Polar Capital Technology Trust plc

INFINITE POSSIBILITIES:
Smart machines and the rise of AI

Annual Report & Financial Statements
for the year ended 30 April 2017

Company / Registered Number
3224867

CONTENTS

INTRODUCTION

PERFORMANCE OVER THE YEAR TO 30 APRIL 2017

56.1%
NET ASSETS PER ORDINARY SHARE

67.3%
SHARE PRICE

53.4%
BENCHMARK

Full details in the Financial Summary on page 04

KEY EMERGING THEMES

ROBOTICS

Read more on
PAGE 7

ARTIFICIAL INTELLIGENCE

Read more on
PAGE 49

COMPUTER GAMING

Read more on
PAGE 81

ABOUT YOUR COMPANY

OBJECTIVE

The investment objective is to maximise long-term capital growth through investing in a diversified portfolio of technology companies around the world. The investment policy is set out in full in the Strategic Report.

RATIONALE

Over the last three decades the technology industry has been one of the most vibrant, dynamic and rapidly growing segments of the global economy. Technology companies offer the potential for substantially faster earnings growth than the broader market.

Technology may be defined as the application of scientific knowledge for practical purposes and technology companies are defined accordingly.

While this offers a very broad and dynamic investing universe and covers many different companies, the portfolio will be focused on technology companies which use technology or which develop and supply technological solutions as a core part of their business models. This includes areas as diverse as information, media, communications, environmental, healthcare, financial and renewable energy, as well as the more obvious applications such as computing and associated industries.

INVESTMENT APPROACH

Stocks are selected for their potential shareholder returns, not on the basis of technology for its own sake. The Investment Manager believes in rigorous fundamental analysis and focuses on:

- management quality;
- the identification of new growth markets;
- the globalisation of major technology trends;
- exploiting international valuation anomalies; and
- sector volatility..

BENCHMARK

The Company has a Benchmark of the Dow Jones World Technology Index (total return, Sterling adjusted, with the removal of relevant withholding taxes) against which NAV performance is measured for the purpose of assessing performance fees.

While the Investment Manager is Benchmark aware in the construction of the portfolio it seeks to identify high growth companies which can result in a significant difference between the portfolio and the Benchmark and an analysis of the portfolio is set out on pages 30 to 36. The full portfolio at the 30 April 2017 is available on the Company's website.

GEARING

The Company uses gearing in the form of bank loans which are used on a tactical basis by the Investment Manager, when considered appropriate. The overall level of net gearing is agreed between Polar Capital LLP as the Alternative Investment Fund Manager (AIFM) and the Board. The Board approves and controls all bank facilities and any net borrowings over 15% of the Company's net assets at the time of draw down will only be made after approval by the Board.

The Investment Manager's use of derivatives is controlled by the Board in accordance with the Company's investment policy and any leverage from the use of such derivatives will be subject to the restriction on gearing.

DIVIDENDS

The Company has not historically paid a dividend as the objective is capital growth.

MANAGEMENT

The Company is led by an experienced Board of Directors with extensive knowledge of investment matters and the regulatory framework in which such activity is undertaken. The Directors are all Non-executive and have appointed various third party suppliers to provide a range of services including investment management, depositary and administrative services to the Company.

The role of the Board is to provide oversight of the Company's activities and to ensure the appropriate financial resources and controls are in place to deliver the investment objective and manage the risks associated with such activities. Details of the Directors' skills and relevant experience are given on pages 50 and 51.

Polar Capital LLP has been the appointed Investment Manager and AIFM throughout the year. Ben Rogoff, the appointed portfolio manager, has been responsible for the Company's portfolio since 1 May 2006 and is supported by a team of technology specialists. Details of the investment team are given on pages 52 and 53.

Polar Capital LLP is authorised and regulated by the Financial Conduct Authority.

FEES

The Company pays both a tiered basic management fee and a performance fee, details of which are set out in the Strategic Report on page 46.

SHARE PRICE AND NET ASSET VALUE

Information on the Company including Monthly Factsheets, Net Asset Values (NAV) and share price can be found on the Company's website. The Company's NAV, is released on the next working day following the calculation date, to the London Stock Exchange.

Share price information is also available from The London Stock Exchange Website www.londonstockexchange.co.uk (PCT), Bloomberg (PCT.LN), Datastream (PCT), Lipper (71000395) and Reuters (PCT.L).

The SEDOL code for the ordinary shares is 0422002 and the ISIN is GB004220025.

PORTFOLIO DETAILS

A full portfolio listing is published quarterly on the Company's website.

WEBSITE

The Company's website can be found at www.polarcapitaltechnologytrust.co.uk

It contains useful information on the Company including stock exchange announcements, financial statements and other reports and notices, commentary by the portfolio manager and useful links to third parties.

REGISTRAR

Equiniti Limited
Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA

Shareholder helpline: 0800 876 6889
(or +44 121 415 7047)
www.shareview.co.uk

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

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

ELECTRONIC COMMUNICATIONS

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

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

AIC

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

FINANCIAL HIGHLIGHTS

FINANCIAL SUMMARY

	As at 30 April 2017	As at 30 April 2016	Movement %
Total net assets	£1,252,525,000	£801,307,000	56.3
Net assets per ordinary share	945.39p	605.51p	56.1
Benchmark (see below)			53.4
Price per ordinary share	947.00p	566.00p	67.3
Premium/(Discount) of ordinary share price to the net asset value per ordinary share	0.2%	(6.5%)	
Ordinary shares in issue at year end*	132,487,000	132,336,159	

*The issued share capital on 18 July 2017 is 132,712,000 shares.

KEY DATA

Benchmark	For the year to 30 April 2017 Local currency %	Sterling adjusted %
Dow Jones World Technology Index (total return Sterling adjusted, with the removal of relevant withholding taxes)	35.5	53.4
Other Indices over the year (total return)		
FTSE World	15.7	30.7
FTSE All-share		20.1
S&P 500 composite	17.9	33.2
Nikkei 225	17.4	28.6
Eurostoxx 600	14.8	24.4

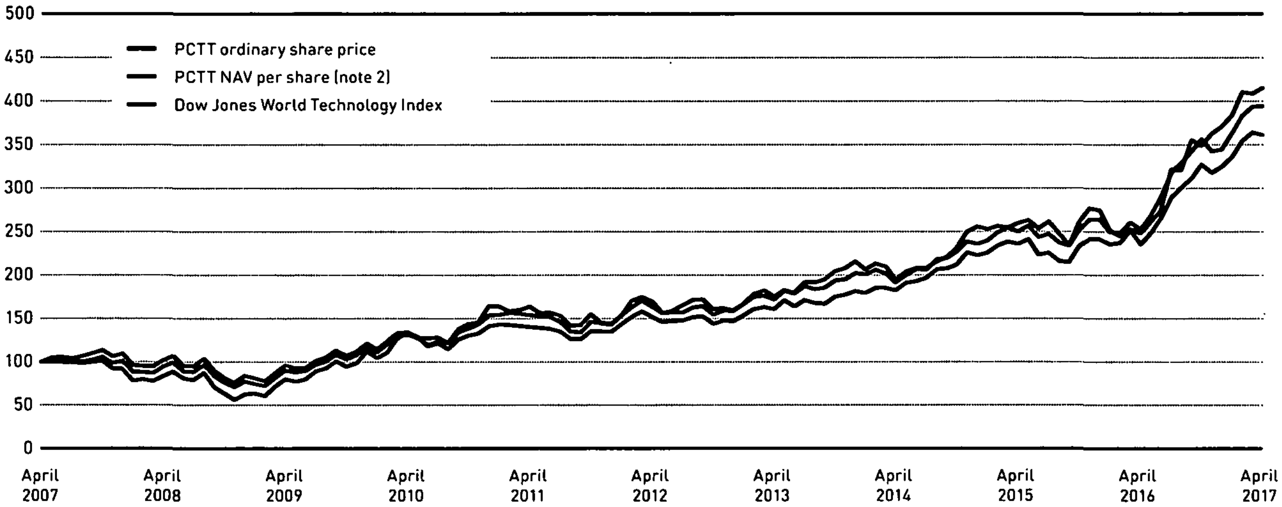
Exchange rates	As at 30 April 2017	As at 30 April 2016
US$ to £	1.2938	1.4649
Japanese Yen to £	144.21	156.74
Euro to £	1.1881	1.2790

	For the year to 30 April 2017	2016
Ongoing charges ratio	1.01%	1.10%
Ongoing charges ratio including performance fee	1.01%	1.10%

Data supplied by Polar Capital LLP and HSBC Security Services.

PERFORMANCE

10 YEAR PERFORMANCE GRAPH



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total Assets less current Liabilities (£m)	335.5	300.4	274.2	398.6	468.7	503.3	528.8	606.6	793.0	801.3	**1252.5**
Share price (pence)	228.0	190.8	183.0	306.8	373.5	387.0	398.5	442.0	592.0	566.0	**947.0**
NAV per share (pence)	239.7	226.7	216.8	315.1	368.7	392.6	412.4	458.4	599.2	605.5	**945.4**
Indices of Growth[1]											
Share price	100.0	83.7	80.3	134.6	163.8	169.7	174.8	193.9	259.6	248.2	**415.4**
NAV per share[2]	100.0	94.6	90.4	131.5	153.8	163.8	172.0	191.3	250.0	252.6	**394.4**
Dow Jones World Technology Index[3]	100.0	101.5	96.0	134.0	140.3	152.0	161.0	182.1	235.7	235.5	**361.1**

The Company commenced trading on 16 December 1996 and the share price on the first day was 96.0p per share and the NAV per share was 97.5p.

Notes:

1 Rebased to 100 at 30 April 2007.

2 The net asset value per share growth is based on NAV per share as adjusted for warrants and subscription shares.

3 Dow Jones World Technology Index (total return, Sterling adjusted) and from April 2013 with the removal of relevant withholding taxes.

All data sourced from Polar Capital LLP

STRATEGIC REPORT SECTION

ROBOTICS

The evolution of advanced components such as machine vision, sensors and reduction gears have made highly accurate and repeatable movement possible. This is driving a significant market expansion as industrial robots – traditionally used for tasks unsuitable for humans to perform over sustained periods such as welding, painting and loading tasks – can today address consumer electronics assembly, healthcare, logistics and many other sectors. The robotics opportunity has also been advanced by e-commerce which is forcing a rethink of the whole supply chain while cobots (robots with enhanced safety control functions) are now able to operate alongside humans in a production line without a safety barrier. The arrival of human-robot collaboration is radically changing the way factories operate, making highly versatile production lines possible. Advances in control system and sensor technologies are also allowing predictive maintenance to be both affordable and precise, paving the way for manufacturers to achieve zero down time (ZDT) and avoid expensive unplanned work stoppages which cost on average 5% of total output value. The vision is real-time information sharing across connected machines and cooperation between cyber-physical systems and humans. However, this will require a fundamental overhaul of how factories are built in order to enable real-time data collection, monitoring and analysis. The replacement opportunity is enormous with c.60m machines in factories globally of which 70% are more than fifteen years old and only 10% are currently connected.

CHAIRMAN'S STATEMENT

'We ended our financial year with net assets of £1.25bn and the net assets per share rose by 56.1%'

RESULTS

In my last year as Chairman, I am pleased to report on an excellent year for the global technology sector and a banner year for Ben Rogoff, our portfolio manager, and the Investment team. They managed to add value in all geographical regions and across all capitalisation bands, with the only slight detractor of holding some cash, including Sterling, in front of the Brexit vote. We ended our financial year with net assets of £1.25bn and the net assets per share rose by 56.1% versus a 53.4% total return for the Benchmark in Sterling, but in local currency terms the Benchmark rose by 35.5% due to its Dollar weighting. Our share price mainly fluctuated in a discount range of 2%-6% with short lived extremes of a 2.5% premium and a 13.8% discount. Towards the end of our financial year the shares were trading on a premium and we had the opportunity to issue just over 150,000 new shares. By ending the year very slightly above net asset value versus a 6.5% discount at the previous year end the share price increased by 67.3%. With our fairly recently tiered fee structure and spreading expenses over a larger asset base our ongoing charges ratio declined by 8.2% from 1.10% to 1.01%. Greater detail about our results including the impact of Brexit and President Trump can be found in the Manager's report.

REGULATION

I was hoping to bring you some positive news that the dreaded MiFID II had been abandoned or at least deferred for another year, but no such luck. This piece of EU led legislation is now scheduled to come into force at the start of January 2018. While it has the laudable objective of providing investors with greater transparency in the costs of their investments it is not of universal application and will not apply to asset managers in the USA, Switzerland et al, so could put European managers and investors at a disadvantage. Historically the cost of primary research, mainly provided by brokers, has been bundled into the commission rates paid when we transact business and included in the expenses borne by the Company. The good news is that equity commission rates have been steadily declining for many years and currently average 0.12% versus the 1.65% in 1966 when I was a blue button. With the arrival of MiFID II in January 2018 the current arrangements of bundling best execution and research in to a single cost for buying and selling shares in the portfolio will end. After this date, the Company will only pay best execution for transactions and research will be an extra cost. We are in lengthy talks with the management company about how best to pay for it in the future. For a rapidly evolving sector like technology access to good research is vital so the team tend to pay a high rate for research, much of which is provided by US brokers. So there are several hurdles to surmount prior to January. Shareholders can see on page 94 the brokerage costs which are paid in US Dollars , when translated in to Sterling at the exchange rates prevailing at the end of our financial years, show the combined cost of purchases and sales was £2.3m (£2.7m in 2016) of which £1.5m was for research (£1.8m in 2016).

SHAREHOLDER COMMUNICATION

We are witnessing an accelerating move to digital communications in all aspects of our lives and thus we continue to spend money on improving your website. As digital forms of providing information to investors have improved, so several companies have decided to stop printing their half year reports and instead are directing their shareholders to reading the results on their websites. We have decided to follow this example and so will not be printing our half year results for the 6 months to 31 October 2017 but these will be posted on the website. We will however continue to maintain the printed version of the Annual Report for those Shareholders who wish to receive it, and the enclosed letter explains what you must do if you prefer to have a paper copy sent to you. I would encourage all Shareholders to visit our website and look at the Annual Report as well as the monthly factsheets and other current information on your investment.

DIRECTORS

I am delighted to welcome Tim Cruttenden to the Board who joined us on 23 March when we held our annual strategy day. He has extensive experience in early, mid and late stage venture capital fund investing and consequently has exposure to the possible Apples, Facebooks and Googles of the future. He is the Chief Executive of VenCap International plc which specialises in investing globally in top-tier venture capital funds. The Board decided to advertise the position and engaged an online Board level recruitment firm for this appointment and our thanks should go to Sarah Bates

'We are witnessing an accelerating move to digital communications in all aspects of our lives and thus we continue to spend money on improving your website'

who suggested this route and volunteered to manage the process. Tim comes up for election at the AGM and I would urge Shareholders to vote in favour as he will be a valuable addition to the Board.

Last year we had a thorough external review from Lintstock of the Directors, Chairman, SID and the work of the Board and its Committees. This year we reverted to our own internal review. There are no major negatives to report but we decided that all independent Directors would sit on all the Committees, the only exception being that the Chairman would not be a member of the Audit Committee. The continued appointment of Brian Ashford-Russell as a Director is reviewed each year as he is not considered independent of the Investment Manager, as he was the Investment Manager until 2006, and has been a Director since the formation of the Company in 1996. The independent Directors are unanimous in recommending that Brian should remain on the Board if he is willing to stand. His knowledge of the sector over many past cycles is difficult to match and he has a wealth of experience in how the sector performs within wider markets when it moves in and out of fashion.

By the time you receive this report I will have been on the Board for 10 years and six months, the last six years as Chairman and I intend to retire from the Board at the AGM in September. My elevation to Chairman in 2011 was, in hindsight, incredibly fortuitous as there has been an extended bull market ever since fuelled by post financial crisis Central Bank support and the Technology sector fulfilling the promise to transform our lives. However my thanks are due to Richard Wakeling, the former Chairman, who had to endure the aftermath of the TMT boom and invited me to join the Board in 2007. I am handing the reins to Sarah Bates who is very well qualified to look after Shareholders' interests having recently been Chairman of two investment trusts. She is also Chairman of St James Place, a FTSE 100 company. I cannot promise her such benign equity markets but like me she loves being on this Board and I am so grateful that she has agreed to accept the Chair.

AGM AND MANAGER PRESENTATION

This year the AGM is being held at Trinity House, Trinity Square, London EC3N 4DH as our usual venue, the RAC, is refurbishing its main conference room. Trinity House is located opposite the Tower of London and beside the entrance to Tower Hill tube station. Many of you may know it from the other AGMs held there by investment trusts. The proceedings will start at 2.30pm on 7 September 2016 with the usual lively presentation by Ben Rogoff, followed by the formal business and afternoon tea. I urge Shareholders not to miss this event, but if you do Ben's presentation will be published on our website shortly afterwards. Members of the technology team and all the Directors will be available to meet Shareholders and answer questions after the AGM.

OUTLOOK

Global equity markets continue to grind upwards supported by modest growth, low inflation, ultra low interest rates, and a lack of highly liquid alternatives to earn a return on cash. As you would expect from a mature eight year old bull market, valuations look a bit stretched but still provide value relative to the return available on government bonds. In most cases, Shareholders are kept sweet by dividend increases and share buybacks. Even the relative political earthquakes of Brexit and Trump have been digested and construed as positives. So I frankly have no idea when we will see another recession or global financial catastrophe and, with large and growing deficits and debt levels in most developed economies, politicians and central bankers are keen to keep interest rates and bond yields as low as possible. The technology sector continues to deliver both superior sales and earnings growth without the need for vast capital expenditure so the sector continues to be popular with general investors.

VALETE

I should like to thank Shareholders, my fellow Directors both past and present and the excellent team at Polar for your support and patience over the past ten years. For me it has been a most enjoyable experience being a Director of this great investment trust and I send everyone concerned my best wishes for the future.

Michael Moule
Chairman

10 July 2017

MANAGER'S REPORT

MARKET REVIEW

Our fiscal year saw equity markets enjoy an outstanding year as the 'goldilocks' investment backdrop persisted with just enough growth and inflation to keep estimates (and hopes) alive while allowing policy to remain accommodative. The combination of earnings growth and ongoing valuation expansion (particularly post the Presidential election victory of Donald Trump) saw most major markets deliver strong performance during the period. Once again returns were supplemented by Sterling weakness following Britain's unexpected decision to leave the EU in its June referendum. While the Pound recovered from its nadir, it still ended the year 12%/7%/8% lower against the Dollar, Euro and Yen respectively. As a result, the FTSE World TR index advanced by 30.7% during the year, with currency accounting for c.one-half of the total return. Developed markets continued to climb the proverbial 'wall of worry' as commodity price stabilisation, improving economic data and soothing commentary from the Federal Reserve about the pace of likely rate tightening ameliorated investor concerns about political risk and the rise of so-called *populism*.

The US market (+33.2% in Sterling terms) remained a strong relative performer despite headline GDP growth that fell 0.8% short of earlier expectations. Rather than worry about headwinds associated with lower energy prices and an inventory drawdown, investors instead focused on supportive corporate news flow with share buybacks and record M&A activity augmenting respectable earnings progress (ex. oil and gas). After a short-lived panic, the unexpected election outcome and Republican 'clean sweep' of Congress was welcomed by investors excited by the new President's pro-growth platform. Bond and equity markets diverged as yield curves steepened and forward earnings estimates were revised higher as the market attempted to size the new Administration's potential impact on growth. Sharply higher US Treasury yields presaged a dramatic rotation within the market away from growth and in favour of perceived beneficiaries of higher bond yields, lower taxes and infrastructure spending. While the dispersion between sectors associated with this so-called 'Trump trade' was the most extreme since 2005, the final third of the year saw it largely unwind following a number of failed attempts by the new President to enact change including Executive Order 13769 (the so-called 'travel ban') and the unsuccessful effort in March to repeal the Affordable Care Act which highlighted existing divisions within the Republican party.

Other developed markets also performed well with returns in Japan (+28.6% in Sterling terms) particularly robust, driven by GDP upside (1% vs. 0.5% forecast) and the end of negative interest rate policy (NIRP) which likely caused some rotation from bonds into equities. While European growth also modestly surprised to the upside, equity returns (+24.4% in Sterling terms) trailed those elsewhere due to concerns over the Dutch and French elections that potentially threatened the survival of the European Union (EU), a concern that materially intensified following Brexit (which also weighed heavily on UK returns) and the resignation of Italian Prime Minister Renzi following his referendum defeat in December. Stabilising commodity prices and reacceleration in China following earlier intervention allowed emerging markets (EM) to outperform. While the Trump victory caused a brief wobble, the potential for a more protectionist agenda proved unable to derail EM momentum. Within Asia, the strongest performances were reserved for tech-heavy markets including Taiwan and Korea both of which benefited from sustained outperformance of semiconductor, display and other component stocks.

Our financial year began with US Dollar strength driven by improving US economic data and more hawkish commentary from the US Federal Open Market Committee (FOMC). While the first-quarter earnings season disappointed, this largely reflected weakness in energy and select retail stocks. In contrast, UK economic data was weak ahead of the 'Brexit' referendum, before fears were realised in June when Britain decided to leave the EU, surprising financial markets and pundits alike. Sterling plunged by more than 8% on the day (and considerably more in the weeks that followed) with cable revisiting levels last seen in the mid 1980s. The resignation of PM Cameron and the leadership contest that followed added further to the post-Brexit uncertainty resulting in a flattening of global yield curves and bank share weakness. The notion of 'lower for longer' was seemingly supported by muted second-quarter US economic growth, a third consecutive monthly fall in China's manufacturing PMI and a downward revision to global growth expectations by the World Bank.

'The second half of the fiscal year was dominated by an eventful US Presidential election with Donald Trump prevailing, confounding pollsters and pundits alike.'

Rising risk aversion (masked by Sterling weakness) saw US ten-year Treasury yields hit all-time lows of 1.4% and 70% of all German sovereign debt trade with negative yields.

Equity markets initially rebounded during July on hopes of accommodative central bank policy (delivered in the UK as the BoE cut interest rates by 0.25% and announced a larger than expected round of QE). US interest rate expectations were also dampened following mixed economic data with Q2 GDP annualising at just 1.2%, impacted by an inventory drawdown. However, it was far from all doom and gloom as Chinese GDP increased by 6.7% in Q1, while post-Brexit concerns were further allayed by the unexpected early appointment of Theresa May as UK Prime Minister. Strengthening US economic data (including a notably strong payroll report) led to more hawkish commentary from the Federal Reserve, reiterated by Fed Chair Janet Yellen in August during her speech at Jackson Hole where she noted, 'the case for an increase in the federal funds rate has strengthened in recent months'. Economic improvement was also evident in China where real-time estimates of economic growth indicated around 7.8% in stark contrast to the c.5% recorded in January. This stabilisation helped emerging markets recover back towards trend growth while Japanese manufacturing production rose for the first time since February.

Although equity markets made limited further progress in local terms during the final two months of the first half, another leg down in Sterling drove strong returns following PM Theresa May's October announcement of her intention to trigger Article 50 before April 2017. September proved an eventful month for macroeconomic developments with three Central bank policy meetings taking place. While the ECB meeting was uneventful, and the Fed left rates unchanged, the Bank of Japan (BoJ) signalled a clear change of direction away from its negative interest rate policy (NIRP) by setting a goal to target ten-year bond yields at zero, designed to steepen the yield curve and improve bank profitability. A $14bn demand made by the US Department of Justice to Deutsche Bank (related to mis-selling of mortgage securities prior to the financial crisis) led to some short-lived weakness due to speculation over a potential capital shortfall. A relatively lacklustre third-quarter earnings season saw weakness extend into October ahead of the US Presidential election despite positive global economic data that saw Chinese factory output grow at the fastest rate in five years and Eurozone employment rise for the 23rd consecutive month. While Janet Yellen did her best to sound dovish, ten-year US Treasuries rose 23bps and the trade-weighted US Dollar rose more than 3%, driving a sharp rotation among sectors with rate sensitivity.

The second half of the fiscal year was dominated by an eventful US Presidential election with Donald Trump prevailing, confounding pollsters and pundits alike. After an initial 'panic', markets regained their poise as a Republican 'clean sweep' of Congress and a political agenda with fiscal stimulus and tax reform at its core was interpreted as pro-growth. Soaring risk appetite saw the trade-weighted US Dollar gain more than 3% during November alone with sharply higher sovereign bond yields triggering a 'reflation' led market rotation. Financials soared on hopes of easing bank regulation and a steeper yield curve while copper prices leapt c.19% as an anticipated beneficiary of future infrastructure spending. Positive momentum continued into December with growing hopes of widespread reform augmented by strengthening global economic data as the JP Morgan Global PMI hit an 11-month high while Chinese data was solid and Eurozone indicators signalled strong expansion. As such it was little surprise that the US Federal Reserve raised the target for its federal funds rate by 0.25% and signalled the likelihood of three further rate hikes during 2017, ahead of market expectations. This saw continuation of the so-called 'Trump trade' with higher US Treasury yields and the trade-weighted Dollar driving a pronounced equity market sector rotation. Not even the rejection of constitutional reform in Italy and the resulting resignation of Prime Minister Renzi could dampen burgeoning investor sentiment.

2017 began with a bang as newly inaugurated President Trump signed a total of 22 executive orders within his first two weeks in office. Despite this somewhat frenzied debut, markets added to their gains during January as investors remained focused on the underlying health of the US economy and the hope that the new President would ultimately deliver pro-growth policies including corporate tax reform, overseas cash repatriation, deregulation and fiscal stimulus.

MANAGER'S REPORT CONTINUED

'Technology outperformance was led by a valuation re-rating which began by reversing out early 2016 losses when a broader market 'growth scare' left next-generation valuations at levels rarely seen since 2009.'

While fourth-quarter GDP came in at an annualised +1.9%, US industrial output rose at the fastest pace in more than two years. Robust economic growth continued into February driving markets higher during the month. US economic data was particularly encouraging with consumer prices rising at the fastest rate since 2012 and business optimism / hiring intentions spiking higher with NFIB surveys at twelve-year highs. Stronger data saw the Fed take on an increasingly hawkish tone with FOMC Vice Chair Bill Dudley stating that 'the case for monetary tightening has become a lot more compelling'. Global economic data was also robust during the month, the JP Morgan Global PMI rising for a fifth consecutive month. Economic expansion was fastest in developed markets driven by Eurozone growth – the Markit Flash PMI at the highest level since April 2011, and the largest monthly rise in Eurozone employment since 2007. Chinese economic data remained more mixed, a weak composite PMI more than offset by improving business confidence and new loans at their second highest ever level. The US reporting season proved an additional positive with both revenues and profits coming in modestly ahead of expectations.

Politics returned to the fore during March as UK Prime Minister Theresa May invoked Article 50 starting the two-year negotiation period of ending EU membership. In contrast, the outcome of Dutch elections represented an important setback to the populist movement that led to both Brexit and Donald Trump's unlikely US Presidential victory. Populism also took another blow in the form of a failed attempt to repeal the Affordable Care Act (aka 'Obamacare') with divisions in the Republican party raising questions about the new President's ability to deliver on other campaign pledges such as tax reform. Fortunately, improved sentiment appeared unaffected by the *realpolitik* with a number of indicators hitting multi-year highs during the month, epitomised by the NFIB Small Business Optimism index hitting its highest reading in 43 years. In contrast, 'hard' economic data remained more mixed which may have influenced the dovish commentary that accompanied the Fed's decision to raise short-term interest rates by 0.25%. A positive outcome in the first round of the French Presidential election, together with a strong start to Q1 earnings season saw markets rally during April, offset by US Dollar weakness. Economic data remained mixed; although US employment fell to a new cycle low (4.4%), there were some notable disappointments, not least the weakest Q1 GDP print in three years while a disappointing Manufacturing PMI pointed to the impact of earlier policy tightening in China. The end of April marked the 100th day of the new US Administration and coincided with the announcement of some broad tax reform plans but its limited impact on markets suggested few believed the bill would pass in its current form.

TECHNOLOGY REVIEW

The technology sector enjoyed one of its strongest years of absolute and relative performance in recent memory, the Dow Jones World Technology index advancing a remarkable 53.4% in Sterling terms. While some of this outperformance was passive (reflecting the sector's disproportionate exposure to the US/US Dollar), the technology sector outperformed significantly in most major markets. Pronounced Sterling weakness added materially to overall performance, accounting for approximately c.one-third of our Benchmark's return during the year. Technology outperformance was led by a valuation re-rating which began by reversing out early 2016 losses when a broader market 'growth scare' left next-generation valuations at levels rarely seen since 2009. This healing process was accelerated by the return of strategic M&A as suitors took advantage of the earlier hiatus. 2016 ended up as record year for technology M&A worth $467bn in aggregate. While software remained a focal point, the semiconductor industry also experienced another frenzied year of deal-making. Incumbents remained the most important group of buyers, accounting for the two seminal deals of the year – Microsoft buying LinkedIn for $26bn and Oracle acquiring rival Netsuite for $9.3bn. However, private equity was also very active as were non-traditional buyers such as GE, Siemens and Roper, epitomised by Softbank's acquisition of ARM Holdings during the aftermath of Brexit. This expanded universe of buyers, together with an accelerating pace of cloud disruption likely explained the high deal premiums paid, with 40%–50% achieved on average.

While M&A no doubt acted as a catalyst for technology stocks to recapture valuation ground previously lost, the sector also continued to attract new investors due to its ability to deliver (well) above average growth.

'Next-generation companies also performed well as most continued to deliver strong growth and (some) margin improvement despite ongoing macroeconomic uncertainty.'

This was particularly true within the Internet subsector where strong fundamentals at each of Facebook, Amazon, Netflix and Google (aka FANG) and highlighted the structural attractions of Internet-based global platforms. Next-generation companies also performed well as most continued to deliver strong growth and (some) margin improvement despite ongoing macroeconomic uncertainty. This was in stark contrast to the fortunes of a number of legacy incumbents on the wrong side of cloud and mobile technology trends. While twenty consecutive quarters of year over year negative growth make plain the challenge facing IBM, each of Cisco, Intel and Oracle also experienced their own travails during the year, likely due to accelerating cloud adoption. The surprise Presidential election outcome resulted in a painful (for us) rotation from 'growth' to 'value' within our sector but thankfully this proved short-lived allowing the contrasting fortunes of technology 'winners' and 'losers' to be more fully reflected in share prices. While the so-called FANG stocks remain a core focus for investors (understandably so given that they capture the *zeitgeist* of the current cycle) technology strength permeated beyond the Internet and software subsectors. Smartphone-related assets performed surprisingly well with Apple (+77%) and Samsung (+108%) leading the charge albeit for different reasons. Expectations of an iPhone 8 *super-cycle* with significantly more content per device helped both Apple and its supply chain. Semiconductor stocks were also buttressed by favourable memory pricing, rising capital intensity and a tumult of interest in new areas including autonomous vehicles, machine learning and the Internet of Things.

