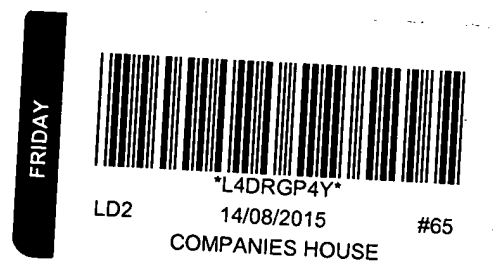


Polar Capital Technology Trust plc
Registered Number 3224867

DIGITAL DISRUPTION:
Transforming the world bit by bit

Annual Report & Financial Statements
for the year ended 30 April 2015



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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 broad market, reflecting the long-term secular uptrend in technology spending.

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.

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 page 56 and 57.

Polar Capital LLP has been the appointed Investment Manager throughout the year and was appointed the Alternative Investment Fund Manager ('AIFM') with effect from 22 July 2014. Mr 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 58 and 59.

As at 30 June 2015, Polar Capital LLP managed \$12.3bn across a range of funds and strategies including three investment trusts.

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

Fees

The Company pays both a basic management fee and a performance fee, details of which are set out in the Strategic Report on pages 54 and 55. A new fee arrangement with a tiered basic management fee became effective from 1 May 2015 and details are given in the Chairman's Statement on page 7.

Share Price and Net Asset Value

Information on the Company including the Net Asset Value (NAV) and share price can be found on the Company's website at www.polarcapitaltechnologytrust.co.uk

The Company's Net Asset Value ('NAV'), is released daily, on the next working day, following the calculation date, to the London Stock Exchange.

The mid-market price of the ordinary shares is published on the Company's website and daily in the Financial Times in the Companies and Markets section under the heading 'Investment Companies'.

Share price information is also available from The London Stock Exchange Website www.londonstockexchange.co.uk (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

Portfolio information is provided to the AIC for its monthly statistical information service (www.theaic.co.uk) and monthly fact sheets, as well as previous copies of annual report and financial statements, are available on the Company's website at www.polarcapitaltechnologytrust.co.uk

A full portfolio listing is given in the annual, half year and published quarterly 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 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 of 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.

Financial highlights

as at 30 April 2015

Financial Summary

	As at 30 April 2015	As at 30 April 2014	Movement %
Total net assets	£793,019,000	£606,633,000	30.7
Net assets per ordinary share	599.25p	458.40p	30.7
Benchmark (see below)			29.5
Price per ordinary share	592.00p	442.00p	33.9
Discount of ordinary share price to the net asset value per ordinary share	1.2%	3.6%	
Ordinary shares in issue	132,336,159	132,336,159	

Key Data

	For the year to 30 April 2015	
Benchmark	Local currency %	Sterling adjusted %
Dow Jones World Technology Index (total return Sterling adjusted, with the removal of relevant withholding taxes)	17.6	29.5
Other Indices over the year (total return)		
FTSE World	-	18.2
FTSE All-share	-	7.5
S&P 500 composite	13.0	24.3
Nikkei 225	38.7	30.3
Eurostoxx 600	21.1	7.8

Exchange rates	As at 30 April 2015	As at 30 April 2014
US\$ to £	1.5368	1.6886
Japanese Yen to £	183.90	172.49
Euro to £	1.3714	1.2178

	For the year to 30 April	
	2015	2014
Ongoing charges ratio (see page 49)	1.08%	1.15%
Ongoing charges ratio including performance fee	1.08%	1.15%

Performance

10 Year Performance

Historic Performance for the Years Ended 30 April

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total Assets less current Liabilities (£m)	236.4	358.2	335.5	300.4	274.2	398.6	468.7	503.3	528.8	606.6	793.0
Share price (pence)	165.5	245.0	228.0	190.8	183.0	306.8	373.5	387.0	398.5	442.0	592.0
NAV per share (pence) ¹											
– undiluted for warrants which expired in 2005	205.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
– diluted for warrants which expired in 2005	189.8	255.9	239.7	226.7	216.8	315.1	368.7	392.6	412.4	458.4	599.2
Indices of Growth²											
Share price	100.0	148.0	137.8	115.3	110.6	185.4	225.7	233.8	240.8	267.1	357.7
NAV per share ³	100.0	134.3	125.9	119.1	113.8	165.7	193.9	206.4	216.9	241.1	315.1
Dow Jones World ⁴ Technology Index	100.0	132.1	129.4	131.3	124.2	173.4	181.5	196.6	208.4	235.6	305.0

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 There is no dilution to the NAV per share as the result of subscription share conversion in 2014.

2 Rebased to 100 at 30 April 2005.

3 The net asset value per share growth is based on NAV per share as adjusted for warrants. From 2005 onwards the total net assets figures have been calculated in accordance with IFRS, with investments valued at market bid price. Prior to 2005 investments were valued at market mid price.

4 Dow Jones World Technology Index, total return, Sterling adjusted and from April 2013 with withholding taxes removed.

All data sourced from Polar Capital LLP

Chairman's Statement

Michael Moule

Results

I am pleased to report on an excellent year for the global technology sector and for most world equity markets. In sterling terms the Dow Jones World Technology Index posted a total return of 29.5% versus 18.2% for the FTSE World Index and 24.3% for the S&P 500. Your trust has just completed its sixth financial year of consecutive increases in Net Asset Value (NAV) and share price, and it is gratifying to report that Ben and the team managed to outperform the benchmark with our NAV rising by 30.7% and the share price by 33.9% during the past financial year. The scale of the increase was partially attributable to a recovery from the final six week collapse in US technology shares which depressed our 2014 year end, and also a circa 10% increase in the dollar vs sterling. No performance fee is payable this year as the manager needs to catch up on the under performance since the previous fee was paid in 2011. For new shareholders we have not paid a dividend since our inception in 1996 and, given our capital growth objective, we are unlikely to pay one in the future.

This year we have included the top ten stock contributors and detractors to our performance attribution and also the geographical contribution, as shown on page 39. The mega cap stocks still cast a very long shadow with, Apple, Microsoft and Google accounting for just shy of 28% of our benchmark, and a myriad of mid and small cap winners can be neutralised if we don't get the balance between young and old tech right. Our performance in the countries outside the USA is this year uniformly good, demonstrating that all members of the team are adding value. Our manager gives a more detailed assessment of our results on pages 8 to 37.

Regulation

You will be relieved to read that this section is brief, but given the huge weight of legislation that we were obliged to adopt last year you at least deserve an update. The Board's decision to appoint Polar Capital as the AIFM and HSBC as our Depositary is running as well as can be expected, and we have no breaches or problems to report, and our registration with the IRS under FATCA has not caused any upset. Fees paid to external service providers are shown in note 9 on page 97.

In 2017 we will have to embrace a new EU directive called MIFID 2, sounding like a sequel to a scary science fiction movie. The contents of the directive will have far reaching consequences some of which threaten the provision of primary research from brokers, currently paid for out of dealing commissions.

Fraud

Towards the end of last year your Board became aware from reports by shareholders that private shareholders were being targeted by fraudsters. The fraudsters sought a 'commission payment' to facilitate shareholders participation in a so called takeover of your company. This led to me writing to the private shareholders to alert them of this and I am pleased to say that the message seems to have reached the fraudsters as the number of notifications of such approaches has dropped to zero. Recent research by 'Which', the consumer group, found that 33% of over 55's surveyed said they had been approached by a company they were unsure about. We are all in the firing line of fraudsters whether by, letter, telephone, or online, and they are becoming more sophisticated. Shareholders who are registered in their own name are particularly vulnerable, so please be on your guard, stall for time and ask a close relative or professional advisor if you are in any doubt about anything that sounds plausible, or too good to be true!

Directors

David Gamble retires from the Board at the AGM on 9 September. He joined the Board in 2002 a year after the Polar management company was formed and when the trust was still suffering from the delayed after shock of the TMT bubble. He has been an incredibly effective and influential Board member capable of holding the manager and service providers feet to the fire. I am personally very grateful that he was willing to take on the role of audit chairman in 2011, something he has attacked with vigour. We all wish him well for the future and will miss his guiding hand.

We employed a specialist external search firm to find his replacement and all directors agreed that Charlotta Ginman was the most capable candidate. She joined the Board in February 2015 in time to attend our strategy away-day. She has already made an impact and her varied experience in accountancy, investment banking, and technology operating companies will add to our diversity. She has agreed to chair the audit committee when David retires in September, and we welcome her to the Board.

Every three years we have an external review of the Board and Chairman with the next one due to start in October, and we have agreed to appoint a different evaluation provider to the one contracted in 2012.

AGM and Manager Presentation

The AGM will be held at 2.30pm on 9 September 2015 at the RAC Club, Pall Mall, London, followed by tea. We will begin with a presentation by the manager followed by the formal business of the meeting. The formal business of the AGM is set out in the separate Notice of Meeting along with my detailed explanation of the resolutions. This year we have three extra resolutions, to elect Charlotta Ginman as a Director, a continuation vote which comes at five year intervals, and a vote to approve new Articles to comply with the AIFMD. As you will see in my letter in the Notice of Meeting the Board is in favour of all the resolutions being proposed and I would ask shareholders to please vote in favour of all resolutions. The Board and management team look forward to meeting shareholders at what should be an exciting event. Ben's full AGM presentation, plus the proxy voting results will be posted on our upgraded website after the AGM.

Management Fee Change

The independent members of the Board have been keeping a weather eye on the fees charged by other specialist trusts both closed and open ended and the trend towards lower and simpler fee structures for more generalist funds. While lower fees are clearly attractive for shareholders it is necessary for specialist funds to have dedicated teams to invest their assets. We must therefore take into account the considerable costs of retaining and remunerating a large global team of experienced technology managers and analysts where the management company has a policy of limiting the capacity of the strategies its investment teams manage to benefit the performance of its core clients. The independent directors also considered the Company's long-term performance record in both bull and bear markets. While the current base fee of 1% of gross assets and an ongoing charges ratio of 1.08% remains competitive for the specialist sector, we have negotiated a new arrangement to bring us more in line with current best practice. The 1% base fee will in future be levied on net asset value, and net assets in excess of £800m will attract a reduced base fee of 0.85%. We have decided to leave the performance fee in place unchanged. The fee changes will take effect from the start of our current financial year and it is worth reminding shareholders that the fee covers all the administrative and compliance services from the management house used by the Company.

Outlook

An overload of UK politics moved me onto an old episode of 'Top Gear' where the trio were asked to make economical stretched limos. For me this current equity market has morphed from a 'stealth bull market' into a 'stretched bull market' where the economic recovery in developed markets is so slow and muted that the business cycle is sustained for longer. Equity markets always enjoy the early stages of recovery which is why Europe and Japan are the two most popular developed markets at present and also large beneficiaries of weaker oil and gas prices. In the US the economic recovery is well entrenched but the stronger dollar tends to postpone the need to raise interest rates. Whilst cash yields are zero (negative for the Swiss Franc and the Euro), and government bond yields remain at historic lows it is easy to see why savings continue to leak into equities, property, antiques, classic cars, farmland etc. I have no idea when this financial experiment will end but at least the upper reaches of the US equity market will provide liquidity which may prove to be a rare asset when the zero interest rate music stops.

To Ben and the specialist technology team, Neil our company secretary, Sarah who looks after our website, and Reg who covers all parts of the British Isles to spread the word about your trust, it has been an excellent year for shareholders, many thanks.

In Memoriam

Since announcing our final results, I am sorry to report to shareholders that, Tony Arnaud, who might be considered the first technology trust portfolio manager, sadly died just before his 90th birthday. Many shareholders will remember him as the immensely gifted manager of Trust Union (now TR Property) and Law Debenture in the 1970's. However I believe his finest achievement was in agreeing to take the helm of the newly constituted TR Technology (formerly Atlas Electric) in 1982 where he served as manager until 1987 and a director until 1998. He had to learn about many new companies and concepts and had a material influence on UK based technology investing. He was a great mentor to myself and Brian Ashford-Russell, and it is fitting that we remember his wit and wisdom, and his contribution to the forerunner of our current trust.

Michael Moule
Chairman

24 July 2015

Manager's Report

Ben Rogoff

Market Review

Global equity markets added convincingly to their multi-year gains during the fiscal year as PE expansion trumped downward revisions to global growth expectations due to sustained US dollar strength, remarkably weak energy prices and a faltering Chinese economy that weighed on forecasts. Concerns about an imminent US interest rate hike quickly gave way to renewed (misplaced) deflationary fears as sharply lower energy prices (oil - 34% during the year) and US Dollar strength drove headline inflation to post crisis lows causing sovereign yields to plummet across developed markets. However, aside from a short-lived sell-off during October, equity markets proved remarkably resilient as investors instead focused on the likely stimulus associated with lower energy prices, more encouraging core inflation trends and (near) record M&A activity. Most importantly, vast new quantitative easing (QE) programmes in both Europe and Japan designed to combat deflationary pressure acted as timely reminders of the continuing alignment of interests between policymakers and investors that has underpinned risk assets since 2009.

Nowhere was the primacy of interest alignment over economic progress more apparent than in China where a more pronounced economic slowdown was met with decisive policy action (expected) and market liberalisation (unexpected) resulting in the Shanghai Composite rising an incredible +144% in sterling terms during the year. Overall equity returns were significantly enhanced by currency movements with Euro and Yen weakness (-11% and -6% versus sterling) more than offset by a resurgent US dollar that appreciated 9% against sterling and a

(remarkable) 10% on a trade-weighted basis, helping the FTSE World total return index advance 18.2% during the fiscal year.

Developed markets once again led the running as disproportionate beneficiaries of policymaker intervention, weak energy prices and improved investor sentiment. Japanese stocks reversed their prior year losses as faltering economic progress was trumped by an enlarged QE programme and some genuinely exciting company-level progress. US equities also continued to deliver returns above underlying earnings growth with improved shareholder returns and elevated M&A supporting asset prices. European stocks fared less well until later in the year when weaker economic progress was met with QE and oil price weakness providing additional stimulus. As in prior years, emerging market returns proved more closely tied to global growth (+3.4% y/y) which once again trailed early expectations of c. 3.7%. Although this growth was led by developing economies (+4.6%), industrial retrenchment in China (+7.4%) was transmitted into commodities such as oil and iron ore weighing heavily on resource-dependent economies such as Brazil (+0.1%) and Russia (+0.6%) which also suffered from pronounced currency weakness. With adverse political developments further hindering progress in Emerging Markets (EM), recovery continued to lean more heavily on developed economies (+1.8%) where growth remained robust (if a little shy of early expectations) with solid improvement in the US (+2.4%) and progress in Europe (+0.9%) able to absorb disappointment in Japan (-0.1%).

Equities began the year in fine spirits, as investors shrugged off negative revisions to global growth forecasts and weaker economic data that prompted the ECB to

introduce a new Long-Term Refinancing Operation (LTRO) in May. US equity markets made new highs during the month despite greater geopolitical uncertainty with Islamic State (IS) making further gains while Argentina entered technical default. Geopolitical risk increased further following the Malaysian Airline tragedy, while the conflict in Gaza culminated in an Israeli ground assault. European markets bore the brunt of a short-term pullback with disappointing inflation data and the collapse of Portuguese bank Banco Espirito Santo adding to the regional gloom. In the US, more encouraging economic data was overshadowed by hawkish commentary from Federal Reserve chair Janet Yellen leading to some profit taking and a rotation away from small/mid caps. Economic news-flow took a turn for the worse during late summer with disappointing inflation readings in both the Eurozone and the UK driving ten-year German bund yields to a new all-time low and a sharp reversal in earlier sterling strength. While oil and other commodity price weakness suggested the slowdown was global in nature, European data was particularly weak. Remarkably, equities ended the summer on a high note with the S&P 500 closing above 2000 buoyed by a better than expected second-quarter earnings season and further M&A activity.

