL 2018

SEPTEMBER 2017, THE COMPANY LAUNCHED IN CALIFORNIA AFTER SUCCESSFULLY RAISING £50M

SEPTEMBER 2016, IT LAUNCHED IN AUSTRALIA, ITS FIRST INTERNATIONAL EXPANSION

DECEMBER 2015, PURPLEBRICKS' IPO AT 100P

*JULY 2015, WPCT INVESTS FOR THE FIRST TIME £6M AT 74p

* Illustrative purposes only.

ULTRAHAPTICS (2.05%)

Virtual reality

The concept of being able to feel and manipulate objects without touching is fast becoming a reality –and Ultrahaptics is already making waves.

The Bristol-based company's technology uses high-frequency ultrasound that allows people to feel without touching. These high frequencies create just enough pressure to make an indentation on the skin enabling people to create and control virtual shapes in the air – these can take various forms, including buttons, sliders and dials.

Dubbed 'haptic technology', it has stirred interest from car manufacturers, including Bosch for its concept car, allowing drivers to control dashboards without taking their eyes off the road. The company is also developing products for household appliances, consumer electronics and the gaming industry – its technology is now being used in Las Vegas by gaming giant IGT for one of its most popular game machines.

It has an array of commercial partners including Nike, Dell, Intel, Harman International, Bosch and IBM, while it also has over 45 academic partners, including the University of Oxford, the University of Tokyo, Stanford University and MIT. In April 2018, the company received the Queen's Award for Enterprise in the innovation category.

SENSING GROWTH

OCTOBER 2015 FIRST INVESTMENT BY WPCT

MULTIPLE TARGET MARKETS: UK, US, KOREA, JAPAN AND QUICKLY MOVING INTO CHINA AND CONTINENTAL EUROPE (GERMANY INITIALLY)

42 ACADEMIC PARTNERS

COMMERCIAL PARTNERS INCLUDE: NIKE, DELL, META, ZEROLIGHT, INTEL, BOSCH, HARMAN, HOLOLENS, IBM, LOCAL MOTORS AND IGT

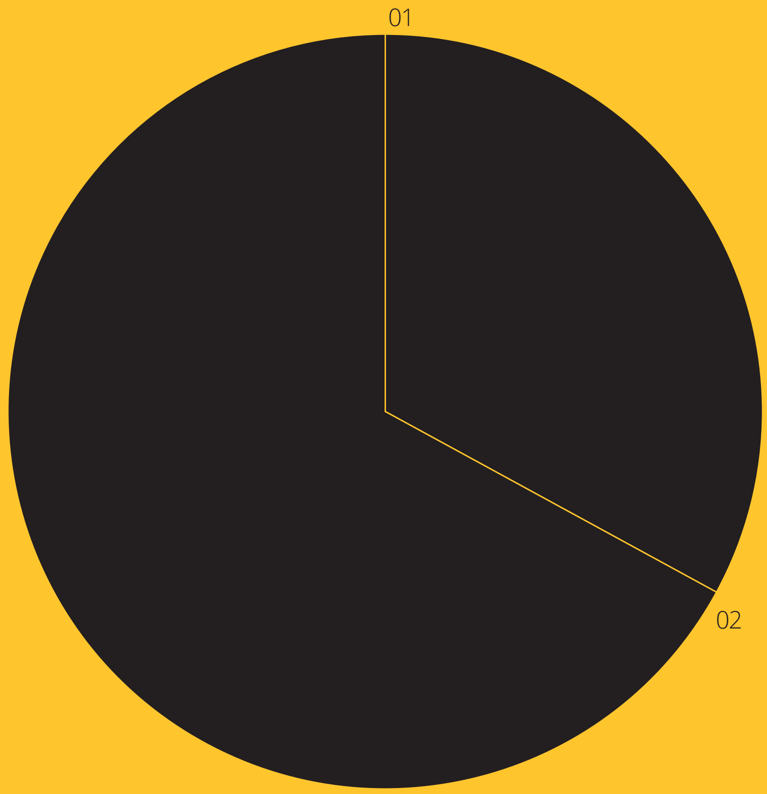
PORTFOLIO COMPOSITION

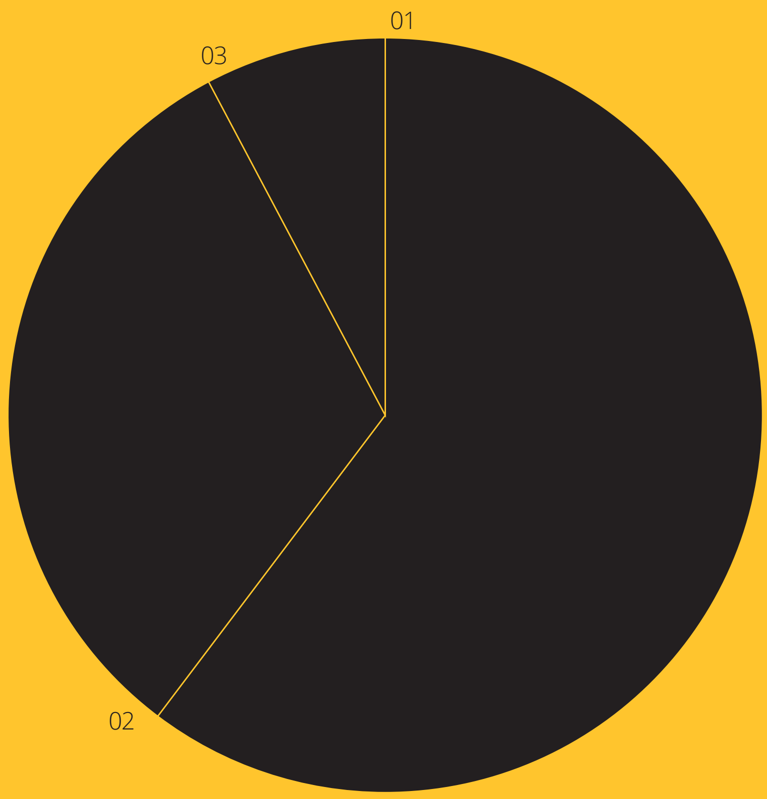
Please find below the composition of the WPCT portfolio by maturity stage and listing status.