Technology stocks began the year strongly with a number of next-generation companies delivering strong first-quarter earnings, augmented by the return of strategic M&A. Software-as-a-service leader Salesforce.com surprised to the upside with 31% y/y billings growth while Splunk delivered 41% licence growth. AMD guided positively, ahead of its new GPU architecture release and Universal Display benefited from speculation that Apple will adopt OLED display technology in late 2017. In addition, M&A activity picked up significantly with a shift in focus from value toward more strategic transactions as buyers took advantage of the earlier hiatus in next-generation valuations. These included private equity buyers who picked off three companies – Cvent (held), Marketo and SciQuest – during April and May. M&A activity stepped up significantly during June with the Trust directly benefitting from the acquisitions of Demandware, LinkedIn and QLIK Technology. Microsoft surprised Wall Street with its US$26bn offer for LinkedIn. Salesforce.com agreed to buy Demandware for $3bn (at a 71% premium to its prior close) while QLIK Technologies was acquired by private equity firm Thoma Bravo. Tesla also announced the acquisition of SolarCity for $5.7bn in a move that was strategically questioned by both analysts and shareholders.

Relative sector strength persisted through July and August, supported by a strong second quarter earnings season and heightened M&A activity. Many of the most impressive Q2 results were delivered by Internet bellwethers; Facebook delivered 94% y/y earnings growth while Alphabet surpassed expectations with revenue growth accelerating to a remarkable 25% y/y in constant currency terms. Elsewhere next-generation fundamentals were in rude health with each of Criteo, Hubspot, Medidata, Proofpoint and Zendesk delivering strong Q2 reports, in stark contrast to faltering fortunes at a number of incumbents. M&A activity remained at elevated levels with Softbank making an audacious $32bn bid for ARM Holdings, Oracle agreeing to acquire next-generation rival Netsuite for $9.3bn while Linear Technology was acquired by long-time rival Analog Devices. July was also the month where *Pokémon Go* was unleashed on the world, the smartphone-based augmented reality game becoming a global phenomenon. Gaming remained in focus during August as both Electronic Arts and Activision beat expectations, the latter driven by its newest franchise *Overwatch*. AMD shares were also strong following the formal launch of its Zen chipset. On the negative side, both Salesforce.com and Palo Alto Networks reported lacklustre results reflecting deal slippage and an evolving IT security environment respectively. Apple also made the news when it was ordered by the European Commission to pay up to $14.5bn for illegal tax benefits in Ireland. Although both the company and the Irish government announced they would appeal, the decision raised the question around the sustainability of low international tax rates.

MANAGER'S REPORT CONTINUED

'The surprise election victory of Donald Trump led to pronounced technology underperformance during the final months of 2016, exacerbated by a mixed conclusion to third-quarter earnings season.'

The final two months of our first half saw the technology sector extend its leadership, aided by supportive 'off-quarter' reports from Adobe, Accenture and Red Hat. Apple released the iPhone 7 with early demand better than feared given the incremental nature of the product. cloud-related pressure saw Oracle report another mixed quarter, while a positive pre-announcement from Intel buoyed semiconductor stocks including Qualcomm which also rallied on speculation that it might bid for NXP Semiconductor. Third-quarter earnings season provided an additional boost with each of Alphabet, Facebook and Microsoft making all-time highs in October. Another upbeat quarter from Alphabet was accompanied by a new $7bn buyback programme while Microsoft benefited from strong Azure revenue growth (+121% y/y) and a 40% y/y increase in Office365 commercial monthly active users. Gross margin guidance took the shine off a reasonable quarter from Apple with iPhone unit sales (-5.3% y/y) in-line with expectations, although some may have hoped for upside following Samsung's decision to discontinue its Galaxy Note 7 following a series of issues with batteries catching fire. Next-generation results were generally positive, with ServiceNow (billings +46% y/y) and Proofpoint (40% revenue growth) both delivering stand-out numbers. In contrast, earnings season once again revealed the challenges facing legacy technology companies epitomised by IBM whose revenues contracted y/y for the eighteenth consecutive quarter. While Twitter shares fell sharply as various potential acquirers ruled out buying the company, M&A ended the period on a high note as AT&T agreed to acquire Time Warner Inc. for $85bn while Qualcomm bought NXP Semiconductor for $47bn in the largest semiconductor deal yet.

The surprise election victory of Donald Trump led to pronounced technology underperformance during the final months of 2016, exacerbated by a mixed conclusion to third-quarter earnings season. The so-called 'Trump trade' or 'reflation trade' saw investors embrace perceived beneficiaries of the new President and his agenda of less regulation, lower taxes and domestic renewal ('Make America Great Again'). This saw financials, industrials, small-caps and value outperform at the expense of large-cap growth, with technology additionally impacted by uncertainty around issues such as immigration and global trade. Style headwinds were exacerbated by outperformance of legacy / value companies within the technology subsector despite Cisco guiding to negative year over year growth due to UK / European weakness. A weak quarter from security high-flyer Palo Alto Networks did little to lift the fortunes of next-generation technology stocks. While Internet stocks were among the weakest relative performers, Thanksgiving weekend e-commerce sales increased c.18% y/y to $5.3bn. Amazon released a video of *Amazon Go*, a new grocery store format that leverages machine learning, computer vision and artificial intelligence (AI) to further disrupt retail. Tencent also revealed that its *WeChat* app boasted over 750m daily active users (DAU) with half of its users engaging with the app for at least 90 minutes per day. A meeting between Donald Trump and a group of US technology leaders in mid-December soothed nerves as the new President adopted a more conciliatory tone before appointing both the Tesla and Uber CEOs to his Strategic and Policy Forum.

Following the adverse post-Trump rotation, the technology sector ended up outperforming the broader market every month during the final third of our year. Once again, earnings season proved a positive catalyst with Internet companies demonstrating the strength and durability of the key structural trends underpinning their business models – e-commerce, digital advertising and cloud computing. Alibaba posted revenue growth ahead of expectations (+54% y/y) while Alphabet saw an acceleration of paid click growth to +43% y/y, remarkable given the scale of the business. Although Facebook confounded its critics with revenue growth of 51% y/y, Amazon delivered a relatively moribund report despite its cloud business AWS still growing 47% y/y. Next-generation stocks largely delivered ahead of expectations, while software names received an additional boost during January following news that Cisco would acquire AppDynamics for $3.7bn, one of the most expensive deals in recent history at 17.3x trailing EV/sales. Apple stock also performed well ahead of the upcoming iPhone 8 cycle, a dynamic that intensified during February as investors began to speculate on its new features which might include a glass/aluminium

'New all-time highs at Alphabet, Apple, Amazon, Facebook and Microsoft drove the NASDAQ Composite index to a new high of its own in April.'

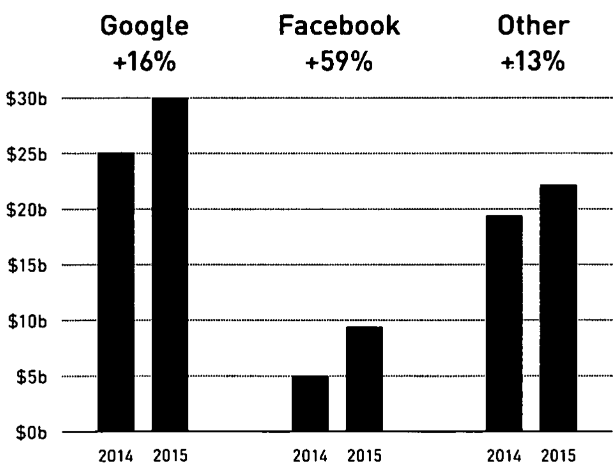
chassis, OLED screen, wireless / rapid charging and 3D sensing and the potential for a so-called *super-cycle*. Facebook rival Snapchat came public on a lofty multiple during the month; while the $2.6bn raised represented the largest IPO transaction since Alibaba in 2014, it was dwarfed by news that Softbank had almost closed its $100bn new tech fund.

Strong-off quarter reports from Tencent, Adobe and Red Hat propelled the technology sector higher in March while growing mobile dominance of worldwide Internet usage saw Android overtake Microsoft Windows as the Internet's most frequently used operating system. The hotly anticipated launch of the Nintendo Switch console also took place in early March with initial sales exceeding all previous Nintendo launches. Supporting our view of a strengthening economic backdrop, even Oracle and Accenture reported solid quarters while memory chipmaker Micron surpassed expectations driven by strong demand and tight supply.

Technology M&A continued apace with Intel announcing the $15.3bn acquisition of Mobileye, a leader in computer vision for autonomous driving. New all-time highs at Alphabet, Apple, Amazon, Facebook and Microsoft drove the NASDAQ Composite index to a new high of its own in April. However, a positive first-quarter earnings season masked continued divergence in fortunes with IBM delivering its 20th consecutive quarter of negative y/y revenue declines. In contrast, each of the Internet behemoths continued to deliver strong growth; both Alphabet and Amazon posted 24% y/y constant currency (c/c) revenue growth while Facebook grew sales at a remarkable 49% in c/c terms. Next-generation software stocks also delivered strong results while semiconductor stocks underperformed following another disappointing quarter from Intel and a material escalation in the royalty dispute between Qualcomm and Apple.

In 2014/15 Google and Facebook controlled 57.6% of the digital ad market, and their slices of the pie are only growing.

DIGITAL AD REVENUE GROWTH



Source: www.visualcapitalist.com

SHARE OF DIGITAL AD MARKET

Facebook	16.6%	LinkedIn	1.0%
Google	41.0%	Amazon	1.3%
Other	27.4%	Verizon	1.8%
Snapchat	0.5%	Twitter	1.9%
Yelp	0.8%	Yahoo!	3.1%
IAC	0.8%	Microsoft	3.8%

MANAGER'S REPORT CONTINUED

'Our total return performance came in ahead of our Benchmark, our own net asset value per share rising 56.1% during the year versus a 53.4% gain in the Sterling adjusted Benchmark.'

PORTFOLIO PERFORMANCE

Our total return performance came in ahead of our Benchmark, our own net asset value per share rising 56.1% during the year versus a 53.4% gain in the Sterling adjusted Benchmark. In the US, the most significant positive contributor to performance was Advanced Micro Devices (AMD), which advanced a remarkable 323% as the company unveiled and subsequently released its new Zen CPU product. In addition, the portfolio benefited from its off-Benchmark exposure to computer gaming companies such as Electronic Arts (+73%) and Ubisoft (+85%) that continued to benefit from downloadable content and in-game monetisation. Nintendo (+106%) was particularly strong following the spectacular debut of *Pokémon Go* and a favourable reception to *Switch*, its new gaming platform. A resurgent Nintendo lifted mobile game partner DeNa which we sold on strength. Stock selection was positive across all geographies (and particularly strong in Asia / Japan) and across all market-capitalisation tiers. Relative performance was also positively impacted by underweight / zero positions in a number of large index constituents including IBM, Infosys, Nokia, Oracle and Qualcomm that delivered disappointing returns during the year.

M&A also contributed materially to performance with nine of our holdings – Arcam, ARM Holdings, Demandware, Linear Technology, LinkedIn, Netsuite, Mobileye, Nimble Storage, and QLIK Technologies acquired during the period at premiums that ranged between 26%-71%. The Trust's underweight position in Apple proved the largest negative detractor during the year as the stock materially re-rated ahead of the upcoming iPhone 8 cycle. Performance was also hindered by underweight positions in a number of positive index contributors such as memory chipmaker Micron and graphics processor leader Nvidia, together with a number of next-generation holdings that disappointed including Athenahealth, Palo Alto Networks and TripAdvisor. Our decision to hold a modest amount of liquidity also detracted from performance, exacerbated by the precipitous move in Sterling, our base currency.

ECONOMIC OUTLOOK

While economic growth disappointed once again last year, current forecasts are looking for reacceleration this year and next, with global GDP pegged at 3.4% and 3.6% for 2017 and 2018 respectively. Indeed, the International Monetary Fund (IMF) upwardly revised its projection for global GDP growth in 2017, its 'first upward revision to near-term growth since 2011' After a disappointing 2016 (and a subdued start to 2017) US growth is forecast to accelerate to 2.3% (2016: 1.7%) even as the economy approaches full employment due to the reversal of oil-related weakness which has cost 2% of GDP growth over the prior two years, inventory rebuild and less restrictive fiscal policy which has taken 6.4% off GDP since 2011. With unemployment at 4.3%, wage growth should support consumption, while recession risk appears significantly diminished this year. Although *Abenomics* has thus far failed to shake the economy from its deflationary / full employment slumber, growth in Japan is also expected to accelerate this year to 1.2% (2016: 1%) driven by Yen weakness / stronger exports.

Although progress in the Euro area is likely to remain uneven, current forecasts for 1.6% growth (2016: 1.7%) are ahead of the 1.1% rate averaged between 2010–2016 and appear to capture some *Brexit-related* uncertainty given stronger domestic demand, underlying labour market improvement and Euro weakness. Although UK economic activity was relatively unaffected last year following the EU referendum, the significantly weaker Pound is likely to squeeze household incomes, putting current forecasts of 2% growth (2016: 1.8%) at risk. Moreover, with *Brexit* negotiations about to commence, the degree of uncertainty around economic forecasts is 'virtually without precedent'. After a difficult 2016, developing economies are expected to reaccelerate to 4.5% this year (2016: 4.1%) driven by better performance from commodity-sensitive countries and steady progress in China with growth forecast to be 6.6% (2016: 6.7%). However, rising US interest rates and the spectre of protectionism represent material risks to this view. While India remains an economic bright-spot, growth expectations have been revised lower to c.7.2% (2016: 6.8%) due to the reversal in energy prices and weaker consumption following its 'currency exchange initiative'.

'Investors should be cognisant of the risk that reflation represents to the bedrock of this bull market – the unusual alignment of interest between policymakers and investors that has existed since the financial crisis.'

With growth finally poised to accelerate this year, we are hopeful that economic improvement remains insufficient to spoil the current 'goldilocks' investment backdrop with global growth 'just about right' – enough to keep earnings estimates moving higher but insufficient to accelerate the pace of rate tightening and/or take the lustre off those companies able to deliver well above average growth. As such, investors should be cognisant of the risk that reflation represents to the bedrock of this bull market – the unusual alignment of interest between policymakers and investors that has existed since the financial crisis. Clearly much economic progress has been made, most apparent from unemployment rates in both the US and UK that are at or below 2007-8 lows while *Euro-area* unemployment has fallen to 9.5% in March, the lowest rate recorded since April 2009. Headline inflation (both PPI and CPI) has also picked up as energy and other commodity prices stabilise and/or rebound from their 2016 lows. As such, we expect US policy tightening (that began in October 2014 with the end of QE) to continue with one more rate hike possible this year.

While mindful of the historic relationship between the unemployment rate and wage inflation (particularly now that US unemployment has fallen below some estimates of the non-accelerating inflation rate of unemployment) we continue to believe that US monetary policy remains both accommodative and data dependent. This reflects the fact that 'persistently soft wage growth suggests that the labour market is somewhat looser than the headline unemployment data might indicate' and a suspicion that technology has forever changed the labour/capital relationship (for instance, a human welder earns $25/hour compared to the operating cost of a robot of c.$8). More importantly, core inflation remains 'completely becalmed' with US core PCE registering 1.5% in April, well below the Fed's 2% inflation target. The picture is similar across other advanced economies with core inflation 'about half a percent below the 2% rate that central banks desire'. Inflation expectations also remain subdued with 5 year / 5 year forward inflation expectations at just 1.8%. As such and given the limited monetary firepower available in the event of another deflationary shock, we continue to believe that 'central bankers will be much more willing to tolerate a growth overshoot than the opposite'. If so, policymakers are likely to remain 'behind the curve' with US rates increasing steadily towards 3% by 2019 while Polar estimates short-term rates are forecast to remain negative in the euro area through 2018 and for the foreseeable future in Japan.

Although we expect accommodative policy to persist, we must also acknowledge the upside risk to growth and rates represented by President Trump and the Republican 'clean sweep' of Congress. As discussed in our Interim report (when the 'Trump-trade' was in full swing) the Trump victory has raised the likelihood and magnitude of fiscal stimulus (which together with corporate tax reform and deregulation) is likely to prove pro-growth. However, 'much of the hope for immediate change from Washington' has dissipated as the new President delivered very little apart from Executive Orders during his first hundred days in office. The failure to repeal and replace ACA ('Obamacare') was particularly telling while it is difficult to estimate the damage to the President's authority from the ongoing federal investigation into his Russian ties and (more recently) whether he attempted to pervert the course of justice. As such it seems likely that infrastructure spending (previously estimated at between $300–500bn over five years, equivalent to 0.3%–0.5% to annual GDP) will be pushed into 2018. Likewise, tax cuts may now be tied to healthcare reform but $2tr of tax cuts over ten years could still raise the budget deficit by as much as 1% of GDP. While the timeline (and likelihood) of these potential programmes is unclear, the new President still represents upside to both growth (just as Reagan delivered 0.6% more annual GDP on average than Carter), budget deficits and interest rates.

As ever, there are myriad risks that threaten our sanguine outlook. Many of these relate to political developments that threaten the market friendly status quo, most of which can be linked to so-called *'populism'*. As we have previously discussed, the uneven recovery has been an important driver of this political phenomenon with rampant asset inflation in stark contrast to US median real personal incomes that languish below 2007 levels. Sub-par growth has also made it harder to absorb record levels of net migration, intensified by the fallout from the so-called *Arab Spring*, the Syrian civil war and terror threats.

MANAGER'S REPORT CONTINUED

'China should be able to avoid a financial shock due the self-funded nature of its growth, its current account / net foreign asset surpluses and plenty of fiscal firepower.'

Political correctness has also played a part, the attempt to 'corral political debate... has created the conditions for insurgent figures' such as Nigel Farage and Donald Trump. These outsiders are able to champion causes beyond the pale of incumbents ('the establishment'). While some think we may be on the brink of a 1930s re-run, we believe the late 1970s / early 1980s is a more useful parallel when mainstream parties were able to neuter the rise of neo-fascism by absorbing some of the policies of local populist movements. While this may involve some railing against globalization (the accelerated pace of which has left societies increasingly polarized into 'winners' and 'losers' as the distribution of *Brexit* votes attests) this should prove a manageable risk. If so the Trump victory should prove *the* high watermark for populism, a view so far supported by the outcome of recent French and Dutch elections that saw mainstream parties prevail..However, continued failure by political establishments to 'listen' to voters will make a 1930s re-run significantly more likely. Moreover, Europe is likely to remain a key focal point given high youth unemployment and rapid demographic / social change with *Brexit* negotiations potentially playing an ongoing destabilizing role.

While we share the consensus (pro-growth) view on Donald Trump, there are a number of unique risks associated with the new President which could re-materialise if he is able to harness Republican control of Congress. The first relates to upside risk which results in sharply higher interest rates / inflation expectations forcing policymakers to bring forward the timeline of rate normalization. This would likely take its toll on equity valuations, bond proxies and emerging market currencies / external financing conditions. Reflation might also increase the risk of policy error due to increased uncertainty and an upward skew to neutral interest rates which may hinder the Fed's ability to 'feel its way' back to neutral. Although we believe that long-term interest rates have seen their nadir, upside risk looks containable for now. Furthermore, while higher rates could presage another style rotation we believe long-term Treasury yields would need to breach 4% in order to end the positive relationship between bond and equity markets. An untrammelled President Trump might also represent a significant downside risk to growth should he deliver on protectionism beyond rhetoric and restricting H1B visas. The new President has also committed to renegotiating long-standing trade agreements such as NAFTA which he called 'one of the worst deals ever', a threat that looks more substantive following his recent decision to withdraw from the Paris climate pact. He could also use duties and tariffs to discourage the outsourcing of US jobs or accede to the Republican House Border Adjustment Tax (BAT) proposal. Any of these measures could potentially trigger a trade dislocation, a risk magnified by Trump's direct and acerbic approach. As ever, we expect worst-case scenarios to be avoided but uncertainty is likely to persist until actual policy becomes clearer.

In addition to those outlined above, there are a number of additional risks that investors should consider, particularly with equity valuations at new highs. These include potential 'growth scares' – the most likely cause of equity market setbacks until focus shifts from deflation to inflation – with China, Europe and oil-sensitive countries likely focal points. The Fed's recent decision to begin unwinding its balance sheet is also worthy of mention given that it has expanded from c.$800bn in assets before the financial crisis to c.$4.5tr today. While we cannot know how much of an impact this might have, QE programmes in Europe, Japan and now the UK should keep aggregate monetary accommodation at record highs for now. China's *'One Belt, one Road'* policy also represents an 'unprecedented wave of Chinese liquidity' and a rarely discussed countervailing force. China itself represents a key source of risk although more recently 'hard landing' fears have receded with improved economic activity. However, these can easily resurface given questions about the sustainability of debt-driven growth with debt having risen from 147% of GDP in 2007 to 279% in 2016. As we have consistently argued, China should be able to avoid a financial shock due the self-funded nature of its growth, its current account / net foreign asset surpluses and plenty of fiscal firepower. Other risks include *Brexit* where the divorce from Europe 'could take the best part of a decade' and the challenge to nation states posed by Islamic extremism and rogue dictators.

'With traditional measures of value above long-term averages, equities are likely to become increasingly dependent on underlying earnings (and dividend) growth.'

MARKET OUTLOOK

Although equity markets have enjoyed a strong start to 2017, we remain hopeful that they can add to their gains during the remainder of our financial year. Equity valuations have continued to trend higher, ameliorated by much improved earnings progress, the forward PE on the S&P 500 trading at 17.9x today, up from 17.3x twelve months ago. This compares unfavourably to five and ten-year averages of 15.3x and 14.0x respectively. International valuations have also rebounded from last year's brief reversion to mean – with most markets currently trading at/above historic averages. That said, we remain unconvinced by the relevance of longer-term averages that fail to capture the uniqueness of the current investment backdrop. Instead, we prefer to consider valuation against recent history and more importantly, the prevailing inflation rate which is broadly supportive of current equity valuations (with potential for further upside should inflation rise into the 2%–3% sweet-spot). Nevertheless, with traditional measures of value above long-term averages, equities are likely to become increasingly dependent on underlying earnings (and dividend) growth. Fortunately, the US is experiencing its fastest pace of earnings growth in five years with S&P 500 earnings forecast to increase 10% this year (7% ex-energy) with potentially more to come in 2018 if the new Administration delivers on its tax reform pledge. Should a new 20% rate prevail, it could add between 7%–12% to S&P earnings and substantially more to small and mid-caps due to their limited overseas exposure (c.35% and c.19% respectively).

Stocks also continue to look compelling against both cash and bonds with the Fed Model (which compares earnings and bond yields) suggesting that equities remain significantly undervalued. However, the post-Trump move in bond yields (even allowing for their recent partial unwind) means that the S&P 500 dividend yield (1.9%) is no longer in excess of ten-year Treasuries (2.3%). Given the relative move in US yields, equities appear more compelling internationally, with most major markets boasting dividends above long-term sovereign yields with $9.5tr of global sovereign debt trading at yields below zero. Equities should also continue to enjoy strong support from US balance sheets that boast c.$1.5tr of corporate cash augmented by debt issuance of just over $6.6tr in 2016, a new annual record. While a large portion of corporate cash remains 'trapped' overseas, it is widely expected that any tax reform will involve a repatriation window which could allow c.$1tr to return to the US at a low tax rate. As in 2004 (the last repatriation holiday) a large portion of this cash is likely to be deployed on buybacks and dividends. Buybacks are also becoming more supportive beyond the US too, with Japanese stock repurchases expected to total ¥7.8tr for fiscal 2017. Although we expect a more normal IPO market after a turgid 2016 (the number of new issues and capital raised declining 16% and 33% y/y respectively), this should be more than offset by heightened M&A activity following a record year that saw S&P 500 companies spend nearly $400bn of cash on M&A and more than 368 deals > $1bn, the highest number since (at least) 1996.

We always expect our constructive view to be tested, but particularly when valuations and duration of this bull market already exceed long-term averages. We are also mindful of the slowing pace of share buybacks, given their contributions to earnings growth. While this may just be a lull ahead of cash repatriation, it could also reflect caution regarding current prices, greater corporate leverage and increased M&A activity. Although 'sub-trend recoveries tend to persist' the current bull market is now over eight years old, more than twice the length of the median bull market since 1877. Other risks include the potential for higher interest costs that (as they have declined) are said to have been responsible for one quarter of US margin improvement since 2012. According to CSFB, a c.200bp increase in Baa yields would wipe out all the uplift associated with a 20% corporate tax rate. Higher interest rates may also make buybacks less attractive and could lead to additional US$ strength where every 2% increase in the trade-weighted Dollar equates to negative S&P 500 earnings revisions of c.1%.

MANAGER'S REPORT CONTINUED

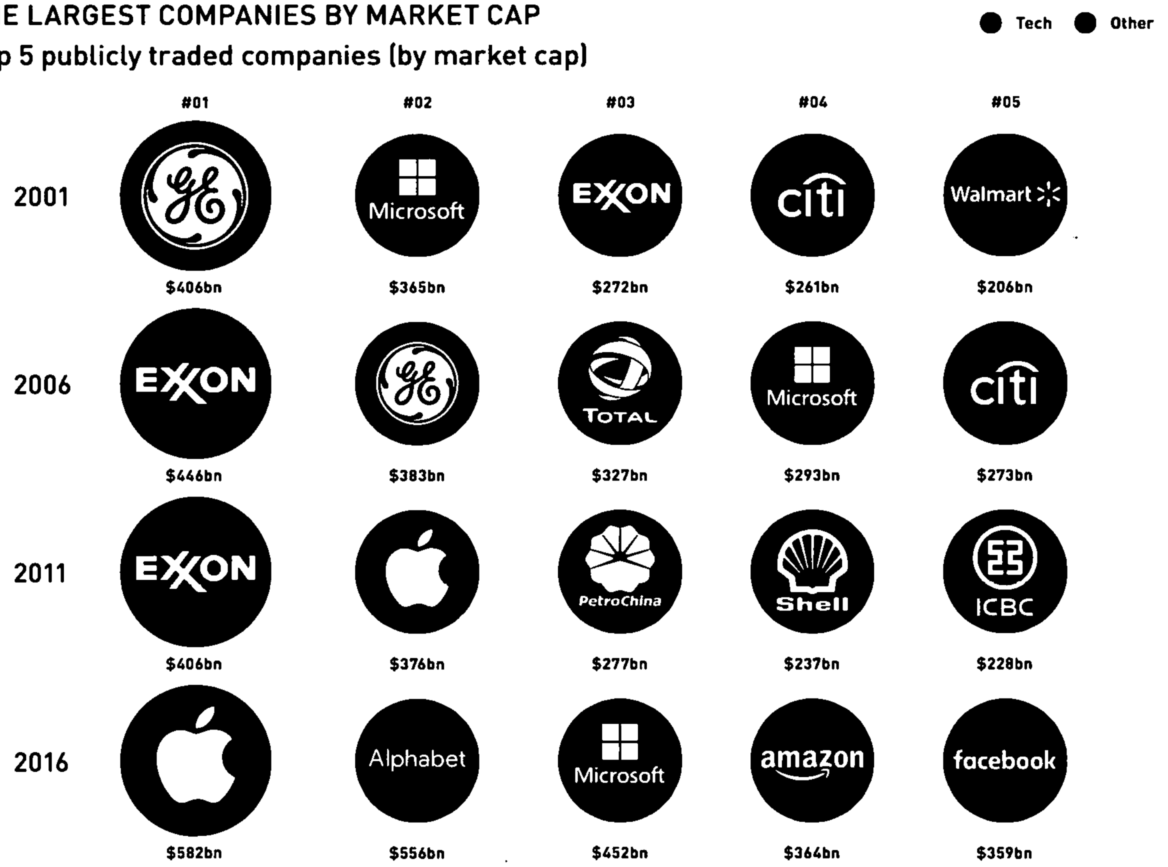
'That said, we feel there is commensurate upside risk in line with our long-held view that bull markets tend to go out with a bang, not a whimper.'

Then there are additional offsets that we can only speculate about today such as ending the tax deductibility of interest payments and a so-called border adjustment tax, both of which would substantially dilute any benefit associated with lower headline taxes. While these remain tail-risks at present, they are useful reminders that any future tax reform could result in the elimination of many deductions and loopholes, just as it did under President Reagan.

That said, we feel there is commensurate upside risk in line with our long-held view that bull markets tend to go out with a bang, not a whimper. After all, peaks in equity markets have been previously marked by some kind of excess – fads, sentiment, valuation or use of leverage. In terms of valuation, the post 2009 revaluation process has been meandering and punctuated by setbacks leaving PEs – *after an eight-year bull-market* – at above average but far from euphoric levels. In 2000, the S&P 500 traded at >29x trailing earnings at a time when UST yields were 6%–7%. Bubble asset classes have traded significantly higher still, with the *Nifty Fifty* peaking at 42x earnings in 1972 and TMT at 60x in 2000. In contrast, the S&P today trades on <18x forward estimates with bond yields at just 2.3%. While investor sentiment has improved, it does not look extreme enough to suggest a bull-market peak' and our preferred measure – the AAIIBEAR remains subdued. The same appears true of equity ownership where the post 2009 recovery remains modest relative to the 1990s. Furthermore, looking at the most popular open-ended funds last year perfectly capture the *zeitgeist* of this *reluctant* bull market with long-only equity products accounting for only three of the top ten selling funds in the UK. Catalysts that might ignite the animal spirits include repatriation of overseas cash or tax reform just as it did in 1986 when the S&P 500 rallied 40% in nine months following Reagan's cuts.

THE LARGEST COMPANIES BY MARKET CAP

Top 5 publicly traded companies (by market cap)



Source: www.visualcapitalist.com

'Once again, IT spending is expected to trail global GDP, consistent with our deflation / new cycle view. Limited budget growth remains entirely incompatible with an unprecedented rate of change.'

We should also consider the self-reinforcing nature of late-stage bull markets as equities prove a classic Veblen good. Finally, there is the potential for a 'Great Rotation' (from bonds to equities) because if we really are on the cusp of economic acceleration and reflation, then this could mark the end of the most remarkable bond bull market ever. In a world that remains positioned for deflation, rather than reflation, a return to more normal economic conditions could – at least for a while – make the myopic focus on what is the right price to pay for equities look completely wide of the mark given the potential for significant value destruction in bond markets in the years ahead.

TECHNOLOGY OUTLOOK

Worldwide **IT spending** is expected to reach $3.5tr in 2017 (+1.4% y/y in US$ terms) an improvement from the zero-growth registered last year. In constant currency terms, the recovery is forecast to be +3.3% as compared to c.2% achieved during 2016. Once again, IT spending is expected to trail global GDP, consistent with our deflation / new cycle view. Limited budget growth remains entirely incompatible with an unprecedented rate of change, driving a reallocation of spending towards new areas such as business intelligence / analytics, cloud and digitalisation / digital marketing (the top three IT priorities for 2017, according to Gartner) at the expense of legacy ones. While the US Dollar remains a wildcard (>50% of sales coming from overseas), stable operating margins and buybacks should support the 8.8% earnings growth expected from the technology sector this year. As with the broader market, estimates remain largely unaffected by potential tax reform. While the sector's effective tax rate is below average (ranging between 19%–28% depending on sub-sector), we expect significant variation between winners, losers and loss-making non-participants.