Equity markets began to show signs of fatigue in September despite the ECB reducing its main refinancing and deposit rates as investors remained sceptical of its ability and willingness to embark on full-blown QE. The growth scare that triggered a late September sell-off broadened after German industrial production data that represented the steepest drop in activity for four years. Disappointing US data and alarming Ebola-related newsflow added to investor

consternation, resulting in sharply lower equity markets, both the UK and the US correcting more than c10% from their mid-September highs while US sovereign yields breached 2% for the first time since 2013. Fortunately this 'risk-off' episode proved short lived with better US economic data and an encouraging start to third-quarter earnings season buttressing investor sentiment. However, with investor hopes firmly focused on the ECB, it was ironically the BoJ that 'saved the day' when it unexpectedly boosted its asset purchasing programme to ¥80tr. This, together with some positive Ebola developments allowed equity markets to close out our half-year at highs. Improved US economic data and Republican success in the US mid-term election saw stocks make further gains. Economic newsflow was less positive elsewhere with Japan officially entering recession while the European commission pared its 2015 growth expectations to just 1.1%. Once again, weaker economics were met with further intervention this time in China as the People's Bank of China (PBoC) delivered its first rate cut in two years. However, the greatest support – at least from a developed market perspective – came from plunging energy prices as OPEC ruled out a supply cut to counter earlier price weakness resulting in oil declining a further 18% in November alone.

Crude continued its slump during December with the c.50% decline from summer highs prompting the Russian central bank to hike interest rates to 17% in order to stabilise the Rouble and prevent capital flight. Political turmoil in Greece also returned to the fore following snap presidential elections that failed to deliver the desired result triggering a January general election, an unwelcome development given anti-austerity party Syriza's lead in the polls.

Manager's Report

continued

2015 opened with a bang as the ECB finally announced its QE programme (€60 billion per month) designed to inject liquidity and stimulate economic activity. While European QE was anticipated, the Swiss National Bank decision to abandon the Euro/Swiss Franc 1.20 floor was not, resulting in the Euro depreciating as much as 29% intraday against the Swiss Franc. Weaker oil prices and escalation in Ukraine also saw the Rouble fall significantly against the US dollar. European QE also caused havoc in bond markets with German five year sovereign yields falling below zero, which was transmitted into the US Treasury market where ten year yields declined to a remarkable 1.68% in spite of constructive US data and expectations of impending rate hikes. The stronger US dollar further hindered energy prices while Greek elections late in January saw Syriza claim victory, leaving investors to fear the worst. January also marked the zenith of US market leadership as money rotated into regions and markets where asset prices looked better supported by central bank intervention. Some of January's remarkable volatility was ameliorated the following month aided by the Minsk II agreement and rebounding commodity prices. While US economic data remained robust, deterioration elsewhere together with falling energy prices (and their impact on headline inflation) saw many central banks cut interest rates. With the US adding a further 257,000 jobs during the month and Chinese Premier Li Keqiang targeting growth of 'around 7%', in March markets began to worry about the timing of a US interest rate hike and slowing growth in China. US stocks continued to trail global equities as the strong dollar and weak energy prices began to show up in US economic data and downward

revisions to S&P earnings expectations, a trend that continued into year-end. In contrast, a marked economic slowdown in China did nothing to derail a rampant local stock market as investors positioned for further stimulus while embracing the reformist intentions of the new leadership with enthusiasm spilling into Hong Kong. A sharp recovery in the oil price also saw sovereign yields begin to back up as investors began to reverse out earlier deflation fears associated with QE and plunging energy prices, a trend that has continued post year-end.

During the year, some of the strongest regional returns (taking into account the impact of foreign exchange movements) were generated in Japan (+30%) as earlier Yen weakness began to more meaningfully benefit corporate earnings while asset prices were further supported by enlarged QE and greater focus on shareholder returns. Asia also performed very well (+30%) although returns were dominated by Chinese (+152%) and Hong Kong (+46%) stocks with larger markets such as Korea and Taiwan generating more modest returns. US (+24%) equities continued to comfortably outperform global equities, aided by a resurgent dollar while the weakest performance was reserved for European (+8%) stocks where much stronger second half returns were unable to offset pronounced currency weakness and a difficult start to the year.

Technology Review

The technology sector continued to outpace the broader market during the fiscal year, the Dow Jones World Technology index rising 29.5% in sterling terms, outpacing the broader equity market (FTSE World index +18.2% TR). Although a significant portion of this outperformance was passive

(reflecting relative US market and dollar strength) technology sector performance was driven by a combination of strong new cycle fundamentals, shareholder friendly capital return/M&A and additional PE expansion. After a disappointing 2013, IT budgets rebounded somewhat increasing 2.3% y/y in 2014. This, together with better articulation of their own cloud strategies resulted in strong stock performances from a number of enterprise incumbents including Cisco (+37%) and Oracle (+17%) with returns primarily driven by multiple expansion, rather than earnings upside. One notable exception was IBM (-4%) as fundamental weakness finally caught up with the stock. PC companies benefited from further industry improvement during the first half of the year, which together with strong returns at Apple resulted in small cap stocks trailing. However, this dynamic reversed during the second half of the year as the PC renaissance ran out of steam while encouraging next-generation fundamentals and a modest snapback in valuations resulted in small cap/growth outperformance. Regional returns largely mirrored broader markets led by Japan (+38%), closely followed by the US (+32%) where a number of remarkable large-cap performances from the likes of Apple, Cisco and Microsoft were augmented by US dollar strength. Asia (+28%) trailed the Benchmark due to weaker hardware trends, although this had negligible impact on Chinese/HK stocks that returned some of the strongest country level returns. Weakest regional performance was reserved for European stocks (+15%) largely reflecting the broader market/currency weakness.

Aside from a short-lived small-cap/growth rally early in the fiscal year, large-caps continued to dominate proceedings during the first half of the

year driven by further progress in the PC market where demand continued to rebound from its Q1'13 nadir, aided by tailwinds associated with the end of support for Windows XP. This improvement allowed Intel to raise guidance in June (its first positive pre-announcement since 2009) leading to some noteworthy PC-related performances during the first half of the fiscal year. PC market improvement naturally rubbed off on Microsoft whose new CEO Satya Nadella also captivated investors by more fully embracing the post PC/enterprise computing world with this strategic change of direction seemingly supported by early success with both Office 365 and Azure. Investor rapprochement peaked during the third quarter when rising inventories at Intel suggested that the boost from Windows XP replacement demand was waning before both Microsoft (Q4) and Intel (Q1) confirmed PC weakness by delivering poor earnings and/or guidance. This weighed heavily on PC stocks that had previously performed well on recovery hopes with deteriorating industry trends (that have continued post fiscal year end) making last year's 'stabilisation' look little more than an XP-related 'time out'.

Most smartphone incumbents also continued to struggle throughout the year amid slowing unit growth and intensifying price competition. Although smartphone units exceeded 1.2bn in 2014 this represented significant deceleration from the prior year with revenue growth impacted further by a c. 8% decline in average selling prices. As one might expect, this dynamic hurt marginal players but also caught up with both Samsung and Qualcomm whose strong market positions had insulated them from the competition that previously derailed HTC, Nokia and Research in Motion.

Manager's Report

continued

As unit share leader, Samsung (+11%) always had the most to lose from a market slowdown but this dynamic was exacerbated by share losses to Apple at the high end and to Chinese (and Indian) vendors at the low end. Qualcomm (-5%) also experienced a difficult year with greater competition and lower smartphone ASPs resulting in the company lowering its long-term chipset operating margins at its analyst day in November while two months later it was forced to accept a lower royalty rate in China following an anti-monopoly investigation. Fortunately, the impact of these negative fundamental developments was ameliorated by a \$10bn buyback announcement by Qualcomm in March (and a further \$5bn in May) and a 40% dividend hike and its first buyback for seven years at Samsung.

Slowing smartphone growth did not extend to Apple (+63%) or its supply chain; Apple enjoyed an incredible renaissance driven by strong fundamentals and a well deserved re-rating. Having described Apple this time last year as 'a (very) special situation', this has proved an understatement as the company posted respectable earnings ahead of its smartphone refresh, responded favourably to shareholder activism, delivered the iPhone 6 and then made corporate history by posting the largest quarterly profit ever (\$1.8bn) having sold 74.4m iPhones in Q4'14. By introducing a larger screen iPhone 6 plus, Apple significantly broadened its appeal in Asia which saw it generate revenues of \$16.8bn from what it calls 'greater China' in Q1 (+71% y/y). Despite some iPad cannibalisation, iPhone upside has translated into faster revenue growth (due to higher average selling prices of the new devices) and richer overall margins. Although the iPhone

increasingly dominates its financials (c. 69% of revenues in Q1), Apple also continued to grow its PC share during the year while revealing its payment strategy (ApplePay) and the much awaited Apple Watch. In addition to strong fundamentals and a promising product pipeline, Apple also continued to return vast quantities of excess cash to shareholders via buybacks and dividends with the company recently expanding its capital return programme to a cumulative total of \$200bn by the end of March 2017.

Strength at Apple helped the semiconductor industry enjoy another strong year, aided by a corporate PC refresh cycle, elevated demand for servers, increasing automotive semiconductor content and growing demand for sensors; industry revenues increased 7.9% in 2014 (2013: +5%). PC-related names led the running during the first half of the year with robust DRAM pricing helping memory stocks such as Micron, while Intel benefited from better PC and server demand. A favourable investment backdrop was challenged in October by a surprise profit warning from Microchip that warned 'another industry correction has begun' presaging the most dramatic one day correction in the Philadelphia Semiconductor Index (-6.9%) since the financial crisis. However, the sell-off proved short lived as lack of corroborating evidence of an industry downturn allowed stocks to rally substantially from lows before Microchip released its actual results that were not as bad as feared. While PC fortunes deteriorated during the second half of the fiscal year, the broader semiconductor industry continued to perform well with Apple-related strength more than offsetting deteriorating trends at Samsung. However, a profit warning

in January from NAND flash vendor Sandisk shattered the calm and TSMC commented on an FX-related slowdown in March, raising fears of an inventory correction beyond PCs. This view was corroborated by disappointing results at a number of Samsung suppliers during Q1 and soft guidance from industry stalwart Texas Instruments.

While semiconductor newsflow became more mixed during the final third of the year, chip stocks continued to deliver strong returns throughout the year as continued progress on capital return (epitomised by KLA Tencor's \$2.75bn leveraged recapitalisation in October) helped attract a new (generalist) audience. However, it was M&A activity that garnered most attention with average semiconductor deal values for 2014 reaching \$621m (2013: \$325m) as Analog Devices acquired Hittite for approximately \$2bn in June and Cypress Semiconductor announced a \$4bn merger with Spansion in December. The trend towards larger financially driven deals accelerated significantly in early 2015 with NXP and Freescale agreeing to a \$40bn merger in March, the largest semiconductor transaction ever. Although Applied Materials and Tokyo Electron terminated their intended merger in April, semiconductor M&A roared back to life post year-end with Avago acquiring Broadcom for \$37bn and Intel agreeing to buy Altera for \$16bn.

Elevated M&A (together with increased buybacks and dividends) also helped support earnings and valuations beyond the semiconductor sub-sector. Higher profile transactions during the financial year included two in the software sector (SAP acquiring Concur Technology for \$8.3bn and Oracle's \$5.3bn purchase of

point of sale systems company, Micros) while in April, Nokia announced it was merging with long-time telecom equipment rival Alcatel in an all-stock transaction worth €15.6 billion. In the IT services space, digital marketing company Sapient was acquired by Publicis while HP returned to M&A in March with its \$3bn acquisition of Aruba Networks. Private equity buyers also remained active, accounting for 38% of technology deals in 2014, withdrawing a number of growth-challenged companies from the public domain, including Compuware, Informatica, Riverbed and TIBCO. Although it also proved a record M&A year for the Internet sector (aggregate value of disclosed deals in 2014 reaching c.\$50bn, more than 4x the previous year) this was less well received by investors who became increasingly concerned about negative earnings revisions due to increased levels of investment spending (and dilutive M&A activity) as incumbents looked to pivot towards mobile, move beyond their core markets or simply reaccelerate growth.

With the strong dollar providing a significant additional headwind, last fiscal year proved a difficult one for the Internet sector despite the successful debut in September of Alibaba, the world's largest IPO to date. While foreign exchange headwinds showed up as early as the third-quarter – tripping up a number of companies including Amazon, Priceline and TripAdvisor – Google (+13%) also had to contend with calls for it to be 'broken up' (on anti-competitive grounds) by the European parliament. Weak third-quarter earnings reports from social media leaders (Facebook, LinkedIn and Twitter) were all reversed in Q4 while Alibaba delivered a strong debut quarter as a public company.

A VISION OF THE FUTURE WHERE TECHNOLOGY TRANSFORMS THE AUTOMOTIVE EXPERIENCE

Electronic content in cars has been steadily increasing since the 1980's. However, this trend appears to be accelerating due to technology advances in a number of fields including vision systems and sensors, technology deflation and the rise of the smartphone that has radically altered consumer expectations. This potent combination is driving penetration of 'infotainment' systems, connected-car technologies and 'digitalisation' of a number of features including customizable digital displays and keyless entry systems. As vehicles become increasingly Internet connected, automatic software upgrades and remote diagnostics will become standard features. One of the most promising emerging technologies is Advanced Driver Assistance Systems (ADAS), which enable a range of active safety systems such as lane departure and forward collision warnings. Aided by regulation in the EU and US, ADAS will lay the foundations for semi-autonomous vehicles and – in time – the self driving car, with several automotive OEMs and a number of technology companies committed to making these vehicles a reality by 2020.

>1m

Number of miles already driven by the Google Car

1Gb/sec

Rate of data processing required by ADAS technology

Manager's Report

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Smaller companies fared less well – a trend that continued in Q1'15 – while both LinkedIn and Twitter delivered disappointing quarters. Among the relative gloom there were some positives as Facebook (+45%) continued to benefit from greater engagement and monetisation, Tencent (+83%) rose sharply on plans to better monetise WeChat and Amazon (+53%) unveiled financials for AWS (Amazon Web Services) for the first time, showing positive operating income for several quarters and 50% y/y revenue growth (on an annual run-rate of >\$5bn).

Next-generation companies have fared considerably better than the Internet sub-sector as increased adoption of a number of new cycle technologies saw most deliver ahead of expectations. This was particularly true in cloud computing where the decision by a number of large incumbents to 'bless the Cloud' made its outcome as the default computing platform all but certain. In the software space, the transition to Software as a Service (SaaS) appeared also to gather pace following Microsoft's decision to embrace the on-demand model and SAP's acquisition of Concur. Despite a marked de-rating in SaaS valuations over the year, most pure-plays delivered ahead of expectations driving some strong returns from the likes of Logmein (+55%), ServiceNow (+66%) and Ultimate Software (+53%). Business intelligence and so-called 'big data' also remained a key area of focus (ranking #1 in many CIO surveys) allowing log analysis software vendor Splunk (+34%) and data visualisation software provider Tableau (+95%) to deliver results well ahead of expectations. Elsewhere, disruptive vendors such as Nimble significantly outgrew the underlying storage market while leading suppliers of sensors (Keyence, Omron) and robotic systems

(Cognex, Harmonic Drive) benefited from new use cases that significantly expand their respective target markets. However, the strongest next-generation performances were generated within the security space where a significant increase in the number of cyber attacks and a series of high profile breaches at the likes of JPMorgan and Sony changed the investment backdrop. The combination of higher earnings and valuation multiples saw pure-plays such as Palo Alto Networks (+156%) and Proofpoint (+133%) register some remarkable returns while strength in their security offerings helped drive upward revisions and some multiple expansion at a number of 'second liners' such as Akamai (+53%) and Radware (+58%).

In contrast, many technology incumbents delivered lacklustre growth which appeared to support our view that the new cycle had entered a more pernicious phase. While PC fundamentals remained robust during the first half of the fiscal year, Q3 was more challenging for enterprise incumbents as former software leaders Citrix and TIBCO (later acquired) both disappointed investors.