Listing status		%
01	Quoted	31.60
02	Unquoted	68.40

Maturity stage		%
01	Early stage	60.30
02	Early growth	31.94
03	Mid/large	7.76

Source: Woodford



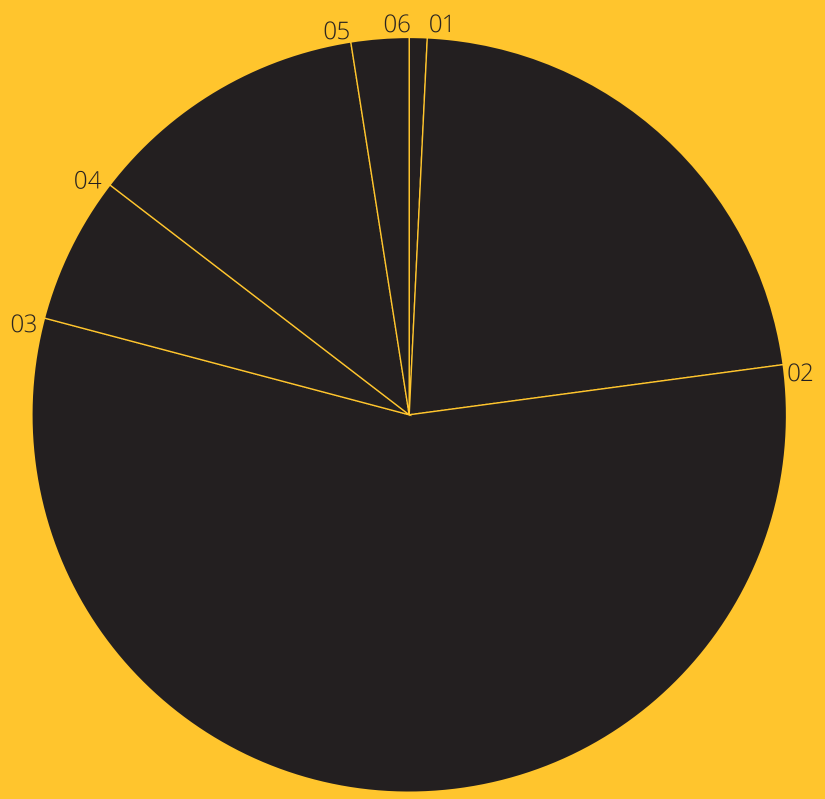


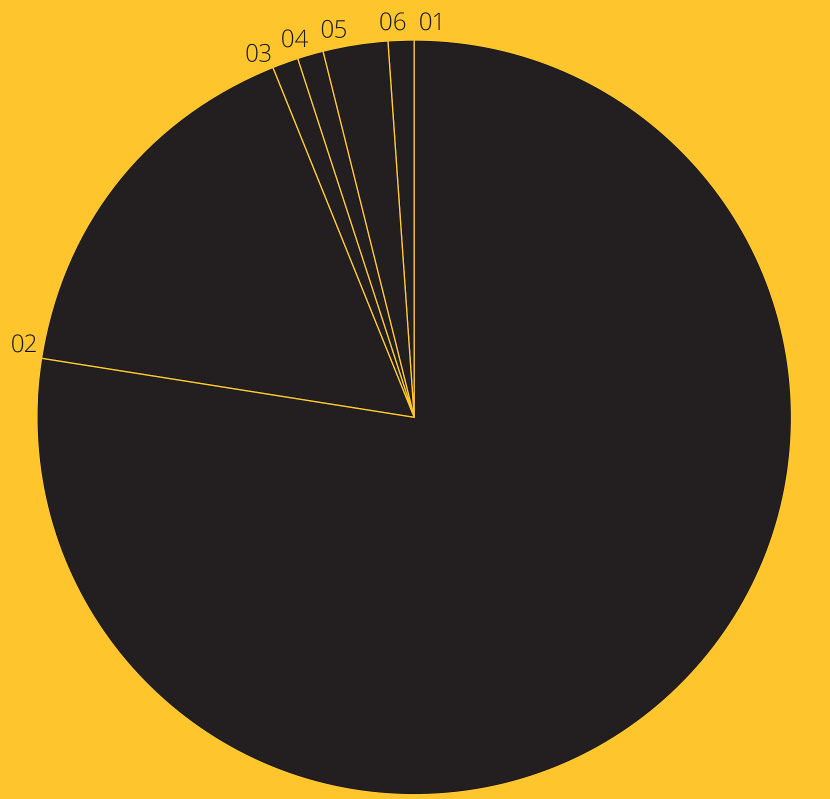
And by industry and geography.

Industry		%
01	Consumer Goods	0.76
02	Financials	22.11
03	Health Care	56.25
04	Industrials	6.30
05	Technology	12.10
06	Telecommunications	2.48

Geographical allocation		%
01	United Kingdom	77.58
02	United States	16.38
03	Norway	1.06
04	Ireland	1.33
05	Switzerland	2.74
06	Luxembourg	0.91

Source: Woodford





Name	Industry	Weight (%)	Holding (%)*
Oxford Nanopore (Unquoted)	Health Care	7.92	5.2
Prothena	Health Care	7.75	6.6
Benevolent AI (Unquoted)	Technology	6.00	4.7
Purplebricks	Financials	5.93	4.8
Immunocore A (Unquoted)	Health Care	5.76	7.0
Proton Partners International (Unquoted)	Health Care	3.78	23.7
Mereo Biopharma	Health Care	3.65	14.4
Autolus (Unquoted)	Health Care	3.59	15.1
Atom Bank (Unquoted)	Financials	3.57	11.0
Theravance Biopharma	Health Care	3.23	2.6
Oxford Sciences Innovation (Unquoted)	Financials	3.03	3.8
Gigaclear (Unquoted)	Telecommunications	2.47	11.1
Kymab B Pref (Unquoted)	Health Care	2.38	7.0
Cell Medica (Unquoted)	Health Care	2.23	14.1
Ultrahaptics Pref (Unquoted)	Technology	1.71	22.2
Ombu (Unquoted)	Financials	1.69	9.9
Precision Biopsy (Unquoted)	Health Care	1.62	21.9
Idex	Technology	1.51	5.5
Arix Bioscience	Financials	1.38	6.7
Mission Therapeutics (Unquoted)	Health Care	1.37	16.3
Malin	Financials	1.33	3.8
AJ Bell (Unquoted)	Financials	1.30	3.2
Thin Film Electronics	Industrials	1.22	4.8
Autolus Pref C (Unquoted)	Health Care	1.22	5.0
Evofem D (Unquoted)	Health Care	1.11	0.0**
Inivata (Unquoted)	Health Care	1.10	23.8
Cequr (Unquoted)	Health Care	1.06	8.1
Federated Wireless (Unquoted)	Technology	1.03	11.1
4D Pharma	Health Care	1.02	4.2
Xeros	Industrials	1.01	3.8
ReNeuron	Health Care	0.99	15.2
Sabina Estates Pref C	Financials	0.97	0.0**
SciFluor Life Sciences (Unquoted)	Health Care	0.92	9.0
AMO Pharma (Unquoted)	Health Care	0.89	20.1
Netscientific	Health Care	0.88	16.4
Seedrs (Unquoted)	Financials	0.84	15.3
Industrial Heat A1 Pref (Unquoted)	Industrials	0.76	1.4
Drayson Technologies B (Unquoted)	Technology	0.67	10.4
Benchmark	Health Care	0.62	1.9
Mercia Technologies	Financials	0.59	5.0
Nexeon (Unquoted)	Industrials	0.58	4.7
ABLS Capital (Unquoted)	Health Care	0.54	29.1
Kind Consumer C (Unquoted)	Consumer Goods	0.50	13.8
Mafic (Unquoted)	Industrials	0.49	7.5
Carrick Therapeutics (Unquoted)	Health Care	0.47	10.5
Industrial Heat A2 Pref (Unquoted)	Industrials	0.44	11.6
Ratesetter (Unquoted)	Financials	0.44	1.9
Mafic B (Unquoted)	Industrials	0.43	6.6
Accelerated Digital Ventures A (Unquoted)	Financials	0.37	9.6
Metalysis (Unquoted)	Industrials	0.36	7.7
Fibre 7 (Unquoted)	Industrials	0.36	60.9
Dementia Discovery Fund (Unquoted)	Health Care	0.36	98.5
PsiOxus (Unquoted)	Health Care	0.34	2.3
Ultrahaptics (Unquoted)	Technology	0.34	4.4
Sphere Medical Pref (Unquoted)	Health Care	0.33	33.0
Seedrs Pref (Unquoted)	Financials	0.30	5.4

* weighting in underlying portfolio company.
** stated as zero as rounded down.

Name	Industry	Weight (%)	Holding (%)*
Vernails	Health Care	0.29	5.8
Federated Wireless Pref B (Unquoted)	Technology	0.28	3.1
Genomics (Unquoted)	Health Care	0.27	9.7
RM2 International 9% convertible	Industrials	0.27	4.8
Kind Consumer (Unquoted)	Consumer Goods	0.23	12.0
Cambridge Innovation Capital (Unquoted)	Financials	0.22	1.5
Yoyo Wallet (Unquoted)	Technology	0.20	8.3
Novabiotics (Unquoted)	Health Care	0.18	2.2
Econic (Unquoted)	Industrials	0.18	8.3
American Financial Exchange (Unquoted)	Financials	0.16	1.7
Drayson Technologies C (Unquoted)	Technology	0.14	0.9
Northwest Biotherapeutics	Health Care	0.12	1.9
Bodle Technologies (Unquoted)	Technology	0.11	6.4
Metaboards (Unquoted)	Technology	0.11	7.6
Halosource Reg S	Industrials	0.10	8.5
Origin (Unquoted)	Health Care	0.09	1.9
Evofem C (Unquoted)	Health Care	0.07	1.2
RM2 International	Industrials	0.06	6.0
Origin (convertible pref) (Unquoted)	Health Care	0.05	5.1
Industrial Heat A3 (Unquoted)	Industrials	0.04	0.2
Kind Consumer B (Unquoted)	Consumer Goods	0.03	1.8
Origin (warrants) (Unquoted)	Health Care	0.01	0.0**
Sphere Medical (Unquoted)	Health Care	0.01	8.6
Midatech Pharma	Health Care	0.01	0.3
Ombu Pref (Unquoted)	Financials	0.01	2.1
Fibre 7 (ord) (Unquoted)	Industrials	0.00**	0.5
Accelerated Digital Ventures B1 (Unquoted)	Financials	0.00**	0.0**

* weighting in underlying portfolio company.
** stated as zero as rounded down.

The strategic report on pages 3 to 37 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 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 that may not otherwise be easily accessible to them. More information can be found on the AIC website, via the following link:
http://www.theaic.co.uk/guide-to-investment-companies.

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 change to become more global in nature for reasons such as an overseas listing or as the result of changes to 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 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 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.

Investment restrictions
The Company is subject to the following investment restrictions:

- investment in unquoted companies will be limited to 80 per cent of gross assets 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 NAV 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 NAV 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 NAV at the time of investment; and

- with respect to cash deposits, the Company shall not have exposure of more than 10 per cent of NAV, at the time of investment, to any one issuer.

* During the period, the Board approved an amendment to the investment policy to limit the investment in unquoted companies to 80 per cent of gross assets (rather than net assets) to reflect the Company's gearing position and the fact that the Portfolio Manager considers its investments on a portfolio basis. This was deemed to be a non-material change and the update was reflected in the Company's published investment policy at that time.