As per the broader market, the technology sector has materially re-rated over the past year leaving it trading at a forward PE of 17.8x as compared to 15.2x at prior year-end. This represents the highest level since 2008, and a modest premium to the broader market ignoring the sector's relative balance sheet strength. As in previous years, we do not expect the sector to materially re-rate versus the market over the coming year given lacklustre IT spending growth and ongoing cloud disruption. While relative valuation downside should prove modest now that challenged incumbents have managed to attract a new Shareholder base, expensive 'strategic' deals such as Cisco / AppDynamics, Intel / Mobileye and Oracle / Netsuite may begin to test the resolve of 'value' investors drawn to the so-called 'free cash flow' generation of legacy companies. For all but the largest incumbents, we expect struggling or recalcitrant companies to continue attracting private equity interest given the continued availability of cheap debt and large fund launches from the likes of Vista ($11bn), Silver Lake ($15bn) and of course, Softbank ($100bn).

At the heart of enterprise IT disruption lies public cloud computing which – as we have previously discussed – went mainstream in 2015 as companies such as GE began to evangelise the cloud when it outlined its plan to migrate 60% of its workloads by 2020. Having addressed key barriers to adoption such as security and vendor lock-in, the Infrastructure as a Service (IaaS) market is today worth $25bn and is expected to nearly triple over the next five years, driven by enterprise cloud adoption for non-critical workloads. This is reflected in recent CIO surveys that reveal 'cloud' as a key priority for 2017. While Amazon Web Services (AWS) continues to dominate the market today with 'millions of active customers', c.51% market share and c.$15bn revenue run-rate both *Microsoft Azure* and *Google cloud* have made progress as 80% of enterprises prepare to adopt a multi-vendor approach by 2019 as compared to 10% in 2015. Software as a Service (SaaS) has also continued to thrive exceeding $40bn and growing more than 40% y/y. According to Pacific Crest, the 'second decade of SaaS' could see the market more than triple just as the second decade of client-server computing saw Oracle and Microsoft increase their revenues by ten and twenty-fold respectively. The nascent Platform as a Service (PaaS) market – worth less than $3bn today – is also expected to grow rapidly beyond 2018.

After years of coexistence, we believe that the public cloud-enabled cycle has entered a more pernicious phase now that 20% of workloads (units of compute) have migrated beyond the enterprise. Per the S-curve, cloud adoption is likely to accelerate from here; by 2022, Gartner believe that on-premise compute will account for just c.20% of workloads from c.80% today.

MANAGER'S REPORT CONTINUED

'The combination of smartphone proliferation and cloud computing has allowed our industry to mirror the earlier experience of electricity by enabling widespread reinvention beyond traditional technology boundaries.'

This is the 'beginning of the end for traditional IT' and its practitioners' know it, this year's AWS re:Invent conference attracted more than 30,000 attendees, up 68% y/y. As such we anticipate significantly greater disruption than we have witnessed thus far with over $1tr in IT spending shifting to new areas by 2020 as the cloud captures virtually 'every' incremental workload. This is likely to prove highly deflationary as every $1 spent at Amazon Web Services (AWS) is said to be equivalent to $4 lost to traditional IT. This impact has already been felt within hardware where the total cost of ownership (TCO) of compute and storage are c.60% and 70% lower in the cloud than on-premise. As a result, the $21bn storage market has been contracting since 2014 despite annual data growth in excess of 35% while overall server growth has been anaemic with cloud strength has been offset by weak enterprise demand. Indeed, cloud substitution likely explains the apparent breakdown of the relationship between ISM new orders and hardware revenue growth.

We expect this disruption to permeate well beyond storage / hardware fuelled by continuous innovation at the likes of Amazon (winner of *FastCompany's* most innovative company of 2017) akin to the experience of client-server computing in the late 1980s / early 1990s, the last 'major application re-platforming cycle' which ended the dominance of the mainframe. Already apparent in packaged software, where SaaS accounted for c.22% of total enterprise application software spending in 2015 (and is expected to outgrow overall software spending by >2x between 2016–2020) we expect further disruption in infrastructure software as cloud vendors move up the stack and open-source alternatives gain further traction. This dynamic has already impacted data warehousing (DW) with inexpensive *Hadoop-based* clusters replacing and/or augmenting expensive Teradata solutions. At some point, we would also expect similar fragmentation of the $40bn database market (currently dominated by Oracle, IBM, Microsoft and SAP) with NoSQL leading the open-source charge. Likewise, we expect lightweight (cheap) apps, shorter implementation times and less bespoke computing to catch up with the $800bn IT services industry which – at c.50% of overall spending – looks increasingly anachronistic.

As regular readers of our Annual Reports will know, we have leant on a plethora of different historical parallels to help us convey the magnitude of change we anticipated as our industry embraced a mass production utility model more familiar to George Eastman and Henry Ford than to most enterprise technology incumbents. As we hoped, the combination of smartphone proliferation and cloud computing has allowed our industry to mirror the earlier experience of electricity by enabling widespread reinvention beyond traditional technology boundaries. Aided and abetted by millennials that 'engage with smartphones more than humans', today's technology winners are not peddlers of productivity dreams. They are the buyers, the mass producers of IT with which they deliver products and services that change user behaviour and expectations. Massive scale and R&D budgets create formidable entry barriers and future growth opportunities that are unavailable to embattled incumbents. At the same time – and following the experience of 19th century electricity – utility computing has eliminated many of the adoption barriers that previously disadvantaged smaller companies. Today, SMEs have access to the same cheap compute and best of breed software while being able to bypass traditional channels dominated by incumbents by engaging directly with their customers thanks to smartphones and Internet advertising. Having levelled the playing field, it should be no surprise that the Internet-fuelled disruption promised in the 1990s has finally arrived.

Unfortunately for incumbents, these new opportunities have little to do with them while cloud coexistence appears to be becoming increasingly problematic. This view was supported by a revealing first-quarter earnings season which saw a number of legacy companies struggle to meet expectations and/or issue weak guidance in contrast with mostly positive results from next generation 'winners'. Despite this, many of these incumbents have enjoyed multiple expansion over the past year with the likes of Cisco, HP and Oracle each adding 1–3 multiple points to their PEs. Even IBM – a company where revenues have now declined y/y for 20 consecutive quarters, despite spending $5.5bn on 17 M&A deals during 2016 – saw its forward PE expand modestly during 2016. While an increased focus on profit

'With new cycle deflation likely to intensify from here, technology incumbents know they must reinvent themselves which is why they talk up their relevance while simultaneously embarking on ever greater M&A.'

(rather than revenue) maximisation probably warranted some revaluation, our sense is that it largely reflects the rising tide of equity valuations during this long bull market, which has lifted all boats apparently with limited regard for their long-term seaworthiness. It also reflects the odd reinvention success story with Microsoft's pivot to the cloud acting as a rallying cry for many a 'cheap' incumbent.

With new cycle deflation likely to intensify from here, technology incumbents know they must reinvent themselves which is why they talk up their relevance while simultaneously embarking on ever greater M&A (making a mockery of free cash flow-based valuation, in our opinion). After a record 2016, most observers believe that the recovery in valuations and a hardening of attitude at CFIUS (committee on foreign investment in the US) regarding Chinese inbound M&A will result in a quieter 2017. However, we expect activity to remain at elevated levels reflecting massive sector cash balances, new buyers (private equity alone is said to have $120bn of buying power) and accelerating cloud disruption. We may also see larger transactions should the likes of Cisco, Microsoft and Oracle repatriate their offshore cash. Both Apple and Alphabet represent M&A wildcards as both could look to large deals to accelerate their capability in content and cloud respectively. High quality assets are likely to continue to command full premiums, evident from Intel's $15bn purchase of Mobileye and Cisco's acquisition of AppDynamics at 17.3x trailing EV/Sales.

There are a number of risks specific to the technology sector that should be considered. One of the most important relates to the sector's perception as a loser from the Trump Administration, evidenced by its poor relative post-election performance. While the so-called Trump trade has recently reversed, sentiment could change again should the President look more able to deliver wholesale change. While we acknowledge the risks associated with tail outcomes such as a border adjustment tax or regulatory change, we do not regard the technology sector as a loser under the new President. Instead we see other sectors more directly benefiting from potentially lower tax rates and greater infrastructure spending while reflation may reduce our sector's lustre as growth becomes less scarce. However, we are encouraged that the new Administration's pro-growth platform has likely reduced the odds of a US recession. Improved new business creation should also be beneficial for our SME-exposed software and payment companies while a healthier financial sector is positive as it represents c.24% of total IT spending. As the only S&P sector with net cash, technology balance sheets should also insulate the sector against the rising cost of debt service while repatriation represents another potential benefit given the sector's disproportionate share of offshore cash. The two other risks worthy of mention relate to accounting, the trend away from the use of non-GAAP metrics (which will make technology companies optically appear more expensive) and ASC 606, a new FASB/IASB standard due to be implemented in January 2018 which may disproportionately impact the software sector.

After a sustained period of sector outperformance, it is understandable why some people have given in to the temptation to make a comparison between today and the late 1990s technology bubble. This follows strong performance of five mega-caps – Facebook, Apple, Amazon, Microsoft and Alphabet – which account for c.13% of the S&P 500 but recently explained c.40% of its year-to-date returns. Furthermore, technology companies now account for eight of the top 20 global companies by market cap, up from four in 2001. Quite aside from the fact that bubbles tend to be accompanied by euphoria, rather than healthy scepticism, this time our sector's progress has been primarily driven by earnings rather than 'eyeballs', hope and late-cycle experimental business models. Our largest holding Alphabet is perhaps the best example of this as its earnings per share has increased 23-fold (from $1.46 in FY2004 to an estimated $33.90 this year) while its stock has increased 12-fold since its IPO. As such we see limited similarities between today and the late 1990s when the forward PE of the technology sector peaked at 48x in March 2000 (more than twice the market multiple) whereas today the sector trades at c.18x, a very small premium ignoring its superior balance sheet. Likewise, technology shares accounted for c.one-quarter of the ACWI market cap in 2000, more than 10% higher than any other sector's percentage. Today it is c.17%, lower than financials and only 5% higher than consumer discretionary.

MANAGER'S REPORT CONTINUED

'Internet platforms have been the greatest beneficiaries of smartphone ubiquity and cheap, plentiful bandwidth with more than 3.4bn people worldwide accessing the Internet today, c.46% of the world's population.'

Finally, estimates of technology's long-term earnings growth (LTEG) are today less than half of where they peaked in 2000 (12.7% vs. 28.9% respectively).

However, Amazon's recently announced acquisition of Whole Foods (an upmarket US grocery chain) is perhaps the best example of why we believe the 1990s parallel is too easy and ultimately fallacious. At the height of the Dotcom bubble, America Online (AOL) – then the world's leading Internet Service Provider (ISP) – acquired the venerable Time Warner for $182bn creating an 'unparalleled powerhouse' of online and offline assets in a 'deal that everyone will have to follow'. At the time AOL boasted revenues of $4.8bn, 20m (mostly narrowband) subscribers and a market capitalisation of $163bn. While the market cap of Amazon ($480bn) and the $13.7bn purchase of a 'bricks and mortar' company by an online leader may rhyme with the late 1990s, Amazon today has 28x more revenues and 15x the user base than AOL at its peak. Amazon's *Prime* membership alone is said to be four times greater than AOL in 2000. Most telling is that AOL used stock to fund its deal which subsequently fell almost 90% over the coming years as the Internet bubble burst and AOL's business model imploded. In contrast, and in a sign of how far the Internet has come since the late 1990s, Amazon is paying cash.

THEMATIC UPDATE

In addition to cloud computing –the kernel of our new cycle thesis and already covered in some detail – there are a number of other core themes that are captured within the portfolio. As we have previously articulated, Internet platforms have been the greatest beneficiaries of smartphone ubiquity and cheap, plentiful bandwidth with more than 3.4bn people worldwide accessing the Internet today, c.46% of the world's population. 2016 saw more balanced returns across different market capitalisations while both Facebook and Alphabet experienced multiple compression despite delivering impressive operational performance. For many large-cap Internet stocks, investors worried about the sustainability of growth and the 'law of large numbers'. As such many of the Internet giants continue to look attractively valued relative to their positioning and prospects. The outlook for **online advertising** remains resilient and we expect ongoing market share gains from offline traditional media, with global online advertising forecast at $185bn in 2016, +18% y/y and expected to surpass TV advertising within the next six months. The US continues its domination of Internet advertising spending with online accounting for c.38% of the total in 2016 with Facebook and Google accounting for c.84% of incremental spending, a welcome reminder of Metcalf's Law. Penetration continues to grow in China too with online advertising growing 30% y/y to $40bn, equivalent to 15% of total spend last year. **Social media** is growing its share of advertising Dollars and time spent online with Facebook the undisputed global leader with 1.9bn monthly active users (MAU) and 1.2bn daily active users (DAU). Chat apps remain the fastest growing product within social media and Facebook once again dominates via its ownership of *Whatsapp* and *Facebook Messenger* which boast 1.2bn and 1.0bn MAUs respectively. In China, Tencent's WeChat remains the market leader in China with 846m MAU with half of users spending more than 90 minutes a day in the app.

Trends within **e-commerce** remain equally strong with online spending likely to account for 8.7% of worldwide retail sales this year. Despite being already worth $1.9tr, e-commerce penetration is accelerating its share of overall retail spending, driven by mobile commerce ('m-commerce') as smartphones and tablets become integral parts of the shopping experience. This helped US e-commerce growth reaccelerate to 15% y/y in 2016 adding to the woes of traditional retailers with store closures this year expected to exceed those during the Great Recession. As incremental improvements take place in both payment and delivery methods the friction and barriers to purchasing online only recede further, Cowen predicting that e-commerce will achieve 12% penetration by 2020. Amazon's proposed acquisition of retailer Whole Foods reflects a pragmatic approach designed to accelerate the penetration of large underserved categories such as grocery and home furnishings. While many of the early horizontal marketplace innovators are seeing their businesses disrupted by larger platforms, vertical and lead generation marketplaces strengthened their positions during 2016 epitomised by Uber (transportation), AirBnB (travel), Grubhub / Just Eat (food delivery)

'We remain relatively constructive on Apple as we have long believed it is best understood as a mass-affluent / luxury goods company whose brand which allows it to capture 90%–103% of industry profits with just 14% smartphone unit share.'

and HomeAdvisor, part of IAC (home services). China e-commerce continues to grow at a significantly faster rate with gross merchandise value (GMV) reaching $681bn last year (+24%) with mobile accounting for 71% of overall spending.

Subscription models also continue to prove a popular and successful method for monetising **media content** as demonstrated by pioneers Netflix and Spotify. Within music streaming, Spotify crossed 40m paying subscribers during 2016 (accounting for a remarkable 20% of global music industry revenues) while Netflix has exceeded 90m video subscribers and is truly global with availability in more than 200 countries. Amazon's own subscription service – *Prime* – is now believed to have amassed 80m subscribers. What began in 2005 as free two-day shipping has expanded into online video, e-books and music alongside free next-day shipping on prime eligible items and is today one of the most powerful membership clubs / loyalty schemes currently in existence. New platforms and content are changing behaviour with one in every four hours spent watching digital video content as the disruption of traditional linear TV continues, particularly among younger people. More than 1bn hours of video is consumed on YouTube *per* day, a ten-fold increase since 2012 while Netflix has increased its monthly minutes delivered by 669% since 2011. In contrast, the top five US TV networks have seen their aggregate monthly minutes delivered fall 10% over the same timeframe. We also remain excited about online **payments** where – over time – we expect the smartphone to replace the physical wallet, epitomised by Uber where payment is subsumed into its app. China remains at the forefront of this theme with $4.4tr of mobile payments made in 2016 (almost 50x more than in the US) while *WeChat* users sent a record 46bn digital red packets over Chinese New Year (+43% y/y). While micro transactions have been most embraced by the gaming sector, beyond Asia it has been the App stores that have benefited from in-app gaming transactions, Apple's *App Store* generating more than $28bn revenues in 2016.

As we expected, 2016 proved another year of **smartphone** deceleration with unit growth just 3% y/y to 1.5bn while prices continued to erode as mix shifted towards emerging markets. However, smartphone stocks fared better than expected due to positive demand (4G upgrade cycle) robust iPhone 7 sales and aggressive US carrier promotions. While the strongest performance was reserved for companies with increased content in the iPhone 7, Apple itself registered three negative quarters of year over year unit growth but still managed to grow its installed base by c.100m and end the calendar year with ASPs at $695 despite the iPhone 7 having 'virtually no major external design changes'. With smartphone penetration at c.66% globally (and at 88% and 81% in the US and UK respectively) unit growth is likely to remain sluggish and back-end loaded as consumers await the iPhone 8 upgrade expected in September. Chinese competition is intensifying with local vendors accounting for c.25% of global units while Samsung and Apple continue to dominate the high end (>$400 devices), said to account for 54% of industry revenues and 'most if not all of the industry profits'. As such, the overall smartphone market remains extremely challenging – HTC, Lenovo and LG all make losses while Blackberry and Nokia (Microsoft) both exited the market during 2016. With industry ex-Apple / Samsung profits under severe pressure, adverse IPR trends have worsened with Apple now challenging the basis of Qualcomm's royalty. This trend is unlikely to improve as industry sales continue to gravitate towards Chinese vendors and OEMs with their own intellectual property.

Despite this increasingly challenging backdrop, we remain relatively constructive on **Apple** as we have long believed it is best understood as a mass-affluent / luxury goods company whose brand which allows it to capture 90%–103% of industry profits with just 14% smartphone unit share. The value of this c.600m / 1bn device installed base has seen Apple become the second largest global watch company by revenues (behind Rolex) within two years. Over time we expect Apple's valuation to tend towards other leading consumer companies (such as Coca-Cola) that also boast durability and pricing power, aided by an ongoing shift towards recurring revenue / services ($28bn gross, +24% y/y). However, recent stock strength has less to do with our long-term bull case and more to do with growing excitement ahead of the iPhone 8 launch.

MANAGER'S REPORT CONTINUED

'Software remains a large and critical part of our portfolio as it continues to grow its share of IT budgets while the Software as a Service (SaaS) delivery model is expanding the total addressable market by lowering barriers to adoption.'

Marking the ten-year anniversary of the first iPhone, the 8 (or potentially 'X') is likely to be completely redesigned (edge to edge curved OLED display, glass and aluminium casing) and include a host of new features (including enhanced touch, wireless / fast charging, 3D sensing for facial recognition and gesture control. A new form factor, together with an ageing installed base (31% of the Apple installed base will be >2 years old, compared to 23% into iPhone 6) increase the likelihood of a so-called *super cycle* with c.250m iPhone units (+15% y/y) forecast for 2018E. Although the stock has re-rated materially over the past year, we have been adding to our holding ahead of what we hope will prove an exciting product refresh. However, our large but underweight position reflects our view that beyond the iPhone 8, stock returns will likely be driven by private equity expansion rather than earnings growth that will be hampered by developed market smartphone penetration, extending replacement cycles and the slower pace of innovation.

Although industry growth proved modestly disappointing in 2016, **semiconductor** stocks delivered stellar performance (+39%) driven by a further sector re-rating. Investor perception continued to improve as a number of industry participants demonstrated pricing power and reduced earnings volatility despite sluggish end markets. Elevated M&A activity provided additional support, although activity shifted from cheap second tier vendors to high-quality companies with vertical expertise such as NXP and Linear Technology as incumbents looked to bulk up in preferred areas (e.g. automotive). Non-semi companies also increased their interest in the rapidly consolidating industry, epitomised by Softbank's $31bn acquisition of ARM. Semiconductor equipment vendors also delivered strong returns as the Wafer Fab Equipment (WFE) market grew 8% in 2016 to $34bn, mainly driven by 3D NAND spending. Given low penetration of SSD (27% of total drives), 3D NAND spending growth is expected to continue during 2017. Moreover, as a result of higher capital intensity in every migration (slowing overall wafer capacity additions) we expect the WFE market to continue to see diminished volatility that should greatly support valuations. 2017 should see semiconductor industry growth accelerate to over 7% due to memory demand / pricing and growing opportunities in cloud, automotive and artificial intelligence (AI) / machine learning (ML). While we continue to favour SPE stocks, our largest over-weights are reserved for faster growers with unique technologies such as AMD (potential for significant share gains in CPU and GPU due to new design architecture) and Xilinx (datacentre acceleration). We also hold meaningful positions in Samsung, SK Hynix and SK Materials as beneficiaries of a strong memory market that may persist longer than investors expect.

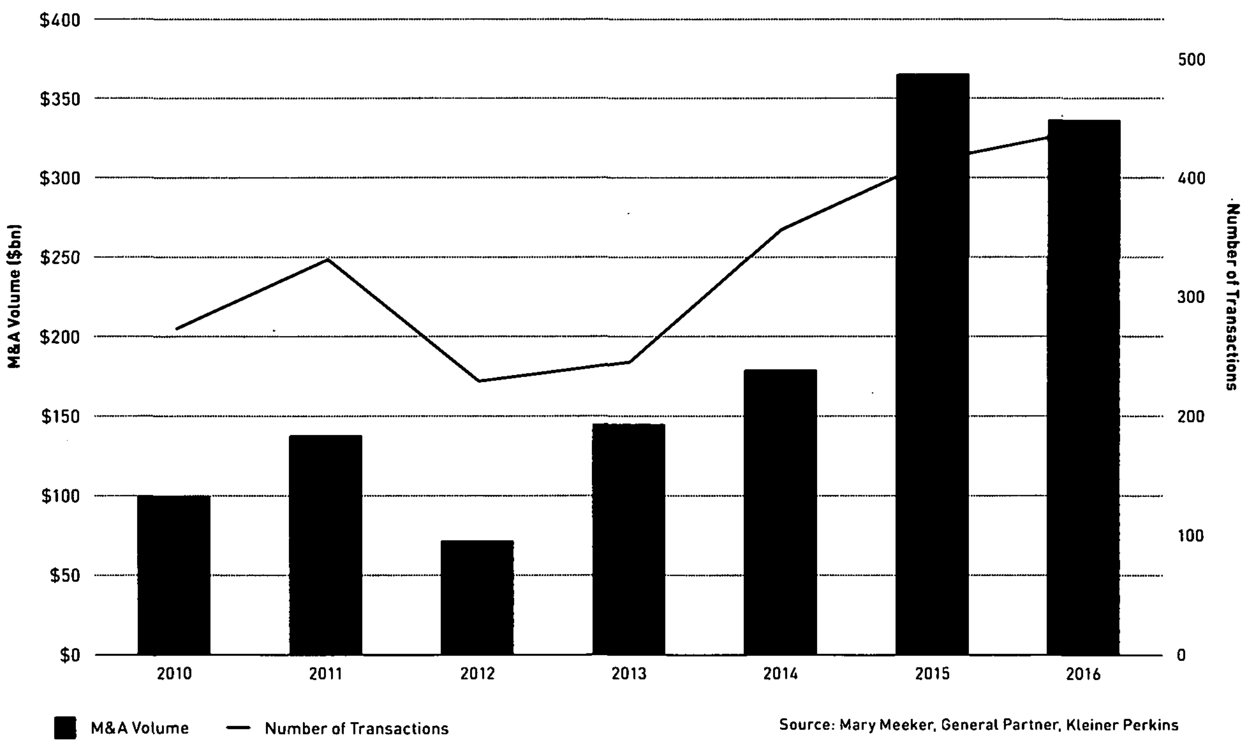
In contrast, **software** stocks endured a difficult year as many of our favoured next-generation stocks experienced multiple compression. However, software remains a large and critical part of our portfolio as it continues to grow its share of IT budgets while the Software as a Service (SaaS) delivery model is expanding the total addressable market by lowering barriers to adoption. In addition, two sub-themes particularly excite us. The first is machine learning/AI and its potential to enrich software, allowing it to provide far more value to customers. Companies with vertical domain expertise, access to proprietary databases and cloud delivery appear in poll position. Bill Gates summarised the overall opportunity when he said *'a breakthrough in machine learning could be worth 10 Microsofts'*. Secondly, the imperative for enterprise digitization continues: a recent Gartner survey showed digitization will capture 28% of IT budget spend in 2018, up from 18% today. This budget reallocation plays well into the strengths of next-generation software vendors and increasingly disqualifies legacy players from new investment decisions. Although investors struggled with the valuation instability during 2016, acquirers stepped-up to fill the void with more than thirty $1bn+ software acquisitions and over $100bn in deal volume. We look forward to another bumper M&A harvest in 2017 and a reopening of the IPO market which will help us refresh our pipeline of emerging winners. For now, we continue to invest in what we believe are 'winning platforms' (e.g. Salesforce.com, ServiceNow), key enablers (e.g. Pegasystems, Red Hat, Splunk) strong product cycles (e.g. Hubspot, Zendesk) rising SaaS penetration (e.g. New Relic) and/or market share gainers.

'Cybersecurity remains a core investment theme, driven by the ever-expanding attack surface and an active, evolving threat landscape.'

Cybersecurity stocks also endured a difficult 2016, reflecting a moderation in spending after an exceptional 2014/15. We continue to believe that cybersecurity remains a core investment theme, driven by the ever-expanding attack surface and an active, evolving threat landscape. This view was supported by the recent 'WannaCry' cyberattack which captured headlines globally, causing widespread panic and infecting computers in more than 150 countries. The NHS in the UK, FedEx and Telefonica were high profile victims of the ransomware (exploiting a vulnerability in the Windows operating system (OS) that Microsoft had released a critical patch for back in March). Although the overall cybersecurity market is expected to grow at a modest c.6%, high profile breaches such as these have the potential to drive additional spending while the upcoming European General Data Protection Regulation (GDPR) and potential for a US Cybersecurity Executive Order may serve as further catalysts. Our own exposure is to faster growth subsectors such as cloud email security, privileged account management, vulnerability management and security incident and event management (SIEM). While the cloud may represent a longer-term risk (as more security features are subsumed into IaaS offerings) this risk feels balanced today by undemanding valuations and potential M&A activity.

We also continue to favour **videogame** companies as rare content beneficiaries of digital distribution made possible by the Internet. The gaming industry has also seen structural improvement, with market consolidation – the 'big 4' Western publishers estimated to have had >50% market share on console in 2016 – and strategic focus on creating fewer high end 'AAA' franchises, which provide greater scale and profitability together with reduced risk. More importantly, next-generation consoles have spurred the adoption of full game digital downloads and additional digital content, increasing ARPU and expanding margins.

GLOBAL TECHNOLOGY M&A DEALS, 2010–2016



Source: Mary Meeker, General Partner, Kleiner Perkins

MANAGER'S REPORT CONTINUED

'The arrival of human-robot collaboration is radically changing the way factories operate, making highly versatile production lines possible.'

While full game downloads boost margins significantly, the real story is selling additional digital content (DLC) and micro-transactions which accounted for c.52% of PC/Console sales for the big 4 in 2016E with greater than 90% incremental gross margin. In addition, smartphone and tablet gaming – worth $37bn in 2016 – is expanding, rather than cannibalising the overall opportunity worth c.$100bn. eSports (competitive gaming as a spectator sport) represents an additional future growth avenue; in 2016 there were 148m eSports enthusiasts and a further 144m occasional viewers tuning in for big events. To put that into context c.31m people watched the NBA finals in 2016, versus c.36m who watched the *League of Legends* world finals in 2015. We are also excited about the longer-term opportunities associated with augmented reality (AR) following the *Pokémon Go* phenomenon that saw 45m people use smartphones to capture virtual 'monsters'. Virtual reality (VR) also has significant promise and is being fostered by a number of technology giants today. While gaming has been the primary application thus far, the technology could ultimately disrupt a number of existing markets including live events, real estate and education.

We are fascinated by the potential for **automation** and **robotics** as the evolution of advanced components such as machine vision, sensors and reduction gears have made highly accurate and repeatable movement possible. This is driving a significant market expansion as industrial robots – traditionally used for tasks unsuitable for humans to perform over sustained periods such as welding, painting and loading tasks – can today address consumer electronics assembly, healthcare, logistics and many other sectors. The robotics opportunity has also been advanced by e-commerce which is forcing a rethink of the whole supply chain while cobots (robots with enhanced safety control functions) are now able to operate alongside humans in a production line without a safety barrier. The arrival of human-robot collaboration is radically changing the way factories operate, making highly versatile production lines possible. Advances in control system and sensor technologies are also allowing predictive maintenance to be both affordable and precise, paving the way for manufacturers to achieve *zero down time (ZDT)* and avoid expensive unplanned work stoppages which are said cost on average 5% of total output value. The vision is real-time information sharing across connected machines and cooperation between cyber-physical systems and humans. However, this will require a fundamental overhaul of how factories are built in order to enable real-time data collection, monitoring and analysis. The replacement opportunity is enormous with c.60m machines in factories globally of which 70% are more than fifteen years old and only 10% are currently connected. Furthermore, the layering in of artificial intelligence that enables predictive analytics and autonomous decision making will be game-changing and its impact far reaching. As such we have been adding to our overall exposure, primarily via key component suppliers such as Keyence (sensors), Harmonic Drive Systems (reduction gears) and Cognex (machine vision).

After years in the wilderness it is becoming increasingly clear that **Artificial Intelligence** (AI) and **Machine Learning** (ML) are emerging as the next great technology platforms. This back-end infrastructure designed to garner insight from Big Data has captured the imagination of Silicon Valley and Wall Street alike following high profile AI successes such as Google's *AlphaGo* (which in 2016 beat the world's best Go players) and *Liberatus*, AI created at Carnegie Mellon University that beat four human professional players at poker. AI is not a new concept – having been around since the 1950s and gaining popularity in the 1980s for pattern recognition (mainly used in weather forecasting) before achieving notoriety in the field of chess following the defeat of Gary Kasparov by IBM's Deep Blue in 1997. However, recent attention is mainly driven by vast data sets necessary to feed neural networks, the core framework of AI that is modelled loosely on the network of neurons in the human brain, and cheap parallel computing *enabled by high performance GPU and storage*. AI is therefore all about trying to identify relationships from vast datasets, which is why early adopters are largely data companies (search engine, social networks).

'Like cloud computing, AI appears to have the potential to both transcend and transform the technology landscape over the coming years.'

Today, the main AI applications are still relatively simple tasks such as identifying faces in photos, recognising voice / text queries and improving search engine results. However, breakthrough consumer applications such as Amazon's Echo which deliver 'voice as a computing interface' demonstrate the early promise of artificial intelligence. Moreover, AI has broad applicability where large datasets are easily obtained and well defined. Within healthcare, virtual screening (conducting millions of tests and simulations on compounds to see which combination of molecules can have a particular effect) is being increasingly adopted to reduce the time and cost of drug discovery, Goldman Sachs estimating that AI might deliver $26bn of annual savings to the pharmaceutical industry alone by 2025. Like cloud computing, AI appears to have the potential to both transcend and transform the technology landscape over the coming years.