However, the most significant mishap came from IBM who, after a series of lacklustre results, delivered a very poor quarter with revenue declining year-over-year in all segments and all geographic regions. Moreover, the company abandoned its \$20 FY15 earnings target while admitting that its recent struggles 'point to the unprecedented pace of change in our industry', in-line with our long-held new cycle thesis. New cycle deflation also took its toll on storage where incumbents EMC and Network Appliance delivered a series of earnings disappointments with neither company willing to really admit the role played by disruptive new technologies and vendors.

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Migration of workloads to the Cloud also caught up with former datacenter 'winners' such as Riverbed while the explosive growth of Hadoop continued to disrupt traditional data warehousing impacting Informatica (later acquired) and Teradata. IT service companies – an area where we have limited exposure due to concerns about the risk posed to application development and maintenance work by Cloud migration – also showed mixed progress with a number of Indian IT companies delivering disappointing results during the year.

Our Performance

Our total return performance came in ahead of our benchmark, our own net asset value per share rising 30.7% during the year versus a 29.5% increase for the sterling adjusted Benchmark. In the USA the most significant positive contributor to performance over the period was the sharp rebound in a number of our next-generation growth stocks including Splunk (+34%) and Tableau (+95%), together with the strong performance of a number of our off-benchmark Internet positions including Amazon (+53%), and LinkedIn (+81%). However, the strongest absolute returns were generated by Palo Alto Networks (+156%) and Proofpoint (+133%) both of which benefited greatly from increased security spending (and investor enthusiasm) following a slew of high-profile cyberattacks.

Outside of the USA we managed to add value in all regions with a particularly striking performance in Japan, where we were assisted by a strong market and our Yen borrowings helped to soften the impact of currency weakness. Relative

performance was also positively impacted by underweight positions in a number of large index constituents that delivered disappointing returns during the year, including Hewlett Packard, Samsung Electronics and Qualcomm while our zero exposure to IBM proved the most significant stock level contributor to relative performance as the stock fell 4% during a very strong year. The Trust also benefited from M&A activity with three of our positions – Concur Technology, Integrated Silicon Solutions and Sapiient acquired during the year at healthy premiums. In terms of negatives, relative underperformance was generated by our large but underweight position in Apple and our decision to retain some liquidity plus a modest amount of S&P put protection, although the latter emboldened us to add significantly to our high growth/high PE exposure near lows. Trust performance was also hindered by an underweight position in Microsoft (+32%), which gained c. 16% during the final month of the year following better than expected first-quarter results.

Economic Outlook

While the recovery is likely to remain subpar this year, there is a good chance that – after years of continual downward revisions to growth – the global economy surprises to the upside this year. Current global growth forecasts of 3.5% reflect the positive impact of lower oil prices, more moderate fiscal adjustment and tighter labour markets in developed economies that are expected to grow 2.4% in 2015 (2014: 1.8%). However, slowing growth in China is likely to continue to ricochet through other emerging markets (EM) and the

commodity complex. This, combined with US dollar strength and the precipitous decline in energy prices will likely result in an increasingly uneven global recovery, greater volatility (already evident in currency, commodity and bond markets) and a worrying political trend towards 'each man for himself'. However, there is much to be positive about with the US economy looking close to achieving 'escape velocity'. There are also signs of life elsewhere including in the UK and even in Europe and Japan; commentators' focus on faltering growth and deflation inadequately reflects some genuine 'green shoots'. The energy windfall should also add c. 1% to global growth in 2015. While weaker oil prices will continue to have a significant impact on headline inflation, the battle against deflation should remain well supported by remarkably accommodative policy and large QE programmes in Europe and Japan. China should also be able to avoid a 'hard landing' given its fiscal and monetary firepower.

As in previous years, an upbeat assessment of the US economy remains key to our relatively sanguine economic outlook. Following a period of disappointing data (primarily related to oil weakness/US dollar strength in our view) we are hopeful that the economy will reaccelerate, forcing the Federal Reserve to raise rates for the first time since 2006. Current forecasts of +3.1% in 2015 (2014: 2.4%) should see the US economy outgrow nearly every other developed market this year with labour market improvement continuing to underpin the recovery. The combination of wage growth and higher asset prices has allowed for significant balance sheet repair while lower interest rates have

seen household debt service decline to a new low. This has resulted in improved consumer confidence, aided by an oil windfall equivalent to a tax rebate of just under \$600 per household. Upside risk to growth could come from capital spending that has remained subdued and housing where activity has been constrained by tighter lending conditions and small business creation. In terms of headwinds, US dollar strength is the most obvious although the economy should prove relatively insulated as exports only account for c.13% of GDP. Instead it is oil price weakness that is most problematic because of its impact on US shale production recently worth as much as c. 1.1% of GDP. Lower energy prices are not an unequivocal positive for the US, a fact already evident in softer US economic data (further impacted by a West Coast port strike). Notwithstanding this current headwind, we expect the Federal Reserve to commence policy normalisation before too long because unemployment is fast approaching the Fed's full employment target. While this might ordinarily be a cause for investor concern, we expect the Fed to remain significantly (and intentionally) 'behind the curve' given the US output gap, global overcapacity, depressed inflation expectations and deflation-related scarring.

In contrast with the US, the recovery in Europe has remained muted with real GDP only recovering to c. 98% of where it stood in 2007, as compared to c. 109% in the US. While the reasons for this underperformance are beyond the remit of this paper, it is likely that the ECB's reluctance/unwillingness to deliver full-blown QE has been a significant factor.

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Indeed, the ECB's balance sheet had contracted by almost one third since mid 2012 during which time the Fed's expanded by c. 50%. This juxtaposition changed dramatically following the ECB's \$1.1 trillion QE announcement in January that will see it end up owning c. 20% of the eligible government bond market. Despite the recent plunge in short-dated sovereign yields European macroeconomic data has been showing signs of improvement while the region remains one of the largest beneficiaries of cheap oil with net energy imports worth more than 2% of GDP. The UK looks like a relative bright spot (especially following the Conservative election victory) with growth pegged at 2.7% this year and oil price weakness likely to be more than offset by labour/financial market improvement. However, many of the structural issues that have plagued Europe remain far from resolved and are particularly acute in Greece where the economy has contracted by 25% post the financial crisis, unemployment is 25% and government debt is equivalent to 175% of GDP. At the time of writing we do not know the outcome of Greek brinkmanship but we remain hopeful that an agreement will be reached.

After two quarters of contraction brought on by the April 2014 consumption tax hike, Japan is beginning to recover with growth in 2015 forecast at 1.0% supported by a weaker Yen and lower oil prices. While the latter will inevitably weigh on headline inflation (recently forcing the Bank of Japan to lower its CPI forecast) it remains too early to pass judgement on *Abenomics* particularly as policymakers remain committed to delivering on their 2% inflation goal evidenced by the BoJ's

decision in October to increase the size of its QE programme and Governor Kuroda's comments that the BoJ 'will adjust policy without hesitation if we feel Japan is deviating from the path of achieving 2% inflation'. Fiscal policy is also likely to remain supportive following PM Abe's landslide election victory in December while the strength of his mandate could see him more forcefully tackle vested interests by boosting 'third arrow' reforms. As the largest developed market oil importer as a share of GDP, lower energy prices should provide a timely boost to growth – a 40% fall in oil costs is said to be worth at least 1.3% to real GDP after two years. Likewise, significant Yen weakness has left Japanese exporters 'brutally competitive'. With our interests as shareholders firmly aligned with policymakers and in light of the BoJ's burgeoning balance sheet we expect this year to prove a better one for Japan and its economy.

Growth in China has continued to slow with 'economic rebalancing' resulting in the world's second largest economy narrowly missing its official annual growth target for the first time in fifteen years (7.4% vs. 7.5% targeted in 2014). Further deceleration looks inevitable with 2015 growth expectations of +6.8% likely at risk. Other indicators (such as electricity prices) suggest that the slowdown is already more severe than the GDP numbers suggest. While this should not come as any great surprise given the reform agenda articulated at the Third Plenum in November 2013, the new leadership's desire to cool the housing market, clean up shadow banking and improve the allocation of capital (with the reform of

state-owned enterprises and reducing corruption at the top of the policy agenda) was always going to come with a near-term GDP cost. With growth slowing, focus has understandably shifted to China's structural imbalances and by extension, the prospects for a 'hard landing'. There is no question that the Chinese credit boom has been extraordinary with investment share of GDP the highest on record. Property remains at the epicentre of this investment boom with housing starts still outpacing units sold by more than 20%. Shadow banking – said to account for more than one-third of GDP and expanding at twice the rate of bank credit – represents another significant risk. However, while the risks of a hard-landing appear to have increased, the structural bear case is hardly new; instead we expect the economy to 'muddle through' with modest inflation (CPI averaging 2% in 2014), low levels of government debt and vast foreign currency reserves affording the government significant monetary and fiscal firepower to achieve the c. 7% growth said to be required to support urbanisation. Although the economy has clearly got off to a slow start this year, the PBOC has already shown its intent via interest rate cuts and liquidity injections while recent market liberalisation measures (that have propelled A and H-shares higher) demonstrate the government's intent to avoid a hard landing.

Slowing growth, industrial retrenchment in China and falling commodity prices are likely to continue to take their toll on emerging markets where the secular growth story has been all but buried. This looks set to continue with forecasts of +4.3% growth in 2015 (2014: 4.6%)

representing the fifth consecutive year of economic deceleration. However, EM fortunes will differ considerably this year with oil/commodity exporters hit by price declines and adverse currency movements (epitomised by Russia whose economy is expected to contract by 3.8%) while energy importers should benefit greatly from lower input prices and reduced inflation/current account deficits affording policymakers more room to adjust monetary policy if necessary. As one of the biggest beneficiaries of weak oil prices, India looks particularly promising given its powerful demographics (1.2bn people headed to 1.5bn with a declining age-dependency ratio) and new PM Narendra Modi who has made economic development the government's top priority.

As we have outlined in prior years, systemic risk has continued to diminish due to decisive intervention taken by policymakers, aided by a sustained US recovery. Although, many of the structural imbalances that we have previously highlighted remain unaddressed, these are unlikely to flare up with interest rates and sovereign spreads at record lows. As previously discussed, Greece is the exception to this and as such represents a significant risk to our view, particularly as investors appear relaxed about the potential for contagion. Beyond Greece, political risk has diminished following the failed Scottish independence bid and Republican success in the US mid-term elections that will see President Obama serve out his final years as a 'lame duck'. However, governments will still have to tread a difficult path between delivering growth and austerity or risk increased political fragmentation and/or social unrest.

A VISION OF THE FUTURE WHERE COMMERCE IS TRANSFORMED AND PAYMENT BECOMES INVISIBLE

Widespread smartphone usage and tokenization are likely to accelerate mobile payment adoption allowing the technology sector to capture a portion of a transaction market worth \$425bn in 2013. Apple Pay will be an important litmus test of user acceptance of biometric authenticated mobile payments, while the Apple Watch will introduce consumers to the reality of wearable-originated transactions. Tokenisation will also open new opportunities including better serving the 2.5bn unbanked people worldwide. Social payment solutions look particularly disruptive with Tencent's 400m WeChat users sending RMB400m in virtual 'hongbao' ('red envelopes') during Chinese New Year. Peer-to-Peer (P2P) transactions are also likely to cause disintermediation in other markets such as loan origination and international remittance while the use of in-store beacons will enable online payment networks such as PayPal to become relevant at the POS. Further disruption looks inevitable as payments are increasingly subsumed by applications, a trend epitomized by taxi-app Uber which makes 'checkout nonexistent and payment invisible'.

\$7.3tr

Value of global payments enabled by Visa in 2014

172%

Estimated US mobile payment volume five year CAGR

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While these risks have been largely contained to date, the longer that the recovery remains sub-par and uneven, the greater they will become. This dynamic also applies to the threat posed by currency wars, although recent US dollar strength has significantly ameliorated the risk posed by competitive devaluation. The one exception to this is China where a potential RMB devaluation represents a notable risk. Once again, geopolitical risk remains the most significant exogenous factor to consider, in particular an increasingly belligerent Russia, the challenge to nation states posed by Islamic extremism in North Africa and the Middle East and Iran's pursuit of a nuclear capability while simultaneously fighting a proxy war with Saudi Arabia in Yemen.

Market Outlook

Although markets have got off to a promising start, we are hopeful that equities will add to their gains during the remainder of the fiscal year. As in prior years, further improvements in investor sentiment and risk appetite have seen equity valuations expand yet further with the forward PE on the S&P 500 expanding to 17.6x today from 15.7x twelve months ago. Global equity valuations have also expanded significantly with the FTSE All World index trading at a slightly less demanding 15.4x forward earnings (2014: 14.6x). As a result, absolute valuations are no longer cheap with most traditional measures of value above longer-term averages. Rather than re-hash our healthy scepticism of the usefulness of long-term valuations given

the uniqueness of the present investment backdrop, it is worth considering that – based on US data since 1871 – current PE valuations are entirely compatible with the prevailing inflation rate. Furthermore, a number of additional factors this year are likely to support above-average valuations including cheap oil and US dollar strength (both of which have empirically corresponded with equity market strength during non-recessionary periods), while the third year of the Presidential cycle has tended to be the strongest for equity market returns. More importantly, stocks continue to look attractive compared to most alternatives, particularly versus cash where negative real returns look all but guaranteed.

Five years of profit growth has left the S&P 500 with \$3.6trillion in cash and equivalents, which – despite the market advance and cumulative buybacks – continues to represent c. 15% of market capitalisation. With much of this 'trapped' overseas, US companies have also become adept at topping up their domestic cash by taking advantage of remarkably low yields via bond sales that raised almost \$1.28tr last year. As a result of this balance sheet strength, stock repurchases look set to continue at near-record levels with expectations that companies will return more than \$1.0tr via buybacks and dividends in 2015. Likewise M&A activity should continue to prove supportive for stocks following a remarkable 2014 that saw activity increase 47% y/y reaching \$3.5tr with Chinese companies entering the fray, announcing a record \$46.8bn on outbound transactions, more than ten times the amount spent over the previous decade.

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If anything, deal momentum has further accelerated in 2015 with \$243bn of US deals announced in May alone, inauspiciously besting the previous monthly records of \$226bn in May 2007 and \$213bn in January 2000. The continuing trend of mega mergers (such as Shell's proposed \$70bn acquisition of BG and Avago's \$37bn purchase of semiconductor rival Broadcom), M&A premiums that in the US averaged 29% in 2014, and a sharp increase in private equity activity should all continue to support equity valuations over the coming year.

Although our hopes for a second (albeit more muted) wave of bond to equity market rotation did not transpire last year, we remain confident that it will before the current equity bull market is over. Instead, 2014 (and early 2015) saw the bond market enter what may prove a final, 'melt-up' phase with sovereign yields across the world plunging due to pronounced energy price weakness (impacting headline inflation) and vast asset purchase programmes in Europe and Japan. In the US, during the last calendar year ten year US sovereign yields fell dramatically from 3.03% to 2.17% – the first time since 1982 that long-term Treasuries have outperformed stocks when the S&P has returned more than 10%. As a result, traditional valuations such as the 'Rule of 20' (which deducts CPI from 20 to generate a target PE) and the 'Fed Model' (which compares earnings and bond yields) are essentially unchanged from where they stood twelve months ago, continuing to strongly favour equities compared to bonds. This dynamic is hardly unique to the US: equities continue to look attractive relative to bonds in almost every market

as a result of declining sovereign yields. As the global recovery extends and deflation fears subside (and are potentially replaced by nascent inflation concerns) the fear of losses and/or negative real returns should drive further reallocation into equities – an asset class that – lest we forget has outperformed bonds two thirds of the time since 1971. While lost on investors today, corporates appear to recognise the relative allure of equities with global bond sales at record levels while net buybacks accounted for c. 3.6% of market capitalisation last year.