Borrowing
The Company may employ gearing of up to 20 per cent of NAV, 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 pricing of unquoted securities, in line with Financial Conduct Authority regulations, is solely the responsibility of the appointed AIFM (Link). Link provides independent oversight to pricing and conducts its own Fair Value Pricing Committee (FVPC) with the support of an independent valuation firm it employs (Duff & Phelps).

Link's Fair Value Pricing 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.

An in-depth valuation of each investment is performed independently by Duff & Phelps (the independent third party) using information publicly available, in addition to that supplied by the Company's investee companies. A valuation occurs: (i) at the time of initial investment, (ii) with a semi-annual frequency thereafter and (iii) as required where 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 the AIFM who is the decisionmaker on valuations and enacts the price change. Where the AIFM 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 NAV at the time of borrowing.
- the Company's investment policy, which determines the diversity of the Company's portfolio.
- 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 NAV.

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 discount at which the Company's ordinary shares trade in relation to the Company's underlying NAV and takes action accordingly. During the period under review, the Company's ordinary shares traded at a discount to its underlying net asset value. There are various demands on capital that will include new investments, follow-on investments, reduction of debt and buy back of shares. The choice as to whether this capital is used to manage the discount will depend on amongst other things the shape of the portfolio, the financial cycle and the performance of the company's share price and NAV. As the portfolio matures the board will keep the use of cash under review.

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 authority granted at the Annual General Meeting (AGM) held on 12 June 2017. 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 has adopted a diversity policy, which acknowledges the benefits of greater diversity, including gender diversity, and remains committed to ensuring that the Company's Directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives to the Board. Whilst the Board does not feel that it would be appropriate to set targets as all appointments are made on merit, the following objectives for the appointment of Directors have been established:

- all Board appointments will be made on merit, in the context of the skills, knowledge and experience that are needed for the Board to be effective; and
- long lists of potential non-executive Directors should include diverse candidates of appropriate merit.

Corporate and operational structure

Alternative Investment Fund Manager's Directive (AIFMD)

In accordance with the AIFMD, the Company has appointed Link Fund Solutions Limited to act as its 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:

- Link Company Matters Limited has been appointed to act as the Company Secretary;
- Northern Trust Global Services Limited (Northern Trust) has been appointed to act as the Company's investment accountant and administrator;
- Link Market Services 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, among 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. It can request that action is taken to bear pressure on the companies in 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, including those that would threaten its business model, future performance, solvency or liquidity. 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 2017 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 87 to 92.

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 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, quoted and unquoted, may be less liquid, and as a consequence their share prices may be more volatile than larger capitalised 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. The performance of the Company's individual holdings, together with market events, may create short-term volatility in the Company's NAV.

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.

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, which may be compounded by market events, should be mitigated over time when such companies deliver on their milestones and value is recognised.

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.

The Portfolio Manager 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 terminating the contract is thought to be very 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 that 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.

Gearing
The Company has the ability to employ gearing up to a maximum of 20 per cent of NAV, calculated at the time of borrowing. The Company is utilising its gearing facility in order to invest further behind specific portfolio companies.

With an established portfolio and limited gearing capacity remaining, there may be less flexibility to make new investments and provide follow-on funding to the portfolio companies.

A higher level of gearing may have a significant downside effect to the Company's NAV during a period of poor performance or decline in the market.

Mitigation – the Board reviews gearing very regularly. It may set additional limits on the gearing facility and reviews these limits at each Board meeting.

The Portfolio Manager also provides a thorough analysis of any anticipated funding commitments and possible liquidity events of the portfolio companies at each Board meeting. This allows the Board to carefully assess the companies' ability to meet its commitments and maintain its financing facility.

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 2017, the Company's NAV declined by two per cent. A more detailed explanation of the Company's performance can be found in the Portfolio Manager's review on pages 8 to 9 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 comparative benchmark against which performance is measured. It believes that operational progress is the KPI in this unique portfolio of quoted and unquoted assets.

Share price premium/(discount) to NAV 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. No further shares have been issued. The Company's shares traded at an average discount of 5.6 per cent to its NAV (cum income) throughout the year to 31 December 2017.

Ongoing charges
The Portfolio Manager 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 0.9 per cent. As at 31 December 2017, the Company's ongoing charges ratio was 0.2 per cent.

The Portfolio Manager is committed to greater transparency on the total cost of investing. 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 2017, the Company had gearing of £149,411,000 (19.78 per cent) of NAV, in respect of an overdraft, while the average level of gearing among its peers was 5.2 per cent.

Portfolio diversification
The Board reviews the portfolio at every Board meeting and expects it to become more concentrated around a number of larger assets.

By order of the Board
Link Company Matters Limited
Secretary
23 April 2018

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.

Susan was appointed as a Director of the Company on 13 February 2015.

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 (now a wholly-owned subsidiary of Dow Chemical), 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.

Scott was appointed as a Director of the Company on 13 February 2015.

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.

Carolan was appointed as a Director of the Company on 28 July 2016.

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.

Steven was appointed as a Director of the Company on 13 February 2015.

Alan Hodson
Member of the Management Engagement and Audit Committees

Alan Hodson is the Chairman of JPMorgan Elect plc and a non-executive director of 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).

Alan was appointed a Director of the Company on 28 July 2016.

Dame Louise Makin
Member of the Management Engagement and Audit Committees

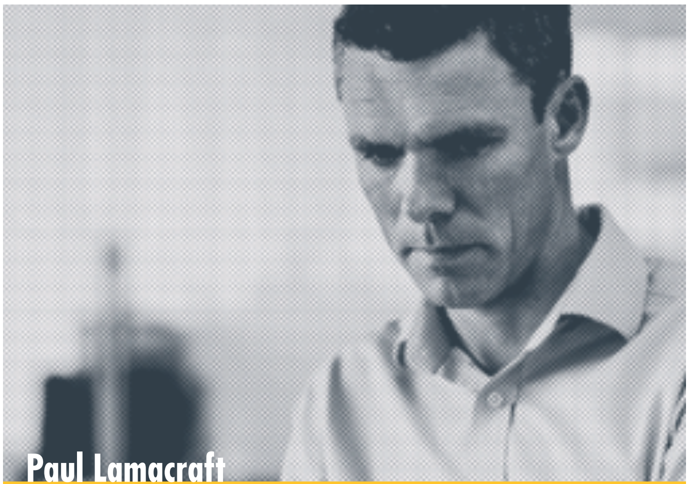
Louise joined BTG plc, a growing global specialist healthcare company in the FTSE 250, as Chief Executive in October 2004. During her time with the company, Louise has overseen a strategic business review leading to a focus on life sciences, expansion into the US and a series of acquisitions. Prior to 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, Chair of the 1851 Trust, 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.

Louise was appointed a Director of the Company on 13 February 2015.

Neil Woodford
Head of Investment

Neil Woodford is one of the most respected fund managers in the UK. His disciplined, valuation-orientated 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.

Dominic Eccles
Trading & Operations

Dominic began his career in financial services in 2008 when he joined the customer service team at Aviva. Client service and asset control administration roles at Transact followed and in 2010 Dominic secured his first analyst role with MF Global. In 2012 he joined Legal & General as an Investment Support Analyst and in 2013 he was appointed Lead Operations Analyst at BP Investment Management, where he was a key member of a three-person investment operations team responsible for the £21 billion BP UK Pension Fund.

Dominic holds the Investment Management Certificate and is currently completing the Chartered Institute for Securities and Investment Diploma. He joined the Woodford investment team in 2015.

THE DIRECTORS HAVE PLEASURE IN PRESENTING THEIR ANNUAL REPORT AND THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017.

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 40 to 42.

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 of Securities Insurance, which commenced on 24 February 2015 with a five-year run-off period.

The Board considers that, following recent performance evaluations, all of the current Directors contribute effectively and have the skills and experience relevant to the future leadership and direction of the Company. The Board therefore believes that it is in the best interests of shareholders that each of the Directors is re-elected.

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 2010 (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 Section 439 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 35 and 36 and internal controls can be found on page 58.

Share capital – voting and dividend
As at 31 December 2017, 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 2018.

The ordinary shares carry the right to receive dividends and have one voting right per ordinary share. There are no shares that 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 2017 (2016: nil).

Substantial share interest
During the year to 31 December 2017, 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 three 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	96,164,338	4,470,466	12.16%	28 September, 2017

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

Holder	Ordinary shares	Securities lending*	Percentage of total voting rights	Date notified
BlackRock, Inc	92,430,921	8,493,800	12.20%	11 April, 2018

**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 re-appointment, as required in accordance with its Terms of Reference, and, having regard to its effectiveness and the services it has provided to 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 re-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 59 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. 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 2017 to 31 December 2017

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 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 2022. 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 35 and 36 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 mindful that a proportion of the Company's portfolio comprises cash and equity assets traded on public markets that are 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 2022.