Ben Rogoff
10 July 2017

PORTFOLIO REVIEW

PERFORMANCE ATTRIBUTION

Movement in Net Asset Value (total return) per share

Over the year to 30 April 2017 the Net Asset Value per share rose by 56.1% compared to the rise in the Benchmark of 53.4%.

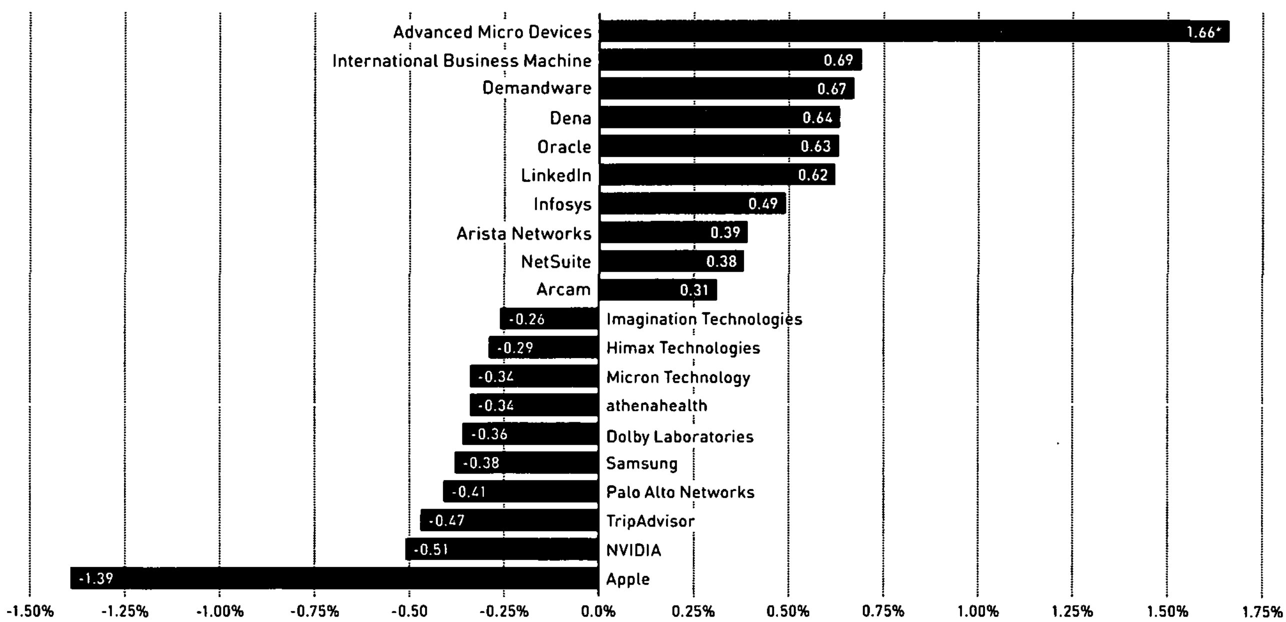
	%	%	Pence per share
NAV per share at 30 April 2016			**605.51**
Benchmark performance		53.4	
Portfolio performance vs Benchmark			
Stock allocation effect	4.8		
Stock trading and timing effect	0.2	5.0	
Other factors			
Liquidity and others	-1.3		
Due to management fees and finance costs	-1.0	-2.3	
Performance of NAV		56.1	**339.88**
NAV per share at 30 April 2017			**945.39**

PERFORMANCE CONTRIBUTION BY INVESTMENT

The top ten relative contributors and the bottom ten relative detractors from performance over the year to 30 April 2017.

HISTORIC PERFORMANCE FOR THE YEARS ENDED 30 APRIL

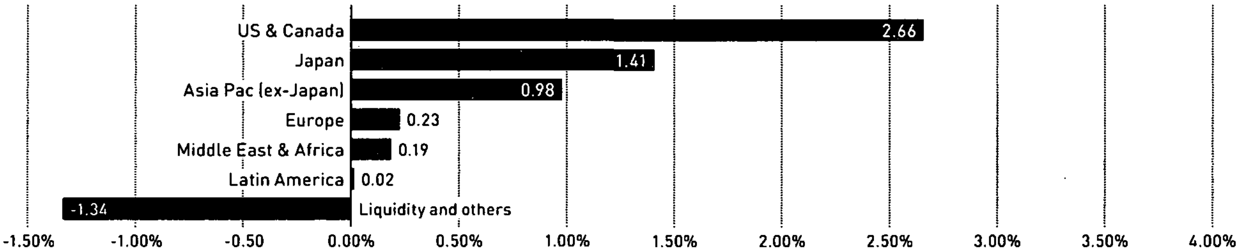
Top ten contributors to and bottom ten detractors from relative return



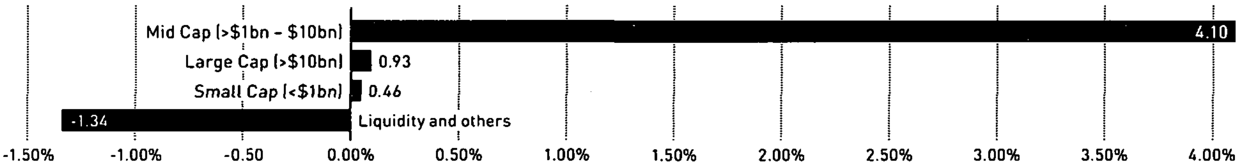
All data sourced from Polar Capital LLP

* Includes contribution from call options and stock held.

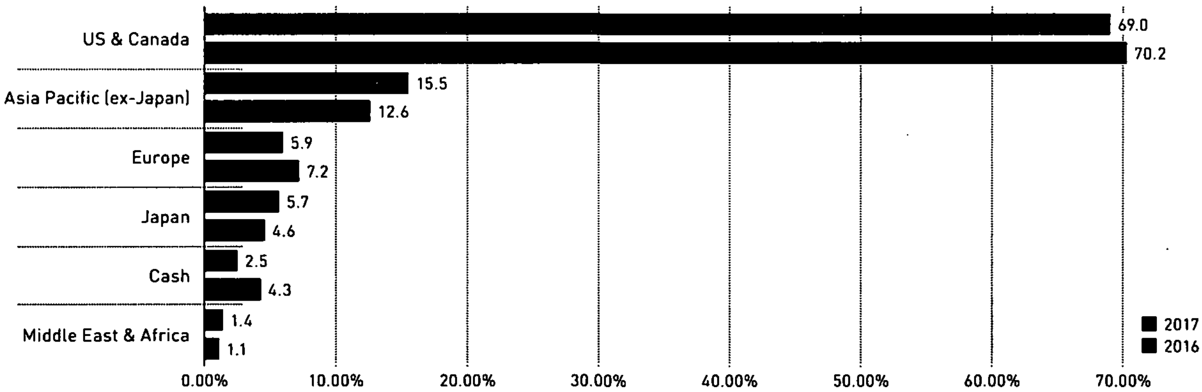
PERFORMANCE CONTRIBUTION BY REGION
over the year to 30 April 2017



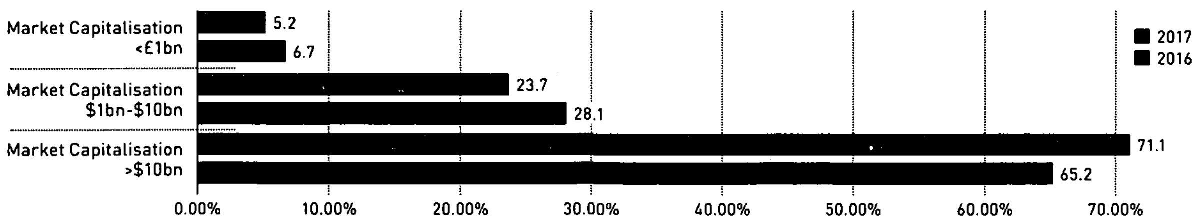
PERFORMANCE CONTRIBUTION BY MARKET CAPITALISATION
over the year to 30 April 2017



BREAKDOWN OF INVESTMENTS BY REGION
as at 30 April 2017



MARKET CAPITALISATION OF UNDERLYING INVESTMENTS
as at 30 April 2017



PORTFOLIO REVIEW CONTINUED

Classification of Investments*
as at 30 April 2017

Benchmark weightings as at 30 April 2017 %		North America %	Europe %	Asia & Pacific %	Total 30 April 2017 %	Total 30 April 2016 %
20.8%	Software	22.4	2.6	1.8	26.8	23.7
23.9%	Internet Software & Services	20.5	0.5	6.6	27.6	27.7
18.9%	Semiconductors & Semiconductor Equipment	8.2	1.2	4.3	13.7	12.8
20.9%	Technology Hardware, Storage & Peripherals	7.1	0.1	5.4	12.6	8.6
-	Internet & Direct Marketing Retail	3.4	0.3	0.2	3.9	4.5
1.3%	Electronic Equipment, Instruments & Components	2.2	0.2	1.4	3.8	3.2
7.5%	IT Services	1.3	0.6	0.1	2.0	2.6
-	Machinery	0.4	-	1.4	1.8	1.6
5.6%	Communications Equipment	1.5	-	-	1.5	3.7
-	Chemicals	0.1	-	0.9	1.0	0.4
0.6%	Healthcare Technology	0.8	0.2	-	1.0	2.3
-	Aerospace & Defense	0.8	-	-	0.8	0.6
-	Healthcare Equipment & Supplies	0.3	-	0.4	0.7	0.5
0.1%	Household Durables	-	0.2	-	0.2	0.4
0.1%	Other	-	-	-	-	0.9
0.2%	Diversified Telecommunication Services	-	-	-	-	0.9
0.1%	Media	-	-	-	-	0.6
-	Electrical Equipment	-	-	-	-	0.3
-	Automobiles	-	-	-	-	0.1
	Total investments	69.0	5.9	22.5	97.4	95.4
	Other net assets (excluding loans)	2.7	2.8	-	5.5	8.7
	Loans	(1.4)	-	(1.5)	(2.9)	(4.1)
	Grand total (net assets of £1,252,525,000)	70.3	8.7	21.0	100.0	-
	At 30 April 2016 (net assets of £801,307,000)	71.2	9.6	19.2	-	100.0

* The classifications are derived from the Benchmark as far as possible. The categorisation of each investment is shown in the portfolio available on the Company's website. Where a dash is shown for the Benchmark it means that the sector is not represented in the Benchmark. Not all sectors of the Benchmark are shown, only those in which the Company has an investment at the financial year end.

BENCHMARK

The Company has a Benchmark of the Dow Jones World Technology Index (total return, in Sterling with the removal of relevant withholding taxes), ('the Benchmark') against which net asset value performance is measured for the purpose of assessing performance fees.

As at 30 April 2017 the Dow Jones World Technology Index was calculated as a market capitalisation based index of 619 technology companies worldwide. 70% of the index weighting is in North America, 7% in Europe and 23% in Asia & Pacific. By market capitalisation 86% is represented by large companies, 13% by mid-caps and 1% by smaller companies.

Shareholders should be aware that the Company's portfolio is actively managed and is not designed to track any particular Benchmark, index or market. Given the dynamic nature of technology markets and the rapid changes in share prices of technology shares favoured by the Investment Manager, the performance of the portfolio can vary from the Benchmark performance, at times considerably.

Although the Company has a Benchmark, this is neither a target nor an ideal investment strategy. The purpose of the Benchmark is to set a reasonable return for Shareholders above which the Investment Manager is entitled to a share of the extra performance the Investment Manager has delivered.

Investments over 1% of the portfolio as at 30 April 2017.

North America

		Value of holding		% of net assets		Benchmark % weights	
		30 April 2017 £'000	30 April 2016 £'000	30 April 2017 %	30 April 2016 %	30 April 2017 %	30 April 2016 %
Alphabet	Internet Software & Services	**108,486**	70,922	**8.7**	8.9	**8.8**	8.7

The new name for Google, Alphabet is the dominant provider of Internet search and online advertising, web applications and tools. The company operates a leading index of web sites and media content and offers an auction based advertising platform. By helping content owners to efficiently find customers online, Alphabet remains a critical element in the growth of Internet advertising and e-commerce. Alphabet's Android (mobile OS) combined with Chrome (browser) and 'Google' maps (local search) have enabled it to maintain its market leadership during the mobile internet transition.

Apple	Technology Hardware, Storage & Peripherals	**88,851**	50,659	**7.1**	6.3	**12.2**	11.0

Headquartered in Cupertino, California, Apple is a leading supplier of personal computers and digital media products that feature the company's proprietary OSX operating system. The company has become somewhat synonymous with the explosion in digital media as evidenced by market share gains in its core business and the spectacular success of its iTunes, iPhone and iPad offerings. Apple dominates the high end of the smartphone and tablet markets with 'luxury brand' status and remains a disruptive innovative force despite its scale and relative maturity.

Microsoft	Software	**76,288**	39,490	**6.1**	4.9	**8.6**	8.3

Founded in 1975, Microsoft is the largest software company in the world and the company has built a dominant franchise in desktop software through its ubiquitous Windows operating system and Office productivity software. While the company is unlikely to be a net beneficiary from the transition towards cloud computing it is making some progress with Azure and Office 365 and an ageing PC installed base and end of support for Windows XP should provide an additional tailwind.

Facebook	Internet Software & Services	**72,312**	48,785	**5.8**	6.1	**5.7**	5.7

With over 1bn daily active users, Facebook is the world's dominant social networking company. Since its poorly handled IPO the company has moved to address the main concerns around engagement on the site and the ability to monetise users that have migrated to the Facebook Mobile app. Results more recently have shown engagement continuing to track higher with measured progress in attracting advertisers as it demonstrates the advantages of social advertising.

Amazon.com	Internet & Direct Marketing Retail	**36,105**	27,459	**2.9**	3.4	**0.0**	0.0

Founded by Jeff Bezos in 1994, Amazon.com is a dominant e-commerce provider having expanded significantly since its early days as an online book, music and video vendor. Today the company has added a significant number of product categories and sells its own hardware (Kindle-branded e-readers and tablets). Furthermore, Amazon.com owns the world's pre-eminent public cloud (Amazon.com Web Services) which promises to drastically lower the cost of computing.

Salesforce.com	Software	**21,332**	13,154	**1.7**	1.6	**0.9**	1.0

A leading provider of customer relationship management (CRM) software, Salesforce.com is a standard bearer for a new software delivery model commonly known as 'software as a service' (SAAS). By eliminating many of the upfront and ancillary costs associated with the prevailing licence model, the ability to deliver software 'on demand' is helping Salesforce.com expand the applicability of its core products.

Splunk	Software	**21,331**	15,440	**1.7**	1.9	**0.1**	0.1

Splunk's software solutions are designed to derive valuable operational intelligence from machine-generated data. Machine-generated data is produced by essentially every electronic device within an organisation. When collected, indexed, and analysed, this data can be used to help drive improved operational results and identity/fix any issues or security breaches that may exist in an enterprise's IT infrastructure.

PORTFOLIO REVIEW CONTINUED

Investments over 1% of the portfolio as at 30 April 2017.

North America

		Value of holding		% of net assets		Benchmark % weights	
		30 April 2017 £'000	30 April 2016 £'000	30 April 2017 %	30 April 2016 %	30 April 2017 %	30 April 2016 %
Adobe	Software	**18,085**	6,430	**1.4**	0.8	**1.1**	1.0
Adobe Systems is one of the world's largest software companies headquartered in San Jose, California. Its products enable its customers to create, deliver and measure personalised content. Once known for standalone products such as Postscript and Photoshop, the company today largely delivers its software as a service around three cloud offerings: Creative Cloud (media creation), Document Cloud (managing documents) and Marketing Cloud (data-driven marketing).							
Applied Materials	Semiconductors & Semiconductor Equipment	**17,157**	5,756	**1.4**	0.7	**0.7**	0.5
Headquartered in Silicon Valley, Applied Materials is the leader in materials engineering solutions used to produce virtually every new chip and advanced display in the world. The company's expertise is rooted in modifying materials at atomic levels on an industrial scale. Like many of its peers, Applied Materials is benefiting from rising industry capital intensity as it becomes more difficult to drive transistor costs lower.							
New Relic	Internet Software & Services	**16,518**	–	**1.3**	–	**0.0**	0.0
With more than 15,000 customers, New Relic is a leading cloud-based performance monitoring software as a service company which enables customers to both monitor and optimise their IT assets and provide end-to-end visibility into end-user experience and application performance. Self-service dashboards make it easier for customers to gain real-time insights while alerts allow issues to be resolved faster.							
Zendesk	Software	**15,327**	5,875	**1.2**	0.7	**0.0**	0.0
Originally founded in Norway, San Francisco-based Zendesk is a leading software as a service (SaaS) customer service platform company. Its ticketing system allows companies to manage customer requests for support regardless of which channel the customer uses to make contact (email, chat, social media, voice).							
ServiceNow	Software	**15,246**	5,933	**1.2**	0.7	**0.3**	0.2
Founded in 2004, ServiceNow is a Software-as-a-Service (SaaS) leader with more than $1bn in annual revenues. Initially focused on replacing legacy IT Helpdesk applications, ServiceNow today helps automate business processes and workflow across a range of different areas including IT service management (ITSM), security, customer service and HR.							
Texas Instruments	Semiconductors & Semiconductor Equipment	**14,753**	8,126	**1.2**	1.0	**1.3**	1.2
TI has been at the forefront of the US semiconductor industry ever since engineer Jack Kilby invented the integrated circuit (IC) in 1958. Today, Dallas-based Texas Instruments offers the semiconductor industry's broadest portfolio of analogue and embedded processing products. The company also boasts best in class free cash flow generation which it is committed to returning entirely to Shareholders.							
Electronic Arts	Software	**14,400**	6,979	**1.1**	1	**0.0**	0.0
Electronic Arts (AKA: EA) is a leading global interactive entertainment software company. EA delivers games, content and online services for Internet-connected consoles, personal computers, mobile phones and tablets. Headquartered in Redwood City, California, EA boasts a number of high-quality blockbuster brands such as The Sims™, Madden NFL, EA SPORTS™ FIFA, Battlefield™, Dragon Age™ and Plants vs. Zombies™.							
Dolby Laboratories	Electronic Equipment, Instruments & Components	**14,397**	9,027	**1.1**	1.2	**0.0**	0.0
Incorporated in 2004, Dolby Laboratories designs and manufactures audio and imaging products for the cinema, television, broadcast and entertainment industries. The Company's products are used in content creation, distribution and playback to manage image and sound quality, transmission and playback. In addition to its core Dolby Digital IP, newer products include Dolby Atmos (surround sound), Dolby Vision (enhanced imaging) and Dolby Voice (audio conferencing).							

		Value of holding		% of net assets		Benchmark % weights	
		30 April 2017 £'000	30 April 2016 £'000	30 April 2017 %	30 April 2016 %	30 April 2017 %	30 April 2016 %
Advanced Micro Devices	Semiconductors & Semiconductor Equipment	13,444	-	1.1	-	0.2	0.0

Although Advanced Micro Devices (aka AMD) has been driving innovation in high-performance computing and graphics for more than 45 years, the company has been a relatively distant (and unprofitable) player in both CPU and GPU markets during recent history. This looks set to change with AMD's new Ryzen processors which look genuinely competitive with Intel which today dominates the CPU market with more than 80% share.

Intel	Semiconductors & Semiconductor Equipment	12,421	13,298	1.0	1.7	2.8	3.0

The world's largest supplier of semiconductor chips. Intel designs and manufactures microprocessors, boards and semiconductor components that are used in computers and servers, as well as networking and communication products. As the world's largest supplier of microprocessors, Intel enjoys a worldwide market share of more than 75%. Intel is now looking to expand its addressable market into mobile computing (tablets & smartphones) bringing it into more direct competition with ARM based alternatives.

North American investments over 1%	**576,453**	**46.0**
Other North American investments	**288,946**	**23.0**
Total North American investments	**865,399**	**69.0**

Europe

		Value of holding		% of net assets		Benchmark % weights	
		30 April 2017 £'000	30 April 2016 £'000	30 April 2017 %	30 April 2016 %	30 April 2017 %	30 April 2016 %
UBI Soft Entertainment	Software	11,909	5,495	1.0	0.7	0.0	0.0

Founded in 1986 by Yves Guillemot and his brothers, Ubisoft is today a top five video games publisher headquartered in Rennes, France. The company produces, publishes, and distributes video games boasting a number of global franchises include Assassin's Creed, Far Cry, Just Dance, Prince of Persia and Tom Clancy's. Although Ubisoft wants to remain independent, French conglomerate Vivendi currently owns more than 25% of the company's shares.

European investments over 1%	**11,909**	**1.0**
Other European investments	**63,194**	**4.9**
Total European investments	**75,103**	**5.9**

PORTFOLIO REVIEW CONTINUED

Investments over 1% of the portfolio as at 30 April 2017.

Asia (Inc. Middle East) & Pacific

		Value of holding		% of net assets		Benchmark % weights	
		30 April 2017 £'000	30 April 2016 £'000	30 April 2017 %	30 April 2016 %	30 April 2017 %	30 April 2016 %
Samsung	Technology Hardware, Storage & Peripherals	**48,157**	8,181	**3.8**	1.0	**4.0**	3.1
Samsung manufactures a very wide array of products ranging from components to finished products for both consumer electronics and industrial end markets. The company is particularly renowned for its high global market share in the fields of memory semiconductors (NAND/DRAM), LCD displays, and mobile smartphones/tablets. Samsung, alongside Apple has grown to dominate the smartphone industry but has the advantage of a more vertically integrated supply chain.							
Tencent Holdings	Internet Software & Services	**33,483**	16,686	**2.8**	2.1	**2.7**	2.3
Tencent Holdings offers a suite of online services -primarily entertainment and communication related – to users. The company originally started out as an 'instant messaging' service provider back in 1999, and has gone on to dominate this market in China with over 800 million active accounts. Tencent's leading Internet platforms in China include QQ (QQ Instant Messenger) and WeChat. The company is now successfully monetising this enormous 'community' via add-on services such as online gaming, advertising and e-commerce.							
Alibaba	Internet Software & Services	**29,487**	19,214	**2.4**	2.4	**2.0**	1.8
Alibaba is China's pre-eminent e-commerce company and provides consumer-to-consumer (Taobao, Tmall.com), business-to-consumer (AliExpress) and business-to-business (Alibaba.com) sales services via web portals, as well financial services (Alipay) and data-centric cloud computing services through its subsidiaries.							
Taiwan Semiconductor	Semiconductors & Semiconductor Equipment	**15,874**	11,603	**1.3**	1.4	**1.95**	1.83
TSMC is the world's largest semiconductor foundry, providing a full range of services from design to product delivery. The company has dominated the leading-edge of the technology road-map for many years, as smaller rivals struggled to resource adequately their product offerings. More recently, the competitive environment has intensified with Apple moving some business to TSMC (from Samsung) but with both Intel and Samsung now more open to manufacturing for others at the leading edge, as scale becomes increasingly important.							
Asian investments over 1%		127,001		10.3			
Other Asian investments		152,565		12.2			
Total Asian investments		279,566		22.5			

A list of all the investments as at 30 April 2017 is provided on the Company's website.

STRATEGIC REPORT

The Strategic Report Section of this Annual Report comprises the Chairman's Statement, the Investment Manager's Report including information on the portfolio and this Strategic Report. It has been prepared to provide information to Shareholders on the Company's strategies and potential for those strategies to succeed, including a fair review of the strategy and performance of the Company during the year ended 30 April 2017, the position of the Company at the year end and a description of the principal risks and uncertainties. The Strategic Report Section contains certain forward looking statements, made by the Directors in good faith based on the information available to them at the time of their approval of this report. Such statements should be treated with caution due to inherent uncertainties, including both economic and business risk factors underlying any such forward-looking information.

INTRODUCTION AND BUSINESS MODEL

The Company's business model follows that of an externally managed investment trust and the investment objective is to provide Shareholders with access to an actively managed portfolio of technology shares selected on a worldwide basis with the investment objective to maximise long-term capital growth.

Over the last four decades the technology industry has been one of the most vibrant, dynamic and rapidly growing segments of the global economy. Technology companies offer the potential for substantially faster earnings growth than the broad market.

Investments are selected for their potential shareholder returns, not on the basis of technology for its own sake. The Investment Manager believes in rigorous fundamental analysis and focuses on:

- management quality;
- the identification of new growth markets;
- the globalisation of major technology trends; and
- exploiting international valuation anomalies and sector volatility.

Further information on the operation of the business is set out in the Directors' Report on pages 54 to 56.

The Board has appointed Polar Capital LLP as its Investment Manager and AIFM.

Polar Capital LLP also provides or assists in providing Company Secretarial services and general administration including liaison with directly appointed third party suppliers.

INVESTMENT OBJECTIVE AND POLICY

Shareholders should be aware that the portfolio is actively managed and is not designed to track any particular benchmark, indices or market. The performance of the portfolio can vary from the Benchmark performance, at times considerably.

Objective

The Company's investment objective has been since formation, and will continue to be, to maximise long-term capital growth by investing in a diversified portfolio of technology companies around the world.

Policy

At the Annual General Meeting in 2012 the current investment policy was approved. The portfolio has been managed in accordance with the policy and restrictions in the year to 30 April 2017.

Asset Allocation

Technology may be defined as the application of scientific knowledge for practical purposes and technology companies are defined accordingly. While this offers a very broad and dynamic investing universe and covers many different companies, the portfolio of the Company (the 'Portfolio') is focused on technology companies which use technology or which develop and supply technological solutions as a core part of their business models. This includes areas as diverse as information, media, communications, environmental, healthcare, finance and renewable energy, as well as the more obvious applications such as computing and associated industries.

STRATEGIC REPORT CONTINUED

The Portfolio is constructed without specific reference to any individual market, index or Benchmark and the Directors discuss asset allocation regularly. The Board has agreed a set of parameters which provide a range which guides the Investment Manager depending on market conditions and future expectations. The Board believes that this provides the necessary flexibility for the Investment Manager to pursue the investment objective, given the dynamic and rapid changes in the field of technology, while maintaining a spread of investments.

Risk Diversification

The Company will at all times invest and manage its assets in a manner that is consistent with spreading investment risk and invests in a Portfolio comprised primarily of international quoted equities which is diversified across both regions and sectors.

The Company will satisfy the following investment restrictions:

- The Company's interest in any one company will not exceed 10% of the gross assets of the Company from time to time, save where the Benchmark weighting of any investee company in the Company's portfolio exceeds this level, in which case the Company will be permitted to increase its exposure to such investee company up to the Benchmark 'neutral' weighting of that company or, if lower, 20% of the Company's gross assets.
- The Company will have a maximum exposure to companies listed on emerging markets (as defined by the MSCI Emerging Markets Index) of 25% of its gross assets from time to time.
- The Company may invest in unquoted companies from time to time, subject to prior Board approval. Investments in unquoted companies in aggregate will not exceed 10% of the gross assets of the Company (measured at the time of acquisition of the relevant investment and whenever the Company increases the relevant holding).

In addition to the restrictions set out above, the Company is subject to Chapter 15 of the UK Listing Authority's Listing Rules which apply to closed ended investment companies with a premium listing on the Official List of the London Stock Exchange. In order to comply with the current Listing Rules, the Company will not invest more than 10% of its total assets at the time of acquisition in other listed closed ended investment funds, whether managed by the Investment Manager or not. This restriction does not apply to investments in closed ended investment funds which themselves have published investment policies to invest no more than 15% of their total assets in other listed closed ended investment funds. However, the Company will not in any case invest more than 15% of its total assets in other closed ended investment funds. The Company must not conduct any trading activity which is significant in the context of its group as a whole.

Borrowing, Cash and Derivatives

The Company may borrow money to invest in the Portfolio over both the long and short-term. Any commitment to borrow funds is agreed by the Board and the AIFM.

The Company's Articles of Association permit borrowings up to the amount of its paid up share capital plus capital and revenue reserves but any net borrowings in excess of 15% of the Company's net assets at the time of drawdown will only be made with the approval of the Board.

The Investment Manager may also use from time to time derivative instruments as approved by the Board such as financial futures, options, contracts-for-difference and currency hedges. These are used for the purpose of efficient portfolio management. Any such use of derivatives will be made in accordance with the Company's policies on spreading investment risk as set out in this investment policy and any leverage resulting from the use of such derivatives will be subject to the restrictions on borrowings set out above.

Changes to investment policy

Any material change to the investment policy will require the approval of the Shareholders by way of an ordinary resolution at a general meeting. The Company will promptly issue an announcement to inform Shareholders and the public of any change of its investment policy.

INVESTMENT STRATEGY GUIDELINES AND BOARD LIMITS

The Board has within the Investment Policy established guidelines for the Investment Manager in pursuing the Investment Policy. The Board uses these guidelines to monitor the portfolio's exposure to different geographical markets, sub-sectors within technology and the spread of investments across different market capitalisations.

These guidelines are kept under review as cyclical changes in markets and new technologies will bring certain sub-sectors or companies of a particular size or market capitalisation into or out of favour.

Market parameters

Notwithstanding the ability to invest up to 100% of the portfolio in any one market, with current and foreseeable investment conditions the Portfolio will be invested in accordance with the objective across worldwide markets within the following geographical and market parameters:

- **North America** up to 85% of the Portfolio
- **Europe** up to 40% of the Portfolio
- **Japan and Asia** up to 55% of the Portfolio
- **Rest of the world** up to 10% of the Portfolio

The Board has set specific upper exposure limits for certain countries where they believe there may be an elevated risk.

Cash

From time to time the Company may hold cash or near cash equivalents if the Investment Manager feels that these will at a particular time or over a period enhance the performance of the Portfolio. The Board has agreed that management of cash may be achieved through the purchase of appropriate government bonds, money market funds or bank deposits depending on the Investment Manager's view of the investment opportunities.

Gearing

The Board monitors the level of gearing available to the Investment Manager and agrees, in conjunction with the AIFM, all bank facilities. Deployment of such facilities in excess of 15% of the net asset value of the Company at the time of draw down requires Board agreement.

During the year the Company had loan facilities with ING Bank NV for two three-year facilities with ING Bank NV: One for US Dollars 23,000,000 of which was drawn down on 2 October 2015 at a fixed rate of 2.21%pa and one for Japanese Yen 2,800,000,000 at a fixed rate of 0.995%pa. These loans fall due for repayment on 2 October 2018.

Details of the loans are set out in Note 17 to the Financial Statements.

FUTURE DEVELOPMENTS

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

PERFORMANCE

At 30 April 2017 the total net assets of the Company amounted to £1,252,525,000 (2016: £801,307,000). The Net Asset Value per share rose by 56.1% from 605.51p to 945.39p. As at 30 April 2017 the portfolio comprised of 120 (2016: 129) investments. The top investments each being over 1% of the portfolio at 30 April 2017 are described on pages 33 to 36 and a full listing of all investments in the portfolio can be found on the Company's website.

The portfolio has been analysed on pages 30 to 32 to disclose details on the distribution of investments by market capitalisation and by the different sectors in the different principal geographies.