Of course we expect our constructive view to be tested during the coming year given that valuations and the duration of the present bull market already exceed long-term averages. This year may prove more volatile than last because modest earnings progress in the US (primarily due to dollar strength and lower energy prices) will make it more difficult for companies to grow into their above-average valuations. However we believe investors are likely to consider these earnings headwinds 'one-time' in nature and – rather than selling positions that appear fully valued on current year earnings – are more likely to look into 2016 and discount back. The length of the current bull market does not overly concern us either because sub-trend recoveries 'tend to persist'. We also continue to see limited immediate risk to record margins as the mean-reversion view fails to acknowledge structural improvements associated with the superior growth and richer margins of large index constituents like Apple, Facebook and Google. However, we are mindful of the risk posed by higher interest rates (reversing the benefits of

lower interest expense) while corporate tax reform remains a significant medium-term concern given that lower taxes are said to have accounted for c. one quarter of margin improvement since 1990. While we know a number of indicators are approaching levels previously associated with previous market tops (especially relating to private equity/venture capital/M&A activity) these are largely coincident indicators and entirely consistent with a bull market mid-way through its seventh year.

That said, we are certainly alive to the fact that each year of above-average equity market returns (particularly when PE expansion plays such a crucial role) makes the next intrinsically less attractive. As stewards of your capital we will do our utmost to protect it should our long-held thesis play out or if the investment backdrop changes. With this in mind there are a number of potential negative catalysts that could require us to change course more materially. The first relates to the **high-yield market** because widening spreads have tended to precede equity bear markets. Our concern here relates to the c. 14% of the \$1.3tr US high yield market accounted for by energy bonds but thus far there is limited evidence of contagion. **Market breadth** has also proven another useful forward indicator because 'bull markets tend to end when leadership significantly narrows'; here we are encouraged by the fact that roughly half of the S&P500 outperformed in 2014. Responsible for the most painful bear markets, **recession risk** represents another key concern but here we are emboldened by the fact that (with very few exceptions) a recession has never followed a significant oil price decline. We are also relatively

sanguine about what we might call '**recovery risk**' – what happens to valuations and markets once investors genuinely start believing in a global recovery? While it is true that PE ratios have typically fallen following the first US interest rate hike we suspect that some good economic news would go a long way in a world fearing deflation and as such think this question may prove more pertinent for bond investors. Instead we remain most focused on the **loss of policymaker support** that has underpinned risk assets post the financial crisis. While we are confident that monetary policy will remain data dependent (and comfortably 'behind the curve') **wage inflation** represents the most potent risk to the current alignment of interest between policymakers and investors. Rising wages could also signal a **peak in profit margins**, which have typically preceded stock market peaks by twelve to eighteen months.

To be absolutely clear – we are not bearish. It just feels appropriate that as this bull market extends that we spend a little more time thinking about what will help us ameliorate the impact of a setback (and communicate that to investors). To conclude this paragraph on a more typically upbeat note, we think that the present bull market is more likely to end following a powerful surge akin to what we have recently seen with bonds. Retail investor sentiment remains muted while US household equity ownership at c. 55.7% is well below the c. 63% achieved at 2000 highs. In a bull case, cheap oil delivers stimulus right on cue resulting in a global economic recovery that doesn't aggravate inflation, policymakers remain behind the curve and equities enter a self-fulfilling cycle of outperformance that ends with an explosive final phase.

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Amid all the fashionable talk of market 'bubbles', it is easy to forget that this bull market has been remarkably orderly and characterised by reluctance, rather than ebullience. Should the final years of this bull market end in a bubble, investors can 'look forward' to prices that, on average, move c. 4.4 standard deviations above their ten-year moving average as compared to just c.1.4 today.

Technology Outlook

Although worldwide IT spending is expected to fall 1.3% in 2015, this decline reflects significant headwinds associated with US dollar strength. On a constant currency basis, IT budgets are somewhat healthier with growth more broadly inline with global GDP (3.1% vs. 3.5% respectively) this year. Whether or not an improved economic environment and less 'uncertainty' result in a pick up in capital spending remains a moot point. Dollar strength represents a significant incremental headwind this year because c. 56% of US technology sector sales come from overseas, more than any other sector except energy. However, nearly all semiconductor sales are conducted in dollars, which means that only c. 37% of US technology revenues will face direct headwinds from dollar strength. This is expected to generate a c. 4% drag on top line growth. The sector's exposure to energy related spending (c. 10% of total IT spending) is an additional downside consideration given sharply lower oil prices and reduced capital spending intentions. In any event we continue to believe that low single digit IT spending growth remains entirely at odds with computing needs that are growing inexorably; this makes a further

reallocation of budgets appear inevitable. As in prior years, this budget reallocation is likely to disproportionately benefit cheaper next-generation technologies and vendors with little to lose and much to gain.

As with the broader market, the technology sector re-rated modestly over the past year leaving it trading on a forward PE of 17.5x (2014: 16.7x) in line with longer-term averages (the median forward PE since 1976 averaging 15.3x). However, large-cap technology companies continue to boast some of the strongest balance sheets with cash equivalent to c. 8% of market capitalisation which – at par value – would reduce cash-adjusted valuations to an undemanding c. 14x forward EV/NOPAT. Unfortunately much of this cash is held (trapped) offshore and therefore would be subject to repatriation tax. As in previous years market capitalisation weighted measures of value continue to be flattered by a number of cheap mega caps. On a relative basis, the technology sector continues to trade at/ around 1.0x the market multiple (ignoring balance sheets) which suggests relative downside is limited but at the same time it is difficult to argue for a material re-rating given that overall IT spending is barely keeping pace with global GDP. Fortunately, most technology incumbents have now at least begun to acknowledge their slower growth profiles via greater capital return programmes in the form of both buybacks (the sector reducing its shares outstanding by c. 2% in 2014) and dividends. While the aggregates are somewhat flattered by Apple's remarkable \$68bn capital return between Q1'14 and Q1'15, each of IBM, Intel, Oracle and Microsoft returned more than \$10bn to shareholders over the same

period. This trend looks set to continue given strong cashflow generation and over capitalised balance sheets with Apple, Microsoft, Cisco and Google combined holding \$345bn in cash reserves, equivalent to 23% of total corporate cash reserves in the US.

Although there is no denying that most growth-challenged incumbents have become better stewards of capital this has done nothing to alter our view that enterprise computing is looking increasingly anachronistic and our belief that the new technology cycle has entered a more disruptive phase where newer technologies will increasingly replace, rather than augment existing ones. Although budget reallocation and technology deflation may only appear marginal today – after all, leading public cloud company Amazon Web Services (AWS) boasts ‘only’ \$5bn in annualised revenues versus total corporate IT spending of c. \$1.7tr – it is likely already having a meaningful impact on incumbents because ‘all’ of the industry’s incremental growth is being captured by new technologies and vendors. This likely explains why IBM was forced to abandon its long-term (financially engineered) earnings targets last year when it cited the ‘unprecedented pace of change’ in the industry.

IBM’s travails are likely to be more widely felt over the coming years as large legacy technology areas continue to slow and/or contract. Having grown at an average annual rate of 7.8% over the past ten years, PC unit growth turned negative in 2010 with the advent of tablets. After a terrible 2013 (where PC units fell 10% y/y) the PC market (2013: \$202bn) stabilised last year

due to developed market growth where the expiry of support for Windows XP helped drive a corporate replacement cycle. However, these tailwinds appear to have largely played out with current expectations for 5% unit declines in 2015 reflecting an increasingly commoditised, mature industry. The tablet (c. \$80bn) market also looks increasingly mature with single digit unit growth expectations reflecting cannibalisation from larger-screen smartphones. Printing (\$50bn) looks set to continue contracting with hardware and supplies expected to decline at an annual rate of 1.4% and 2-3% respectively through 2018. Servers (2013: \$51bn) are likely to fare somewhat better (c. 4% growth this year) aided by Windows Server 2003 support expiration offset by the trend of higher workload density. However, demand for UNIX servers (c. 10% of the overall market and dominated by IBM, Oracle and HP) is expected to decline 18% this year, having already contracted by 15% in 2014. Mainframes (2013: \$4.7bn) have been a relative bright spot (especially for IBM which enjoys c. 71% market share and c. 60% margins) but the number of mainframe customers globally has fallen to 3,500 from 5,000 five years ago. Storage (2013: \$35bn) has also fared relatively well with capacity growth of c. 26% in 2014 expected to accelerate to c.39% through 2018. However, price declines of c. 25% mean industry revenues are likely to grow under 4% through 2018. Incumbents such as EMC and Network Appliance will also have to contend with market fragmentation with converged, all-flash and hyper-converged alternatives (dominated by new vendors) growing at the expense of the traditional network (NAS) and storage attached (SAN) markets.

A VISION OF THE FUTURE WHERE REAL AND VIRTUAL WORLDS COLLIDE

Since its inception, the virtual reality (VR) industry has consistently overpromised and under-delivered with head mounted displays (HMDs) enjoying little traction beyond initial military applications. A 1990s industry boom was followed by a bust leaving VR to 'fade from public consciousness'. However, this all changed in 2012 when Palmer Luckey introduced a \$300 headset called the Oculus Rift, which just two years later was acquired by Facebook for \$2.3bn. After decades of disappointment, technology advances in sensors, displays and graphics have helped reduce costs and ameliorate motion sickness with the Rift slated for commercial launch in Q1'16. An interesting alternative to VR is augmented reality (AR), which 'puts virtual things into real worlds' with Microsoft's HoloLens – a transparent wireless HMD – showing most promise to date. While early VR and AR iterations may yet fall short of heightened expectations, both technologies will prove hugely disruptive in time with VR likely to transform education, film, gaming and live entertainment while AR will 'replace the screen as we know it'.

\$2.3bn

Amount paid by Facebook
to acquire Oculus Rift

>\$67bn

Estimated value of the
VR market by 2025

Manager's Report

continued

While deflation as an industry constant is well understood, over time its impact can be truly staggering. For instance, DRAM costs have dropped from c\$80k/Mb in the 1970s to around 1c today, while HDD storage has declined from c\$315/MB in the early 1980s to less than 1/10,000th of a cent today. Compute costs have also fallen precipitously with the same dollars buying more than 3000x the number of transistors today than they did in 1989. The impact of open-source infrastructure, upon which many of the webscale companies are built, is also likely to play an increasingly deflationary role going forwards.

Fortunately, the same deflation that is causing havoc in legacy markets (where volume growth is insufficient to offset pricing) significantly increases the reach of technology – from 1m mainframes to 5bn mobile Internet users and, in time, 30bn connected devices. This makes it possible to 'reimagine' major global industries such as advertising, commerce, payments and travel. However these new opportunities have very little to do with legacy incumbents, explaining why they embark on M&A activity designed to offset the impact of the new cycle. As the current cycle becomes increasingly pernicious we expect this type of 'defensive' M&A activity (epitomised by SAP's \$8.3bn acquisition of Concur at c.10x sales last year) to re-accelerate. Underlining this point, Hewlett Packard CEO Meg Whitman recently declared that one-time serial acquirer HP was 'back in the M&A game' which should remind investors that free cash flow yields are a flawed measure of value when M&A is required to ameliorate the impact of a new cycle that – in the case of HP – has resulted in year over year sales declines in every one of its business divisions.

Despite more challenging fundamentals, many of the legacy companies in our sector are today trading at their highest relative price earnings ratios for years because of broader market PE expansion and their attraction to incremental buyers due to capital return programmes and/or the articulation of Cloud strategies. In contrast, most of our favoured next-generation companies with modest (if any) exposure to challenged areas – are materially cheaper today than eighteen months ago despite most having continued to deliver strong performance. While we have previously acknowledged that the valuation 'elastic' between the sector's 'winners' and 'losers' had become stretched in early 2014, the sentiment-driven readjustment that has persisted since then has been substantial. While we cannot know if the present reset will prove sufficient (or if it has already 'overshot'), at the time of writing the relative valuation spread between legacy and next-generation assets is significantly less demanding than it was a year ago. We expect these respective growth profiles to continue to diverge as foreign exchange headwinds, slower EM growth and a weaker PC market weigh disproportionately on incumbents.

As such we have used the relative de-rating to increase our exposure to our favoured names at the expense of increasingly anachronistic incumbents. We also expect M&A activity to support small/mid cap valuations although recent deals have involved large cap peers combining using cheap debt to generate immediate financial synergies in the style of private equity which have been cheered by shareholders.

Manager's Report

continued

One key risk to our new cycle thesis (beyond trying to establish appropriate premiums for next-generation assets) is whether or not strong cash generation/capital return can trump weak/negative organic growth. This question will be brought into sharper focus by increased shareholder activism as well as potential private equity activity. Other risks include a repatriation window, access to remarkably cheap debt/de-equitisation and equity flows that favour passive funds, all of which could dilute or even overwhelm our 'diverging fortunes' thesis.

New Cycle Update

The new technology cycle continues to be underpinned by three core themes: Internet infrastructure, broadband/Internet applications and mobility, with 'big data' playing a galvanising role. This view remains supported by a recent annual Gartner CIO survey which confirmed that 'analytics', infrastructure, Cloud and mobility occupy four of the top five priorities this year. Certainly cloud computing appears to be gathering momentum with companies said to have spent \$56.6bn in 2014 while the cloud market grew 22%, six times faster than the overall IT industry. With the market set to expand to \$127bn by 2018, it was only a matter of time before large incumbents threw in their lot and abandoned their former position that the Cloud was not suitable for important workloads. Microsoft epitomised this change of heart by embracing the Cloud across its entire computing stack. Large companies have already begun to embrace private clouds with c.12% of enterprises said to be building out their own last year, up from 7% in 2013. However, small and medium-

sized business (SMBs), less constrained by the need to leverage legacy investments, are moving directly to public clouds – in our view, the truest form of cloud computing. By the end of 2015, SMBs are expected to have migrated more than 20% of their workloads, 'a penetration level that typically coincides with growth acceleration'. Although overall penetration remains lower, this is likely to accelerate sharply over the coming years. For now, cloud computing continues to rank strongly in CIO surveys while a recent UBS poll revealed that up to 25% of the IT budget would be spent on public and private cloud computing in 2015.

Today, public cloud computing is dominated by Amazon's Amazon Web Service (AWS) with an estimated 30% share of the cloud infrastructure market, which was worth more than \$16bn in 2014 (+48% y/y). AWS' share of this fragmented market is greater than Microsoft, IBM and Google combined although competition is heating up. However, the six year head start enjoyed by AWS has allowed it to generate annualised revenues of \$5bn, win some impressive customers including Netflix, Dropbox and the CIA and garner experience that allows it to run 'every imaginable workload'. Today, DNA sequencing company Illumina uploads its data directly to AWS, while police departments across the US backup their Taser wearable cameras on Amazon infrastructure. Despite the company's limited regard for short-term profits (as it invests in its infrastructure), Amazon's public cloud leadership explains why it remains one of our largest active portfolio holdings.

Like their hardware peers, software vendors have begun to 'pivot' their offerings /business models towards the Cloud. This essentially reflects the fact that nearly 30% of all applications are consumed as a service today. Mobility remains a key driver for migrating legacy applications to newer Cloud alternatives, designed to run on smartphones and tablets, as well as the PC. We have long argued that new technologies begin as complements but end as substitutes, a dynamic that appears to be playing out within the SaaS space today. Whereas early SaaS applications created new opportunities and/or threatened people-based processes, these have begun to be augmented by the migration of more critical applications such as email (enterprise cloud penetration expected to reach 25% by 2017 from c. 6% in 2012) and cloud office systems with penetration expected to reach 90% in both categories by 2027. Other applications also appear to be gaining traction including cloud storage led by the likes of Dropbox, accounting software and even critical enterprise resource planning (ERP) software, despite migration being described as akin to 'elective heart transplant surgery', to paraphrase the CEO of Netsuite whose bookings accelerated to c. \$646m last year. While both penetration and competition have increased, we continue to regard the SaaS space as one of the best ways to gain exposure to the Cloud due to its attractive underlying growth (20%+) and the likelihood of further M&A. Conversely, for incumbents, the transition to a SaaS business model is likely to cap organic revenue growth and reduce gross margins for the foreseeable future; this is best understood as an 'unavoidable Faustian pact' given that the vast majority of new application installations are likely to be SaaS-based within the next five years.