Management and administration

Company secretary

Link Company Matters Limited (the 'Company Secretary') is the corporate company secretary of the Company on the basis of a fee of £57,526 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 NAV 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 0.02 per cent of the Company's net assets (exclusive of VAT and out-of-pocket expenses). The administration agreement can be terminated by either party by providing six months' written notice.

AIFM
Link Fund Solutions 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 0.01 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 78 and 79. 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. In addition to safekeeping of custodial assets, the Depositary is responsible for verifying asset ownership of all other assets, together with the collection of income and to oversee that the Company is run in accordance with the FCA's Investment Funds Sourcebook. 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 first £10 billion of the Company's net assets (exclusive of VAT and out-of-pocket expenses) and a fee of 0.0075 per cent on all assets over £10 billion. The depositary agreement can be terminated by either party by providing six months' written notice.

Continuing appointment of the AIFM and Portfolio Manager
The Board keeps the performance of the AIFM under continual review. As the AIFM has delegated the investment management function to Woodford Investment Management Limited, the performance of the Portfolio Manager is also regularly reviewed. The Board, through delegation to the Management Engagement Committee, has considered the performance of the AIFM and the terms of its engagement. It is the opinion of the Directors that the continuing appointment of the AIFM and the Portfolio Manager on the terms agreed is in the interests of shareholders as a whole. The remuneration of the AIFM is fair both in absolute terms and compared to that of managers of comparable investment companies. 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 Tuesday, 12 June 2018 at 2.30pm at Landing Forty Two, The Leadenhall Building, 122 Leadenhall Street, London EC3V 4AB.

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 2017, together with the strategic report, Directors' report and the auditor's report on those financial statements;
- the receipt and approval of the Directors' remuneration report;
- the 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 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 NAV 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 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. This authority will expire at the AGM to be held in 2019 when a resolution to renew the authority will be proposed.

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 NAV 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 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. No shares have been bought back under this authority. 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 that 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 NAV. The Company will fund any buyback by using the Company's cash resources or utilising the Company's loan facility. This authority will expire at the AGM to be held in 2019 when a resolution to renew the authority will be proposed.

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 2019. 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.

The full text of the resolutions being proposed at the AGM can be found on pages 102 and 103.

The Board considers that all of the resolutions described above and disclosed on pages 102 and 103 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

Link Company Matters Limited
Company Secretary
23 April 2018

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 April 2016, 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 40 to 42 and demonstrate the wide range of skills and experience 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.

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 40.

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 2017 to 31 December 2017, against the number of meetings each Board or Committee member was eligible to attend.

	Board	Audit Committee	Management Engagement Committee
Susan Searle	5/5	2/2	1/1
Scott Brown	5/5	2/2	1/1
Carolan Dobson	5/5	2/2	1/1
Steven Harris	5/5	2/2	1/1
Louise Makin	5/5	2/2	1/1

The Board met once during the year for a whole day to review and focus on the Company's strategy. In addition, the Board took part in a valuation workshop with the AIFM and Duff & Phelps to discuss the Company's valuation process.

A number of additional meetings were held to discuss various other strategic matters.

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:

- The Company 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 the 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.

Board evaluation
As a FTSE 250 Company, the Board is required to be externally evaluated at least every third year. An external board evaluation company, Lintstock Limited, undertook the first Board evaluation in 2016. The Directors are aware that they need continually to monitor and improve performance and recognise this can be achieved through regular Board evaluation, which provides a valuable feedback mechanism for improving Board effectiveness.

The Directors opted to undertake an internal performance evaluation for the year ended 31 December 2017, this was undertaken by the Company Secretary, by way of questionnaires specifically designed to assess the strengths and independence of the Board and the Chairman, individual Directors and the performance of its Committees. The evaluation of the Chairman is carried out by the other Directors of the Company, led by the Chair of the Audit Committee.

The questionnaires are also intended to analyse the focus of Board meetings and assess whether they are appropriate, or if any additional information may be required to facilitate Board discussions. The results of the Board evaluation process were reviewed and discussed by the Board as a whole.

As a result of the evaluation, the Board considers that it is working well and all Directors continue to make positive contributions. There is the appropriate blend of knowledge, skills, and experience relevant to the leadership and direction of the Company. A strategy in relation to succession planning would be set in the future, although it was acknowledged that there was no immediate need for this due to the age of the Company. The annual Strategy Day had provided all Directors with the opportunity to set clearer goals in relation to the Company's objectives.

In accordance with the AIC Code, the Board has reviewed the independent status of each individual Director and the Board as a whole. In the Board's opinion, all Directors are considered to be independent of the Portfolio Manager in both character and judgement.

The Directors intend to engage an external provider to conduct the Board evaluation process for the year ending 31 December 2019.

Board training and induction
The Company Secretary 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 that 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 40 to 42. As the Company is within the FTSE250, each of the Directors will put themselves forward for re-election on an annual basis.

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 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 certain 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. Given the size and nature of the Board it is felt appropriate that all Directors are members of the Audit Committee. Susan Searle, the Company's Chairman, is therefore 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 59 to 61.

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.

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. Following review, the Management Engagement Committee has recommended that the appointments of all of the Company's third-party service providers continue.

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 that 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 of the AGM, 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. During the year, the Chairman met with a number of major shareholders. 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 weaknesses 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 35 and 36 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 87 to 92. 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 2017.

The membership of, and attendance at, the Audit Committee meetings is set out on page 55. Following the performance evaluation of the Audit Committee as set out on page 56, 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 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 were 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; and
- the dividend policy.

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 2017, the auditor has provided the following non-audit service: review of the Company's half-year accounts for the period ended 30 June 2017. 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 2017 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 to review the report and accounts for the year ended 31 December 2017. 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 AIFM 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 AIFM's Fair Value Pricing Committee, which takes inputs from the Portfolio Manager and Duff & Phelps (who act as an independent valuation adviser), which considers the pricing of the unquoted holdings. Please see note 2(b) on pages 76 and 77 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 raised by the Depositary and 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 for the year ended 31 December 2017 includes checks on the completeness and accuracy of income and also checks that this has been recognised in accordance with stated accounting policies.

Following the consideration of the above matters and its detailed review, the Audit Committee was of the opinion that the annual report, 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.

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 third 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 is Mr Marcus Swales. Mr Swales has significant experience in the audit of investment trusts. In accordance with UK legislation, the audit partner must rotate at least every five years. Mr Swales 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 79.

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 team and assessed Grant Thornton's performance to date. 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 2017. Following this review of the effectiveness of the audit, the Audit Committee was satisfied that Grant Thornton had carried out its duties effectively. 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 regularly.

Tax adviser
The Audit Committee monitors and reviews the effectiveness of the Company's tax adviser, Duff & Phelps Limited, 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 2017 with the provisions of the Statutory Audit Services Order 2014, issued by the Competition and Markets Authority ('CMA Order').

Approved
23 April 2018
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 2017. 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 2017 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' fess 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. Any new directors appointed will be remunerated in accordance with the remuneration policy below.

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 £180,000.
- 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 2018	Fees for the year ended 31 December 2017
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 AGMs held on 12 June 2017 and 9 May 2016 respectively. The votes cast by proxy at those AGMs were as follows:

Resolution	Votes for	% For	Votes against	% Against	Number of votes withheld
Approval of remuneration report	174,173,149	99.84	242,124	0.14	45,482
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:

	Fees paid from 1 January 2017 to 31 December 2017	Total 2017	Fees paid from 1 January 2016 to 31 December 2016	Total 2016
Susan Searle	£40,000	£40,000	£40,000	£40,000
Scott Brown	£27,000	£27,000	£27,000	£27,000
Carolan Dobson	£27,000	£27,000	£11,458*	£11,458*
Steven Harris	£32,000	£32,000	£32,000	£32,000
Alan Hodson	£27,000	£27,000	£11,458*	£11,458*
Louise Makin	£27,000	£27,000	£27,000	£27,000
Total	**£180,000**	**£180,000**	**£148,916**	**£148,916**