STRATEGIC REPORT CONTINUED

The changes in the share price, net asset value and Benchmark over the financial year are shown on page 4.

A review and commentary are given in the Chairman's Statement on pages 8 and 9 and the Investment Manager's Report on pages 10 to 29.

The ongoing charges ratio shown on page 4 has been calculated in accordance with guidance issued by the AIC and constitutes the management fee in Note 8 and the other administrative expenses (Note 9) as a percentage of average daily net assets over the year.

DIVIDENDS

The Company's revenue varies from year to year and the Board considers the dividend position in each year in order to maintain the Company's status as an investment company. The revenue reserve remains in deficit and historically the Company has not paid dividends given its focus on capital growth. The Directors do not recommend the payment of a dividend.

REGULATORY ARRANGEMENTS

The Company is designated an Alternative Investment Fund ('AIF') under the Alternative Investment Fund Management Directive ('AIFMD') and as required by the Directive has contracted with Polar Capital LLP to act as the Alternative Investment Fund Manager ('AIFM') and HSBC Bank Plc to act as the Depositary.

Both the AIFM and the Depositary have responsibilities under AIFMD for ensuring that the assets of the Company are managed in accordance with investment policy and are held in safe custody. The Board remains responsible for setting the investment strategy and operational guidelines as well as meeting the requirements of the FCA Listing Rules and the Companies Act.

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the Annual Report of each AIF. Investor Disclosure Documents, which set out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other Shareholder information are available on the Company's website.

There have been no material changes (other than those reflected in these Financial Statements) to this information requiring disclosure. Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange through a primary information provider.

Statements from the Depositary and the AIFM can be found on the Company's website.

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

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

SERVICE PROVIDERS

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

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

- Cenkos Securities plc as corporate broker;
- Equiniti Limited as the share registrars;
- PricewaterhouseCoopers LLP as independent Auditors (to be replaced by KPMG PLC with effect from the conclusion of the 2017 audit);
- Camarco as PR advisors;
- Emperor as website designers, internet hosting services and designers and printers for Shareholder communications; and
- Alliance Trust Savings for the provision of investor information and to facilitate investors through the Alliance Trust Savings arrangements to cast proxy votes and attend the Company's AGM.

KEY PERFORMANCE INDICATORS

The Board appraises the performance of the Company and the Investment Manager as the key supplier of services to the Company against Key Performance Indicators (KPIs). The objectives comprise both specific financial and Shareholder related measures.

KPI	Control process	Outcome
The provision of investment returns to ordinary Shareholders measured by long-term NAV growth and relative performance against the Benchmark.	The Board reviews at each meeting the performance of the portfolio in detail and hears the views of the Investment Manager.	The Company's NAV has, over the year to 30 April 2017, outperformed the Benchmark. The NAV per share rose by 56.1% while the Benchmark rose 53.4% in Sterling terms over the same period. The reasons are explained in the Chairman's Statement and the Investment Manager's Report. Over the longer-term, as shown by the historic performance data shown on page 5, growth in the NAV has exceeded the Benchmark.
Monitoring and reacting to issues created by the discount or premium of the ordinary share price to the NAV per ordinary share with the aim of reduced discount volatility for Shareholders.	The Board receives regular information on the composition of the share register including trading patterns and discount/premium levels of the Company's ordinary shares. The Board is aware of the vulnerability of a sector specialist Trust to a change in investor sentiment to that sector. While there is no formal discount policy the Board discusses the market factors giving rise to any discount or premium, the long or short-term nature of those factors and the overall benefit to Shareholders of any actions. The market liquidity is also considered when authorising the issue or buy back of shares when appropriate market conditions prevail. A daily NAV per share, diluted when appropriate, calculated in accordance with the AIC guidelines, is issued to the London Stock Exchange.	The discount/premium of the ordinary share price to NAV per ordinary share (diluted when appropriate) has been as follows: Financial year to 30 April 2017 • Maximum premium over year: 2.5% • Maximum discount over year: -13.8% • Average discount over year: -3.3% The Company has not bought back any shares in the year to 30 April 2017 and has issued 150,841 shares when the issue was NAV enhancing to existing Shareholders. Since the year end a further 275,000 shares have been issued. Over previous 5 financial years ended 30 April 2017 • Maximum premium over period: 5.0% • Maximum discount over period: -13.8% • Average discount over period: -2.5% Over 5 years the Company has not bought back any shares and has issued 850,841 as the result of market demand and 3,428,136 from the conversion of subscription shares.

STRATEGIC REPORT CONTINUED

KPI	Control process	Outcome
To qualify and continue to meet the requirements for Sections 1158 and 1159 of the Corporation Tax Act 2010 ('investment trust status').	The Board receives regular financial information which discloses the current and projected financial position of the Company against each of the tests set out in Sections 1158 and 1159.	This has been achieved for every year since launch in 1996. HMRC has approved investment trust status subject to the Company continuing to meet the relevant eligibility conditions and ongoing requirements. The Directors believe that the tests have been met in the financial year ended 30 April 2017 and will continue to be met.
Efficient operation of the Company with appropriate investment management resources and services from third party suppliers within a stable and risk controlled environment.	The Board considers annually the services provided by the Investment Manager, both investment and administration and reviews on a cycle the provision of services from third parties including the costs of their services. The annual operating expenses are reviewed and any non-recurring project related expenditure sanctioned.	The Board has received and considered satisfactory the internal controls report of the Investment Manager and other key suppliers including contingency arrangements to facilitate the ongoing operations of the Company in the event of withdrawal or failure of services. The ongoing charges of the Company for the year ended 30 April 2017 were 1.01% of net asset (2016: 1.10%).

PRINCIPAL BUSINESS RISKS AND UNCERTAINTIES

The Board is responsible for the management of risks faced by the Company in delivering long-term returns to Shareholders. The identification, monitoring and appraisal of the risks, any mitigation factors and control systems is crucial. The Directors have carried out a robust assessment of the principal risks with the assistance of the Investment Manager through the use of a Risk Map which seeks to record risks in four main risk categories; Business, Portfolio Management, Infrastructure and External.

The Risk Map is constructed by identifying and assessing various risks as to their likelihood and their severity of impact, then considering, both internal and external controls and factors that could provide mitigation to arrive at a post mitigation risk impact. The Risk Map therefore provides a structure for robustly reviewing the risks and controls as well a method to report and monitor changes and developments.

The investment objective is to invest the Company's funds in a portfolio of technology companies worldwide and as such the portfolio will be exposed to market and currency fluctuations with only limited ability to mitigate the consequences through the holding of cash in the portfolio and the use of foreign exchange rate contracts.

Principal Business Risks and Uncertainties	Management of risks through Mitigation & Controls	Changes in overall assessment of the risks over the financial year
Business		**Unchanged**
• The appropriateness of the investment mandate and the execution of the investment strategy may be out of favour or poorly delivered which may lead to poor performance against the Benchmark and peer group leading to a depressed share price, unacceptably large and persistent discount as investors seek alternative investments or lower risk strategies. • The ordinary shares of the Company are listed on the London Stock Exchange and the share price is determined by supply and demand. The shares may trade at a discount or at a premium to the Company's underlying NAV and this discount or premium may fluctuate.	The Board seeks to mitigate the impact of such risks through the regular reporting and monitoring of the investment performance against its peer group, other closed ended and open ended funds and Exchange Traded Funds (ETFs). A day a year is set aside to conduct an annual review of the investment strategy and investment markets which is used as a framework to assess portfolio construction and performance across the remainder of the year. The Board when considering the investment strategy has regard to the degree of risk which the Investment Manager incurs in order to generate investment returns. For months when the Board is not scheduled to meet they receive a monthly report containing financial information on the Company including gearing and cash balances. They also receive a monthly commentary from the Investment Manager in the factsheet. A continuation vote is held every five years to provide Shareholders with an opportunity to wind up the Company. In consultation with its advisors, including the corporate stock broker the Board regularly considers the level of premium and discount of the share price to the NAV and the Board reviews ways to enhance Shareholder value including share issuance and buy backs. The Board is committed to a clear communication program to insure Shareholders understand the investment strategy. This is maintained through the use of monthly factsheets , an informative and relevant website as well as annual and half year reports.	
External		**Elevated**
• There is significant exposure to the economic cycles of the markets in which the underlying investments conduct their business operations as well as the economic impact on investment markets where such investments are listed. The fluctuations of exchange rates can also have a material impact on Shareholder returns. • The exit of the UK from the European Union	The Board regularly discusses the geo-political issues and general economic conditions and developments. Other Investment teams from the Investment Manager present their views to the Board on stock markets and sectors. Note 28 describes the impact of changes in foreign exchange rates. The consequences of the Brexit decision were considered at the time and are monitored on an ongoing basis through existing control systems with particular attention focused on advanced indicators of potential problems. The Board does not believe that there is any direct impact on the operation of the Company from this decision but fluctuations in exchange rates can impact investor returns.	The effects of the political changes in the US, Europe and UK have increased uncertainty and increased volatility in financial markets

STRATEGIC REPORT CONTINUED

Principal Business Risks and Uncertainties	Management of risks through Mitigation & Controls	Changes in overall assessment of the risks over the financial year
Portfolio Management		**Unchanged**
• While the portfolio is diversified across a number of stock markets worldwide, the investment mandate is focused on technology and thus the portfolio will be more sensitive to investor sentiment and the commercial acceptance of technological developments than a general investment portfolio. • Technology stocks also have greater relative price volatility and are subject to the risks of developing technologies, competitive pressures and other factors including the acceptance of new technologies and rapid obsolescence. • Many companies in the portfolio are relatively smaller companies in the technology sector and are therefore subject to the risks attendant on investing in smaller capitalisation businesses. • As the Company's assets comprise mainly listed equities the portfolio is exposed to risks such as market price, credit, liquidity, foreign currency and interest rates. • The portfolio is actively managed. The Investment Managers' style focuses primarily on the investment opportunity of individual stocks and, accordingly, may not follow the makeup of the Benchmark. This may result in returns which are not in line with the Benchmark. • The degree of risk which the Investment Manager incurs in order to generate the investment returns and the effect of gearing on the portfolio by borrowed funds can magnify the portfolio returns per share positively or negatively.	The Board has set appropriate investment guidelines and monitors the position of the portfolio against such guidelines which includes guidelines on exposures to certain investment markets and sectors. The Board discusses with the Investment Manager at each Board meeting developments in technology and its commercial applications and adoption. At each Board meeting the composition and diversification of the portfolio by regions, sectors and capitalisations are considered along with sales and purchases of investments. Individual investments are discussed with the Investment Manager as well as the Investment Manager's general views on the various investment markets and the technology sector in particular. Analytical performance data and attribution analysis is presented by the Investment Manager. The policies for managing the risks posed by exposure to market prices, interest rates, foreign currency exchange rates, credit and liquidity are set out in Note 28 to the Financial Statements. The active share and statistics on the variance between the composition of the Benchmark and the portfolio are presented at each Board meeting and discussed.	
• Gearing, either through bank debt or the use of derivatives may be utilised from time to time. Whilst the use of gearing is intended to enhance the NAV total return, it will have the opposite effect when the return on the Company's investment portfolio is negative.	The overall levels of gearing are agreed with the AIFM. The arrangement of bank facilities and drawing of funds under such arrangements are controlled by the Board. Derivatives are considered as being a form of gearing and their use is agreed by the Board. The deployment of borrowed funds is based on the Investment Manager's assessment of risk and reward.	
• A very small element of the investment portfolio is invested into unlisted securities. These investments are made where they offer specialist management or investment opportunities which would otherwise not be available.	Any investment in unquoted companies or funds is approved by the Board before the investment is made. At the year-end such investments amounted to less than 0.1% of NAV.	

Principal Business Risks and Uncertainties	Management of risks through Mitigation & Controls	Changes in overall assessment of the risks over the financial year
Infrastructure		**Elevated**
• There are risks from the failure of, or resulting from cyber-attack disruption to, operational and accounting systems and processes provided by the Investment Manager including: any subcontractors to which the Investment Manager has delegated a task as well as directly appointed suppliers. • The Mis-valuation of investments or the loss of assets from the custodian or sub custodians which affect the NAV per share or lead to a loss of Shareholder value. • There is taxation risk that the Company may fail to continue as an investment trust and suffer Capital Gains tax, or recover as fully as possible, withholding taxes on overseas investments. • The legal and regulatory risks include failure to comply with the FCA's Prospectus Rules, Listing Rules and Transparency and Disclosure Rules; not meeting the provisions of the Companies Act 2006 and other UK, European and overseas legislation affecting UK companies (MiFID II) and not complying with accounting standards. Further risks arise from not keeping abreast of changes in legislation and regulations which have in recent years been substantial.	At each Board meeting there is an administration report which provides details on corporate matters including legislative and regulatory developments and changes, substantial changes in shareholdings and the share register, and share price performance. There is an annual review of internal control reports from suppliers which includes the disaster recovery procedures of the Investment Manager. Regular reporting from the Depositary on the safe custody of the Company's assets and the operation of control systems related to the portfolio reconciliation are monitored. Specialist advice is sought on taxation issues as and when required. The Audit Committee has oversight of such work. Information and guidance on legal and regulatory risks is managed by using the Investment Manager or professional advisers where necessary and the submission of reports to the Board for discussion and, if required, any remedial action or changes considered necessary. In addition, as an investment company, the Company is dependent on a framework of tax laws, regulation (both UK and EU) and Company law. The Board monitors new developments and changes in the regulatory environment and seeks to ensure that their impact on the Company is understood and complied with although the Board has no control over such legislative changes and such changes may be intended to affect us, or we may suffer unintended consequences from changes designed to affect others.	The number and severity and success of cyber-attacks have increased over the year. The impact of MiFID II and the disruption to the workings of the European Asset Management industry could be significant.

MANAGEMENT COMPANY AND MANAGEMENT OF THE PORTFOLIO

As the Company is an investment vehicle for Shareholders the Directors have sought to ensure that the business of the Company is managed by a leading specialist investment management team and that the investment strategy remains attractive to Shareholders.

The Directors believe that a strong working relationship with the investment management team will achieve the optimum return for Shareholders and value the inclusion on the Board of Brian Ashford-Russell.

Investment team

The Investment Manager is Polar Capital LLP ('Polar Capital'), which is authorised and regulated by the Financial Conduct Authority.

Under the terms of the investment management agreement Polar Capital provides investment management, and provides and procures accounting, company secretarial and administrative services.

Polar Capital provides a team of technology specialists led by Ben Rogoff. Each member focuses on specific areas while Ben has overall responsibility for the portfolio. Polar Capital also has other specialist and geographically focused investment teams which may contribute to idea generation.

STRATEGIC REPORT CONTINUED

Termination arrangements

The investment management agreement may be terminated by either party by giving 12 months' notice, but under certain circumstances the Company may be required to pay up to one year's management charges if immediate notice is given and compensation will be on a sliding scale if less than 12 months' notice is given.

Fee arrangements

Management fee

The base fee is 1% on the Net Asset Value per share multiplied by the arithmetic mean of the number of shares up to £800m and above £800m the base fee reduces to 0.85%. The fee is payable quarterly in arrears based on the Net Asset Value at the end of each quarter. Any investments in funds managed by Polar Capital are wholly excluded from the base management fee calculation.

Performance fee

Performance periods will coincide with the Company's accounting periods.

- Annual performance fee equal to 15% of the amount by which the increase in the adjusted Net Asset Value per share exceeds the total return on the Dow Jones World Technology Index (total return, Sterling adjusted with relevant withholding taxes removed) multiplied by the time weighted average of the number of shares in issue during that period, subject to a high water mark.
- The Net Asset Value per share ('Adjusted NAV per share') is adjusted for the purposes of the performance fee calculation by adding back any accruals for unpaid performance fees, any dividends paid or payable by reference to the performance period and the removal of any benefit of share issuance or buy backs.
- High water mark – the performance fee will only be payable if, and to the extent that, the Adjusted NAV per share exceeds the highest of:
  - the NAV per share on the last day of the previous performance period;
  - the Adjusted NAV per share on the last day of a performance period in respect of which a performance fee was last paid;
- Any performance fee accrual will be included in the Net Asset Value calculated in accordance with the AIC guidelines.
- The performance fee which can be paid by the Company in any one performance period is capped at 2% of net assets.

In the event of a termination of the investment management agreement, the date the agreement is terminated will be deemed to be the end of the relevant performance period and any performance fee payable shall be calculated as at that date.

Management fees of £9,896,000 (2016: £7,921,000) have been paid for the year to 30 April 2017. No performance fee has been earned for the year to 30 April 2017 (2016: nil).

CONTINUED APPOINTMENT OF INVESTMENT MANAGER

The Board, through the Management Engagement Committee, has reviewed the performance of the Investment Manager in managing the portfolio over the longer-term. The review also considered the quality of the other services provided by the Investment Manager, including the strength of the investment team, the depth of the other services provided by the Investment Manager and their resources available to provide such services, which includes the organisation on the Company's behalf of third party suppliers, and the quality of the Shareholder communications.

The Board, on the recommendation of the Management Engagement Committee, has concluded that on the basis of longer-term performance it is in the best interests of Shareholders as a whole that the appointment of Polar Capital LLP as Investment Manager is continued on the existing terms.

CORPORATE RESPONSIBILITY

Socially responsible investing and exercise of voting powers

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

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

The Investment Manager has voted at 126 meetings during the year under review in each case supporting the recommendations of the management.

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

Environment

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

The Company falls outside the scope of The Energy Savings Opportunity Scheme Regulations.

Diversity, gender reporting and human rights policy

The Company has no employees and the Board is comprised of two female and four male Non-executive Directors.

If any new appointments are made to the Board, the Board will continue to have regard to the benefits of diversity, including gender, when seeking to make any such appointments.

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

The Company does not believe that it is within scope of the Modern Slavery Act 2015 because it has no turnover and a limited supply chain typically of professional advisors. Although its Investment Manager provides the majority of its services it does contract directly with some suppliers. The Investment Manager has been in touch with all of its suppliers and on behalf of the Company those suppliers that contract directly with the Company to confirm that they are aware of the requirements of the Modern Slavery Act 2015 and that they are in compliance. There have been no matters brought to the Board's attention from this exercise.

Approved by the Board on 18 July 2017

By order of the Board

Neil Taylor

Polar Capital Secretarial Services Limited
Company Secretary

GOVERNANCE

ARTIFICIAL INTELLIGENCE

After years in the wilderness, Artificial Intelligence (AI) and Machine Learning (ML) are emerging as the next great technology platform. This back-end infrastructure designed to garner insight from Big Data has captured the imagination following high profile AI successes such as Google's AlphaGo (which in 2016 beat the world's best Go players) and Liberatus, an AI created at Carnegie Mellon University that beat four human professional poker players. While AI is not a new concept, recent attention has been driven by vast data sets (Big Data) necessary to feed neural networks, the core framework of AI that is modelled loosely on the network of neurons in the human brain, and cheap parallel computing. While the main applications today are still relatively simple tasks such as identifying faces in photos, AI is about trying to identify relationships from vast datasets. Breakthrough consumer applications such as Amazon's Echo which delivers 'voice as a computing interface' demonstrate the early promise of artificial intelligence. Moreover, AI has broad applicability where large datasets are easily obtained and well defined. For example, within healthcare virtual screening (conducting millions of tests and simulations on compounds) is being adopted to reduce the time and cost of drug discovery, Goldman Sachs estimating that AI might deliver $26bn of annual savings to the pharmaceutical industry alone by 2025. Like cloud computing, AI appears to have the potential to both transcend and transform the technology landscape over the coming years.

DIRECTORS

MICHAEL MOULE M N

Independent Non-executive Chairman

Appointed to the Board in 2007 and elected Chairman in August 2011. He is also Chairman of the Management Engagement and Nomination Committees. Michael is not seeking re-election at the Annual General Meeting.

Skills and experience
Michael was a Director of investment trusts at Henderson Global Investors. Prior to his retirement in 2003, he was the investment manager for The Bankers Investment Trust plc and Law Debenture Corporation plc.

Other Appointments
Michael is a Director of The European Investment Trust plc, a member of the investment committee of the British Heart Foundation and a member of the investment committee of The Open University.

BRIAN ASHFORD-RUSSELL

Non-executive Director

Appointed to the Board in 1996.

Skills and experience
Brian is a Director and founder of Polar Capital.Brian managed the Company from launch until 30 April 2006. He was previously head of the technology team at Henderson Global Investors.

Other Appointments
He is a Non-executive Director of Polar Capital Holdings plc.

Brian is connected to the investment manager and as such is not considered independent.

SARAH BATES A M N R

Independent Non-executive Director

Appointed to the Board in 2011, Sarah will become Chairman of the Board, and the Management Engagement and Nomination Committees at the conclusion of the Annual General Meeting on 7 September 2017.

Skills and experience
Sarah is a past Chairman of the Association of Investment Companies and has been involved in the UK savings and investment industry in different roles for over 30 years.

Other Appointments
Sarah is Non-executive Chairman of St. James's Place plc and is a Director of Worldwide Health Trust plc. and JP Morgan American Investment Trust plc. She is a member of the USS Investment Committee as well as being a member of a number of other charitable investment committees.

Committee Membership up to 30 April 2017

A Member of Audit Committee
N Member of Nomination Committee
M Member of Management Engagement Committee
R Member of Remuneration Committee

It was agreed that with effect from 1 May 2017 all the independent Directors will sit on each Board committee with the exception of the Chairman of the Board who attends but is not part of the Audit Committee.

CHARLOTTA GINMAN A M N R

Independent Non-executive Director

Appointed to the Board and to the chair of the Audit Committee in 2015.

Skills and experience

Charlotta qualified as a Chartered Accountant at Ernst & Young before spending a career in investment banking and commercial organisations, principally in technology related businesses. She held senior roles with JP Morgan, Deutsche Bank, UBS and the Nokia Corporation.

Other Appointments

Charlotta is a Non-executive Director and chairs the audit committees of Pacific Assets Trust plc, Motif Bio plc and is a Non-executive Director of Consort Medical plc and Unicorn AIM VCT plc.

PETER HAMES A M N R

Independent Non-executive Director

Appointed to the Board in 2011 and as Senior Independent Director from 2016.

Skills and experience

Peter spent 18 years of his investment career in Singapore, where in 1992 he co-founded Aberdeen Asset Management's Asian operation and as Director of Asian Equities he oversaw regional fund management teams responsible for running a number of top-rated and award winning funds.

Other Appointments

He is a Director of MMIP Investment Management Limited, Syncona Limited and an independent member of the Operating Committee of Genesis Asset Managers LLP as well as serving on a number of Genesis fund boards.

TIM CRUTTENDEN A M N R

Independent Non-executive Director

Appointed to the Board in March 2017 and a member of all the Board Committees from 1 May 2017.

Skills and experience

Tim is currently Chief Executive Officer of VenCap International plc having been with that company in various positions since 1994. VenCap invests in venture capital funds in the US, Asia and Europe, with a primary focus on early stage technology companies.

Other Appointments

None.

Directors Independence and Board Committees

The Board considers that the Board is independent as all of the Directors with the exception of Mr Ashford-Russell are independent in character and there were no relationships or circumstances which were likely to affect or could appear to affect their judgement.

INVESTMENT TEAM

BEN ROGOFF

Director, Technology

The portfolio is managed by Ben. He has been a technology specialist for 20 years having begun his career in fund management at CMI, as a global technology analyst. He moved to Aberdeen Fund Managers in 1998 where he spent four years as a senior technology manager prior to joining Polar Capital in May 2003. He is also joint manager of Polar Capital Global Technology Fund. Ben graduated from St Catherine's College, Oxford with a degree in Modern History in 1995.

NICK EVANS

Senior Fund Manager

Nick joined Polar Capital in September 2007 and has 19 years' experience as a technology specialist. He has been lead manager of the Polar Capital Global Technology Fund since January 2008. Prior to joining Polar he was Head of Technology at AXA Framlington. He also spent three years as a Pan European investment manager and Technology Analyst at Hill Samuel Asset Management. Nick graduated from Hull University with a degree in Economics.

FATIMA IU

Fund Manager

Fatima joined Polar Capital in April 2007 after working as an analyst with Citigroup Asset Management for 18 months. She focuses on European technology, global medical technology, cybersecurity and networking sub-sectors. Fatima graduated from Imperial College London in 2002 with a degree in Chemistry with Medicinal Chemistry.

XUESONG ZHAO

Fund Manager

Xuesong joined Polar Capital in May 2012, having spent most of the previous four years working as an investment analyst within the Emerging Markets & Asia team at Aviva Investors, where he was responsible for the Technology, Media and Telecom sectors. Prior to that, he worked as a quantitative analyst and risk manager at Pictet Asset Management. He started his career as a Financial Engineer at Algorithmics, an IBM company, in 2005. He holds an MSc in Finance from Imperial College Science & Technology and a BA in Economics from Peking University.

PAUL JOHNSON

Investment Analyst

Paul joined Polar Capital in March 2012 as an Investment Analyst on the Polar Capital Technology team. Prior to joining Polar Capital, Paul helped manage a private investment fund between 2010 and 2012. Paul holds a BA in History and Politics and a Masters in History from Keele University.

BRADLEY REYNOLDS

Investment Analyst

Brad joined Polar Capital in October 2011 as an Analyst and Trader working as part of the European Market Neutral team with a focus on media and internet. In 2014, he joined the Technology team as an Investment Analyst. Prior to joining Polar Capital, Brad worked at Ratio Asset Management as an analyst and trader, and from 2007 to 2011 he worked at F&C as a hedge fund analyst. Brad started his career in 2001 at Gartmore Investment Management working within the hedge fund team. Brad graduated from the University of Hertfordshire with a degree in Business Studies.

DIRECTORS' REPORT

The Directors present their Directors' Report including the Report on Corporate Governance together with the Audited Financial Statements for the Company prepared under International Financial Reporting Standards as adopted by the European Union ('IFRS') for the year ended 30 April 2017.

INTRODUCTION AND STATUS

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

The 'close company' provisions do not apply.

The Company seeks to operate as an investment trust in accordance with sections 1158 and 1159 of the Corporation Taxes Act 2010 (as amended by section 42(2) of the Finance Act 2011). This qualification permits the accumulation of capital gains within the portfolio without liability to UK Capital Gains Tax. The Company has received confirmation from HM Revenue & Customs that on the basis of the information supplied, the Company is an approved investment trust. The Directors, under advice, expect the affairs of the Company to continue to satisfy the conditions.

The Company has registered as a Foreign Financial Institution with the US IRS and been allocated a Global Intermediary Identification Number (GIIN) of J29SBF-99999-SL-826. The Company has also been allocated the Legal Entity Identifier of 549300TN105392UC4K19.

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

The attention of Shareholders is drawn to the Strategic Report Section (Chairman's Statement, the Manager's Report and the Strategic Report) which provide further commentary on the activities and outlook for the Company, including future developments and dividends.

DIRECTORS

The current Directors of the Company are listed on pages 50 and 51. All the Directors held office throughout the year under review with the exception of Tim Cruttenden who was appointed on 23 March 2017 and Rupert Montagu who retired as a Director at the AGM in September 2016. Tim Cruttenden will seek election at the AGM on 7 September 2017 in accordance with the Articles of Association.

All the other Directors are also retiring and standing for re-election at the AGM with the exception of Michael Moule who is retiring. The fees paid to the Directors are set out in the Remuneration Report.

LISTING RULE 9.8.4

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm there are no disclosures to be made pursuant to this rule other than the waiver of Director's fees by Brian Ashford-Russell in respect of the financial year ended 30 April 2017 and his intention to waive his fees for the financial year to 30 April 2018.

CORPORATE GOVERNANCE STATEMENT

The Report on Corporate Governance on pages 57 to 64 form part of this Directors' Report.

CAPITAL STRUCTURE

Issued

The Company's share capital is divided into ordinary shares of 25p each. At the year end there were 132,487,000 ordinary shares in issue (2016: 132,336,159 ordinary shares). At the date of this report there were 132,762,000 ordinary shares in issue.

Changes during the year

150,841 ordinary shares issued in the year ended 30 April 2017. Since the year end a further 225,000 shares have been issued. No shares have been purchased for cancellation or to be held in treasury.

Voting rights

Ordinary shares carry voting rights which are exercised on a show of hands at a meeting, or on a poll, where each share has one vote. Details for the lodging of proxy votes are given when a notice of meeting is given.

Transferability

Any shares in the Company may be held in uncertificated form and, subject to the Articles, title to uncertificated shares may be transferred by means of a relevant system.

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

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

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

The Company is not aware of arrangements to restrict the votes or transferability of its shares.

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

The Board was granted by Shareholders at the AGM in 2016 the power to allot equity securities up to a nominal value of £3,308,403 and to issue those shares for cash without offering those shares to Shareholders in accordance with their statutory pre-emption rights. These powers will expire at the AGM in 2017 and renewal of the authorities will be sought at the AGM in 2017. New ordinary shares will not be allotted and issued at below Net Asset Value.

The Board also obtained Shareholder authority at the AGM in 2016 to make market purchases of up to 19,837,190 ordinary shares of the Company for cancellation in accordance with the terms and conditions set out in the resolution. This authority expires at the AGM in 2017 and renewal of the authority to make market purchases of ordinary shares will be sought at the AGM in 2017.

The level of the ordinary share price discount or premium to the Net Asset Value together with internal guidelines for the repurchase or issuance of new ordinary shares are kept under regular review by the Board. The Board considers that discount volatility is unattractive to Shareholders but as a specialist investment fund market sentiment can create sustained discount pressure. With this in mind the Board has a pragmatic approach to share buy backs.

Major interests in ordinary shares

Declarations of interests in the voting rights of the Company at 30 April 2017 are set out below.

	Number of ordinary shares	Percentage of voting rights*	
Rathbone Brothers plc	10,653,445	8.02%	(indirect)
Brewin Dolphin Limited	9,946,829	7.49%	(indirect)
Old Mutual plc	7,811,334	5.88%	(direct)
Investec Wealth and Investment Limited	6,712,073	5.06%	(indirect)

* The above percentages are calculated by applying the shareholdings as notified to the issued ordinary share capital at 18 July 2017 of 132,762,000 ordinary shares.

DIRECTORS' REPORT CONTINUED

LIFE OF THE COMPANY

The Articles of Association of the Company provide that a vote on whether the Company should continue will be proposed as an ordinary resolution at every fifth Annual General Meeting of the Company.

Such a resolution was proposed at the AGM on 9 September 2015 and passed with 99.9% of the votes cast in favour of continuing for a further five years. The next continuation vote will be proposed at the Annual General Meeting in 2020.

2017 ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 7 September 2017 at 2.30pm at Trinity House, Tower Hill, London EC3N 4DH. Shareholders are encouraged to attend the AGM as it provides an opportunity for them to hear a presentation from the Investment Manager and meet the Directors and Investment team members.

The separate Notice of Meeting contains the usual resolutions to receive the Financial Statements, approve the Directors' Remuneration Policy and the Implementation Report, re-elect retiring Directors, appoint the Auditors and empower the Directors to set their fees. As in previous years the Directors are also seeking powers to allot shares for cash and to buy back shares for cancellation or to be held in treasury. The full text of the resolutions to be proposed at the AGM and an explanation of each resolution are contained in the separate Notice of Meeting.