Internet applications remain key beneficiaries of new cycle deflation although with developed world Internet penetration at saturation point (US, Japan and UK all approaching 90% of desktop usage while desktop minutes of use are relatively static y/y) growth has become increasingly smartphone/usage dependent. Fortunately, mobile trends remain positive with the world's 2.1bn smartphone users generating a 69% y/y increase in mobile data traffic during 2014. The ubiquity of smartphones and tablets (particularly once they are payment enabled) is likely to continue changing consumer consumption patterns. Together with positive demographic trends, this should support further online penetration in key categories such as Internet advertising and e-commerce. Having reached \$126bn in 2014 (+17.3% y/y), the outlook for online advertising remains healthy and well-supported given that online accounts for c. 48% of US media consumption but just 31% of advertising budgets. However, this belies a marked shift from desktop to mobile usage which is creating both headwinds and opportunities for incumbents because 'search' (53% of total US advertising revenues) is less relevant in the mobile domain where c. 86% of time is spent inside apps (rather than in a browser). Social media companies look well positioned to benefit from this shift (and also from the growth in video traffic) with 'sponsored content' integrated into user feeds gaining user acceptance. While LinkedIn and Twitter should both benefit, Facebook continues to dominate the social media landscape with its 1.4bn monthly active users accounting for c. 23% of total mobile Internet usage with improved monetisation allowing the company to increase its share of total US online spending from 7% in 2013 to 10% in 2014.

A VISION OF THE FUTURE WHERE INEXPENSIVE ROBOTICS MAKES HYBRID PRODUCTION LINES A REALITY

Technology improvement and price deflation of key components such as batteries, processors, and sensors is accelerating the adoption of robots beyond the factory automation market. Within the industrial segment, advanced vision systems are allowing robots to operate in closer proximity to humans making hybrid production lines possible. Mobile robots – able to autonomously navigate, fetch and transfer goods – are also transforming fulfillment systems with Amazon's logistic robots each said to travel as far as 20 miles per day, enabling warehouse employees to more than triple their productivity. Unmanned Aerial Vehicles ('drones') have also received significant attention following trials by Amazon and Google to use the technology for package delivery. In time, commercial drones are likely to be adopted across agriculture, energy and surveillance verticals. Medical robots are also likely to gain traction beyond minimally invasive surgery with pioneer Cyberdyne working on robotic remedial devices ('exoskeletons') that allow physically challenged people to move by utilising bio-electric detectors.

\$40bn

Forecast size of the industrial robotics market by 2020

34%

Estimated annual growth of the commercial drone market through 2021

Manager's Report

continued

Although desktop-to-mobile cross currents are likely to persist (pressuring incumbents to reinvest in their mobile offerings) we expect the overall online advertising market to remain robust given growth in China (+40% y/y in 2014) and the fact that TV and print continue to represent c. 59% of US advertising spend but only 41% of media consumption.

Increasing smartphone usage is also continuing to support e-commerce – worth \$1.5tr in 2014 and c. 5% of worldwide retail sales - with mobile commerce growing at three times the rate of e-commerce and accounting for 20% of online purchase volume worldwide. This helped overall e-commerce to maintain a mid-teens growth profile with online sales reaching \$305bn in the US alone (+15.4% y/y) and accounting for c. 9% of total US retail sales. While many are concerned that slowing smartphone adoption will weigh on e-commerce growth, we think growth is more likely to accelerate as new location-based smartphone applications change consumer behaviour and expectations. This dynamic is well underway already with more than 1.5m apps currently available on Google Play while Apple's app store has delivered 86bn cumulative downloads since its launch in 2008. In terms of changing user behavior, one need look no further than **messaging**, which today accounts for six of the ten most popular apps globally with WhatsApp's 800m active users sending more than 30bn messages/day, a full 50% more than the 20bn sent daily by SMS. Whereas the first generation of e-commerce companies were focused on products, the current focus (and the next wave of market

expansion) is on services with next-generation companies optimising for mobile, on-demand delivery and the trend towards 'instant'. These new apps have also enabled consumer-to-consumer (C2C) rental and lending, creating a new industry known as the '**sharing economy**'. Epitomised by two private companies, AirBnB and Uber, the sharing economy is focused on monetising underutilised capacity. AirBnB helps users monetise vacant rooms and properties and is today the world's largest short-term vacation rental site boasting 30m cumulative guests. Uber has almost become a verb due to the success of its taxi hailing service that is disrupting incumbents and changing user behavior in 300 cities worldwide. With more than 60% of Uber drivers using the income to supplement another job (and 72% of AirBnB hosts in New York City relying on rental income to pay rents or mortgages) these new applications are not just expanding the reach of e-commerce; they are empowering individuals like never before.

Mobility remains our third core theme but – as highlighted in prior years – we have continued to de-emphasise **smartphones** within the portfolio. With global smartphone penetration estimated at 65-70% of new phones sold, units are expected to grow just 10% annually between 2014 and 2018 with revenues trailing due to lower average selling prices (ASPs). In the years ahead, unit growth will be increasingly dependent on emerging markets which are expected to add 880m subscribers over the next seven years as compared to only 56m new additions in developed markets.

Manager's Report

continued

While China remains the largest smartphone market globally (and likely to generate c. 60% of incremental units this year), India is also experiencing rapid adoption of low priced smartphones. Unfortunately for incumbent suppliers, emerging market smartphones carry significantly lower ASPs (\$135 in 2014) than the worldwide average of c. \$297, which – because of this dynamic – is expected to decline to c. \$241 by 2018.

Samsung has been one of the greatest casualties of a smartphone market that is bifurcating into one characterised by high-end devices (increasingly dominated by Apple) and ultra-cheap low-end smartphones. The rise of Xiaomi in China (today the third largest smartphone maker with 5.2% global share in Q3'14) has been repeated elsewhere with new budget brands such as Micromax said to have overhauled Samsung in India in late 2014. Fragmentation in EM markets ('other' vendors beyond the top five accounting for 49% of units last year) has clearly hurt Samsung at the low end while Apple's larger form factor devices have seen it greatly expand its share of the high-end smartphone market, particularly in Asia. As a result a key consideration this year is 'what does Samsung do next?' because its decision to replace Qualcomm's application processor with its own silicon (Exynos) was a 'momentous decision'. This capped a difficult year for Qualcomm (a position we have reduced significantly) as its share of the LTE applications processor market fell to 80% in Q3'14 from 95% a year earlier, exacerbating slowing unit growth and declining ASPs. In time, the Samsung decision may prove just part

of a process of greater internalisation of its component needs which would seriously hurt the wider smartphone supply chain given Samsung currently boasts its own CMOS sensors solutions, TV controllers, LCD drivers and WiFi/GPS capabilities, in addition to its leadership position in memory chips.

In contrast to both Samsung and Qualcomm, **Apple** has continued to 'defy the s-curve' by appealing to a mass affluent audience which is apparently agnostic to cheaper alternatives because the premium is irrelevant (relative to above average incomes), warranted (a better product) or illusory (high residuals reducing the actual cost of ownership). Or it might be simply that a \$200 premium over two years represents good value for users who spend more than 30 hours per month on their smartphone. Last year, we acknowledged Apple's special status and that it clearly understood the need to maintain its premium-pricing model at the expense of unit share growth. A year on, the company has managed to grow its device ASPs while selling more than 74.4m iPhones in Q4'14. At the heart of the Apple story is a luxury goods company that enjoys premium pricing, aided by a leasing model that allows customers to finance the premium over two years at zero cost while retaining the residual value at the end of the contract. As a result, Apple's 14% smartphone unit share allows it to capture 30% of industry revenues (and a significantly higher share of profits). And – unlike its luxury good 'peers', Apple's pricing and residuals have held despite much higher unit share than the likes of Porsche or Rolex whose premium prices

come at the cost of miniscule market shares (we believe 0.2% and 0.05% of their markets respectively). While one might argue that Apple's status is likely to prove less enduring than these examples in either the automotive or watch industries, it is worth considering that Apple has just launched its own watch while recent reports suggest that the company is seriously looking at the electric vehicle market following Tesla's early success.

The idea of Apple as a luxury/mass affluent consumer goods company is well supported by its increasing share of the mature PC industry with premium priced products. More importantly, Apple is said to have captured more than 50% of PC industry profits with just 7% unit share – similar to the Swiss watch industry whose c. 2.4% unit share is said to garner c. 54% of worldwide watch revenues. Of course, what connects Swiss watches, German sports cars and Apple is obvious – their (affluent) customers. On Black Friday last year, Apple users accounted for nearly 4x the quantity of online sales than their Android counterparts with only 40% of the US smartphone market. Using US online sales per head as an imperfect proxy this implies that the Apple customer base – is nearly 6x as valuable as the Android equivalent. However – once the iPhone 6/6S upgrade cycle has played out – investors will have to consider how a company forecast to generate more than \$230bn of revenues will manage to grow. Here we are less certain although we are excited about Apple Pay – a mobile payments system that enables 'one-touch checkout' using a combination of near-field communication (NFC) and biometric authentication. While payment monetisation

will barely move the needle (Apple receiving just 15c per transaction) mobile payments could obsolete the entire iPhone installed base, which could be as many as 400m phones (less those iPhone 6/6s already sold). A second important growth driver is the Apple Watch, which – if it sells 12–15m units in 2015 – could add more than \$4.5bn to Apple's revenues. While we are unsure whether the current product will meet expectations, the longer-term opportunity remains vastly larger than anyone is currently forecasting because it isn't a watch, in the same way that the smartphone isn't a phone. While payments could yet prove the 'killer-app' for wearables, so too could health monitoring or home automation – two potentially huge standalone markets crying out for Apple to standardise and simplify.

In addition to our constructive view on Apple we remain excited about a number of smartphone/mobility sub-themes that should be able to withstand slowing unit growth and falling ASPs. These include wireless charging (now that standards have been agreed) and LTE content as the number of commercially available LTE (4G) networks is set to increase from 256 in 97 countries today to more than 500 in 128 countries over the next four years. However, the most promising of these related themes relates to **mobile payments** which should directly benefit suppliers of near-field communication (NFC) chips as smartphones become increasingly payment-capable. Fingerprint sensor suppliers should also benefit from greater smartphone adoption aided by efforts by FIDO (Fast Identity Online Alliance) trying to establish security standards for the 'post password' world.

Manager's Report

continued

More broadly, payments represent a huge opportunity for the technology sector to capture a portion of transaction revenues worth \$425bn in 2013. Mobile payment adoption looks set to accelerate due to widespread smartphone usage and tokenisation, the technology behind Apple Pay that allows users to make payments via fingerprint verification rather than providing card numbers or account details. In establishing tokenisation, Visa and Mastercard have positioned themselves at the centre of mobile payments innovation while turning would-be disruptors into partners. Tokenisation will also open up new opportunities including better serving the 2.5bn unbanked people worldwide while the iPhone 6/Apple Pay revival of NFC coincides with payments networks incentivising retailers and issuers to adopt EMV chip payments with liability for card fraud shifting from banks to those retailers who have not upgraded their point of sale (POS) terminals to accept EMV-enabled payments ('chip and pin' to us in Europe) by October 2015.

As a result of the growing ubiquity of smartphones, application migration to the Cloud and the pervasiveness of the Internet (a network whose topology was never designed with security in mind) computing has become increasingly heterogeneous. This has created a multitude of new attack vectors and a fertile backdrop for **security** – an important theme within the portfolio. After an eventful year that saw the number of detected cyber-attacks increase by 48% y/y and a clutch of high profile 'mega-breaches' elevated the security issue into the boardroom, companies have responded by increasing spending to help

defend, mitigate and where necessary, disclose cyber-crime. While there were a plethora of high profile attacks in 2014, the year was almost defined by mega-breaches at JPMorgan (where information relating to 76m households and 7m small businesses was compromised) and Sony Pictures (alleged North Korean hackers accessing c. 100 terabytes of internal data). The growing use of zero threat and advanced persistent threat (APT) malware – able to evade signature-based detection techniques – revealed a dramatic increase in hacker sophistication. Increasingly potent attacks also reflect the fact that stolen information is becoming more valuable (hackers graduating from credit card data to medical identity theft) and a changing foe, a recent survey revealing an 86% y/y increase in respondents experiencing attacks by nation states. Growing concerns about the possibility of an attack on national infrastructure has prompted a strong US government response with President Obama calling for a \$14bn boost to US cyber-security spending in his 2016 budget and establishing a new agency to coordinate cyber threat assessments. Over time, this greater governmental focus is likely to push corporations to do even more to prevent and disclose data loss, with some industry experts suggesting that Sarbanes-Oxley-type legislation is just a matter of time. In the meantime, it is clear that the cost has risen dramatically evidenced by losses at Target and Sony said to be \$148m and \$100m respectively. As such the current year is likely to prove another strong one for security spending with Gartner forecasting 8% growth to \$71bn with pure play, next-generation

vendors likely to grow substantially faster. As in prior years we expect M&A activity and strong underlying growth to support above-average sector valuations.

Although we have taken some profits following a strong 2014, the portfolio retains a healthy exposure to the semiconductor sector where slowing growth and 'Moore's Stress' (the term used to describe the increasing difficulty faced by the semiconductor industry in keeping to 'Moore's Law') have introduced some long overdue capital discipline and industry consolidation. 2014 saw the desire to combine extend beyond the memory space with the likes of RF Microdevices and Infineon consolidating smaller peers to exploit cost synergies and increase scale. More recently this trickle has become a flood with would-be buyers taking advantage of remarkably cheap debt (or large cash balances earning very little) to fashion hugely accretive deals applauded by both sets of shareholders. While the NXP/Freescale merger will create an automotive semiconductor powerhouse, the recent Avago/Broadcom (\$37bn) and Intel/Altera (\$16bn) deals are much less obvious combinations – they are financially, rather than strategically, driven. While activity must slow from current frenzied levels, we would be surprised if others did not follow suit for fear of falling further behind in the consolidation game. We have a number of smaller positions in the portfolio which – as well as providing exposure to preferred themes – would also make attractive acquisitions. One of these – Integrated Silicon Solutions – is currently the subject of a bidding war between long-term US rival Cypress Semiconductor and a

consortium of Chinese buyers. This unusual situation reflects another key sub-sector driver – China's semiconductor ambitions with the government keen to develop the domestic industry in order to deliver more sustainable growth, and capital deepening while reducing China's dependence on imported semiconductor products that in 2013 exceeded the value of imported crude oil. As a result of the significant technology gap between local players and global peers that exists today, the government is likely to continue to provide strong support via funding for both acquisitions and R&D, with the aim of achieving a 20% compound average growth rate by 2020.

In addition to these key areas, we have a number of other important themes that we have exposure to within the portfolio including robotics where demand for industrial robots (traditionally used in automotive manufacturing) is growing as they are increasingly being applied to electronic manufacturing due to labour cost inflation and new materials which cannot be processed by traditional moulding and injection machines. Improved designs utilising sensors and cameras to form vision systems mean that these robots can operate in close proximity to humans making hybrid production lines possible for the first time. New applications such as minimally invasive surgery and fulfilment systems are also driving rapid demand for service and logistics robots, while the market for unmanned aerial vehicles ('drones') has received significant attention following trials by Amazon and Google to use technology once reserved for military applications for package delivery.