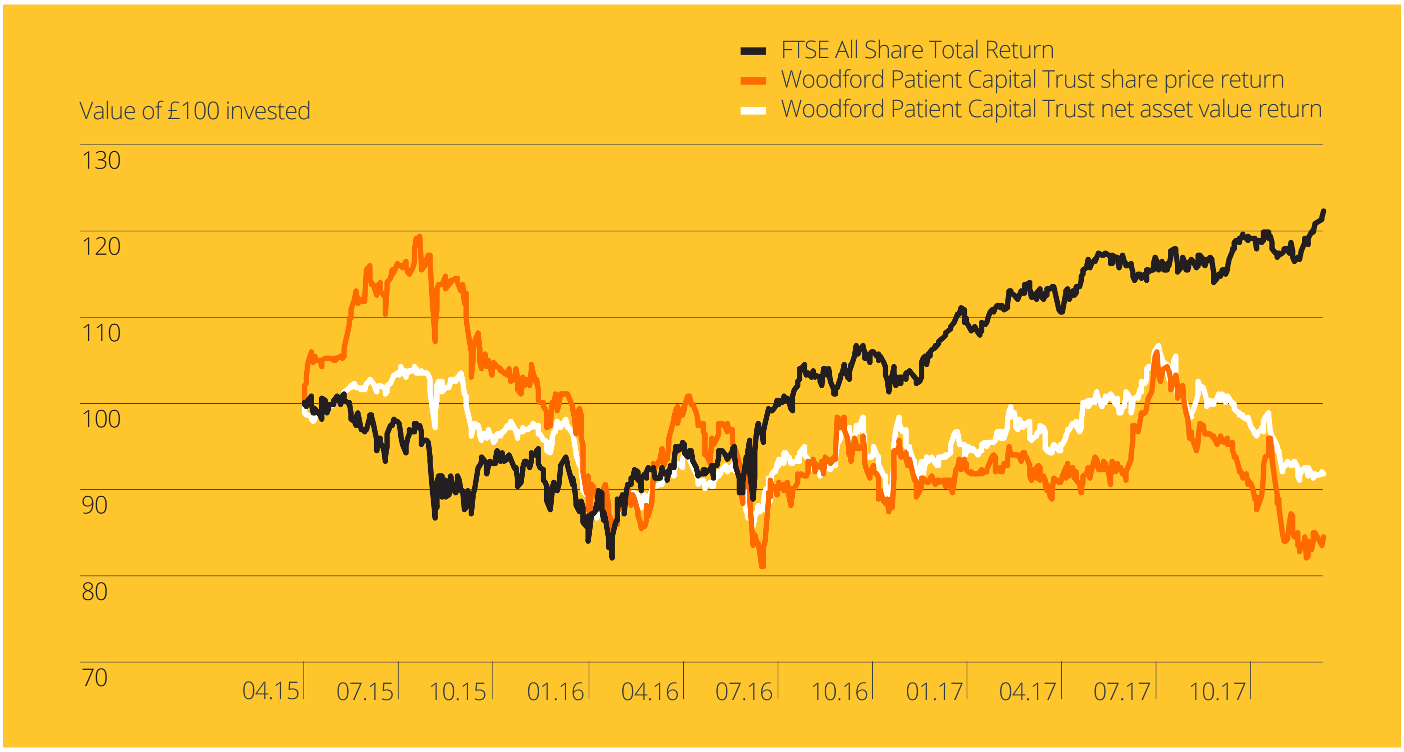
* Carolan Dobson and Alan Hodson were appointed to the Board on 28 July 2016.

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 2017.

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	2017	2016
Total remuneration paid to Directors	£180,000	£152,683
Service providers and administrative costs	£1,305,881	£1,218,686
Shareholder distribution – dividends or share buybacks	£Nil	£1,323,200

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 2017	31 December 2016
Susan Searle	Ordinary shares	51,062	36,062
Scott Brown	Ordinary shares	24,341	24,341
Carolan Dobson	Ordinary shares	25,000	25,000
Steven Harris	Ordinary shares	45,077	45,077
Alan Hodson	Ordinary shares	150,000	50,000
Louise Makin	Ordinary shares	25,523	13,523

There have been no changes to any holdings between 31 December 2017 and the date of this report.

Approval of the annual report on remuneration
The annual report on remuneration was approved by the Board on 23 April 2018.

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 40 to 42, 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 AIC Code of Corporate Governance 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 59 to 61. As a result, the Board has concluded that the annual report and financial statements for the year ended 31 December 2017, 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
23 April 2018

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Woodford Patient Capital Trust plc (the 'Company') for the year ended 31 December 2017, which comprise the income statement, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable according to law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

– give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its return for the year then ended;
– have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
– have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

– the disclosures in the annual report set out on pages 35 and 36 that describe the principal risks and explain how they are being managed or mitigated;
– the Directors' confirmation, set out on page 35 of 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 Directors' statement, set out on page 51 of the financial statements, about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the 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;
– whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
– the Directors' explanation, set out on page 51 of 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.

Overview of our audit approach

– Overall materiality: £7,608,000, which represents approximately one per cent of the Company's net assets;
– Key audit matters were identified as valuation and existence of investments; and
– Our audit approach was a risk-based substantive audit focused on the investment activities of the Company.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit
Valuation and existence of investments The Company's business is to achieve long-term capital growth through investing in a portfolio of companies, both quoted and unquoted. As a result, the Company has significant exposure to quoted and unquoted investments which represent nearly 100 per cent of the Company's total assets. Additionally, valuation of unquoted investments is subjective and include a number of judgements. We therefore identified the existence and valuation of quoted and unquoted investments as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: – obtaining 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; – assessing the appropriateness of the Company's accounting policy in accordance with FRS 102 and its consistent application year on year; – agreeing the valuation of quoted investment to an independent source of market prices; – conducting procedures to satisfy ourselves of the qualifications and expertise of the investment manager to prepare valuations of unquoted investments for the Company; and – using our own valuation experts to inform our challenge of the AIFM on the valuation methodology used for a sample of unquoted investments and whether this was in accordance with International Private Equity and Venture Capital valuation guidelines and FRS 102. Specifically, we focused on the appropriateness of the valuation basis selected, the underlying assumptions used and key financial inputs. The Company's accounting policy on the 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 a significant issue in its report on page 60 where the Audit Committee also described the action that it has taken to address this issue. **Key observations** Our audit work did not identify any material misstatements concerning the valuation and existence of investments.

Our application of 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 £7,608,000, which is approximately one per cent of the Company's net assets. This benchmark is considered the most appropriate because it represents a key financial metric used to measure the performance of the Company and is of primary interest to the users of the financial statements.

Materiality for the current year is lower than the level that we determined for the year ended 31 December 2016, reflecting a slight decrease in the value of net assets in the year.

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 investment income and Directors' remuneration.

We determined the threshold at which we will communicate misstatements to the Audit Committee to be £380,400. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit
Our audit approach was a risk-based approach founded on a thorough understanding of the Company's business, its environment and risk profile. As part of the engagement, we attended periodic Audit Committee meetings in order to document our understanding of the valuation and control review process, including corporate governance. In addition, we undertook numerous walkthroughs of the systems and controls in order to assess the effectiveness of the internal controls. Specifically, we documented and assessed the design and implementation of the investment valuation process and the controls in place at the AIFM. We also performed substantive audit procedures on specific transactions, including individually material balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment and our evaluation of the design and implementation of controls that address significant audit risks.

Other information
The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 66 – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit Committee reporting set out on pages 59 to 61 – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 54 – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

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
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Responsibilities of Directors for the financial statements
As explained more fully in the statement of Directors' responsibilities set out on page 66, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

We are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). Our audit approach is a risk-based approach and is explained more fully in the 'An overview of the scope of our audit' section of our audit report.

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

Other matters we are required to address
We were appointed by the Board on 24 February 2015. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is three years.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

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

23 April 2018

FINANCIAL STATEMENTS

Year ended 2017	Notes	Revenue £000	Capital £000	Total £000
Losses on investments and derivatives measured at fair value through profit or loss	15	0	(12,357)	(12,357)
Income	3	404	0	404
Portfolio management fee	4	0	0	0
Other expenses	5	(1,486)	0	(1,486)
Return before finance costs and taxation		**(1,082)**	**(12,357)**	**(13,439)**
Finance costs	6	(2,359)	0	(2,359)
Return before taxation		**(3,441)**	**(12,357)**	**(15,798)**
Taxation	**7**	**0**	**0**	**0**
Return for the period		**(3,441)**	**(12,357)**	**(15,798)**
Return per ordinary share (pence)	**18**	**(0.42)p**	**(1.49)p**	**(1.91)p**

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 and 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**

The notes on pages 76 to 92 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 2017

31 December	Notes	2017 £'000	2016 £'000
Fixed assets			
Investments at fair value through profit or loss	9	905,284	841,159
Current assets			
Derivative financial instruments at fair value through profit or loss	12	0	5,730
Debtors	10	4	38
		4	**5,768**
Creditors – amounts falling due within one year			
Derivative financial instruments at fair value through profit or loss	12	0	(996)
Other creditors	11a	(582)	(198)
Bank overdraft	11b	(149,411)	(74,640)
Net current liabilities		**(149,989)**	**(70,066)**
Total assets less current liabilities		**755,295**	**771,093**
Net assets		**755,295**	**771,093**
Capital and reserves			
Share capital	13	8,270	8,270
Share premium	14	813,099	813,099
Capital reserve	15	(62,137)	(49,780)
Revenue reserve	16	(3,937)	(496)
Total shareholders' funds		**755,295**	**771,093**
Net asset value per share – ordinary shares (pence)	**19**	**91.33p**	**93.24p**

The notes on pages 76 to 92 form part of these accounts.