GREENHOUSE GAS EMISSIONS

The Company is an investment trust, with neither employees nor premises, nor has it any financial or operational control over the assets which it owns. Consequently, it has no GHG emissions to report from its operations nor does it have responsibility for any other emissions.

By order of the Board

Neil Taylor
Polar Capital Secretarial Services Limited
Company Secretary

18 July 2017

REPORT ON CORPORATE GOVERNANCE

The UK Listing Rules require all listed companies to disclose how they have applied the principles and complied with the provisions of the UK Corporate Governance Code (the 'UK Code') issued by the Financial Reporting Council (the 'FRC'). The UK Code can be viewed at **www.frc.org.uk**

The Association of Investment Companies ('AIC') published in February 2015 a Code of Corporate Governance ('AIC Code') and a Corporate Governance Guide for Investment Companies ('AIC Guide') applying to accounting periods beginning on or after 1 October 2014.

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

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

STATEMENT OF COMPLIANCE

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

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

The Board considers for the year under review that the Directors, Board and Company have complied with the recommendations of the AIC Code and the relevant provisions of the UK Code except as noted below:

- as all Directors are Non-executive and day-to-day management has been contracted to third parties the Company does not have a separate role for a Chief Executive from that of Chairman of the Board;
- as there are no executive Directors or employees it does not comply with the UK Code in respect of executive Directors' remuneration; and
- the Company does not have an internal audit function as it relies on the systems of control operated by third party suppliers in particular those of the Investment Manager. The Board monitors these systems of internal control to provide assurance that they operate as intended.

For the reasons set out in the AIC Guide, 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.

The report on corporate governance describes how the principles of the AIC Code have been applied. The Board will continue to observe the principles and recommendations set out in the AIC Code in future.

Directors and Board

Independence and composition

The Board is responsible to Shareholders for the overall management of the Company's affairs and currently consists of six Non-executive Directors.

All the Directors, with the exception of Brian Ashford-Russell, were considered independent of the Investment Manager and had no relationship or conflicts which were likely to affect their independent judgment. Consequently the majority of the Board is independent of the Investment Manager and the Board considers that its overall composition is adequate for the effective governance of the Company.

The Chairman is responsible for the leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chairman works with the Company Secretary for setting the Board's agenda and for balancing the issues presented to each meeting. Open and frank debate is encouraged at each Board meeting and the Chairman keeps in touch with the Company Secretary and other Directors between Board meetings.

The Chairman was independent on his appointment as Chairman and continued to meet the criteria for independence.

REPORT ON CORPORATE GOVERNANCE
CONTINUED

Each Director has different qualities and areas of expertise on which they may lead where issues arise. The current Directors are listed on pages 50 and 51 along with their biographical details which demonstrate the breadth of investment, commercial and professional experience relevant to their positions as Directors of the Company.

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

Succession planning and diversity

While the Board recognises the value of progressive refreshing of and succession planning for company boards, it is conscious of the need to maintain continuity and believes that retaining Directors with sufficient experience of the Company, industry and markets is of great benefit to Shareholders. The Board is of the opinion that long service does not necessarily compromise the independence or contribution of Directors of Investment Trusts where continuity and experience can significantly benefit a Board, a view supported by the AIC.

The Board's policy on diversity, including gender, is to have regard to the benefits of having a Board of Directors which encompasses a balance of skills and experience which is maintained and regularly refreshed.

The Nomination Committee is responsible for the composition of the Board and it considers not only the existing Board but also if further appointments should be made. The Nomination Committee seeks to balance the time required, the skills, knowledge and experience of individual Directors to form an effective and efficient Board.

When considering new appointments the Nomination Committee seeks to have a list of candidates for the whole Board to consider that will enhance the Board or replace and refresh skills lost through a Director leaving the Board. As such the Board, while it has not set specific targets, will have regard to the benefits of diversity on the Board, including gender, when further appointments are considered.

The work of the Nomination Committee is described on page 61.

Election and retirement of Directors at the AGM

- The Articles of Association (the 'Articles') govern the appointment, re-election and removal of a Director.
- The Articles permit the Board to appoint further Directors without Shareholder approval but subject to any such Directors standing for election by Shareholders at the first AGM following their appointment.
- All Directors are appointed for an initial term of three years and are subject to re-election by Shareholders at a general meeting in accordance with the Articles.
- The Articles and the Companies Act provide for the removal of a Director.
- The Articles also state that any Director who has served for over nine years should stand for annual re-election.

Any Director who has served over nine years and stands for re-election due to length of service is carefully and rigorously assessed by the Nomination Committee to ensure that the Director continues to make a valuable contribution to the Board and remains independent in character and judgement.

Notwithstanding the provisos of the Articles, the UK Code requires all Directors of FTSE350 companies to retire annually. Therefore all the Directors who were elected at last year's AGM will retire at the forthcoming AGM and, being eligible, offer themselves for re-election with the exception of Michael Moule who is retiring.

The Board, on the recommendation of the Nomination Committee, supports each of the Directors standing for re-election.

Directors' interests

Brian Ashford-Russell is a partner of Polar Capital LLP and a Non-executive Director and Shareholder in Polar Capital Holdings plc, the ultimate holding company of Polar Capital LLP and as such he has an interest in the investment management contract. He is therefore not considered to be an independent Director. However, the Board values the fact that Brian Ashford-Russell, although no longer actively involved in the day to day management of the portfolio, serves as a Director of the Company and gives the Directors and Shareholders the benefit of his experience and knowledge.

No Director, except Brian Ashford-Russell, has any links with the Investment Manager, Polar Capital LLP. There were no other contracts during or at the end of the year in which a Director of the Company is or was materially interested and which is or was significant in relation to the Company's business.

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

Conflicts of interests

Directors have a duty to avoid a situation in which they have or could have a conflict of interest or possible conflict with the interests of the Company. The Company's Articles contain provisions to permit the Board to authorise conflicts or potential conflicts.

The Board has always had in place policies to govern situations where a potential conflict of interests may arise, in particular where a Director is also a Director of a company in which the Company invests or may invest. Where such a situation arises, these Directors are excluded from any discussions or decisions relating to investments in their respective companies.

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

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

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

The Board reviews annually the register of conflicts, any conditions imposed on such conflicts or potential conflicts and the operation of the notification and authorisation process. They conducted the annual review as part of the processes for preparing the Annual Report and concluded that the process has operated effectively since its introduction.

Except as disclosed above in relation to Brian Ashford-Russell's interest in the contract with Polar Capital LLP, there were no contracts subsisting during or at the end of the year in which a Director is or was interested and which is or was significant in relation to the Company's business or to the Director.

Directors' professional development

When a new Director is appointed he or she is offered an induction course provided by the Investment Manager. Directors are welcome to visit the Investment Manager at any time to receive an update on any aspect of particular interest or a general refresher on the operations of the Investment Manager. Directors are also provided on a regular basis with key information on the Company's policies, regulatory and statutory obligations and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise. Directors also regularly participate in professional and industry seminars and may use the online training modules of the Investment Manager to ensure they maintain their knowledge.

The Board's Role and Responsibilities

The Board meets regularly and six scheduled Board meetings were held to deal with the stewardship of the Company and other matters. There is a formal schedule of matters specifically reserved for decision by the full Board.

During the course of the year the Board has considered the setting and monitoring of investment strategy and guidelines, portfolio performance, the preparation and review of Financial Statements, approval of borrowing limits within which the Investment Manager has discretion to act, and Shareholder issues including communications and investor relations. The level of share price discount or premium to Net Asset Value together with policies for re-purchase or issuance of new shares including the use of treasury shares are kept under review along with matters affecting the industry and the evaluation of third party service providers.

REPORT ON CORPORATE GOVERNANCE
CONTINUED

The Board has also spent considerable time over the year considering and reviewing regulatory changes that have impacted the Company.

A strategy Board meeting is held each year where investment ideas are discussed.

Through this process the Board supervises the management of the investment portfolio, the work of the Investment Manager, the risks to which the Company is exposed and their mitigation, and the quality of services received by the Company.

If additional meetings of the Board are required these are arranged as required.

The Board has delegated to a number of standing committees specific remits for consideration and recommendation but the final responsibility in these areas remains with the Board.

Should it be necessary, a procedure has been adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company. No such advice has been sought during the past year.

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

1 May 2016 to 30 April 2017

	Board & Strategy	Audit	Management Engagement	Nomination	Remuneration[1]	2016 AGM
Number of Meetings in the year under review	6	3	1	2	1	1
Michael Moule[2]	6/6	3/3	1/1	2/2	–	1/1
Brian Ashford-Russell	6/6	–	–	–	–	1/1
Sarah Bates	6/6	3/3	1/1	2/2	1/1	1/1
Tim Cruttenden[3]	1/1	–	–	–	–	–
Charlotta Ginman	6/6	3/3	1/1	2/2	–	1/1
Peter Hames	6/6	3/3	1/1	2/2	1/1	1/1
Rupert Montagu[4]	2/3	2/2	1/1	1/2	1/1	0/1

Notes

1 The remuneration Committee comprised of three independent Directors during the year under review. With effect from 1 May 2017 all the independent Directors constituted the committee.

2 Michael Moule attends the Audit Committee by invitation.

3 Tim Cruttenden was appointed on 23 March 2017.

4 Rupert Montagu was a Director until his retirement at the conclusion of the AGM on 9 September 2016.

A number of ad hoc special purpose Board and Committee meetings were held during the year for the approval of documents and approval of regulatory announcements all of which had been previously considered by the full Board.

Senior Independent Director (SID)

Mr Hames became the SID from the conclusion of the Annual General Meeting on 9 September 2016. The SID can be contacted via the Registered Office of the Company.

Board Committees

The Board has created four standing committees whose terms of reference are available on the Company's website. The Board also creates ad hoc committees from time to time to enact or approve policies or actions agreed in principle by the whole Board. The Chairman of each committee attends the AGM to deal with questions relating to the Financial Statements.

The report of the Audit Committee is set out on pages 65 to 68. The Remuneration Committee Report is on pages 69 to 72 and the reports of the Nomination and Management Engagement Committees are set out below.

REPORT OF THE NOMINATION COMMITTEE

Michael Moule, as Chairman of the Board, chairs the Nomination Committee and all the independent Non-executive Directors are members. The Committee meets at least annually and is responsible to the Board for the size and structure of the Board as well as for succession planning and the tenure policy for Directors.

MEETINGS AND WORK UNDERTAKEN

During the financial year ended 30 April 2017 the Committee met twice and considered the following matters:

- Succession planning for the position of Chairman of the Board. The Chairman did not participate in any discussion or decision on his role or replacement. Appointment of a new Director to fill the skill set lost by the retirement of Rupert Montagu. This covered:
  - Agreement on specification and method of recruitment of a new Director using the Board's views on diversity and to achieve a balance of skills, knowledge and experience on the Board.
  - Appointment of external agency (Nurole) to advertise the position.
  - Carry out the selection process and interviews before making a final recommendation to the Board.
- Review the performance of the Board as a whole and each individual Director. This covered:
  - Recommending the re-election of each Director based on the evaluation. The Committee acknowledges the rationale of the UK Corporate Governance Code for the rigorous review of Directors serving over six years and annual re-appointment after nine years. Nevertheless the Committee shares the view of the AIC that length of service will not necessarily compromise the independence or contribution of Directors of investment trusts where continuity and experience can significantly strengthen a Board.
  - The Committee followed the recommended practice of having an externally facilitated review every three years and in 2016 appointed Lintstock to provide this. The finding and recommendations of the review were considered and shared with the Board. The Committee considered the findings of the report and in particular has noted that a generally favourable report was received but there were a number of minor improvements in some administrative aspects that could be improved.
  - The Committee confirmed that the evaluation of the Board, its Committees and individual Directors for 2017 and 2018 should be carried by the Chairman of the Nomination Committee. In the years when the internal system is used The Chairman uses a system that seeks the views of each Director by a questionnaire and interviews. The Chairman's review is conducted by the Senior Independent Director.

REPORT OF THE MANAGEMENT ENGAGEMENT COMMITTEE

The Management Engagement Committee is chaired by the Chairman of the Board, Michael Moule, and comprises of all the independent Non-executive Directors.

REPORT ON CORPORATE GOVERNANCE
CONTINUED

MEETINGS AND WORK UNDERTAKEN

During the financial year ended 30 April 2017 the Committee met once and considered the following matters:

- The relationship with the Investment Manager, including the annual review of the services provided by the Investment Manager prior to making its recommendation to the Board, on the retention of the Investment Manager being in the interests of Shareholders.
- The terms of the investment management agreement and its appointment as AIFM.

Performance Evaluation Process

Investment Manager

The Board has contractually delegated the management of the portfolio to the Investment Manager. It is the Investment Manager's sole responsibility to take decisions as to the purchase and sale of individual investments other than unquoted investments where the Board is consulted. The Investment Manager has responsibility for tactical gearing, asset allocation and sector selection within the guidelines established and regularly reviewed by the Board.

The Investment Manager is responsible for providing or procuring accountancy services, company secretarial and administrative services. The Investment Manager also ensures that all Directors receive in a timely manner all relevant management, regulatory and financial information. Representatives of the Investment Manager attend Board meetings enabling the Directors to probe further on matters of concern or seek clarification on certain issues.

The whole Board reviews the performance of the Investment Manager at each Board meeting and the Company's performance against the market and a peer group of funds with similar investment objectives. The investment team provided by the Investment Manager, led by Ben Rogoff, has long experience of investment in technology. In addition, the Investment Manager has other investment resources which support the investment team and experience in managing and administering other investment trust companies.

Other key suppliers to the Company

The Board also monitors directly or through the Investment Manager the performance of its other key service providers.

- The Board directly appointed HSBC Bank Plc as Depositary. The Depositary reports quarterly and makes an annual presentation to the Board.
- The share registrars are directly appointed by the Board and their performance is monitored by the Company Secretary.
- Other suppliers such as corporate brokers, printers, website services and PR agents are monitored by the Company Secretary.

Accountability and Audit

The Statement of Directors' Responsibilities in respect of the Financial Statements is set out on pages 73 and 74 and the Independent Auditors' Report is on pages 75 to 79.

Internal Controls

The Board has overall responsibility for the Company's system of internal control, for reviewing its effectiveness and ensuring that risk management and control process are embedded in the day to day operations which are operated or overseen by the Investment Manager.

The Board through the Audit Committee has established a process for identifying, evaluating, monitoring and reviewing, and managing any principle risks faced by the Company. This is documented through the use of a Risk Map which is subject to regular review by the Audit Committee and accords with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued in September 2014 by the Financial Reporting Council. As the Company has no employees and its operational functions are carried out by third parties, the Audit Committee does not consider it necessary for the Company to establish its own internal audit function.

Contracts with suppliers are entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company.

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

The Audit Committee reviews and reports to the Board on the operation of the controls which are embedded within the business of the Investment Manager and other third party suppliers. Controls and risk management covering the risks identified, including financial, operational, compliance, safeguarding of assets, maintenance of proper accounting records and the publication of reliable financial information are monitored by a series of regular reports from the Investment Manager including risks not directly the responsibility of the Investment Manager.

Operation

The process was active throughout the year and up to the date of approval of this Annual Report. However, such a system is designed to manage rather than eliminate risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board in assessing the effectiveness of the Company's internal controls has through the Audit Committee received formal reports on the policies and procedures in operation and tests, with details of any known internal control failures from the Investment Manager for its financial year ended 31 March 2017. The Investment Manager has subsequently provided confirmation that there has been no material change to the control environment to the signing of these Financial Statements.

The Board also considers reports operated by other third party suppliers and ad hoc reports from the Investment Manager are supplied to the Board as required.

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

Based on the work of the Audit Committee and the reviews of the reports received by the Audit Committee on behalf of the Board, the Board has concluded that there were no material control failures during the year and up to the date of this report.

Relations with Shareholders

The Board and the Investment Manager consider maintaining good communications with Shareholders and engaging with larger Shareholders through meetings and presentations a key priority.

The Board regularly considers the share register of the Company and receives regular reports from the Investment Manager and the corporate broker on meetings attended with Shareholders and any concerns that are raised in such meetings. The Board also reviews correspondence from Shareholders and maintains regular contact with major Shareholders.

The Chairman each year contacts the largest Shareholders to enable them to raise any concerns direct with the Board without using the Investment Manager or Company Secretary as a conduit. The Chairman or other Directors are available to Shareholders who wish to raise matters either in person or in writing. The Chairman and Directors may be contacted through the registered office of the Company.

Shareholders are kept informed by the publication of annual and interim reports which include Financial Statements. These reports are supplemented by the daily release of the net asset value per share to the London Stock Exchange and the publication by the Investment Manager of a monthly factsheet. All this information together with the Investment Manager's presentations is available from the Company's website at **www.polarcapitaltechnologytrust.co.uk**

The Board is also keen that the AGM be a participative event for all Shareholders who attend. The portfolio manager makes a presentation and Shareholders are encouraged to attend. The Chairmen of the Board and of the Committees attend the AGM and are available to respond to queries and concerns from Shareholders. The Directors make themselves available after the AGM to meet Shareholders.

REPORT ON CORPORATE GOVERNANCE
CONTINUED

Where the vote is decided on a show of hands, the proxy votes received are relayed to the meeting and subsequently published on the Company's website. Proxy forms have a 'vote withheld' option.

The Notice of Meeting sets out the business of the AGM together with the full text of any special resolutions.

The Board will engage with Shareholders on any matters where significant dissent is shown at the AGM and following the AGM acknowledge such dissent in its announcement of the results of the AGM and disclose in the next Annual Report steps it has taken or will take to resolve the issue.

The Company has made arrangements for investors through the Alliance Savings Scheme to receive all Company communications and have the ability to direct the casting of their votes. The Company has also made arrangements with its registrar for Shareholders, who own their shares direct rather than through a nominee or share scheme, to view their account over the Internet at **www.shareview.co.uk**. Other services are also available via this service.

By order of the Board

Neil Taylor
Polar Capital Secretarial Services Limited
Company Secretary

18 July 2017

AUDIT COMMITTEE REPORT

Charlotta Ginman, is Chairman of the Audit Committee which comprises all the independent Non-executive Directors with the exception of the Chairman of the Board who attends as an observer by invitation. The Board is satisfied that at least one member of the Committee has recent and relevant financial experience and the Audit Committee as a whole has competence relevant to the sector in which the Company operates. The experience of the members of the Committee can be assessed from the Director's biographies set out on pages 50 and 51.

The Committee has written terms of reference which clearly define its responsibilities and duties. None of the members of the Audit Committee has any involvement in the preparation of the Financial Statements of the Company, as this has been contracted to the Investment Manager.

MEETINGS AND WORK UNDERTAKEN

During the financial year ended 30 April 2017 the Committee met three times with all members attending each meeting, and considered the following matters:

- the scope of the annual audit and agreement with the external Auditors of the key areas of focus;
- the reports from the external Auditors concerning their audit of the annual Financial Statements of the Company;
- the performance of the external Auditors and the level of fees charged for their services;
- the appropriateness and any changes to the accounting policies of the Company including any judgements required by such policies and the reasonableness of such;
- the financial disclosures contained in the Annual Report and half year Report to Shareholders;
- the policy for non-audit services which may be provided by the Auditors in line with the FRC guidance;
- the extent of the non-audit services, the quality of such work and the fees;
- the independence and objectivity of the external Auditors;
- the selection of replacement Auditors following the tendering process;
- the Risk Map covering the identification of new risks, adjustments to existing risks and the mitigation and controls in place to manage the principle risks;
- the consideration of reports from the Investment Manager and Auditors on the effectiveness of the system of internal financial controls including the Risk Map; and
- the going concern statement, longer-term viability statement and the requirement that the Annual Report and Financial Statements when taken as a whole are fair, balanced and understandable.

Members of the Investment Manager's Compliance and Operations Departments attend as and when requested as do the Auditors.

EFFICACY OF AUDIT PROCESS

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

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

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

CONSIDERATION OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The Committee performed this role through monitoring the integrity of the Financial Statements of the Company and the system of accounting to ensure compliance with relevant and appropriate accounting standards.

The scope of the audit was agreed in advance with a focus on areas of audit risk and the appropriate level of audit materiality. The Auditors reported on the results of the audit work to the Committee and highlighted any issue which the audit work had discovered or the Committee had previously identified as significant or material in the context of the Financial Statements.

AUDIT COMMITTEE REPORT CONTINUED

SIGNIFICANT MATTERS IN RELATION TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

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

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

There were no adverse matters brought to the Audit Committee's attention in respect of the 2017 audit, which were material or significant or which should be brought to Shareholders' attention.

CONCLUSIONS IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

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

- the comprehensive control framework around the production of the Annual Report, including the verification processes in place to deal with the factual content;
- extensive levels of review are undertaken in the production process, by the Investment Manager and the Committee; and
- the internal control environment as operated by the Investment Manager and other suppliers including any checks and balances within those systems.

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 30 April 2017, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy, and it has reported on these findings to the Board.

CONSIDERATION OF THE SEMI-ANNUAL REPORT AND FINANCIAL STATEMENTS

The Committee considered and reviewed the half year Report and Financial Statements which are not audited or reviewed by the external Auditors to ensure that they reflected the accounting policies used in the annual Financial Statements.

NON-AUDIT WORK

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

The Audit Committee has reviewed the work carried out by the Auditors outside their annual audit of the Financial Statements to ensure that none of these services would put the Auditors in the position of auditing their own work or threaten their independence.

The Committee considered the non-audit services for the year ended 30 April 2017.

- During the year under review PricewaterhouseCoopers LLP (PwC) had provided services as tax agents in Taiwan and for of IXBRL tagging of the Company's accounts for submission to HR Revenue and Customs. These services were part of a group arrangement that Polar Capital LLP had in place for all its clients. Polar Capital LLP is in the process of moving these services to different firms during 2017.

- The Committee also noted that the Company had previously agreed a fee with PwC which was leading a class action for the recovery of VAT. Post the year end this arrangement had been concluded and the Company had withdrawn its claim following the judgement handed down by the Supreme Court in 2017.
- PwC had historically lodged certain claims on behalf of the Company for the recovery of European withholding taxes which became available following various court decisions. All the claims have been lodged and are in the process of being considered by relevant tax authorities. There is no further work being carried out on this matter but the repayment of the withholding tax may take a number of years to be completed.
- KPMG LLP provided tax reclaim services up to December 2016, at which point the services were completed and the arrangement terminated. No services have since been provided to the Company by KPMG LLP.

The Committee does not consider the provision of this non-audit work to the Company affects the independence of the Auditors. The EU Audit legislation is applicable to the Company for the accounting year commenced on 1 May 2017 and the Company will be fully compliant.

APPOINTMENT OF AUDITORS AND TENURE

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

The Committee carried out a formal competitive tender for the Company's statutory audit during 2016. Four firms were invited to tender with presentations to the Chair of the audit Committee and a review of the presentations was presented to the Committee with a recommendation and a reserve choice. The selected firm presented to the Committee in December 2016. The Committee agreed to appoint KPMG LLP and approved their proposed fees.

In accordance with the current legislation, the Company will need to re-tender for new Auditors at least every 10 years and will have to change its auditor after 20 years.

PwC will continue in their role as Auditors for 2017 but will not be offering themselves for reappointment as Auditors at the AGM on 7 September 2017. A resolution to appoint KPMG LLP will be submitted for Shareholder approval together with a separate to authorise the Directors to determine their remuneration.

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

OVERVIEW OF RISK

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

The Audit Committee on behalf of the Board has a risk management process which is used throughout the year to monitor the risks and controls which are set out in a Risk Map. As part of the year end processes the Audit Committee undertook a review of the effectiveness of the system of internal controls taking into account any issues that had arisen during the course of the year. Representatives of the Investment Manager reported to the Committee on the Internal controls operated by the Investment Manager and it also received internal control reports from other key suppliers on the quality and effectiveness of the services provided to the Company.

The Audit Committee uses a Risk Map which seeks to identify, monitor and control principle risks as far as possible. Over the year the Audit Committee has undertaken a review of the entire Risk Map to identify the principle risks facing the business and reviewed each risk as to it likelihood and impact. The Committee also robustly considered the mitigating factors and controls to reduce the impact of such risks as described on pages 42 to 45. As well as the annual review the Audit Committee has maintained an active process throughout the year to monitor these risks and controls in order to provide assurance that they operate as intended and the Risk Map reflect developing and new risks.

There were no issues which arose during the course of the year ended 30 April 2017 and up to the date of this report which were considered significant.

The Audit Committee will actively continue to monitor the system of internal controls through the regular review of the Risk Map and the internal control environment.

The Audit Committee has noted that the Investment Manager has policies on whistleblowing policy, antibribery policy and the Modern Slavery Act and has controls and monitoring to implement their policy across the main contractors which supply goods and services to the Investment Manager and the Company.

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

AUDIT COMMITTEE REPORT CONTINUED

GOING CONCERN AND LONGER-TERM VIABILITY

The Audit Committee at the request of the Board has considered the ability of the Company to adopt the Going Concern Basis for the preparation of the Financial Statements. The Committee also considered the longer-term viability requirements, so the Board may state that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment. These assessments take account of the Company's current financial position, its cash flows and its liquidity position and the principle risks as set out on pages 43 to 45 and the Committee's assessment of any material uncertainties and events that might cast significant doubt upon the Company's ability to continue as a going concern.

The Audit Committee has considered the following assumptions in making their assessment:

The ability of the Company to meet its liabilities as they fall due	The financial position of the Company and its cash flows and liquidity position are described in the Strategic Report and the Financial Statements. Note 28 to the Financial Statements includes the Company's policies and process for managing its capital; its financial risk management objectives; details of financial instruments and hedging activities. Exposure to credit risk and liquidity risk are also disclosed. The portfolio comprises of investments traded on major international stock exchanges, there is a spread of investments by size of company. The current portfolio could be liquidated to the extent of 99.3% within seven trading days and there is no expectation that the nature of the investments held within the portfolio will be materially different in future. The expenses of the Company are predictable and modest in comparison with the assets and there are no capital commitments foreseen which would alter that position. The Company has no employees except for the Non-executive Directors and consequently does not have redundancy or other employment related liabilities or responsibilities.
The Company faces a continuation vote at the AGM in September 2020	Under the AIC SORP guidance that, where Shareholders have the opportunity to vote in favour or against a company continuing in existence, it will normally be the case that Shareholders will have to vote in favour of a liquidation before it can occur. It follows that, even if an Investment Company is approaching a wind-up or continuation vote, and where Shareholders have yet to vote on the issue, it will usually be more appropriate for the Financial Statements to be prepared on a going concern basis whilst making the material uncertainties disclosures set out in paragraph 3.9 of FRS 102; and that adoption of a non-going concern basis is expected to be a rare event. Further It is reasonable to believe that if good performance is achieved over the period until the next continuation vote in 2020 the Company will pass the continuation vote.
Factors impacting the forthcoming year	The Strategic Review Section, comprising the Chairman's Statement, the Investment Manager's Report and the Strategic Report provide a comprehensive review of such factors.
Regulatory changes	Despite the increased level of regulations and the unpredictability of future requirements it is considered that regulation will not increase to a level that makes the running of the Company uneconomical in comparison to other competitive products. That the business model of being a closed ended investment fund will continue to be wanted by investors and the investment objective be desired and achievable.

In light of the information provided to the Committee and the assessment of the financial position of the Company the Committee has recommended that a Going Concern Basis should be adopted by the Board for the preparation of the Financial Statements for the year ended 30 April 2017. The Committee has also recommended to the Board that the Company's longer-term prospects to continue its operations and meet its expenses and liabilities as they fall due over the five years are reasonable.

Charlotta Ginman
Chairman of the Audit Committee

18 July 2017

DIRECTORS' REMUNERATION REPORT

INTRODUCTION

This report is submitted in accordance with the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulation 2013 and the Listing Rules of the Financial Conduct Authority in respect of the year ended 30 April 2017. It has been audited where indicated as such.

Chairman's Report

I assumed the chair of this Committee following the retirement of Rupert Montagu in September 2016. Sarah Bates and Charlotta Ginman served on the committee until 30 April 2017. From 1 May 2017 the membership of the Committee has been revised to comprise of all the independent Non-executive Directors.

The Committee meets at least annually and is responsible for recommending the framework for the remuneration of Directors including the ongoing appropriateness of the Remuneration Policy and the individual remuneration of Directors based on their contributions. The Committee aims to pay fees at a median level, relative to other companies in the sector reflecting the responsibilities and time commitments of the Board.

Shareholders will be presented with two resolutions at the AGM on 7 September. The first will be to renew the Remuneration Policy and the second to vote on the fees received by the Directors in the year ended 30 April 2017.

The Remuneration Policy has to be approved by Shareholders every three years. Our current Remuneration Policy will expire on 30 April 2018 so an ordinary resolution will be submitted to Shareholders at the AGM to approve a new Remuneration Policy. There are no changes proposed from the current Remuneration Policy. The new Remuneration Policy, if approved by Shareholders, will expire on 30 April 2021.

Shareholders also have the opportunity to vote on Directors' pay at each AGM and an ordinary resolution to approve the Implementation Report for the year to 30 April 2017 will be put to the AGM on 7 September 2017. Directors fees have been paid in accordance with the Shareholder approved Remuneration Policy.

Shareholders' views in respect of Directors' Remuneration are communicated at the Company's AGM and are taken into account in formulating the Directors' Remuneration Policy.

The Company's Articles of Association currently limit the aggregate fees payable to Directors to £250,000 pa.

REMUNERATION POLICY

The Remuneration Policy as approved by Shareholders at the AGM in 2014. The policy is unchanged and is resubmitted for approval by Shareholders at the AGM in 2017.

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

DIRECTORS' REMUNERATION REPORT
CONTINUED

2017 FEE REVIEW

The Committee has carried out its annual review of fees paid to the Directors. While such a review will not necessarily result in any change to the rates the committee believes that it is important that these reviews happen annually. The Committee when considering fees favours modest annual increases rather than larger increase awarded at longer intervals.

The Committee has considered the 2017 annual fee review and has made the following changes:

- **Chairman**
  The annual fee for the Chairman has been increased from £40,000 to £41,500pa with effect from 1 May 2017.

  The Committee believed that the fee for the role of the Chairman should be increased more than for the other Directors to reflect the continual extra work required.

- **Directors**
  The annual fee for a Director has been increased from £26,000 to £26,800pa with effect from 1 May 2017.

  The Committee considered the extra fee for carrying out the duties of Chairman of the Audit Committee and Senior Independent Director was still appropriate. It was decided that the supplements will increase to £3,500 with effect from 1 May 2017. This is the first increase in these supplements since they were set in 2010 at £3,000pa.

- **Other fees and incentives**
  As the Company is an investment trust it has no executive Directors or employees and as all the Directors are Non-executive, it is considered inappropriate to have any long-term incentive schemes and the fees are not specifically related to the Directors' performance, either individually or collectively.