A VISION OF THE FUTURE WHERE WEARABLE TECHNOLOGY AND 'BIG DATA' TRANSFORMS THE FACE OF HEALTHCARE

Healthcare is beginning to join the digital revolution. Smartphone ubiquity and the falling cost of compute and storage are powerful technology enablers driving long-term trends towards connected health, personalised medicine and 'big data.' These are likely to prove welcome developments given adverse demographics and rising healthcare costs that already account for more than 17% of US GDP today. Improved access to information and the rise of the so-called 'Quantified Self' are changing the orientation of healthcare away from doctors towards patients while home health monitoring offers the potential to 'change the face of healthcare'. New technologies should make it easier to collect, store and manipulate clinical data, while allowing the likes of Apple and Google to create vast new data repositories. In time, the marrying of retrospective and real-time data should facilitate predictive analytics while truly personalized medicine has huge commercial and clinical potential, as Moore's Law drives the cost of sequencing a human genome below \$1000.

150tr GB

Quantity of data contained
in the human body

\$4tr

Estimated US healthcare
spending in 2015

Manager's Report

continued

We are also tremendously excited about opportunities in the automotive market as technology advances are allowing the car to be broadly reinvented. While early efforts are focused on 'infotainment' systems, digital dashboards and growing semiconductor content per vehicle, we are most excited about advanced driver assistance systems (ADAS) that use sensors to constantly monitor the surrounding environment, provide warnings and take mitigating action if required. Not only is the addressable market huge – 90m consumer vehicles sold each year – but the regulatory backdrop is supportive and, in time the ADAS-enabled vehicle will evolve into a semi-autonomous one.

Within the portfolio we also have exposure to a number of exciting emerging themes. We expect these to become more significant– both in terms of their real-world and portfolio importance over the coming years. These include (but are certainly not limited to) 3D printing, augmented and virtual reality, drones, electric and autonomous vehicles, the Internet of Things, mobile/connected health, personalised medicine, renewable energy and wearable computing. This year – rather than providing historical parallels to illuminate the change we see occurring in our sector, we have chosen to instead highlight a number of the most exciting, landscape altering themes that we expect to emerge over the next five years.

Ben Rogoff

24 July 2015

Portfolio Review

Performance Attribution

Movement in Net Asset Value (total return) per share

Over the year to 30 April 2015 the Net Asset Value per share rose by 30.7% compared to the rise in the Benchmark of 29.5%.

	%	%	Pence per share
NAV per share at 30 April 2014			458.40
Benchmark performance		29.5	
Portfolio performance vs Benchmark			
asset allocation	2.0		
stock selection	1.5	3.5	
Other factors			
due to cash	-1.4		
due to gearing	0.2		
due to share issues	-		
due to management fees and finance costs	-1.1	-2.3	
Performance of NAV		30.7	140.85
NAV per share at 30 April 2015			599.25

Performance Contribution by Investment

The top ten relative contributors and the bottom ten relevant detractors from relative performance over the year to 30 April 2015.

Top ten contributors to and bottom ten detractors from relative return

Performance Contribution by Geographies

Breakdown of Investments by Geographic Region as at 30 April 2015

Market Capitalisation of Underlying Investments as at 30 April 2015

Portfolio Review

continued

Classification of Investments*

as at 30 April 2015

	North America %	Europe %	Asia & Pacific %	Total 30 April 2015 %	Total 30 April 2014 %
Internet Software & Services	16.5	0.5	5.7	22.7	20.7
Software	16.9	1.3	1.9	20.1	20.0
Semiconductors & Semiconductor Equipment	8.3	3.4	6.7	18.4	20.5
Computers & Peripherals	12.4	–	0.7	13.1	12.5
Communications Equipment	6.3	0.5	0.8	7.6	8.3
Internet & Catalog Retail	3.8	–	0.4	4.2	2.5
Electronic Equipment, Instruments & Components	1.0	0.7	1.6	3.3	3.7
IT Services	1.7	–	–	1.7	3.5
Health Care Technology	1.4	–	–	1.4	1.0
Machinery	0.1	0.4	0.6	1.1	1.5
Life Sciences Tools & Services	0.9	–	–	0.9	0.4
Other	–	0.7	–	0.7	0.5
Household Durables	0.5	–	–	0.5	0.3
Media	–	–	0.4	0.4	0.6
Chemicals	–	–	0.3	0.3	0.3
Aerospace & Defense	0.3	–	–	0.3	0.1
Wireless Telecommunication Services	0.3	–	–	0.3	–
Automobiles	0.2	–	–	0.2	–
Total investments	70.6	7.5	19.1	97.2	96.4
Other net assets (excluding loans)	1.1	2.1	1.3	4.5	7.3
Loans	(0.5)	–	(1.2)	(1.7)	(3.7)
Grand total (net assets of £793,019,000)	71.2	9.6	19.2	100.0	–
At 30 April 2014 (net assets of £606,633,000)	69.0	12.1	18.9	–	100.0

*Classifications derived from Benchmark Index

Portfolio Review Investments over 1% of the portfolio

North America

A full list of investments is provided on pages 114 to 118

	Value of holding		% of net assets	
	30 April 2015 £'000	30 April 2014 £'000	30 April 2015 %	30 April 2014 %
Apple	84,441	46,722	10.6	7.7
Apple is a leading supplier of smart phones, tablets, personal computers and digital media products that feature the company's proprietary OS X 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.				
Google	56,041	47,813	7.0	7.9
Google 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, Google remains a critical element in the growth of Internet advertising and e-commerce. Google's Android (mobile OS) combined with Chrome, YouTube and Google Maps have enabled it to maintain its market leadership during the mobile internet transition.				
Facebook	30,914	22,543	3.9	3.7
With close to 1.4bn active monthly 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.				
Microsoft	24,991	27,875	3.2	4.6
Microsoft is the largest software company in the world. Founded in 1975, 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 encouraging progress with Azure and Office 365 led by new CEO Satya Nadella.				
Cisco	21,230	10,128	2.7	1.7
Cisco Systems is a pre-eminent provider of Internet protocol (IP)-based equipment that is used to carry data, voice and video traffic. In addition to its core router and switch offerings, the company also produces IP telephony products, set-top boxes and videoconferencing systems. Although the company should benefit from data traffic growth, this dynamic is being offset by intensifying competition in its core (switching) market and recent weakness in emerging economies.				
Amazon.com	17,289	10,764	2.2	1.8
Amazon.com is a dominant eCommerce 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) and has its own online video service. Furthermore, Amazon.com owns the world's pre-eminent public cloud (Amazon.com Web Services) which promises to lower the cost of computing.				
Oracle	15,634	11,555	1.9	1.9
Oracle is the leading vendor of relational database management systems (RDBMS) and is the world's second largest software company, with offerings that span database, middleware and a broad range of applications such as ERP, CRM and SCM. Post its acquisition of Sun Microsystems, the company has begun to introduce vertically integrated systems such as its Exa-series products that combine Oracle software and Sun hardware.				
Intel	14,609	13,015	1.8	2.1
Intel is the world's largest supplier of semiconductor chips. The company designs and manufactures microprocessors, boards and semiconductor components that are used in computers and servers, as well as networking and communication products. Intel is now looking to expand its addressable market into mobile computing (tablets & smartphones) bringing it into more direct competition with ARM based alternatives.				

Portfolio Review Investments over 1% of the portfolio

North America continued

A full list of investments is provided on pages 114 to 118

	Value of holding		% of net assets	
	30 April 2015 £'000	30 April 2014 £'000	30 April 2015 %	30 April 2014 %
Salesforce.com	11,074	7,101	1.3	1.2
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.				
Red Hat	9,674	–	1.2	–
Red Hat provides enterprise-level, mission critical open source software and services based around its flagship Linux product, Red Hat Enterprise Linux. The company also supplies open source solutions in range of other markets including middleware (Apache), storage (cluster) and cloud computing (OpenStack), which help enterprises reduce cost while improving performance, reliability and security.				
LinkedIn	8,846	2,450	1.1	0.4
LinkedIn operates a professional networking website enabling its c.350m users to post profiles of their professional expertise and accomplishments that allow them to maintain and generate business relationships. This social networking furnishes the company with a valuable database that it monetizes primarily via subscriptions and online advertising.				
Western Digital	8,318	7,974	1.0	1.3
Western Digital is a global provider of systems for the collection, storage, management, protection and use of digital content. The company's products include hard drives, solid-state drives and home entertainment and networking products. It is now one of only two major players in the HDD industry (the other being Seagate) after a period of consolidation.				
North American investments over 1%	303,061		37.9	
Other North American investments	257,226		32.7	
Total	560,287		70.6	

Portfolio Review Investments over 1% of the portfolio

Europe

A full list of investments is provided on pages 114 to 118

	Value of holding		% of net assets	
	30 April 2015 £'000s	30 April 2014 £'000s	30 April 2015 %	30 April 2014 %
ARM Holdings	10,152	3,745	1.3	0.6
ARM is a global leader in semiconductor IP. ARM's differentiated licensing and royalty business model and its historic focus on power-constrained mobile devices has left it well positioned to gain share in emerging areas such as Internet Of Things (IOT) and enterprise infrastructure. A sophisticated ecosystem continues to develop around the ARM architecture. Increasing chip complexity allows ARM to structurally increase its royalty per device. Share gains, expanding royalty rates and increasing profit margins make it an attractive fundamental story				
SAP	9,278	9,071	1.2	1.5
SAP is a leading provider of Enterprise Resource Planning (ERP) software that is entrenched in most large companies today. The company has been leveraging its strengths in its core business and investing in emerging technologies both via acquisitions and internal R&D efforts. New products that target mobile, 'software as a service' (SAAS) and large datasets (known as 'Big Data') are expected to become more important drivers of growth going forward.				
NXP Semiconductors	8,570	4,899	1.1	0.8
NXP Semiconductors is a global semiconductor company which designs chips and software for automotive, identification, wireless infrastructure, lighting, industrial, mobile, consumer and computing applications. The company recently announced a transformative c.\$40 billion merger with Freescale which once complete, will make the company a leading automotive semiconductor and general-purpose MCU supplier.				
European investments over 1%	28,000		3.6	
Other European investments	31,117		3.9	
Total	59,117		7.5	

Portfolio Review Investments over 1% of the portfolio

Asia & Pacific

A full list of investments is provided on pages 114 to 118

	Value of holding		% of net assets	
	30 April 2015 £'000s	30 April 2014 £'000s	30 April 2015 %	30 April 2015 %
Tencent Holdings	19,289	8,783	2.4	1.4
Tencent Holdings is one of China's largest quoted Internet companies by revenue, and offers a suite of online services – primarily entertainment and communication related. Tencent's leading Internet platforms in China include QQ (Instant Messenger) and WeChat. The company is now successfully monetising this enormous 'community' via add-on services such as online gaming, advertising and eCommerce.				
Samsung Electronics	14,882	15,462	1.9	2.5
Samsung manufactures a 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.				
Baidu	12,456	8,249	1.6	1.4
Baidu was formed in 2000 by Robin Li and operates China's leading Internet algorithmic search engine. Deep understanding of local culture has enabled Baidu to become a key marketing platform for hundreds of thousands of small and mid sized enterprises (SME's) as well as branded multinational customers. Recent improvements to its core product, augmented with strategic acquisitions has bolstered Baidu's position in mobile search and applications.				
Taiwan Semiconductor	11,988	8,997	1.5	1.5
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.				
Alibaba	9,166	–	1.2	–
Alibaba is China's pre-eminent e-commerce company with more than \$10bn of revenues forecast for 2015. The company 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.				
Asian & Pacific investments over 1%	67,781		8.6	
Other Asian & Pacific investments	83,168		10.5	
Total	150,949		19.1	

Strategic Review

The Company is required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out a report to shareholders outlining a fair review of the strategy and performance of the Company during the year ended 30 April 2015, the position of the Company at the year end and a description of the principal risks and uncertainties.

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

Introduction and Business Model

The business of the Company 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 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 broad market, reflecting the long-term secular uptrend in technology spending.

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;
- exploiting international valuation anomalies; and
- sector volatility.

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. These appointments became effective from 22 July 2014. 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.

Statements from the Depositary and the AIFM can be found on pages 126 to 128.

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.

Strategic Review

continued

Service Providers

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

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

- Cenkos Securities plc as corporate broker;
- Equiniti Limited as the share registrars;
- PricewaterhouseCoopers LLP as independent auditors and tax advisers;
- Camarco as PR advisors;
- Accrue Fulton 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.

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.

Investment Objective, Policy and Strategy

Shareholders should be aware that the portfolio is actively managed and is not designed to track any particular benchmark, indices 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.

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 following investment policy was approved. The portfolio has been managed in accordance with the policy and restrictions in the year to 30 April 2015.

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.

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 are based upon current market conditions and 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.

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 net asset value performance of the Company is measured for the purpose of assessing performance fees (the 'Benchmark').

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

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 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.

Strategic Review

continued

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 on the Investment Manager in pursuing the Investment Policy. The Board use 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

During the year the Company had loan facilities with ING Bank NV for a £25m one year loan drawn in US Dollar 13,000,000 and Japanese Yen 2,600,000,000 which was repaid on 2 October 2014. This loan was replaced by a new one year facility with ING Bank NV split into a one year term loan of £14m, drawn down in US Dollar 6,600,000 and Japanese Yen 1,700,000,000 and a Revolving Credit Facility ('RCF') for £14m which could be drawn in US Dollars, Japanese's Yen or Euros. Both the term loan and the RCF fall for repayment on 2 October 2015. The RCF has not been used in the period to 30 April 2015.

Details of the loans are set out in note 18 to the financial statements.

Benchmark

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

As at 30 April 2015 the Dow Jones World Technology Index was calculated as a market capitalisation based index of 590 technology companies worldwide. 71% of the index weighting is in North America, 8% in Europe and 21% in Asia/Pacific. By market capitalisation 84% is represented by large companies, 15% by mid-caps and 1% by smaller companies.

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

Performance

At 30 April 2015 the total net assets of the Company amounted to £793,019,000 (2014 £606,633,000). The Net Asset Value per share rose by 30.7% from 458.40 to 599.25p. The portfolio comprised of 129 investments with the single largest investment being Apple (10.6%) (2014: Google 7.9%).

The top investments each being over 1% of the portfolio at 30 April 2015 are described on pages 41 to 44. A full listing of all investments in the portfolio is given on pages 114 to 118.

The portfolio has been analysed on pages 38 to 40 to disclose details on the distribution of investments by market capitalisation and by the different sectors in the different principal geographies.

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 6 and 7 and the Investment Manager's Report on pages 8 to 37.

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 Directors do not recommend the payment of a dividend.

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.

Due to a computer error when we moved to a new custodian, no votes were cast between June 2014 and June 2015 at company meetings of investments held in the Portfolio. Steps have been taken by the Investment Manager to implement a new system to correct this going forward.

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.

Diversity, gender reporting and human rights policy

The Company has no employees and the Board comprised of two female and five 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.