The financial statements of Woodford Patient Capital Trust plc, company number 09405653, were approved by the Board and authorised for issue on 23 April 2018 and were signed on its behalf by:

Susan Searle
Chairman

Year ended 2017	Share capital £'000	Share premium account £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Beginning of year	8,270	813,099	(49,780)	(496)	771,093
Total comprehensive income for the financial year	0	0	(12,357)	(3,441)	(15,798)
Dividends paid	0	0	0	0	0
Balance at 31 December 2017	**8,270**	**813,099**	**(62,137)**	**(3,937)**	**755,295**

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)
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**

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.

31 December	2017 £'000	2016 £'000
Cash flow from operating activities		
Loss before finance costs and taxation	(13,439)	(32,305)
Adjustments for:		
Movements in investments held at fair value through profit or loss	12,357	32,193
Decrease in debtors	34	288
Increase in creditors	240	15
Net cash (used)/generated from operating activities	**(808)**	**191**
Cash flows from investing activities		
Purchases of investments	(285,503)	(217,879)
Proceeds from sales of investments	194,658	136,354
Cash outflows from derivative financial instruments	(15,624)	(5,507)
Cash inflows from derivative financial instruments	34,865	2,115
Net cash used in investing activities	**(71,604)**	**(84,917)**
Cash flows from financing activities		
Dividends paid	0	(1,323)
Finance costs	(2,359)	(599)
Net cash used in financing activities	**(2,359)**	**(1,922)**
Net (decrease)/increase in cash and cash equivalents	**(74,771)**	**(86,648)**
Cash and cash equivalents at the beginning of the year	(74,640)	12,008
Cash and cash equivalents at the end of the year	**(149,411)**	**(74,640)**

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 Beaufort House, 51 New North Road, Exeter, EX4 4EP, 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 FRS 102 as it applies to the financial statements of the Company for the year ended 31 December 2017 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 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.

Investments in the shares of individual companies that are not listed on any Stock Exchange ("unquoted investments") are a significant activity of the Company and represent a significant asset of the Company. Such investments are held at fair value, which requires significant estimation in concluding on their fair value. While there is a robust and consistent valuation process, undertaken by the AIFM, it is recognised that in stating these assets at fair value there is a significant element of estimation uncertainty. Central to this uncertainty is the assumption that such assets will continue to progress in line with their stated business plan and will be held for the longer term until exit, generally where either the company is sold to an interested party or lists on an appropriate exchange. However, failure of any individual unquoted investment to progress in accordance with their business plan could result in material change to the fair valuation of that company. The assumptions and estimates made in determining the fair value of each unquoted investment are considered at least each six months or sooner if there is a triggering event, for example the failure to meet an anticipated outcome of a drug trial.

In determining the fair value of the unquoted investments, the AIFM, as set out in the unquoted securities valuation policy on page 32, has done so in accordance with the following principles, which are consistent with the IPEVCV guidelines:

1. held at the price of a recent investment for an appropriate period where there is considered to have been no material change in fair value; or

2. Accounting policies *(continued)*

2. where the basis in (1) is no longer considered appropriate, then the following factors will be considered in determining the fair value:

    a. 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; or
    b. in the absence of (a) 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 models such as Probability-Weighted Expected Return Method. Adjusted recent transaction prices (which consider the company's performance against key milestones) are also used. These valuation methods may lead to a company being valued on 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).

3. if the investment is in a fund then the valuation will be based on the NAV of the fund (which is invariably comprised of early stage unquoted investments), or on an adjusted basis to recognise the potential for a premium or discount to be applied to the share price.

At the end of 2017, 36 per cent (2016: 44 per cent) of the NAV was valued in accordance with (1);12 per cent (2016: 0 per cent) in accordance with (2a); 28 per cent (2016: 4 per cent) in accordance with 2(b) and 4 per cent (2016: 0 per cent) in accordance with 3.

(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:

- any performance fee is allocated to capital;
- investment transaction costs are allocated to capital;
- other expenses are charged wholly to revenue;
- direct issue costs are deducted from the share premium account; and
- 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 not probable.

2. Accounting policies *(continued)*

(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.

(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 2017 £'000	Year ended 31 December 2016 £'000
Income from investments		
UK franked dividends	404	1,255
Total	**404**	**1,255**

4. Portfolio management fee

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'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 NAV per ordinary share
– B is the higher of: (i) the high watermark NAV 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 2017 and (ii) each subsequent period corresponding to each accounting period of the Company.

'Adjusted NAV per ordinary share' means the NAV 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 NAV per ordinary share' means the NAV 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 NAV per ordinary share and the hurdle will be adjusted to reflect the impact on the adjusted NAV 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. As at 31 December 2017, the high watermark NAV per ordinary share was 129.75p.

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 that, 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 there from or convertible there into) and also includes any other amalgamation or reconstruction affecting the share capital of the Company (or any shares, stock or securities derived there from or convertible there into).

No performance fee is payable in respect of the year ended 31 December 2017 (2016: nil).

5. Other expenses

	Year ended 31 December 2017 £'000	**Year ended 31 December 2016 £'000**
Secretarial services	61	88
Valuation fees	290	248
Custody and fund administration fees	216	143
Other administration expenses	684	680
Auditor's remuneration – Fees payable to the Company's auditors for the audit of the Company's annual accounts	45	45
– Fees payable to the Company's auditors for audit-related assurance services: interim review	10	10
Directors' fees	180	153
Total	**1,486**	**1,367**

The above expenses include employer's National Insurance Contributions of £14,150 (period ended 31 December 2016: £12,452).

6. Finance costs

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Fee paid for credit facility and interest paid	2,359	599

7. Taxation

(a) Analysis of charge in the year:

	Year ended 31 December 2017 Revenue £'000	Year ended 31 December 2017 Capital £'000	Year ended 31 December 2017 Total £'000	Year ended 31 December 2016 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 company over the period in question of 19.25 per cent. (2016: 20.0 per cent). The differences are explained below:

	Year ended 31 December 2017 Revenue £000	Year ended 31 December 2017 Capital £000	Year ended 31 December 2017 Total £000	Year ended 31 December 2016 Total £000
Total return before taxation	(3,441)	(12,357)	(12,505)	(32,905)
UK corporation tax at 19.25% (2016: 20.0%)	(662)	(2,379)	(2,407)	(6,581)
Effects of:				
Capital (gains)/losses not subject to corporation tax	0	2,379	1,745	6,439
UK dividends which are not taxable	(76)	0	(76)	(251)
Loan relationship deficit not utilised	452	0	452	120
Movement in unutilised management expenses	267	0	267	269
Expenses not deductible for UK corporation tax purposes	19	0	19	4
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 maintain the investment trust status, 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 £596,833 (31 December 2016: £361,079) based on the long-term prospective corporation tax rate of 17 per cent (31 December 2016: 17 per cent) relating to excess management expenses of £3,510,780 (31 December 2016: £2,123,996). 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 these expenses has been recognised. Additionally, the Company has a deferred tax asset of approximately £518,037 (31 December 2016: £101,846) based on the long-term prospective corporation tax rate of 17 per cent (31 December 2016: 17 per cent) relating to excess non-trade loan relationships of £3,047,277 (31 December 2016: £599,093). Again 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 these expenses has been recognised.

8. Dividend
No dividend is payable for the year ended 31 December 2017 (31 December 2016: £nil).

Dividend paid:	2017		2016	
	Pence	£000	Pence	£000
Final dividend for 2015 paid in 2016 of 0.16p	0	0	0.16	1,323
	0	**0**	**0.16**	**1,323**

Dividend proposed:	2017		2016	
	Pence	£000	Pence	£000
Final dividend proposed	0	0	0	0
	0	**0**	**0**	**0**

9. Investments

31 December	2017 £'000	2016 £'000
Investments listed on a recognised investment exchange:	286,018	472,883
Unquoted investments:	619,266	368,276
Total	**905,284**	**841,159**

(b) Movements

Year ended 31 December 2017	Listed £'000	Unquoted £'000	Total £'000
Book cost at beginning of year	529,841	345,529	875,370
(Losses)/gains on investments held at beginning of year	(56,958)	22,747	(34,211)
Valuation at beginning of year	472,883	368,276	841,159
Movements in year:			
Purchases at cost	57,321	228,623	285,944
Sales:			
– proceeds	(194,861)	0	(194,861)
– losses on investment holdings sold in the year	(70,670)	0	(70,670)
Transfer between unquoted and listed investment at valuation	6,000	(6,000)	0
Movements in gains on investment holdings held at end of year	15,345	28,367	43,712
Valuation at end of year	**286,018**	**619,266**	**905,284**