Mr Moule did not participate in the discussion about the remuneration for the Chairman. Each Director excluded themself when the fees relating to their position were discovered.

The Directors are entitled to be reimbursed for reasonable expenses incurred by them in connection with the performance of their duties and attendance at Board and General Meetings. In certain circumstance, under HMRC rules travel and other out of pocket expenses reimbursed to the Directors may be considered as taxable benefits. Where expenses are classified as taxable under HMRC guidance, they are shown in the taxable column of the Directors remuneration table. The taxable expenses comprise of travel and associated expenses incurred by the Directors attending the Board meetings held in London and are subject to tax and National Insurance. The Policy on claiming expenses was reviewed and revised during the year.

Service Contracts

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

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

Directors' and officers' liability insurance / Indemnity

Directors' and officers' liability insurance cover is held by the Company in respect of the Directors. The Company has to the extent permitted by law and the Company's Articles of Association provided each Director with a Deed of Indemnity which, subject to the provisions of the Articles of Association and UK legislation, indemnifies the Director in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their position as Directors (excluding criminal and regulatory penalties). Directors' legal costs may be funded up-front provided they reimburse the Company if the individual is convicted or, in an action brought by the Company, judgment is given against him. These provisions were in force during the year and remain in force.

The results of the Shareholder vote on the Directors' Implementation Report submitted to the 2016 Annual General Meeting and on Directors' Policy Report submitted to the 2014 Annual General Meeting as follows:

	Implementation Report	Policy Report
Votes for	99.4% of votes cast	99.4% of votes cast
Votes against	0.6% of votes cast	0.6% of votes cast

IMPLEMENTATION REPORT – REMUNERATION PAID IN THE YEAR ENDED 30 APRIL 2017

In the year under review the Directors' fees were paid at the following annual rates, the Chairman £40,000; other Directors £26,000 with the Chairman of the Audit Committee and the Senior Independent Director each receiving an extra £3,000 for performing that additional role.

Brian Ashford-Russell waived his fee for the year ended 30 April 2016 and has indicated that he will do so for the forthcoming year.

REMUNERATION (AUDITED)

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

	Year ended 30 April 2017			Year ended 30 April 2016		
	Fixed Fee	Taxable Expenses (Note 1)	Total Remuneration	Fixed Fee	Taxable Expenses	Total Remuneration
Michael Moule (Chairman)	**£40,000**	-	**£40,000**	£39,500	-	£39,500
Brian Ashford-Russell (Note 2)	-	-	-	-	-	-
Sarah Bates	**£26,000**	-	**£26,000**	£25,750	-	£25,750
Tim Cruttenden (Note 3) (appointed 23 March 2017)	**£2,778**	-	**£2,778**	-	-	-
Charlotta Ginman (Chairman of the Audit Committee)	**£29,000**	-	**£29,000**	£27,750	-	£27,750
Peter Hames (SID)	**£28,000**	**£903**	**£28,903**	£25,750	-	£25,750
Rupert Montagu (Retired 9 September 2016)	**£10,488**	-	**£10,488**	£28,750	-	£28,750
David Gamble (Retired 9 September 2015)	-	-	-	£9,583	-	£9,583
TOTAL	£136,266	£903	£137,169	£157,083	-	£157,083

Note 1: Taxable travel and subsistance expenses incurred in attending Board and Committee meetings. The amount disclosed below is the gross pre-tax amount.

Note 2: Fee of £26,000 waived (2015: fee of £25,750 waived).

Note 3: Under the terms of Mr Cruttenden's appointment his Director's fee and any expenses incurred are paid to VenCap International plc and will continue to be so.

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

DIRECTORS' REMUNERATION REPORT
CONTINUED

DIRECTORS' SHARE INTERESTS (AUDITED)

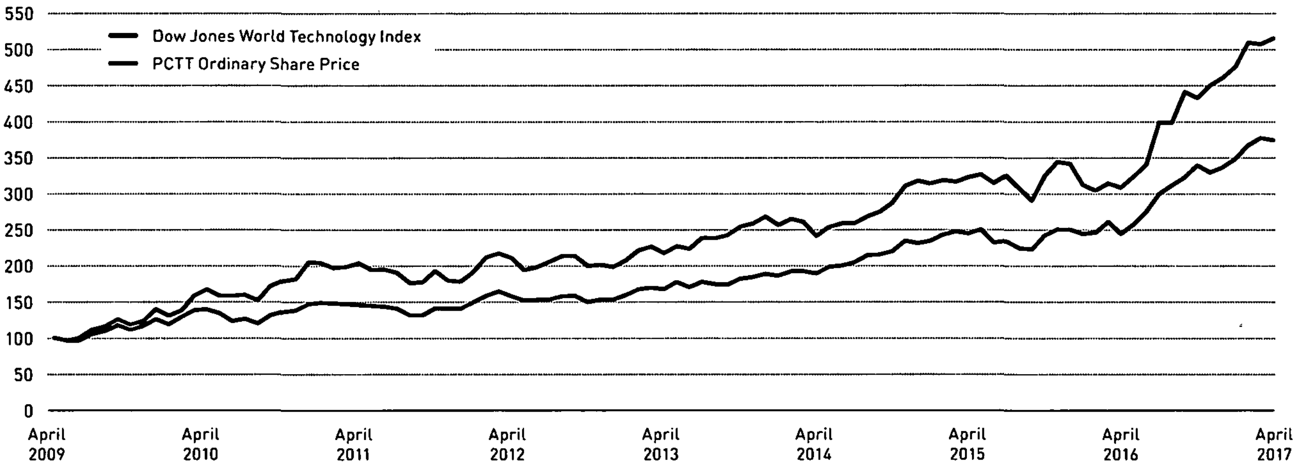
The interests of Directors who were in office at 30 April 2017 in the ordinary shares of the Company at 30 April 2017 and 30 April 2016 or date of appointment are as follows:

	Ordinary Shares	
Beneficial:	30 April 2017	30 April 2016
Michael Moule	**10,000**	10,000
Brian Ashford-Russell	**270,000**	270,000
Sarah Bates	**9,000**	4,000
Tim Cruttenden (appointed 23 March 2017)	**-**	-
Charlotta Ginman	**3,688**	3,688
Peter Hames	**10,000**	10,000

There have been no changes in these interests between the end of the financial year and 18 July 2017.

PERFORMANCE

A performance comparison is required to be presented in this report. The Dow Jones World Technology Index is shown because, as a market capitalisation weighted index based on the entire global technology sector, it is the most appropriate single market index.



Approved by the Board on 18 July 2017.

Peter Hames
Senior Independent Director and Chairman of the Remuneration Committee

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

In preparing these Financial Statements, the Directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB).

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website although day to day maintenance has been delegated to Polar Capital LLP.

Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions. The work carried out by the Auditors does not involve consideration of these matters and, accordingly the Auditors accept no responsibility for any changes that may occur to the Financial Statements since they were initially presented on the website.

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

DISCLOSURE OF INFORMATION TO THE AUDITORS

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

GOING CONCERN

The Board has through the Audit Committee considered and assessed the Company's position as at 30 April 2017. The work of the Audit committee is described on pages 65 to 68 and sets out the factors on which the Going Concern Basis for the preparation of the Financial Statements was considered and the Board considers that it is appropriate to continue the Going Concern Basis in preparing the Financial Statements of the Company.

LONGER-TERM VIABILITY

The Board through the Audit Committee considered and addressed the ability of the Company to continue to operate over a longer period. The work of the Audit Committee in looking at the longer-term viability is described on page 68. Through the work described the Board considers that the Company has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for the next five years.

STATEMENT OF DIRECTORS' RESPONSIBILITIES CONTINUED

RESPONSIBILITY STATEMENT UNDER THE DISCLOSURE AND TRANSPARENCY RULES

The Directors of Polar Capital Technology Trust plc, who are listed on pages 50 and 51, confirm to the best of their knowledge:

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

The Financial Statements and the responsibility statements were approved by the Board on 18 July 2017 and signed on its behalf by Michael Moule, Chairman of the Board.

Michael Moule
Chairman

INDEPENDENT AUDITORS' REPORT

to the Members of Polar Capital Technology Trust plc

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion, Polar Capital Technology Trust's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 April 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Balance Sheet as at 30 April 2017;
- the Statement of Comprehensive Income for the year then ended;
- the Cash Flow Statement for the year then ended;
- the Statements of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

Our audit approach

Materiality

- Overall materiality: £12.5 million which represents 1% of net assets

Audit Scope

- The Company is a standalone Investment Trust Company and engages Polar Capital LLP (the "Manager") to manage its assets
- We conduct our audit of the financial statements at the offices of HSBC Securities Services (the "Administrator") who the Manager has, with the consent of the Directors, delegated the provision of certain administrative functions
- We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the types of investments within the Company, the involvement of the Manager and Administrator, the accounting processes and controls, and the industry in which the Company operates.

Areas of focus

- Income from investments.
- Valuation and existence of investments.

The scope of our audit and our areas of focus

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

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

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

INDEPENDENT AUDITORS' REPORT

to the Members of Polar Capital Technology Trust plc continued

Area of focus	How our audit addressed the area of focus
Income from investments	
Refer to page 66 (Audit Committee Report), page 86 (Accounting Policies) and page 90 (notes). ISAs (UK & Ireland) presume there is a risk of fraud in income recognition. We considered this risk to specifically relate to the risk of overstating investment gains and the misclassification of dividend income as capital rather than revenue due to the pressure management may feel to achieve capital growth in line with the objective of the Company. We focused on the valuation of investments with respect to gains on investments and the accuracy and completeness of dividend income recognition and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the 'AIC SORP').	We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy. We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy. We understood and assessed the design and implementation of key controls surrounding income recognition. In addition, we tested dividend receipts by agreeing the dividend rates from a sample of investments to independent third party sources. No misstatements were identified by our testing which required reporting to those charged with governance. To test for completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared for a sample of investment holdings in the portfolio. Our testing did not identify any unrecorded dividends. We tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP. We then tested the classification of income and capital special dividends to independent third party sources. We did not find any special dividends that were not treated in accordance with the AIC SORP.
Valuation and existence of investments	
Refer to page 66 (Report of the Audit Committee), page 88 (Accounting Policies) and page 94 (Notes to the Accounts). The investment portfolio at 30 April 2017 comprised listed equity investments of £1,220 million and unlisted investments of £0.3m. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed in the Statement of Financial Position in the financial statements.	We 100% tested the valuation of the listed investments by agreeing the prices used in the valuation to independent third party sources. No misstatements were identified by our testing which required reporting to those charged with governance. We agreed the existence of investments to independent third party sources by agreeing the holdings of investments to an independent confirmation from the Depositary, HSBC Bank plc. No differences were identified.

How we tailored the audit scope

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

Materiality

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

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

Overall materiality	£12.5 million (2016: £8.0 million).
How we determined it	1% of net assets.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practise for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate and because we believe this provides an appropriate and consistent year on year basis for our audit.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £626,000 (2016: £400,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 68, in relation to going concern. We have nothing to report having performed our review.

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

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

OTHER REQUIRED REPORTING

Consistency of other information and compliance with applicable requirements

Companies Act 2006 reporting

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.

INDEPENDENT AUDITORS' REPORT

to the Members of Polar Capital Technology Trust plc continued

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

• information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report.
• the statement given by the directors on page 73, in accordance with provision c.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the company's position and performance, business model and strategy is materially inconsistent with our knowledge of the company acquired in the course of performing our audit.	We have no exceptions to report.
• the section of the Annual Report on page 65, as required by provision c.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

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

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

• the directors' confirmation on page 42 of the Annual Report, in accordance with provision c.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
• the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
• the directors' explanation on page 73 of the Annual Report, in accordance with provision c.2.2 of the Code, as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the company and the directors' statement in relation to the longer-term viability of the company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

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

Other Companies Act 2006 reporting

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

Corporate governance statement

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

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 73, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Allan McGrath (Senior Statutory Auditor)

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

Edinburgh

18 July 2017

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

FINANCIAL STATEMENTS

SHAREHOLDER INFORMATION

VIDEOGAMES

Videogame companies remain rare content beneficiaries of digital distribution made possible by the Internet. Market consolidation (the 'big 4' Western publishers estimated to have had >50% console market share in 2016) and less emphasis on creating new high end 'AAA' franchises have also allowed the $100bn industry to achieve greater scale and profitability, together with reduced risk. Next-generation consoles have also spurred the adoption of full game digital downloads and more importantly, additional digital content (DLC) and micro-transactions which accounted for c.52% of PC/Console sales for the big 4 in 2016E with greater than 90% incremental gross margin. In addition, smartphone and tablet gaming – worth $37bn in 2016 – is expanding, rather than cannibalising the overall opportunity. eSports (competitive gaming as a spectator sports) represents an additional future growth avenue; in 2016 there were 148m eSports enthusiasts and a further 144m occasional viewers tuning in for big events. To put that into context c.31m people watched the NBA finals in 2016, versus c.36m who watched the League of Legends world finals in 2015. While the spectacular success of Pokemon Go highlights the long-term potential associated with augmented reality (AR), virtual reality (VR) also has significant promise with the technology potentially moving beyond gaming and into existing markets such as live events, real estate and education.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 April 2017

		Year ended 30 April 2017			Year ended 30 April 2016		
	Notes	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Investment income	3	8,733	-	8,733	6,618	-	6,618
Other operating income	4	8	-	8	5	-	5
Gains on investments held at fair value	5	-	442,491	442,491	-	8,782	8,782
Gains on derivatives	6	-	4,972	4,972	-	1,550	1,550
Other currency gains	7	-	6,333	6,333	-	1,040	1,040
Total income		8,741	453,796	462,537	6,623	11,372	17,995
Expenses							
Investment management fee	8	(9,896)	-	(9,896)	(7,921)	-	(7,921)
Other administrative expenses	9	(923)	-	(923)	(759)	-	(759)
Total expenses		(10,819)	-	(10,819)	(8,680)	-	(8,680)
(Loss)/profit before finance costs and tax		(2,078)	453,796	451,718	(2,057)	11,372	9,315
Finance costs	10	(650)	-	(650)	(445)	-	(445)
(Loss)/profit before tax		(2,728)	453,796	451,068	(2,502)	11,372	8,870
Tax	11	(1,220)	-	(1,220)	(582)	-	(582)
Net (loss)/profit for the year and total comprehensive income		(3,948)	453,796	449,848	(3,084)	11,372	8,288
Earnings per ordinary share (Basic) (pence)	12	(2.98)	342.83	339.85	(2.33)	8.59	6.26

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

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

All items in the above statement derive from continuing operations.

The Company does not have any other comprehensive income.

The notes on pages 86 to 107 form part of these Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 April 2017

	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Special non-distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
Total equity at 1 May 2015	33,084	12,802	141,955	7,536	672,339	(74,697)	793,019
Total comprehensive income:							
Profit/(loss) for the year to 30 April 2016	–	–	–	–	11,372	(3,084)	8,288
Total equity at 30 April 2016	33,084	12,802	141,955	7,536	683,711	(77,781)	801,307
Total comprehensive income:							
Issue of ordinary shares	38	–	1,332	–	–	–	1,370
Profit/(loss) for the year to 30 April 2017	–	–	–	–	453,796	(3,948)	449,848
Total equity at 30 April 2017	**33,122**	**12,802**	**143,287**	**7,536**	**1,137,507**	**(81,729)**	**1,252,525**

The notes on pages 86 to 107 form part of these Financial Statements.

BALANCE SHEET

at 30 April 2017

	Notes	30 April 2017 £'000	30 April 2016 £'000
Non-current assets			
Investments held at fair value through profit or loss	13	1,220,068	764,771
Current assets			
Receivables	14	20,807	12,811
Overseas tax recoverable		70	96
Cash and cash equivalents	15	63,602	70,325
Derivative financial instruments	13	716	2,244
		85,195	85,476
Total assets		1,305,263	850,247
Current liabilities			
Payables	16	(15,545)	(15,375)
Bank loans	17	(37,193)	(33,565)
		(52,738)	(48,940)
Net assets		1,252,525	801,307
Equity attributable to equity Shareholders			
Share capital	18	33,122	33,084
Capital redemption reserve	19	12,802	12,802
Share premium	20	143,287	141,955
Special non-distributable reserve	21	7,536	7,536
Capital reserves	22	1,137,507	683,711
Revenue reserve	23	(81,729)	(77,781)
Total equity		1,252,525	801,307
Net asset value per ordinary share (pence)	26	945.39	605.51

The Financial Statements, on pages 82 to 85, were approved and authorised for issue by the Board of Directors on 18 July 2017 and signed on its behalf by:

Michael Moule
Chairman

The notes on pages 86 to 107 form part of these Financial Statements.

Registered number 3224867

CASH FLOW STATEMENT

for the year ended 30 April 2017

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities			
Profit before tax		451,068	8,870
Adjustment for non-cash items:			
Foreign exchange (gains)		(6,333)	(1,040)
Adjusted profit before tax		444,735	7,830
Adjustments for:			
(Increase)/decrease in investments		(455,297)	5,582
Decrease/(increase) in derivative financial instruments		1,528	(2,244)
(Increase)/decrease in receivables		(7,996)	1,764
Increase in payables		170	3,087
		(461,595)	8,189
Net cash (used in)/generated from operating activities before tax		(16,860)	16,019
Overseas tax deducted at source		(1,194)	(575)
Net cash (used in)/generated from operating activities		(18,054)	15,444
Cash flows from financing activities			
Loans matured		-	(13,649)
Loans drawn		-	30,621
Issue of ordinary shares		1,370	-
Net cash generated from financing activities		1,370	16,972
Net (decrease)/increase in cash and cash equivalents		(16,684)	32,416
Cash and cash equivalents at the beginning of the year		70,325	33,815
Effect of foreign exchange rate changes		9,961	4,094
Cash and cash equivalents at the end of the year	15	63,602	70,325

The notes on pages 86 to 107 form part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 April 2017

1 GENERAL INFORMATION

General Information

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

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

2 ACCOUNTING POLICIES

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

(a) Basis of Preparation

The Financial Statements have been prepared on a going concern basis under the historical cost convention, as modified by the inclusion of investments and derivative financial instruments at fair value through profit or loss. Where presentational guidance set out in the Statement of Recommended Practice (SORP) for investment trusts issued by the Association of Investment Companies (AIC) in November 2014 and updated in January 2017 (which superseded the SORP issued in January 2009) is consistent with the requirements of IFRS, the Directors have sought to prepare the Financial Statements on a basis compliant with the recommendations of the SORP.

The financial position of the Company as at 30 April 2017 is shown in the balance sheet on page 84. As at 30 April 2017 the Company's total assets exceeded its total liabilities by a multiple of over 25. The assets of the Company consist mainly of securities that are held in accordance with the Company's investment policy, as set out on page 37 and these securities are readily realisable. The Directors consider that the Company has adequate financial resources to enable it to continue in operational existence for the foreseeable future. Accordingly, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Company's accounts.

(b) Presentation of Statement of Comprehensive Income

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

(c) Income

Dividends receivable from equity shares are taken to the revenue return column of the Statement of Comprehensive Income on an ex-dividend basis. Special dividends are recognised on an ex-dividend basis and may be considered to be either revenue or capital items. The facts and circumstances are considered on a case by case basis before a conclusion on appropriate allocation is reached. Where the Company has received dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised in the revenue return column of the Statement of Comprehensive Income. Any excess in value of shares received over the amount of the cash dividend foregone is recognised in the capital return column of the Statement of Comprehensive Income.

Franked income is stated net of tax credits. Unfranked income includes the taxes deducted at source.

Bank interest and other income receivable are accounted for on an accruals basis and are recognised in the period in which they were earned. Interest outstanding at the year end is calculated on a time apportioned basis using the market rates of interest.

(d) Expenses and Finance Costs

All expenses, including finance costs, are accounted for on an accruals basis.

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

- any performance fees payable are allocated wholly to capital, reflecting the fact that, although they are calculated on a total return basis, they are expected to be attributable largely, if not wholly, to capital performance.
- transaction costs incurred on the acquisition or disposal of investments are expensed either as part of the unrealised gain/loss on investments (for acquisition costs) or as a deduction from the proceeds of sale (for disposal costs).

Finance costs are calculated using the effective interest rate method and are accounted for on an accruals basis.

(e) Taxation

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

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

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

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

Investment trusts which have approval as such under section 1158 of the Corporation Taxes Act 2010 are not liable for taxation on capital gains. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 April 2017 continued

2 ACCOUNTING POLICIES CONTINUED

(f) Investments Held at Fair Value Through Profit or loss

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

On initial recognition the Company has designated all of its investments as held at fair value through profit or loss as defined by IFRS.

All investments are measured at subsequent reporting dates at fair value, which is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted. Investments in unit trusts or OEICs are valued at the closing price, the bid price or the single price as appropriate, as released by the relevant investment manager.

Fair values for unquoted investments, or for investments for which there is only an inactive market, are established by using various valuation techniques. These may include recent arms length market transactions, the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Where there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique is utilised. Where no reliable fair value can be estimated for such instruments, they are carried at cost, subject to any provision for impairment.

Changes in fair value of all investments held at fair value and realised gains and losses on disposal are recognised in the capital return column of the Statement of Comprehensive Income.

(g) Receivables

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

(h) Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. In the Statement of Cash Flows cash and cash equivalents also include bank overdrafts. In the Balance Sheet bank overdrafts are shown within current liabilities.

(i) Payables

Payables are initially recognised at fair value and subsequently measured at amortised cost. Payables are not interest-bearing and are stated at their nominal value (amortised cost).

(j) Bank Loans

All bank loans are initially recognised at fair value, being the fair value of the consideration received, less issue costs where applicable. After initial recognition these loans are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on settlement. The amounts falling due for repayment within one year are included under current liabilities in the Balance Sheet.

(k) Rates of Exchange

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

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

(l) Share Capital
Represents the nominal value of authorised and allocated, called-up and fully paid shares issued.

(m) Capital Reserves
Capital reserves – gains/losses on disposal includes:

- gains/losses on disposal of investments
- exchange differences on currency balances and on settlement of loan balances
- cost of own shares bought back
- other capital charges and credits charged to this account in accordance with the accounting policies above

Capital reserve – revaluation on investments held includes:

- increases and decreases in the valuation of investments and loans held at the year end.

All of the above are accounted for in the Statement of Comprehensive Income except the cost of own shares bought back which is accounted for in the Statement of Changes in Equity.

(n) Derivative Financial Instruments
The Company's activities expose it primarily to the financial risks of changes in market prices, foreign currency exchange rates and interest rates. Derivative transactions which the Company may enter into comprise forward exchange contracts, the purpose of which is to manage the currency risks arising from the Company's investing activities, quoted options on shares held within the portfolio, or on indices appropriate to sections of the portfolio, the purpose of which is to provide additional capital return.

The use of financial derivatives is governed by the Company's policies as approved by the Board, which has set written principles for the use of financial derivatives.

A derivative instrument is considered to be used for hedging purposes when it alters the market risk profile of an existing underlying exposure of the Company. The use of financial derivatives by the Company does not qualify for hedge accounting under IFRS. As a result changes in the fair value of derivative instruments are recognised in the Statement of Comprehensive Income as they arise. If capital in nature,associated change in value is presented in the capital return column of the Statement of Comprehensive Income.

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

The Board is of the opinion that the Company is engaged in a single segment of business, namely by investing in a diversified portfolio of technology companies from around the world in accordance with the Company's Investment Objective, and consequently no segmental analysis is provided.

In line with IFRS 8, additional disclosure by geographical segment has been provided in note 27.

Further analyses of expenses, investment gains or losses, profit and other assets and liabilities by country have not been given as either it is not possible to prepare such information in a meaningful way or the results are not considered to be significant.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 April 2017 continued

2 ACCOUNTING POLICIES CONTINUED

(p) Key Estimates and Assumptions

Estimates and assumptions used in preparing the Financial Statements are reviewed on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of these estimates and assumptions form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The only estimates and assumptions that may cause material adjustment to the carrying value of assets and liabilities relate to the valuation of unquoted investments and investments for which there is an inactive market. These are valued in accordance with the techniques set out in note 1(f). At the year end, such investments represent 0.1% of net assets.

(q) New and revised accounting Standards

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

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

- IFRS 2 (amended) Classification and Measurement of Share-based payment transactions
- IFRS 4 (amended) Applying IFRS 9 Financial Instruments with IFRS4 Insurance contracts
- IFRS 9 Financial Instruments
- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 (amended) Revenue from Contracts with Customers
- IFRS 16 Leases
- IAS 7 (amended) Disclosure Initiative
- IAS 12 (amended) Recognition of Deferred Tax Assets for Unrealised Losses
- IAS 28 (amended) Investments in Associates and Joint Ventures

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

3 INVESTMENT INCOME

	Year ended 30 April 2017 £'000	Year ended 30 April 2016 £'000
Franked: Listed investments		
Dividend income	140	174
Unfranked: Listed investments		
Dividend income	8,593	6,444
	8,733	6,618

4 OTHER OPERATING INCOME

	Year ended 30 April 2017 £'000	Year ended 30 April 2016 £'000
Bank interest	8	5

5 GAINS ON INVESTMENTS HELD AT FAIR VALUE

	Year ended 30 April 2017 £'000	Year ended 30 April 2016 £'000
Net gains on disposal of investments at historic cost	130,629	66,411
Transfer on disposal of investments	(16,490)	(91,024)
Gains based on carrying value at previous balance sheet date	114,139	(24,613)
Valuation gains on investments held during the year	328,352	33,395
	442,491	8,782

6 GAINS/(LOSSES) ON DERIVATIVES

	Year ended 30 April 2017 £'000	Year ended 30 April 2016 £'000
Gains on disposal of derivatives held	6,021	646
(Losses)/gains on revaluation of derivatives held	(1,049)	904
	4,972	1,550

7 OTHER CURRENCY GAINS/(LOSSES)

	Year ended 30 April 2017 £'000	Year ended 30 April 2016 £'000
Exchange gains on currency balances	9,961	4,177
Exchange losses on settlement of loan balances	-	(83)
Exchange losses on translation of loan balances	(3,628)	(3,054)
	6,333	1,040

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 April 2017 continued

8 INVESTMENT MANAGEMENT FEE

	Year ended 30 April 2017 £'000	Year ended 30 April 2016 £'000
Investment management fee paid to Polar Capital (charged wholly to revenue)	9,896	7,921

No performance fee was paid to Polar Capital in either the current or prior financial year.

For terms of the investment management agreement, see pages 45 and 46.

The quarterly investment management fee is calculated on the net assets on the last day of the prior quarter. The increase in the management fee for the year ended 30 April 2017 is due to the 56% increase in net assets which took place over the year to 30 April 2017.

9 OTHER ADMINISTRATIVE EXPENSES

	Year ended 30 April 2017 £'000	Year ended 30 April 2016 £'000
Directors' fees (including NIC)	148	171
Depositary fee	132	92
Registrar fee	60	46
Custody and other bank charges	183	156
UKLA and LSE listing fees	43	45
Legal & professional fees	69	20
AIC fees	20	20
Auditors' remuneration:		
For audit of Financial Statements	34	27
For other services (taxation compliance services)	5	5
Directors' and officers' liability insurance	9	9
AGM expenses	6	4
Corporate brokers' fee	36	32
PR, website and marketing expenses	50	43
Shareholder communications	87	62
Other expenses (including Shareplan, ISA administration fees and Governance)	41	27
	923	759

The Depositary fee and custody and other bank charges have increased due to the size of the fund. Legal and professional fees have increased due to the payment of a one off fee for tax reclaim services in Taiwan. The Registrars' fees have increased due to the additional FATCA and Common Reporting Standard compliance required by tax authorities on investors. The Shareholder communication increase is due to printing and distribution costs.

10 FINANCE COSTS

	Year ended 30 April 2017 £'000	Year ended 30 April 2016 £'000
Interest on loans and overdrafts	650	396
Loan arrangement fees	-	49
	650	445

11 TAXATION

	Year ended 30 April 2017 £'000	Year ended 30 April 2016 £'000
a) Analysis of tax charge for the year:		
Overseas tax	1,220	582
Total tax for the year (see Note 11b)	1,220	582
b) Factors affecting tax charge for the year:		
The charge for the year can be reconciled to the profit per the Statement of Comprehensive Income as follows:		
Profit before tax	451,068	8,870
Tax at the UK corporation tax rate of 19%*	7,142	-
Tax at the UK corporation tax rate of 20%	82,696	1,774
Tax effect of non-taxable dividends	(1,739)	(1,324)
Gains on investments that are not taxable	(90,381)	(2,277)
Unrelieved current year expenses and deficits	2,282	1,827
Overseas tax suffered	1,220	582
Total tax for the year (see Note 11a)	1,220	582
c) Factors that may affect future tax charges:		
There is an unrecognised deferred tax asset comprising:		
Unrelieved management expenses	20,982	22,521
Non-trading deficits	807	821
	21,789	23,342

* Under the Finance Act 2015, the rate of corporation tax was lowered to 19% from 1 April 2017.

The deferred tax asset is based on a prospective corporation tax rate of 17%, which was substantively enacted in September 2016 and is effective from 1 April 2020.

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 April 2017 continued

12 LOSS/EARNINGS PER ORDINARY SHARE

	Year ended 30 April 2017			Year ended 30 April 2016		
	Revenue return pence	Capital return pence	Total return pence	Revenue return pence	Capital return pence	Total return pence
The calculation of basic earnings per share is based on the following data:						
Net (loss)/profit for the year (£'000)	(3,948)	453,796	449,848	(3,084)	11,372	8,288
Weighted average ordinary shares in issue during the year	132,368,398	132,368,398	132,368,398	132,336,159	132,336,159	132,336,159
From continuing operations						
Basic – ordinary shares (pence)	(2.98)	342.83	339.85	(2.33)	8.59	6.26

As at 30 April 2017, there are no potentially dilutive shares in issue and the earnings per share therefore equate to those shown above (2016: there was no dilution).

13 INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

i) Changes in non-current assets investments

	Year ended 30 April 2017 £'000	Year ended 30 April 2016 £'000
Cost at 1 May	643,226	591,179
Valuation gains	121,545	179,174
Valuation at 1 May	764,771	770,353
Additions at cost	703,984	827,622
Proceeds of disposal	(691,178)	(841,986)
Gains/(losses) on disposal	114,139	(24,613)
Valuation gains	328,352	33,395
Valuation at 30 April	1,220,068	764,771
Cost at 30 April	786,661	643,226
Closing fair value adjustment	433,407	121,545
Valuation at 30 April	1,220,068	764,771
Of which:		
Listed on a recognised Stock Exchange	1,219,749	764,473
Unlisted	319	298

Included in additions at cost are purchase costs of £1,237,000 (30 April 2016: £1,404,000). *Included in proceeds* of disposals are sales costs of £1,071,000 (30 April 2016: £1,340,000). These comprise mainly of commission.

ii) Changes in derivative financial instruments

	Year ended 30 April 2017 £'000	Year ended 30 April 2016 £'000
Valuation at 1 May	2,244	–
Additions at cost	9,291	1,480
Proceeds of disposal	(15,801)	(818)
Gains on disposal	6,031	678
Valuation gains	(1,049)	904
Valuation at 30 April	716	2,244

iii) Classification under Fair Value Hierarchy:

The table below sets out the fair value measurements using the IFRS7 fair value hierarchy. Categorisation within the hierarchy has been determined on the basis of the lowest level of input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 – valued using quoted prices in active markets for identical assets.