Strategic Review

continued

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 and the views of the Investment Manager.	<p>The Company's NAV has, over the year to 30 April 2015 outperformed the Benchmark.</p> <p>The NAV per share rose by 30.7% while the Benchmark rose 29.5% over the same period.</p> <p>The reasons are explained in the Chairman's Statement and the Investment Manager's Report.</p> <p>Over the longer-term, as shown by the historic performance data shown on page 5, growth in the NAV has exceeded the Benchmark.</p>
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.	<p>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 discusses and authorises the issue or buy back of shares when appropriate.</p> <p>A daily NAV per share, diluted when appropriate, calculated in accordance with the AIC guidelines, is issued to the London Stock Exchange.</p>	<p>The discount/premium of the ordinary share price to NAV per ordinary share (diluted when appropriate) over the year has ranged from a maximum discount of 7.5% to a premium of 3.0%.</p> <p>The Company has not bought back nor issued any shares in the year to 30 April 2015.</p>
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.	<p>This has been achieved for every year since launch in 1996.</p> <p>HMRC has approved investment trust status subject to the Company continuing to meet the relevant eligibility conditions and ongoing requirements.</p> <p>The Directors believe that the tests have been met in the financial year ended 30 April 2015 and will continue to be met.</p>
Efficient operation of the Company with appropriate investment management resources and services from third party suppliers within a stable and risk controlled environment.	<p>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.</p> <p>The annual operating expenses are reviewed and any non-recurring project related expenditure sanctioned.</p>	<p>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.</p> <p>The ongoing charges of the Company for the year ended 30 April 2015 was 1.08% of net assets (2014: 1.15%).</p>

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

Principal Business Risks and Uncertainties	Management of risks through Mitigation & Controls
Business	
<p>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.</p>	<p>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).</p>
<p>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.</p>	<p>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.</p> <p>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.</p> <p>They also receive a monthly commentary from the Investment Manager in the factsheet.</p> <p>A continuation vote is held every five years to provide shareholders with an opportunity to wind-up the Company.</p> <p>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 which have a market commentary from the Investment Manager as well portfolio data, an informative and relevant website as well as annual and half year reports.</p>

Strategic Review

continued

Principal Business Risks and Uncertainties	Management of risks through Mitigation & Controls
Portfolio Management	
While the portfolio is diversified across a number of stock markets worldwide, the investment mandate is focused on technology and thus the portfolio will be more sensitive to investor sentiment and the commercial acceptance of technological developments than a general investment portfolio.	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 commercial applications and adoption.
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.	At each Board meeting the composition and diversification of the portfolio by geographies, sectors and capitalisations are considered along with sales and purchases of investments. Individual investments 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.
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.	Analytical performance data and attribution analysis is presented by the Investment Manager.
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 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 29 to the financial statements.
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 active share and statistics on the variance between the composition of the Benchmark and the portfolio are presented at each Board meeting and discussed.
The degree of risk which the Investment Manager incurs in order to generate the investment returns and the effect of gearing on the portfolio by borrowed funds which can magnify the portfolio returns per share positively or negatively.	
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
Infrastructure	
<p>There are risks from the failure of, or disruption to, operational and accounting systems and processes provided by the Investment Manager including: any subcontractors to which the Investment Manager has delegated a task as well as directly appointed suppliers.</p>	<p>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.</p>
<p>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.</p>	<p>There is an annual review of internal control reports from suppliers which includes the disaster recovery procedures of the Investment Manager.</p>
<p>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.</p>	<p>Regular reporting from the Depositary on the safe custody of the Companies' assets and the operation of control systems related to the portfolio reconciliation are monitored.</p>
<p>The legal and regulatory risks include failure to comply with the FCA's Prospectus Rules, Listing Rules and Transparency and Disclosure Rules; not meeting the provisions of the Companies Act 2006 and other UK, European and overseas legislation affecting UK companies and not complying with accounting standards. Further risks arise from not keeping abreast of changes in legislation and regulations which have in recent years been substantial.</p>	<p>Specialist advice is sought on taxation issues as and when required. The Audit Committee has oversight on such work.</p>
	<p>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.</p>
	<p>In addition, as an investment company, the Company is dependent on a framework of tax laws, regulation (both UK and EU) and Company law.</p>
	<p>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.</p>
External	
<p>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.</p>	<p>The Board regularly discusses the general economic conditions and developments. Other Investment teams from the investment Manager present their views to the Board on stock markets and sectors.</p>
	<p>Note 29 describes the impact of changes in foreign exchange rates.</p>

Strategic Review

continued

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 to this end 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 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 and looks after the US investments. Polar Capital also has other specialist and geographically focused investment teams which contribute to idea generation.

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

In the year to 30 April 2015 the management fee was 1% based on Net Asset Value plus borrowings, on a per share basis, payable quarterly in arrears.

With effect from 1 May 2015 the base fee will be charged at 1% on Net Asset Value per share basis up to £800m and above £800m the base fee will be reduced to 0.85%. The fee remains payable quarterly in arrears. 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 £7,033,000 (2014: £6,026,000) have been paid for the year to 30 April 2015. No performance fee has been earned for the year to 30 April 2015.

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.

Approved by the Board on 24 July 2015

By order of the Board

Neil Taylor FCIS
Polar Capital Secretarial Services Limited
Company Secretary

Directors

Michael Moule *^

Independent
Non-executive Chairman
Appointed to the Board in 2007 and was elected Chairman in August 2011. He is also chairman of the Management Engagement and Nomination Committees.

Skills and experience
Michael Moule was a director of investment trusts at Henderson Global Investors, where he had been the investment manager for The Bankers Investment Trust plc and Law Debenture Corporation plc until his retirement in 2003.

Other Appointments
He is a director of The European Investment Trust plc and is a director of Montanaro UK Smaller Companies Investment Trust plc. He is 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 Ashford-Russell is a director and founder of Polar Capital. He was previously head of the technology team at Henderson Global Investors. He managed the Company from launch until 30 April 2006.

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

Mr Brian Ashford-Russell is connected to the investment manager and as such is not considered independent.

Sarah Bates *^^#

Independent
Non-executive Director
Appointed to the Board in 2011.

Skills and experience
Sarah Bates 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 Bates is Non-executive Chairman of St. James's Place plc, JP Morgan American Investment Trust plc and Witan Pacific Investment trust plc. Sarah is also a director of Development Securities plc and Worldwide Health Trust plc. She is Chairman of the Cancer Research UK pension fund's investment committee, a member of the USS Investment Committee as well as being a member of a number of other charitable and pension fund investment committees.

+ Member of Audit Committee

* Member of Management Engagement Committee

^ Member of Nomination Committee

Member of Remuneration Committee

The Board considers that the majority of the Directors including David Gamble, who has served more than nine years, are independent in character and there were no relationships or circumstances which were likely to affect or could appear to affect their judgement.

All the Directors served throughout the financial year with the exception of Ms Ginman who was appointed on 2 February 2015.

David Gamble *^^

Independent
Non-executive
Director

Appointed to the Board in 2002 and to the chair of the Audit Committee in 2011. Mr Gamble is retiring at the conclusion of the AGM to be held on 9 September 2015.

Skills and experience
David Gamble was chief executive of British Airways Pension Investment Management Ltd. until his retirement in 2004.

Other Appointments
David is chairman of Hermes GPE LLP and Vencap International plc and is also an advisor to the Investment Committee of the BBC pension plan.

Charlotta Ginman *^^

Independent
Non-executive
Director

Appointed to the Board in 2015.

Skills and experience
Charlotta Ginman 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 Ginman is a Non-executive Director of Kromek Group plc, where she is the current Chairman of the Audit Committee and is also a Non-executive Director of Pacific Assets Trust plc, Consort Medical plc and Motif Bio plc.

Peter Hames *^^#

Independent
Non-executive
Director

Appointed to the Board in 2011.

Skills and experience
Peter Hames 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, BACIT Limited and independent member of the Operating Committee of Genesis Asset Managers LLP as well as serving on a number of Genesis fund boards.

Rupert Montagu *^^#

Independent
Non-executive
Director

Appointed to the Board in 2007, and became Senior Independent Director and Chairman of the Remuneration Committee from September 2013.

Skills and experience
Rupert Montagu co-founded Montagu Newhall Associates (now Greenspring Associates) in 2000, a specialist investor in technology and healthcare venture capital industries where he was a partner until 2010.

Other Appointments
None

Investment Manager Team

Ben Rogoff

Director, Technology
The portfolio is managed by Ben Rogoff. Ben has been a technology specialist for seventeen 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 sixteen 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 2006 after working as an analyst with Citigroup Asset Management for 18 months. She focuses on European technology stocks and has responsibility for coverage of the global medical technology sub-sector. Fatima graduated from Imperial College London in 2002 with a degree in 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 (Hons) in Economics from Peking University and is a CFA charter holder.

John Gladwyn**Investment Analyst**

John joined Polar Capital in February 2015 as an Investment Analyst on the Global Technology team. Prior to joining Polar Capital, John spent 6 years at Blackrock working as an analyst on the Global Equity team with his first year as a graduate working with the UK Equity team. John holds a degree in Classics from the University of Oxford, a Masters in Finance with Distinction from London Business School, and is a CFA Charterholder.

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. He has successfully passed all three levels of the CFA program.

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 and has passed the Level I examination of the CFA Program.

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 2015.

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 section 1158 of the Corporation Taxes Act 2010. 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 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 attention of shareholders is drawn to the 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.

Capital Structure

Issued

The Company's share capital is divided into ordinary shares of 25p each. At the year end and at the date of this report there were 132,336,159 ordinary shares in issue (2014: 132,336,159 ordinary shares).

Changes during the year

There have been no ordinary shares issued in the year ended 30 April 2015 or 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 2014 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 2015 and renewal of the authorities will be sought at the AGM in 2015.

New ordinary shares will not be allotted and issued at below Net Asset Value. During the financial year to 30 April 2015 no ordinary shares were issued.

The Board also obtained shareholder authority at the AGM in 2014 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 2015 and renewal of the authority to make market purchases of ordinary shares will be sought at the AGM in 2015.

During the financial year to 30 April 2015 no ordinary shares were purchased.

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

Major interests in ordinary shares

Declarations of interests in the voting rights of the Company at 30 April 2015 are set out below.

	Number of ordinary shares	Percentage of voting rights*
Brewin Dolphin Limited	9,946,829	7.52% (indirect)
Investec Wealth and Investment Limited	8,067,908	6.10% (indirect)
Quilter Cheviot Limited	6,711,135	5.07% (direct)
Lazard Asset Management LLC	6,383,454	4.82% (indirect)
Rathbone Brothers plc	6,324,232	4.78% (indirect)

Since the year end the Company has been notified of the following change:

	Number of ordinary shares	Percentage of voting rights*
Investec Wealth and Investment Limited	6,712,073	5.07% (direct)

* The above percentages are calculated by applying the shareholdings as notified to the issued ordinary share capital at 24 July 2015 of 132,336,159 ordinary shares.

Directors' Report continued

Life of the Company

The Articles of Association of the Company provide that at the Annual General Meeting of the Company to be held in 2015, and at every fifth Annual General Meeting thereafter, a vote on whether the Company should continue will be proposed as an ordinary resolution.

Such a resolution will be proposed at the AGM on 9 September 2015.

Annual General Meeting

The Annual General Meeting will be held on 9 September 2015 at 2.30pm at The Royal Automobile Club, 89 Pall Mall, London SW1Y 5HS. 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 Report, re-elect retiring Directors and elect a Director appointed during the year, re-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. There are three further items of business; a resolution to continue the life of the company for another five years; a resolution to adopt new Articles of Association to clarify certain matters required under the AIFMD regulations, a resolution to increase the maximum aggregate level of fees that may be paid to the directors. The full text of the resolutions to be proposed at the AGM and an explanation of each resolution is contained in the separate Notice of Meeting.

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

Report on Corporate Governance

The Directors are accountable to shareholders for the governance of the Company's affairs. The UK Listing Rules require all listed companies to disclose how they have applied the principles and complied with the provisions of the UK Corporate Governance Code (the 'UK Code') 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') publishes a Code of Corporate Governance ('AIC Code') and a Corporate Governance Guide for Investment Companies ('AIC Guide'). In March 2015 the AIC published a revised AIC Code and AIC Guide to reflect changes made to the UK Code in September 2014. In line with the UK Code the revised AIC Code and AIC Guide apply to accounting periods beginning on or after 1 October 2014 but AIC members may choose to adopt the new AIC Code earlier which the Company has decided to do.

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

Application of the AIC Code's Principles

The Board attaches great importance to the matters contained in the AIC Code and observed the relevant requirements throughout the year under review.

The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Guide and the Board believes that the Company's current practices are consistent in all material respects with the principles of the AIC Code. Where non-compliance occurs, an explanation has been provided. The Board will continue to observe the principles and recommendations set out in the AIC Code in future.

Report on Corporate Governance continued

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 seven 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 writes each year to the largest shareholders to enable them to raise any concerns direct with the Chairman and the Board without using the Investment Manager or Company Secretary as a conduit.

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

Each Director has different qualities and areas of expertise on which they may lead where issues arise. The Directors are listed on pages 56 and 57 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 the 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 is to ensure that a balance of skills and experience 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.

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 David Gamble who is retiring. In accordance with the Articles Charlotta Ginman will stand for election as she was appointed by the other Directors during the last financial year.

The Nomination Committee led by the Chairman carried out a formal review of each Director's performance, the performance of each Board Committee and of the whole Board as explained in the section on the work of the Nomination Committee. The process involved carefully reviewing and rigorously assessing the contribution of each Director and their independence. The Chairman and the Committee have determined that each Director standing for re-election continued to offer relevant experience, effectively contributed to the operation of the Board and had demonstrated independent views on a range of subjects.

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. From October 2008 the Companies Act 2006 permitted public companies

to authorise conflicts or potential conflicts if the Articles of Association contain provisions to this effect. The Company's Articles contain such provisions.

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. Each Director has agreed to notify the Chairman and the Company Secretary of any changes to his circumstances which would impact on the notified conflicts or potential conflicts and obtain approval before entering into any situation which might give rise to a conflict or potential conflict with the interests of the Company.

Directors are reminded at each Board meeting of their obligations to notify any changes in their statement of conflicts and also to declare any benefits from third parties in their capacity as a Director of the Company which might give rise to a conflict or potential conflict with the Company's interests. No Director has declared receipt of any benefits other than his emoluments in his capacity as a Director of the Company.

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

The Board 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.

Report on Corporate Governance continued

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. The Board has also spent considerable time over the year considering and reviewing regulatory changes that have impacted the Company in particular AIFMD which led to the appointment of HSBC as Depositary and custodian and Polar Capital LLP as the AIFM.

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 2014 to 30 April 2015

	Board & Strategy	Audit	Management Engagement	Nomination	Remuneration	AGM
Number of Meetings	6	3	2	4	2	1
Michael Moule	6/6	3/3*	2/2	4/4	-	1/1
Brian Ashford-Russell	6/6	-	-	-	-	1/1
Sarah Bates	6/6	3/3	2/2	4/4	2/2	1/1
Charlotta Ginman^	2/2	1/1	1/1	1/1	-	-
David Gamble	6/6	3/3	2/2	4/4	-	1/1
Peter Hames	5/6	3/3	2/2	4/4	2/2	1/1
Rupert Montagu	6/6	3/3	2/2	4/4	2/2	1/1

^ Director from 2 February 2015

* Not a member but attended part of the meeting by invitation

Mr Hames missed one meeting due to illness.

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

The Board elected Rupert Montagu to be the Senior Independent Director and he can be contacted via the Registered Office of the Company.

Board Committees

The Board has created four standing committees whose terms are described below. 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 terms of reference for each of the standing committees are available on the Company's website.

Audit Committee

David Gamble is Chairman of the Audit Committee which comprises all the independent Non-executive Directors except the Chairman of the Board who attends as an observer. Charlotta Ginman will succeed David Gamble as Chairman of this committee following his retirement on 9 September 2015.

The Committee has written terms of reference which clearly define its responsibilities and duties. David Gamble will be present at the AGM to deal with questions relating to the financial statements.

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. The Board is satisfied that at least one of the Committee's members has recent and relevant financial experience.

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

A separate report of the work of the Audit Committee over the year is set out on pages 71 to 75.

Management Engagement Committee

Michael Moule, as Chairman of the Board, chairs the Management Engagement Committee. All independent Non-executive Directors are members of the Management Engagement Committee.

The Committee considers any matter to do with the relationship with the Investment Manager, including the terms of the investment management agreement and its appointment as AIFM. The Committee also has responsibility to conduct 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. This Committee meets at least annually and at such other times as may be necessary.

Work of the Management Engagement Committee

In the year to 30 April 2015 it has met twice to consider the terms of appointment of the AIFM and Depositary as required by the AIFMD and also to consider the services provided by the Investment Manager and terms of the investment management agreement with a view to the continued appointment of the investment manager.