9. Investments *(continued)*
(b) Movements *(continued)*

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**

Significant gains/(losses) on individual investments during the year

	£'000
Realised gains/(losses) on investments sold in year.	
Purplebricks	22,453
Horizon Discovery	5,284
Verseon	(5,587)
IP	(11,610)
Oxford pharmascience (Abaco Capital)	(14,711)
Allied Minds	(22,834)
Circassia	(24,497)

	£'000
Unrealised gains/(losses) in investments holdings at year end.	
Purplebricks	31,634
Autolus (unquoted)	9,697
Immunocore (unquoted)	8,702
Oxford Nanopore (unquoted)	6,539
Ultrahaptics (unquoted)	6,046
Mereo BioPharma	5,444
Ombu Pref (unquoted)	(5,020)
Vernalis	(6,053)
RM2 International	(7,061)
4D Pharma	(8,963)
Theravance BioPharma	(9,078)

	Total Year ended 31 December 2017 £'000	Total Year ended 31 December 2016 £'000
Comprising:		
Book cost at end of year	895,783	875,370
Gains/(losses) on investment holdings at end of year	9,501	(34,211)
Valuation at end of year	**905,284**	**841,159**

	Listed £'000	2017 Unquoted £'000	Total £'000
Book cost at end of year	327,632	568,151	895,783
Gains/(losses) on investment holdings at end of year	(41,614)	51,115	9,501
Valuation at end of year	**286,018**	**619,266**	**905,284**

	Listed £'000	2016 Unquoted £'000	Total £'000
Book cost at end of year	529,841	345,529	875,370
(Losses)/gains 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 2017 amounted to £78,000 (31 December 2016: £175,000) and on sales for the year amounted to £2,150 (31 December 2016: £35,000).

10. Debtors

	31 December 2017 £'000	31 December 2016 £'000
Accrued income and prepayments	4	38

11a. Other creditors

31 December	2017 £'000	2016 £'000
Amounts falling due within one year:		
Purchases for future settlement	144	0
Other creditors	438	198
	582	**198**

11b. Bank overdraft

31 December	2017 £'000	2016 £'000
Amounts falling due within one year:		
Bank overdraft	149,411	74,640
	149,411	**74,640**

The Company has a bank overdraft credit facility provided by the Northern Trust Company, London Branch of £150,000,000 as at 31 December 2017. Subsequent to the year-end, the bank overdraft facility was extended by 364 days to 17 January 2019. The interest payable on the credit facility is based on LIBOR +1.35 per cent margin on amounts drawndown. The assets of the Company are held as security for this facility.

12. Derivative financial instruments

31 December 2017	Current assets £'000	Current liabilities £'000	Net current assets/ (liabilities) £'000
Forward foreign exchange contracts	0	0	0
Total derivative financial instruments	**0**	**0**	**0**

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**

13. Share capital

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

31 December	2017 No of Shares	2017 £'000	2016 No of Shares	2016 £'000
Allotted, issued and 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 that 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.

14. Share premium

31 December	2017 £'000	2016 £'000
Opening balance	**813,099**	**813,043**
Share issue costs written back	0	56
Closing balance	**813,099**	**813,099**

15. Capital reserve

31 December	2017 £'000	2016 £'000
Opening balance	**(49,780)**	**(17,587)**
Losses on investments – held at fair value through profit or loss	(12,357)	(32,193)
Closing balance	**(62,137)**	**(49,780)**

At the year end the Company had total realised losses of £71,638 (2016: £20,303) and unrealised gains of £9,501 (2016: losses of £29,477).

	2017 £'000	2016 £'000
Realised losses on investments	(70,670)	(11,098)
Realised gains/(losses) on forward currency contract	14,601	(4,919)
Unrealised movement in investments	43,712	(16,176)
Losses on investments	(12,357)	(32,193)

16. Revenue reserve

31 December	2017 £'000	2016 £'000
Opening balance	(496)	1,538
Retained loss for the year	(3,441)	(711)
Final dividend 2015 0.16p paid in 2016	0	(1,323)
Closing balance	**(3,937)**	**(496)**

17. Financial commitments

At 31 December 2017, there were no commitments in respect of unpaid calls or underwriting.

18. Return per ordinary share

Year ended 31 December 2017	Revenue	Capital	Total
Return per ordinary share	(0.42)p	(1.49)p	(1.91)p

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

Revenue return per ordinary share is based on the net return after taxation of £(3,441,000) (2016: £(711,000)).

Capital return per ordinary share is based on net capital return of £(12,357,000) (2016: £(32,193,000)).

Total return per ordinary share is based on the return after taxation of £(15,798,000) (31 December 2016: £(32,904,000)). These calculations are based on 827,000,000 ordinary shares in issue during the year (31 December 2016: calculations are based on 827,000,000 ordinary shares in issue during the year).

There were no instruments outstanding at the year end (2016: nil) with a dilutive impact on return per share.

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

31 December	2017 Net asset value per share pence	2017 Net assets available £'000	2016 Net asset value per share pence	2016 Net assets available £'000
Ordinary shares (827,000,000 shares in issue)	91.33	755,295	93.24	771,093

The NAV 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 transactions 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 2017, 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 2016: no amount was payable in respect of the fee).

Link Fund Solutions Limited, as the AIFM of the Company, was paid £75,000 in respect of the year ended 31 December 2017 (31 December 2016: £83,000) and also has a fee payable for the year ended 31 December 2017 of £12,500 (31 December 2016: £6,250). Link Company Matters Limited, which provides the Company with company secretarial services, was paid £60,560 in respect of the year ended 31 December 2017 (31 December 2016: £88,479 paid during the year).

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 amount to £133,961 (31 December 2016: £78,496).

21. Related party transactions
Under the Listing Rules, the Portfolio Manager and AIFM are regarded as related parties 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 and the AIFM are not considered related parties. Transactions with the Portfolio Manager and AIFM are noted above.

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 above. 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 2017 (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 2017	**Investments £'000**	**Derivative financial instruments £'000**	**Net financial assets £'000**
Currency			
Euro	20,638	0	20,638
Norwegian Krone	24,923	0	24,923
Swiss Francs	9,634	0	9,634
US Dollar	251,815	0	251,815
Total	**307,010**	**0**	**307,010**

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

(b) Currency risk (continued)

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**

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 (2016: +/- 10 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	2017 US Dollar £'000	2016 US Dollar £'000
Projected change	10%	10%
Impact on capital return	(25,182)	(1,970)
Return after taxation for the period	(25,182)	(1,970)

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

As at 31 December	2017 US Dollar £'000	2016 US Dollar £'000
Projected change	10%	10%
Impact on capital return	25,182	1,970
Return after taxation for the period	25,182	1,970

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.

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

(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 (2016: 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 has a £150 million bank overdraft facility, which was extended by 364 days to 17 January 2019. If interest rates had been +/- 25 basis points and all other variables were held constant, the Company's return attributable to ordinary shareholders for the year ended 31 December 2017 would have increased/(decreased) by approximately +/- £375,000.

(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 page 26.

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.

	2017 Increase in fair value £'000	2017 Decrease in fair value £'000	2016 Increase in fair value £'000	2016 Decrease in fair value £'000
Income statement – return after taxation:				
Capital return – increase/(decrease)	90,528	(90,528)	84,116	(84,116)
Return after taxation other than arising from interest rate or currency risk – increase/(decrease)	90,528	(90,528)	84,116	(84,116)

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 that 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 2017, the unquoted securities are valued at £619,266,000 (31 December 2016: £368,276,000).

(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 2017 was as follows:

	2017 3 months or less £'000	2016 3 months or less £'000
Debtors	4	38
Total	**4**	**38**

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 76 and 77.

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.

22. Risk management policies and procedures *(continued)*
(g) Fair value measurements of financial assets and financial liabilities (continued)
The table below sets out fair value measurements using fair value hierarchy.

Financial assets at fair value through profit or loss:

At 31 December 2017	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Assets:				
Equity investments	286,018	0	619,266	905,284
Total	**286,018**	**0**	**619,266**	**905,284**

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**

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

31 December 2017	**£'000**
Opening fair value of level 3	368,276
Purchases at cost	228,623
Transfer to level 1	(6,000)
Movement in holding gains on assets held at the year end	28,367
Closing fair value of level 3	**619,266**

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.

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 2017	Note	Level 2 £'000	Total £'000
Liabilities:			
Derivative financial instruments	12	0	0
Total		**0**	**0**

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

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.

(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; and
– 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 NAV, this is primarily to be achieved through equity capital.

The Company's total capital at 31 December 2017 was £755,295,000 with an overdraft facility of £149,411,000 (31 December 2016: £771,093,000) with an overdraft facility of £74,640,000.

23. Segmental analysis

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

24. Post balance sheet events

Following the year-end, the Company made the following investments

1) The Company's investment in AJ Bell was sold in January 2018, resulting in gross proceeds to the Company of £11,066,664.