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

The valuation techniques used by the company are explained in the accounting policies note on page 88.

There have been no transfers during the year between Levels 1 and 2. A reconciliation of fair value measurements in Level 3 is set out below.

	Year ended 30 April 2017 £'000	Year ended 30 April 2016 £'000
Equity Investments		
Level 1	1,219,749	766,717
Level 2	–	–
Level 3	319	298
	1,220,068	767,015

Level 3 investments at fair value through profit or loss	Year ended 30 April 2017 £'000	Year ended 30 April 2016 £'000
Opening balance	298	338
Disposal proceeds	(30)	–
Total gains/(losses) included in the Statement of Comprehensive Income		
– on assets held at the year end	51	(40)
Closing balance	319	298

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 April 2017 continued

13 INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS CONTINUED

iv) Unquoted investments

The value of the unquoted investments as at 30 April 2017 was £319,000 (30 April 2016: £298,000) and the portfolio comprised of the following holdings:

	30 April 2017 £'000	30 April 2016 £'000
Herald Ventures Limited Partnership	91	32
Herald Ventures Limited Partnership II	228	266
	319	298

During the year Herald Ventures Limited Partnership distributed £30,000 (2016: £nil)

14 RECEIVABLES

	30 April 2017 £'000	30 April 2016 £'000
Sales for future settlement	20,021	12,238
Prepayments and accrued income	786	567
VAT recoverable	–	6
	20,807	12,811

The carrying values of other receivables approximate their fair value.

15 CASH AND CASH EQUIVALENTS

	30 April 2017 £'000	30 April 2016 £'000
Cash at bank	63,602	70,325

16 PAYABLES

	30 April 2017 £'000	30 April 2016 £'000
Purchases for future settlement	12,545	13,188
Accruals	3,000	2,187
	15,545	15,375

The carrying values of other payables approximate their fair value.

17 BANK LOANS

	30 April 2017 £'000	30 April 2016 £'000
The Company has the following unsecured Japanese Yen and US Dollar loans:		
JPN ¥2,800m at a rate of 0.995% repayable 2 October 2017	19,415	17,864
$23m at a rate of 2.21% repayable 2 October 2017	17,778	15,701
	37,193	33,565

Bank loans are all due for settlement within 12 months and are stated at fair value, which equates to amortised cost.

The main covenants relating to the above loans are:

(i) Total borrowings shall not exceed 40% of the Company's net asset value

(ii) The Company's minimum net asset value shall be £150 million

(iii) The Company shall not change the Investment Manager without prior written consent of the lenders.

18 SHARE CAPITAL

	30 April 2017 £'000	30 April 2016 £'000
Allotted, Called up and Fully paid:		
Ordinary shares of 25p each		
Opening balance of 132,336,159 (30 April 2016: 132,336,159)	33,084	33,084
Issue of 150,841 (2016: nil) ordinary shares	38	-
Allotted, called up and fully paid: 132,487,000 (30 April 2016: 132,336,159) ordinary shares of 25p	33,122	33,084
At 30 April 2017	33,122	33,084

During the year a total of 150,841 ordinary shares, nominal value £37,710 were issued to the market to satisfy demand, at an average price of 912.88p per share, for a total consideration received of £1,377,000.

This reserve is not distributable.

19 CAPITAL REDEMPTION RESERVE

	30 April 2017 £'000	30 April 2016 £'000
As at 1 May 2016	12,802	12,802
As at 30 April 2017	12,802	12,802

This reserve is not distributable.

20 SHARE PREMIUM

	30 April 2017 £'000	30 April 2016 £'000
As at 1 May 2016	141,955	141,955
Issue of 150,841 (2016: nil) ordinary shares	1,332	-
As at 30 April 2017	143,287	141,955

This reserve is not distributable.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 April 2017 continued

21 SPECIAL NON-DISTRIBUTABLE RESERVE

	30 April 2017 £'000	30 April 2016 £'000
As at 1 May 2016	7,536	7,536
As at 30 April 2017	7,536	7,536

This reserve is not distributable.

22 CAPITAL RESERVES

	Capital[1] reserve – gains/losses on disposal 30 April 2017 £'000	Capital[2] reserve – revaluation 30 April 2017 £'000	Total capital reserves 30 April 2017 £'000	Capital reserve – gains/losses on disposal 30 April 2016 £'000	Capital reserve – revaluation 30 April 2016 £'000	Total capital reserves 30 April 2016 £'000
As at 1 May 2016	564,205	119,506	683,711	493,054	179,285	672,339
Net gains/(losses) on disposal of investments	114,139	-	114,139	(24,613)	-	(24,613)
Transfer on disposal of investments	16,490	(16,490)	-	91,024	(91,024)	-
Valuation gains on investments held during the year	-	328,352	328,352	-	33,395	33,395
Net gains/(losses) on derivative contracts	6,021	(1,049)	4,972	646	904	1,550
Exchange gains on currency balances	9,961	-	9,961	4,177	-	4,177
Exchange losses on settlement of loan balances	-	-	-	(83)	-	(83)
Exchange losses on translation of loan balances	-	(3,628)	(3,628)	-	(3,054)	(3,054)
As at 30 April 2017	710,816	426,691	1,137,507	564,205	119,506	683,711

1. These are realised distributable capital reserves which may be used to repurchase the Company's shares or be distributed as dividends.
2. This reserve comprises holdings gains on investments (which may be deemed to be realised) and other amounts, which are unrealised. An analysis has not been made between the amounts that are realised (and may be distributed or used to repurchase the Company's shares) and those that are unrealised.

23 REVENUE RESERVE

	30 April 2017 £'000	30 April 2016 £'000
As at 1 May 2016	(77,781)	(74,697)
Loss for the year to 30 April	(3,948)	(3,084)
As at 30 April 2017	(81,729)	(77,781)

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

24 NOTE TO THE CASH FLOW STATEMENT

Purchases and sales of investments are considered to be operating activities of the Company, given its purpose, rather than investing activities. However, the cash flows associated with these activities are presented below.

	Year ended 30 April 2017 £'000	Year ended 30 April 2016 £'000
Proceeds on disposal of fair value through profit or loss investments	683,395	843,981
Purchases of fair value through profit or loss investments	(704,627)	(824,599)
	(21,232)	19,382

25 TRANSACTIONS WITH THE MANAGER AND RELATED PARTY TRANSACTIONS

(a)Transactions with the Manager

Under the terms of an agreement dated 9 February 2001 the Company has appointed Polar Capital LLP ('Polar Capital') to provide investment management, accounting, secretarial and administrative services. Details of the fee arrangement for these services are given in the Strategic Report. The total fees, paid under this agreement to Polar Capital in respect of the year ended 30 April 2017 were £9,896,000 (2016: £7,921,000) of which £2,747,000 (2016: £1,978,000) was outstanding at the year-end.

(b) Related party transactions

The compensation payable to key management personnel in respect of short-term employee benefits is £136,000 (2016: £157,000) which comprises £136,000 (2016: £157,000) paid by the Company to the Directors.

Refer to pages 69 to 72 for the Directors' Remuneration Report.

26 NET ASSET VALUE PER ORDINARY SHARE

	Net asset value per share	
	30 April 2017	30 April 2016
Undiluted:		
Net assets attributable to ordinary Shareholders (£'000)	1,252,525	801,307
Ordinary shares in issue at end of year	132,487,000	132,336,159
Net asset value per ordinary share (pence)	945.39	605.51

As at 30 April 2017, there were no potentially dilutive shares in issue (2016: there was no dilution).

27 SEGMENTAL REPORTING

Geographical segments

Since the Company does not have external customers an analysis of the Company's investments held at 30 April 2017 by geographical segment and the related investment income earned during the year to 30 April 2017 is noted below.

	30 April 2017 Value of investments £'000	Year ended 30 April 2017 Gross income £'000	30 April 2016 Value of investments £'000	Year ended 30 April 2016 Gross income £'000
North America	865,399	5,426	563,523	4,368
Europe	75,103	454	58,107	629
Asia & Pacific	279,566	2,853	143,141	1,622
Total	1,220,068	8,733	764,771	6,619

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 April 2017 continued

28 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

Risk management policies and procedures

The Company invests in equities and other financial instruments for the long-term to further the investment objective set out on page 37. This exposes the Company to a range of financial risks that could impact on the assets or performance of the Company.

The main risks arising from the Company's pursuit of its investment objective are market risk, liquidity risk, credit risk and gearing risk and the Directors' approach to the management of them is set out below. The risks have remained unchanged since the beginning of the year to which the Financial Statements relate.

The Company's exposure to financial instruments comprise:

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

The purpose of these is to manage the market price risks, foreign exchange risks and interest rate risks arising from the Company's investment activities.

The overall management of the risks is determined by the Board and its approach to each risk identified is set out below. The Board and the Investment Manager co-ordinate the risk management and the Investment Manager assesses the exposure to market risk when making each investment decision.

(a) Market Risk

Market risk comprises three types of risk: market price risk (see note 28(a)(i)), currency risk (see note 28(a)(ii)), and interest rate risk (see note 28(a)(iii)).

(i) Market Price Risk

The Company is an investment company and as such its performance is dependent on the valuation of its investments. Consequently market price risk is the most significant risk that the Company faces. Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's operations. It represents the potential loss the Company might suffer through holding market positions in the face of price movements. A detailed breakdown of the investment portfolio is given on pages 30 to 36. Investments are valued in accordance with the Company's accounting policies as stated in Note 2(f).

At the year end, the Company's portfolio included derivative instruments of £716,000 (30 April 2016: £2,244,000)

Management of the risk

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

Market price risk exposure

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

	30 April 2017 £'000	30 April 2016 £'000
Non-current asset investments at fair value through profit or loss	**1,220,068**	764,771
Derivative financial instruments at fair value through profit or loss	**716**	2,244
	1,220,784	767,015

An analysis of the Company's portfolio is shown on pages 30 to 36.

Market price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and the value of Shareholders' funds to an increase or decrease of 15% (30 April 2015: 15%) in the fair values of the Company's investments. This level of change is considered to be reasonably possible based on observation of current market conditions and historic trends. The sensitivity analysis is based on the Company's investments at each balance sheet date, with all other variables held constant.

	30 April 2017 £'000		30 April 2016 £'000	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
Revenue return	**(1,831)**	**1,831**	(1,151)	1,151
Capital return	**183,118**	**(183,118)**	115,052	(115,052)
Change to the profit after tax for the year	**181,287**	**(181,287)**	113,901	(113,901)
Change to Shareholders' funds	**181,287**	**(181,287)**	113,901	(113,901)
Change to NAV per share (pence)	**136.83**	**(136.83)**	86.07	(86.07)

(ii) Currency Risk

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

Management of the risk

The Investment Manager mitigates the individual currency risks through the international spread of investments and may make use of forward foreign exchange contracts. Borrowings in foreign currencies are entered into to manage the asset exposure to those currencies, which vary according to the asset allocation.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 April 2017 continued

28 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS CONTINUED

Foreign currency exposure

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

	30 April 2017 £'000	30 April 2016 £'000
Monetary Assets:		
Cash and short-term receivables		
US Dollars	**46,300**	41,611
Euros	**11,641**	11,484
Japanese Yen	**12,174**	11,336
Hong Kong Dollars	**1,255**	-
Taiwan Dollars	**1,099**	2,025
Swedish Kroner	**703**	302
Indian Rupee	**40**	34
Monetary Liabilities:		
Payables		
US Dollars	**(13)**	(12,803)
Japanese Yen	**(12)**	(13)
Canadian Dollars	**-**	(410)
Bank Loans:		
US Dollars	**(17,777)**	(15,701)
Japanese Yen	**(19,416)**	(17,864)
Foreign currency exposure on net monetary items		
Non-Monetary Items:		
Investments at fair value through profit or loss that are equities		
US Dollars	**940,437**	622,783
Japanese Yen	**71,909**	36,512
Korean Won	**69,700**	11,942
Euros	**42,564**	21,614
Taiwan Dollars	**38,091**	29,178
Hong Kong Dollars	**33,483**	16,686
Canadian Dollars	**7,699**	1,025
Swedish Kroner	**1,824**	4,492
Investments at fair value through profit or loss that are derivatives		
US Dollars	**716**	2,244
Total net foreign currency exposure	**1,241,701**	766,477

During the financial year Sterling depreciated by 11.7% against the US Dollar (2016: depreciated by 4.7%), depreciated by 8.0% (2016: depreciated by 16.4%) against the Japanese Yen, depreciated by 7.1% (2016: depreciated by 6.7%) against the Euro, depreciated by 11.5% (2016: depreciated by 4.6%) against the Hong Kong Dollar, depreciated by 11.8% (2016: appreciated by 1.3%) against the Korean Won and depreciated by 17.4% (2016: appreciated by 0.4%) against the Taiwan Dollar.

Foreign currency sensitivity

The following table illustrates the sensitivity of the loss after tax for the year and the value of Shareholders' funds in regard to the financial assets and financial liabilities and the exchange rates for the £/US Dollar, £/Euro, £/Japanese Yen, £/Hong Kong Dollar, £/Korean Won and £/Taiwan Dollar.

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

	30 April 2017 £'000					
	US Dollar	**Euro**	**Yen**	**Hong Kong Dollar**	**Korean Won**	**Taiwan Dollar**
Statement of Comprehensive Income – profit after tax						
Revenue return	**464**	**25**	**99**	**9**	**82**	**94**
Capital return	**107,740**	**6,022**	**8,073**	**3,860**	**7,744**	**4,354**
Change to the profit/loss after tax for the year	**108,204**	**6,047**	**8,172**	**3,869**	**7,826**	**4,448**
Change to Shareholders' funds	**108,204**	**6,047**	**8,172**	**3,869**	**7,826**	**4,448**

	30 April 2016 £'000					
	US Dollar	**Euro**	**Yen**	**Hong Kong Dollar**	**Korean Won**	**Taiwan Dollar**
Statement of Comprehensive Income – profit after tax						
Revenue return	356	32	33	5	19	110
Capital return	70,904	3,677	3,330	1,854	1,327	3,448
Change to the profit/loss after tax for the year	71,260	3,709	3,363	1,859	1,346	3,558
Change to Shareholders' funds	71,260	3,709	3,363	1,859	1,346	3,558

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 April 2017 continued

28 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS CONTINUED

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

	30 April 2017 £'000					
	US Dollar	Euro	Yen	Hong Kong Dollar	Korean Won	Taiwan Dollar
Statement of Comprehensive Income - profit after tax						
Revenue return	(380)	(20)	(81)	(8)	(67)	(77)
Capital return	(88,151)	(4,928)	(6,605)	(3,158)	(6,336)	(3,563)
Change to the profit/loss after tax for the year	(88,531)	(4,948)	(6,686)	(3,166)	(6,403)	(3,640)
Change to Shareholders' funds	(88,531)	(4,948)	(6,686)	(3,166)	(6,403)	(3,640)

	30 April 2016 £'000					
	US Dollar	Euro	Yen	Hong Kong Dollar	Korean Won	Taiwan Dollar
Statement of Comprehensive Income - profit after tax						
Revenue return	(291)	(26)	(27)	(5)	(16)	(90)
Capital return	(58,013)	(3,009)	(2,725)	(1,517)	(1,086)	(2,821)
Change to the profit/loss after tax for the year	(58,304)	(3,035)	(2,752)	(1,522)	(1,102)	(2,911)
Change to Shareholders' funds	(58,304)	(3,035)	(2,752)	(1,522)	(1,102)	(2,911)

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

(iii) Interest Rate Risk

Interest rate changes may affect the income received from cash at bank and interest payable on borrowings.

All cash balances earn interest at a variable rate.

The Company finances its operations through its term loans as well as bank overdrafts and any retained gains arising from operations.

The Company uses borrowings in the desired currencies at both fixed and floating rates of interest to both generate the desired interest rate profile and manage the exposure to interest rate fluctuations.

Management of the risk

The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis. The Company may also enter into interest rate swap agreements.

Interest rate exposure

The exposure, at 30 April, of financial assets and liabilities to interest rate risk is shown by reference to:

- floating interest rates (i.e. giving cash flow interest rate risk) – when the rate is due to be reset;
- fixed interest rates (i.e. giving fair value interest rate risk) – when the financial instrument is due for repayment.

	30 April 2017			30 April 2016		
	Within one year £'000	More than one year £'000	Total £'000	Within one year £'000	More than one year £'000	Total £'000
Exposure to floating interest rates:	**63,602**	**-**	**63,602**	70,325	-	70,325
Cash and Cash equivalents						
Exposure to fixed interest rates:						
Bank loan	**(37,193)**	**-**	**(37,193)**	(33,565)	-	(33,565)
Total exposure to interest rates	**26,409**	**-**	**26,409**	36,760	-	36,760

Interest rate sensitivity

The sensitivity analysis is based on the Company's monetary financial instruments held at each balance sheet date, with all other variables held constant.

The table below illustrates the Company's sensitivity to interest rate movements, with a change of 0.25% p.a. in the rates of interest available to the Company's financial assets and a change of 0.25% p.a in the rates of interest available to the Company's financial liabilities. The effect on the revenue and capital return after tax and the value of Shareholders' funds are as follows if rates increased:

	30 April 2017 £'000	30 April 2016 £'000
Statement of Comprehensive Income – profit after tax:		
Revenue return	**66**	92
Capital return	**–**	–
Change to the profit/loss after tax for the year	**66**	92
Change to Shareholders' funds	**66**	92

A corresponding decrease in the rate would have equal and opposite effect to that shown in the table above.

This level of change is considered to be reasonably possible based on observation of current market conditions. This is not representative of the year as a whole, since the exposure changes as level of cash/(loans) held during the year will be affected by the strategy being followed in response to the Investment Manager's perception of market prospects and the investment opportunities available at any particular time.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 April 2017 continued

28 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS CONTINUED

(b) Liquidity Risk

Liquidity risk is the possibility of failure of the Company to realise sufficient assets to meet its financial liabilities.

Management of the risk

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

Liquidity risk exposure

The maturity of the Company's existing borrowings are set out in Note 17 to the Financial Statements. Short-term flexibility is achieved through the use of overdraft facilities.

At 30 April the financial liabilities comprised of:

	30 April 2017 £'000	30 April 2016 £'000
Due within 1 month:		
Balances due to brokers	12,545	13,188
Accruals	2,956	2,109
Due after 3 months and within 1 year:		
Bank loan	37,490	33,832

(c) Credit Risk

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

Management of the risk

The Company manages credit risk by using brokers from a database of approved brokers and by dealing through Polar Capital.

All cash balances are held with approved counterparties. HSBC Bank plc is the custodian of the Company's assets. The Company's assets are segregated from HSBC's own trading assets and are expected to be protected in the event that HSBC were to cease trading.

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

Credit risk exposure

The maximum exposure to credit risk at 30 April 2017 was £84,591,000 (30 April 2016: £83,091,000) comprising:

	30 April 2017 £'000	30 April 2016 £'000
Balances due from brokers	20,021	12,238
Accrued income	896	528
Cash at bank	63,602	70,325
	84,519	83,091

All of the above financial assets are current, their fair values are considered to be the same as the values shown and the likelihood of a material credit default is considered low.

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

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

(d) Gearing risk

The Company's policy is to increase its exposure to equity markets through the judicious use of borrowings. When borrowings are invested in such markets, the effect is to magnify the impact on Shareholder's funds of changes, both positive and negative, in the value of the portfolio.

Management of the risk

The Company uses short-term loans to manage gearing risk, details of which can be found in Note 17.

Gearing risk exposure

The loans are valued at amortised cost, using the effective interest rate method in the Financial Statements. The Board regulates the overall level of gearing by raising or lowering cash balances.

(e) Capital Management Policies and Procedures

The Company's capital, or equity, is represented by its net assets which are managed to achieve the Company's investment objective set out on page 37.

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

(i) the planned level of gearing through the Company's fixed rate loan facility and

(ii) the need to issue or buy back equity shares for cancellation, which takes account of the difference between the net asset value per share and the share price (ie the level of share price discount or premium).

The Company's objectives, policies and processes for managing capital are unchanged from the preceding accounting period.

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

In addition in order to pay dividends out of profits available for distribution by way of dividend, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by company law. The Company is also subject to externally imposed capital requirements through the loan covenants set out in the loan facility.

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

CONTACTS & INFORMATION

INVESTMENT MANAGER AND AIFM
Polar Capital LLP
Authorised and regulated by the Financial Conduct Authority

PORTFOLIO MANAGER
Ben Rogoff

COMPANY SECRETARY
Polar Capital Secretarial Services Limited
represented by Neil Taylor

REGISTERED OFFICE AND ADDRESS FOR CONTACTING THE DIRECTORS
16 Palace Street, London SW1E 5JD
020 7227 2700

INDEPENDENT AUDITORS
In respect of the 2017 audit:
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Atria One, 144 Morrison Street,
Edinburgh EH3 8EX

Subject to Shareholder approval at the AGM on 7 September 2017 KPMG LLP are to be appointed Auditors for the financial year ended 30 April 2018

SOLICITOR
Herbert Smith Freehills LLP
Exchange House,
Primrose Street,
London EC2A 2EG

CORPORATE BROKER
Cenkos Securities plc
6.7.8. Tokenhouse Yard,
London EC2R 7AS

DEPOSITARY, BANKERS AND CUSTODIAN
HSBC Bank plc
8 Canada Square
London E14 5HQ

COMPANY / REGISTERED NUMBER
Polar Capital Technology Trust plc (the Company) is incorporated in England and Wales with company number 3224867 and registered as an investment company under section 833 of the Companies Act 2006.

FINANCIAL CALENDAR
The key dates in the Company's financial year are as follows:

30 April	Financial year-end
Early July	Announcement of year-end results
Early September	Annual General Meeting
31 October	Half-year end
Mid December	Announcement of half-year results

STATEMENT BY THE DEPOSITARY
The statement of the Depositary's responsibilities in respect of the Company and its report to Shareholders for the year ended 30 April 2017 is available on the Company's website. The Depositary, having carried out such procedures as it considered necessary, was satisfied that in all material respects the Company was managed in accordance with the applicable FCA rules and AIFMD.

STATEMENT BY THE AIFM
The statement by the AIFM in respect of matters to be disclosed to investors for the year ended 30 April 2017 is available on the Company's website.

SECURITIES FINANCING TRANSACTIONS
The Securities Financing Transactions Regulation, as published by the European Securities and Markets Authority, aims to improve the transparency of the securities financing markets. Disclosures regarding exposure to Securities Financing Transactions (SFTs) or total return swaps will be required on all reports & accounts published after 13 January 2017. During the period to 30 April 2017 and at the balance sheet date, the Company did not use SFTs or total return swaps, as such no disclosure is required.

CAPITAL GAINS TAX

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

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

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

SHAREHOLDERS MAY FIND THE FOLLOWING INFORMATION USEFUL WHEN CONSIDERING THEIR TAX POSITION

The Company was launched on 16 December 1996 with the issue of ordinary shares at £1 per share and one warrant issued free for every five ordinary shares.

FORMER SHAREHOLDERS OF TR TECHNOLOGY PLC

Former Shareholders of TR Technology PLC who accepted the offers made by Polar Capital Technology Trust plc for their shares in TR Technology PLC may find the following table helpful:

TR Technology plc	Polar Capital Technology Trust plc
For each ordinary share of 25p each:	On 16 December 1996, one C share of 200p each.
	On 14 March 1997, on conversion of the C shares, 3.94342 ordinary shares of 25p each and one warrant to subscribe for ordinary shares in respect of every five ordinary shares arising on conversion of the C shares.
For each stepped preference share of 25p each:	On 16 December 1996, 1.5561743 ordinary shares of 25p each and one warrant to subscribe for ordinary shares in respect of every five such ordinary shares.
For each zero dividend preference share of 25p each:	On 16 December 1996, 2.7392426 ordinary shares of 25p each and one warrant to subscribe for ordinary shares in respect of every five such ordinary shares.

MARKET PRICES OF THE COMPANY'S ORDINARY SHARES AND WARRANTS AND SUBSCRIPTION SHARES

The market prices, for capital gains tax purposes, of the Company's ordinary shares and warrants at the close of business on 16 December 1996, the first day of dealings in the Company's ordinary shares and warrants, and 17 March 1997, the first day of dealings after the conversion of the C shares, were as follows:

	16 December 1996	17 March 1997
Ordinary shares of 25p each	96.0p	88.5p
Warrants to subscribe for ordinary shares	36.0p	31.0p

The market prices, for capital gains tax purposes, of the Company's ordinary shares and subscription shares at the close of business on 14 February 2011, the first day of dealings in the Company's subscription shares were as follows:

	14 February 2011
Ordinary shares of 25p each	390.0p
Subscription shares of 1p each to subscribe for ordinary shares	33.5p

INVESTING

Investing

The ordinary shares of the Company are listed and traded on the London Stock Exchange.

Investors should be aware that the value of the Company's ordinary shares may reflect the greater relative volatility of technology shares. Technology shares are subject to the risks of developing technologies, competitive pressures and other factors including the acceptance by business and consumers of new technologies. Many companies in the technology sector are smaller companies and are therefore also subject to the risks attendant on investing in smaller capitalisation businesses.

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

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

For those investors who would like advice:

Private Client Stockbrokers

Investors with a large lump sum to invest may want to contact a private client stockbroker. They will manage a portfolio of shares on behalf of a private investor and will offer a personalised service to meet an individual's particular needs. A list of private client stockbrokers is available from The Personal Investment Management & Financial Advice Association (PIMFA) at www.pimfa.co.uk

Financial Advisers

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

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

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

Online Stockbroking Services

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

The Company has also made arrangements with its share registrars, Equiniti Limited, for investors to buy and sell shares through the Shareview.co.uk service. Further details can be obtained from the Shareview website or by calling the Shareholder helpline on **0800 876 6889**.

Risks

Please remember that the value of your investments and any income from them may go down as well as up. Past performance is not a guide to future performance. You may not get back the amount that you invest. If you are in any doubt as to the suitability of a plan or any investment available within a plan, please take professional advice.

Investors should be aware of the following risks when considering investing in the shares of Polar Capital Technology Trust plc:

- Past performance is not a guide to future performance. Please remember that any investment in the shares of Polar Capital Technology Trust either directly or through a savings scheme or ISA carries the risk that the value of your investment and any income from them may go down as well as up due to the fluctuations of the share price, the market and interest rates. This risk may result in an investor not getting back their original amount invested.
- Investors should be aware that the value of the NAV of the Company's shares may reflect the greater relative volatility of technology shares. Technology shares are subject to the risks of developing technologies, competitive pressures and other factors including the acceptance by business and consumers of new technologies. Many companies in the technology sector are smaller companies and are therefore also subject to the risks attendant on investing in smaller capitalisation businesses.
- As the Company invests in overseas companies changes in exchange rates may cause fluctuations in the value of the investments and of your investment in the Company.
- The Company takes on bank debt for investment purposes ('gearing') which exposes the company to exchange risk when the borrowings are in different currencies and the value of the investments made with the borrowings may fall and may not be sufficient to cover the borrowings and interest costs. However the Company may increase or decrease its borrowing levels to suit market conditions.
- If you are investing through a savings plan, ISA or other investment arrangement it is important that you read the key features documents and understand the risks associated with investing in the shares of the Company. If you are in any doubt as to the suitability of a plan or any investment available within a plan, please take professional advice.
- Tax rates and reliefs change from time to time and may affect the value of your investment.

Polar Capital Technology Trust plc is a public listed company on the London Stock Exchange Premium Market section and complies with the UK Listing Authority's Rules. It is not directly authorised and regulated by the Financial Conduct Authority.

WARNINGS TO SHAREHOLDERS

BOILER ROOM SCAMS

We are aware that Shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK Shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments or offering to act on the Shareholder's behalf on the payment of a retainer or similar in a spurious corporate event. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive.

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

If you have been contacted by an unauthorised firm regarding your shares the FCA would like to hear from you.

You can report an unauthorised firm using the FCA helpline on 0845 606 1234 or 0800 111 6768 or by visiting their website, which also has other useful information, at **www.fca.org.uk**

If you receive any unsolicited investment advice:

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

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

Details of any share dealing facilities that the Company endorses will be included in company mailings.

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

FORWARD LOOKING STATEMENTS

Certain statements included in this Annual Report and Financial Statements contain forward-looking information concerning the Company's strategy, operations, financial performance or condition, outlook, growth opportunities or circumstances in the countries, sectors or markets in which the Company operates. By their nature, forward-looking statements involve uncertainty because they depend on future circumstances, and relate to events, not all of which are within the Company's control or can be predicted by the Company. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Actual results could differ materially from those set out in the forward-looking statements. For a detailed analysis of the factors that may affect our business, financial performance or results of operations, we urge you to look at the principal risks and uncertainties included in the Strategic Report Section on pages 8 to 47 of this Annual Report. No part of these results constitutes, or shall be taken to constitute, an invitation or inducement to invest in Polar Capital Technology Trust plc or any other entity, and must not be relied upon in any way in connection with any investment decision. The Company undertakes no obligation to update any forward-looking statements.

GLOSSARY

Investment terminology

AAII Bear	American Association of Individual Investors sentiment survey showing the mood of individual investors – Bullish/Neutral/Bearish
Discount or Premium	A description of the difference between the share price and the net asset value per share. The size of the discount or premium is calculated by subtracting the share price from the net asset value per share and is usually expressed as a percentage (%) of the net asset value per share. If the share price is higher that the net asset value per share, the result is a premium. If the share price is lower than the net asset value per share, the shares are trading at a discount.
Gearing	Calculated using the Association of Investment Companies definition. Total assets, less current liabilities (before deducting any prior charges (such as borrowings)) minus cash/cash equivalents divided by Shareholders' funds, expressed as a percentage.
NAV per share (pence)	The value of the Company's assets, principally investments made in other companies and cash being held, minus any liabilities. The NAV is also described as 'Shareholders' funds' per share. The NAV is often expressed in pence per share after being divided by the number of shares which have been issued. The NAV per share is unlikely to be the same as the share price which is the price at which the Company's shares can be bought or sold by an investor. The share price is determined by the relationship between the demand and supply of the shares.
Ongoing Charges	Ongoing charges are calculated by taking the Company's annualised ongoing charges, excluding performance fees and exceptional items, and expressing them as a percentage of the average month end net asset value of the Company over the year.
Total Net Assets	The value of the Company's assets, principally investments made in other companies and cash being held, minus any liabilities.

For more information please visit our website:
www.polarcapitaltechnologytrust.co.uk

Polar Capital Technology Trust plc

Registered Office
16 Palace Street
London SW1E 5JD
Tel: 020 7227 2700
Fax: 020 7227 2799
www.polarcapitaltechnologytrust.co.uk

Registrar
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
www.shareview.co.uk