2) The Company's investment in Gigaclear was sold, with completion expected in April 2018. This is expected to generate gross proceeds for the Company of £27,760,976.

3) Evofem completed its reverse take-over by Neothetics plc in January 2018 and the newly listed company, Evofem, commenced trading on the Nasdaq exchange in the United States. The valuation impact on the day of completion was neutral to the NAV of the Company.

4) Prothena announced on 23 April 2018 that its trial for NEOD001 in AL Amyloidosis, its lead asset, has been unsuccessful in its Phase II trial, and as a result further development of this drug would be suspended. According to the company, its collaborations with Roche (which is partnering Prothena in PRX002 in Parkinson's disease, currently in Phase II trials) and Celgene (which has collaborated with Prothena on three earlier stage clinical assets) will continue. This result has led to an immediate decline in the share price of Prothena at market opening on the 23 April 2018 of approximately 68 per cent from that used in the valuation of the portfolio of the Company as at 31 December 2017, when it accounted for 7.75 per cent of the gross portfolio assets. It is anticipated that there will be a period of volatility in the share price of Prothena following today's announcement.

SHAREHOLDER INFORMATION

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Dame Louise Makin

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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 NAV 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.

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.

Gross asset value
The gross asset value is the gross worth of the Company's assets. It is arrived at by totalling the value of the Company's listed investments at bid-market prices, unquoted investments valued in accordance with the valuation policy set out in Note 2(b), cash and other net current assets.

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 Link Asset Services Limited.

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

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

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 Link Fund Solutions Limited (LFSL) AIFM remuneration policy are disclosed on the website at http://www.linkfundsolutions.co.uk/assets/media/LFS_Explanation_of_Compliance_with_Remuneration_Code.pdf and have applied to LFSL since 1 January 2015.

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 2017, in respect of the Woodford Patient Capital Trust was £75,000. 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 LFSL has delegated portfolio management to Woodford Investment Management Limited by way of a portfolio management agreement and LFSL 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. The AIFM notes that, during the period the Board approved an amendment to the investment policy to limit the investment in unquoted companies to 80 per cent of gross assets (rather than net assets) to reflect the Company's gearing position and the fact that the Portfolio Manager considers its investments on a portfolio basis. This was deemed to be a non-material change and the update was reflected in the Company's published investment policy at that time.

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 22 (Risk management policies and procedures).

The AIF is permitted to be leveraged and the 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	310.0%	120.0%
Leverage as at 31 December 2017	119.7%	119.7%

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

LFSL 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, 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 2.30pm on Tuesday, 12 June 2018 at Landing Forty Two, The Leadenhall Building, 122 Leadenhall Street, London EC3V 4AB to transact the business set out in the resolutions below.

Resolutions 1 to 11 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.

1. To receive the Company's annual financial statements for the year ended 31 December 2017 together with the strategic report, Directors' report and the auditor's report on those financial statements.

2. To approve the Directors' remuneration report set out on pages 63 to 65 of the Company's annual report and financial statements for the year ended 31 December 2017.

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

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

5. To re-elect Carolan Dobson as a Director

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

7. To re-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 2019, 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 2019 (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 shall be to the higher of:

        (i) an amount equal to 105 per cent of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the ordinary share is purchased; and

        (ii) that stipulated by Article 3(2) of Delegated Regulation (EU) 2016/1052 of 8 March 2016 relating to the conditions applicable to buy-back programmes and stabilisation measures.

    This authority shall expire at the conclusion of the AGM of the Company to be held in 2019 (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.

By order of the Board
Link Company Matters Limited
Company Secretary
23 April 2018
Beaufort House, 51 New North Road, Exeter, EX4 4EP

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 close of business on Friday, 8 June 2018 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 close of business on Friday, 8 June 2018 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. You may wish to arrive by 2.15pm am 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. To appoint more than one proxy, members will need to complete a separate proxy in relation to each appointment.

4. Last year we notified shareholders that from 2018 onwards the Company would no longer be posting proxy-voting cards to shareholders in order to further reduce the environmental impact. So this year you can appoint a proxy using one of the following methods:

   – via the registrars website www.signalshares.com. To vote online you will need to logon to your Signal Shares account or register if you have not already done so. To register you will need your investor code which can be found on your share certificate. Once registered you will immediately be able to vote.

   – by requesting a hard copy by calling the registrar Link Asset Services on 0871 664 0300 calls cost 12p per minute plus your phone company's access charge. From overseas call +44 (0) 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 9.00 a.m. – 5.30 p.m. Monday to Friday excluding public holidays in England and Wales.

5. 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).

6. 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.

7. 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.

8. 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.

9. To be valid, any form of proxy or other instrument appointing a proxy must be received by the Company's Registrar, Link Asset Services Limited, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. In the case of shares held through CREST, via the CREST system (see note 12 below). In each case, for proxy appointments to be valid, they must be received by no later than 2.30pm on Friday, 8 June 2018 (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.

10. 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.

11. 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.

12. 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 2.30pm on Friday, 8 June 2018 (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.

13. 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.

14. Any corporation that 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.

15. As at 20 April 2018 (being the last practicable business day prior to the publication of this Notice) the Company's issued share capital comprised 827,000,000 ordinary shares of 1p each. Each ordinary share carries the right to one vote at a general meeting of the Company.

16. 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.

17. 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.

18. 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 11.00am 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.

19. 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.

Company Name	OXFORD NANOPORE
Company Position in Top Ten	1
% of NAV at 31 Dec 17	9.43%
Industry Sector	Health Care
Geography	UK
Date of Initial Investment	24/07/2015
Cost of Investment to 31 Dec 17	57,602,735
Valuation at 31 Dec 17	72,234,388
Basis of Valuation	Milestones approach
Ownership % (Undiluted)	5.20%
Ownership % (Diluted)	4.90%
Income Recognised	0
Turnover	4,529,000
Pre-tax profits	(64,685,000)
Latest accounts date	31/12/2016

Company Name	BENEVOLENT AI
Company Position in Top Ten	3
% of NAV at 31 Dec 17	7.13%
Industry Sector	Technology
Geography	UK
Date of Initial Investment	30/06/2015
Cost of Investment to 31 Dec 17	49,852,330
Valuation at 31 Dec 17	54,659,281
Basis of Valuation	Price of recent investment
Ownership % (Undiluted)	4.70%
Ownership % (Diluted)	4.20%
Income Recognised	0
Turnover	2,585,000
Pre-tax profits	(15,025,000)
Latest accounts date	31/12/2016

Company Name	IMMUNOCORE
Company Position in Top Ten	5
% of NAV at 31 Dec 17	6.85%
Industry Sector	Health Care
Geography	UK
Date of Initial Investment	16/07/2015
Cost of Investment to 31 Dec 17	35,325,346
Valuation at 31 Dec 17	52,519,176
Basis of Valuation	Price of upcoming investment
Ownership % (Undiluted)	4.2%
Ownership % (Diluted)	3.9%
Income Recognised	0
Turnover	16,465,000
Pre-tax profits	(53,167,000)
Latest accounts date	31/12/2016

Company Name	AUTOLUS
Company Position in Top Ten	6
% of NAV at 31 Dec 17	5.71%
Industry Sector	Health Care
Geography	UK
Date of Initial Investment	02/03/2016
Cost of Investment to 31 Dec 17	34,092,207
Valuation at 31 Dec 17	43,773,772
Basis of Valuation	PWERM
Ownership % (Undiluted)	22.10%
Ownership % (Diluted)	19.40%
Income Recognised	0
Turnover	–
Pre-tax profits	(10,983,597)
Latest accounts date	30/09/2016

Company Name	PROTON PARTNERS
Company Position in Top Ten	7
% of NAV at 31 Dec 17	4.50%
Industry Sector	Health Care
Geography	UK
Date of Initial Investment	08/06/2015
Cost of Investment to 31 Dec 17	30,000,000
Valuation at 31 Dec 17	34,500,000
Basis of Valuation	Price of recent investment
Ownership % (Undiluted)	23.70%
Ownership % (Diluted)	22.00%
Income Recognised	0
Turnover	–
Pre-tax profits	(5,809,000)
Latest accounts date	28/02/2017

Company Name	ATOM BANK
Company Position in Top Ten	9
% of NAV at 31 Dec 17	4.24%
Industry Sector	Financials
Geography	UK
Date of Initial Investment	30/11/2015
Cost of Investment to 31 Dec 17	29,119,035
Valuation at 31 Dec 17	32,495,425
Basis of Valuation	Price of recent investment
Ownership % (Undiluted)	7.65%
Ownership % (Diluted)	7.65%
Income Recognised	0
Turnover	–
Pre-tax profits	(42,212,000)
Latest accounts date	31/03/2017

Woodford Investment Management Ltd,
authorised and regulated by the Financial Conduct Authority.
Registered office is 9400 Garsington Road,
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