The Committee has also discussed the fee arrangement with the investment manager and since the year end has met to agree a new fee arrangement as described in the Chairman's statement on page 7.

The recommendation of the Board to continue with Polar Capital LLP on the terms agreed is set out on page 54.

Nomination Committee

Michael Moule, as Chairman of the Board, chairs the Nomination Committee. All the independent Non-executive Directors are members of the Nomination Committee. 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.

Succession planning will be conducted using the Board's views on diversity and to achieve a balance of skills, knowledge and experience on the Board. The Committee will make recommendations to the Board when the further recruitment of Non-executive Directors is required. The Chairman does not participate in any discussion or decision on his role or replacement.

Once a decision has been made that additional directors are to be recruited then candidates will be drawn from suggestions put forward by the use of external agencies. The final selection will be made by the full Board following recommendations by the Committee.

Report on Corporate Governance continued

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

Work of the Nomination Committee

The Nomination Committee has overseen the performance evaluation process and the succession planning designed to replace gradually the longest serving Directors.

The evaluation of the Board, its Committees and individual Directors is carried out annually by the Chairman of the Nomination Committee and in accordance with the UK Code every three years an externally facilitated review is performed. In between the external reviews the Chairman undertakes an appraisal using a system that seeks the views of each Director by a questionnaire and interviews. An external facilitated review will take place later in 2015 for reporting in the 2016 Annual Report

The Chairman's review is conducted by the Senior Independent Director. These reviews are reported to the Nomination Committee.

In evaluating each Director, they are assessed on their relevant experience, their strengths and weaknesses in relation to the overall requirements of the Board and their commitment to the Company in terms of time by regular attendance of Board meetings. The process is constructed to assess the contribution of individual Directors to the overall operation of the Board and its Committees as well as to identify areas of improvement in the operation of the Board and its Committees.

The report provided by the last external review provided the Committee with a number of specific recommendations dealing with administrative matters. The Committee as part of this year's review has considered the progress made against each of these recommendations and noted that satisfactory progress has been achieved against all the major recommendations.

During the year the Committee also engaged a specialist recruitment consultant to conduct a search for a new Non-executive Director who would have the necessary skills to replace the Chairman of the Audit Committee. The Committee received a long list of Candidates which it considered and asked for a number of candidates to move forward to a short list which was presented to the entire Board for consideration and interview.

Remuneration Committee

The Remuneration Committee is chaired by the Senior Independent Director, Rupert Montagu and comprises Sarah Bates and Peter Hames.

The Committee meets at least annually and is responsible for recommending the framework for the remuneration of Directors. The Committee reviews the ongoing appropriateness of the remuneration policy and the individual remuneration of Directors based on their contributions.

A separate report of the work of the Committee over the year is set out on pages 76 to 79 in the Directors' Remuneration Report.

Performance Evaluation

• Board, Directors and Committees

The Board through the Nomination Committee considers its own performance and that of the Directors. The work of the Nomination Committee is reported separately.

• Investment Manager

The Management Engagement Committee is responsible for the terms of appointment of the Investment Manager and it regularly reviews the terms of the contract. The work of the Management Engagement Committee is reported separately.

The Board has contractually delegated the management of the portfolio to the Investment Manager, Polar Capital LLP (the 'Investment Manager'). It is the Investment Manager's sole responsibility to take decisions as to the purchase and sale of individual investments 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 service providers.

The Board directly appointed the custodian up to 22 July 2014 when the appointment as HSBC Bank Plc as Depositary was effective and the responsibility for safe custody transferred to the 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 Investment Manager. Regular reports are received on their work.

Other suppliers such as printers, website services and PR agents are monitored by the Investment Manager and present to the Board on specific tasks or generally when required.

Accountability and Audit

The Statement of Directors' Responsibilities in respect of the financial statements is set out on pages 80 and 81 and the Independent Auditors' Report is on pages 82 to 85.

Internal Controls

The Board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness. The Company has no employees as its operational functions are carried out by third parties and 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 Board through the Audit Committee has established a process for identifying, evaluating, monitoring and reviewing, and managing any principle risks faced by the Company. The process has been in place since 2000 and 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. The controls are embedded within the business and aim to ensure that identified risks are managed and systems are in place to report on such risks. The internal controls seek to ensure the assets of the Company are safeguarded, proper accounting records are maintained and the financial information used in the Company and for publication is reliable. Controls covering the risks identified, including financial, operational, compliance and risk management are monitored by a series of regular reports covering investment performance, attribution analysis, reports from various third parties and from the Investment Manager including risks not directly the responsibility of the Investment Manager.

Report on Corporate Governance continued

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. A description of the work of the Audit Committee is set out in its separate report.

The Board through the Audit Committee has received formal reports from the Investment Manager with details of any known internal control failures. The Board considers reports on the Investment Manager's internal controls and systems operated by other third party suppliers. The Board also receives and considers ad hoc reports from the Investment Manager and information is supplied to the Board as required. The Board also examined the risks and controls operated by the Investment Manager when placing investment trades with third parties.

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

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 on all meetings attended with shareholders and any concerns that are raised in such meetings. The Board also reviews correspondence from shareholders at each meeting and maintains regular contact with major shareholders.

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 are 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 Investment Managers make a presentation and shareholders are encouraged to attend. The Chairmen of the Board and of the Committees attend the AGM and are available to respond to queries and concerns from shareholders. The Directors make themselves available after the AGM to meet shareholders.

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 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 FCIS

Polar Capital Secretarial Services Limited
Company Secretary

24 July 2015

Audit Committee Report

The constitution and composition of the Audit Committee is given on page 67. There has been one change to the membership of the Committee over the financial year to 30 April 2015. Charlotta Ginman, who was appointed as an independent Non-executive Director in February 2015, has been appointed to the Audit Committee and is expected to become its chairman on the retirement of David Gamble following the AGM on 9 September 2015.

During the year under review the Committee was chaired by David Gamble and comprised of all the independent Non-executive Directors with the exception of the Chairman of the Board who attends by invitation. The Board is satisfied that at least one member of the Committee has sufficient recent and relevant financial experience for the Committee to discharge its functions effectively. The experience of the members of the Committee can be assessed from the Director's biographies set out on pages 56 and 57.

PricewaterhouseCoopers LLP ('PwC') has been the appointed auditor since 1996.

During the year 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 semi-annual report to shareholders;
- the policy for non-audit services which may be provided by the auditors in line with the FRC guidance;
- the extent of the non-audit services, the quality of such work and the fees;
- the independence and objectivity of the external auditors;
- the appointment of the auditors and the need to put the audit out for tender;
- the Risk Map covering the identification of new risks, adjustments to existing risks and the mitigation and controls in place to manage the 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 is fair, balanced and unstandable.

Efficacy of Audit Process

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

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

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

Consideration of the Annual Report and Financial Statements

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

Audit Committee Report continued

Significant Matters in Relation to the Financial Statements for the year ended 30 April 2015

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

Significant matter	How the issue was addressed
Valuation, existence and ownership of investments	The valuation is carried out in accordance with the accounting policy described in note 1. 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 2015 audit, which were material or significant or which should be brought to shareholders' attention.

Conclusions in Respect of the Annual Report and Financial Statements

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

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

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

Consideration of the Semi-Annual Report and Financial Statements

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

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

The Committee reviewed the non-audit work and considered that PwC was an appropriate provider as this work related to the on-going VAT reclaim, which was launched as a class action by PwC, recovery of withholding taxes on certain overseas investments and the provision of IXBRL tagging.

These non-audit services are provided by the London and Newcastle offices of PwC while the audit work is carried out by the Edinburgh office of PwC. The fees paid for the taxation advice services amounted to £4,000 (2014: £6,000).

The fees paid to PwC in respect of the audit of the annual financial statements amounted to £30,000 (2014: £30,000).

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

Appointment of Auditors and Tenure

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

PwC have provided audit services to the Group from its incorporation in 1996 to date. The Audit Committee is aware that the European Union has proposed changes which will substantially change the statutory audit of public interest enterprises which includes UK listed companies on regulated financial markets. These changes are in addition to guidance issued by the Financial Reporting Council and the findings of the UK Competition Commission.

The Audit Committee has kept this matter under review at their meetings and has concluded that as the current audit partner is required to rotate off the audit in 2017 and PwC could not continue in their role as auditors after 2020 that the audit should be put out for tender to appoint new auditors from the conclusion of the 2017 audit to align with the rotation of the current PwC audit partner. The Audit Committee will conduct the tender process during 2016.

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

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

Overview of Risk

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

The Company has a long established 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 Risk Map used by the Company to identify the principle risks facing the business and reviewed each risk as to its likelihood and impact. The Committee also robustly considered the mitigating factors and controls to reduce the impact of such risks as described on pages 51 to 53. This process which was active throughout the year and permits the Risk Map to be monitored and kept relevant to reflect changes.

As part of the year end processes the Audit Committee also undertook a review of the effectiveness of the system of internal controls taking into account any issues that had arisen during the course of the year. Representatives of the Investment Manager reported to the Committee on the internal controls operated by the Investment Manager and it also received internal control reports from other key suppliers on the quality and effectiveness of the services provided to the Company. The annual review of the Risk Map and the effectiveness of the system of internal controls, taking into account any issues was conducted by the Audit Committee assisted by the Investment Manager as part of the year end process for the preparation of the annual report. There was one breach of the controls where the Investment Manager failed to ensure the voting rights of the investments held in the portfolio were exercised which is noted on page 49. There were no other issues which arose during the course of the year ended 30 April 2015 and up to the date of this report which were considered significant.

Audit Committee Report continued

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

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

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

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 has considered the financial position of the Company, its cash flows and its liquidity position. The Committee has also considered in making its assessment any material uncertainties and events that might cast significant doubt upon the Company's ability to continue as a going concern.

The Audit Committee has considered:

- the ability of the Company to liquidate its portfolio; the level of budgeted expenses and the exposure to currency and credit risk;
- the fact that the Company faces a continuation vote at the AGM in September 2015 but notes that 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;

- the performance of the Company, its peers and competitors, and views garnered from shareholders via the Investment Manager and corporate stock broker on any dissatisfaction with the Company that might lead to a vote against the continuation resolution; and
- the factors impacting the forthcoming year as set out in the Strategic Review Section, comprising the Chairman's Statement, the Investment Manager's Report and the Strategic Report.

The financial position of the Company and its cash flows and liquidity position are described in the Strategic Report and the Financial Statements. Note 29 to the Financial Statements includes the Company's policies and process for managing its capital; its financial risk management objectives; details of financial instruments and hedging activities. Exposure to credit risk and liquidity risk are also disclosed.

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

Longer-Term Viability

The Board has also asked the Audit Committee to address the new requirement that a longer-term viability statement be provided to shareholders. This statement should take account of the Company's current position and the principle risks as set out on page 51 to 53 so that the Board may state that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment.

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

- the portfolio comprises 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% within 7 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 Audit Committee as well as considering the principle risks on pages 51 to 53 and the financial position of the Company as set out above, has also considered the following assumptions in considering the longer-term viability:

- it is reasonable to believe that the Company will pass the continue vote in September 2015, as explained above. The next continuation vote is in 2020 and it is not possible to predict the outcome of a vote so far in advance;
- technology will continue to be an investable sector of the international stock markets and that investors will still wish to have an exposure to such investments;
- closed ended investment trusts will continue to be wanted by investors;
- regulation will not increase to a level that makes the running of the Company uneconomical in comparison to other competitive products;
- the performance of the fund will continue to be satisfactory and should performance be less than the Board deem acceptable it has appropriate powers to replace the Investment Manager.

In light of these considerations the Audit Committee has recommended to the Board that a statement on the Company's longer-term prospects to continue its operations and meet its expenses and liabilities as they fall due over the next 5 years is reasonable.

David Gamble

Chairman of the Audit Committee

24 July 2015.

Directors' Remuneration Report

Introduction

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

Report by Chairman of the Remuneration Committee

As the Senior Independent Director I am Chairman of the Committee and I am supported by Sarah Bates and Peter Hames.

The Committee's role is to consider and make recommendations on the remuneration of the Directors. 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 have the opportunity to vote on Directors' pay at the AGM and an ordinary resolution to approve the Implementation Report for the year to 30 April 2015 will be put to the AGM on 9 September 2015. Directors fees have been paid in accordance with the shareholder approved Remuneration Policy.

The Articles of Association of the Company contain a provision limiting the maximum fees that may be paid to all Directors. As the Articles of Association are being updated at this year's AGM to deal with certain administrative matters required by the AIFMD it has been decided to take this opportunity to ask shareholders, by separate resolution, to approve an increase in the total fees that may be paid from the current level of £200,000 to £250,000. As shareholders can see from this year's report the total is currently £153,000 and while we have no plans to significantly increase fees the Committee carries out a regular review of fees and wishes to retain the ability to increase fees gradually over the coming years.

2015 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.

One of the recommendations made by BoardAlpha Limited in their review carried out in 2012/13 was that directors' fees are increased when appropriate by a moderate amount each year rather than being held steady for two or three years, such increases being considered against a background of financial performance, inflation and changes to the responsibilities of the Directors.

The Committee has considered this recommendation for the 2015 annual fee review and has made the following changes:

- **Chairman**
The annual fee for the Chairman has been increased from £38,750 to £39,100pa with effect from 1 May 2015.

The Committee believed that the fee for the Job should be increased more for the chairman than other directors to reflect to continual extra work being required by the Chairman in the running of the Company over and above that of the other directors.

- **Directors**
The annual fee for a Director has been increased from £25,500 to £25,750pa with effect from 1 May 2015.

The Committee considered that an increase was appropriate to reflect the continued extra burden of regulation and associated risk and work inherent in the role.

- The supplements paid to the Chairman of the Audit Committee and the Senior Independent Director are to remain unchanged at £3,000pa.

The committee considered the extra fee for carrying out the duties of the chairman of the Audit Committee and Senior Independent Director when added to the general increase were still appropriate.

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.

Remuneration Policy

The Remuneration Policy as approved by shareholders at the AGM in 2014 is given below for reference. The policy will be resubmitted for approval by shareholders at the AGM in 2017.

	Operation	Opportunity
How policy supports strategy:		
The Board consists entirely of Non-executive Directors, who meet regularly to deal with the Company's affairs.	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.	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.
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.	Rates are reviewed annually but the review will not necessarily result in any change to rates. Non-executive Directors are appointed initially for a three year term, subject to re-election by shareholders. All fees are paid in cash, monthly in arrears, to the Director concerned or to a nominated third party.	
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.

Implementation Report

Service Contracts

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

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

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

Remuneration Report for the year ended 30 April 2014

The results of the advisory shareholder vote on the Directors' Remuneration Report submitted to the 2014 Annual General Meeting was as follows:

Votes for	99.2% of votes cast
Votes against	0.6%
Votes abstained	0.2%

Directors' Remuneration Report continued

Remuneration Arrangements

In the year under review the Directors' fees were paid at the following annual rates, the Chairman £38,750; other Directors £25,500 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 2014/2015 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 2015	Year ended 30 April 2014
Michael Moule	£38,750	£38,000
Sarah Bates	£25,500	£25,000
Brian Ashford-Russell (note 1)	-	-
David Gamble (Chairman of the Audit Committee)	£28,500	£28,000
Charlotta Ginman	£6,250	-
Peter Hames	£25,500	£25,000
Rupert Montagu (SID)	£28,500	£27,000
Peter Dicks	-	£7,667
TOTAL	£153,000	£150,667

Note 1: Fee of £25,500 waived (2014: fee of £25,000 waived).

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

Directors' Share Interests (Audited)

The interests of Directors who were in office at 30 April 2015 in the ordinary shares of the Company at 30 April 2015 and 30 April 2014 or date of appointment are as follows:

Beneficial:	Ordinary Shares	
	30 April 2015	30 April 2014
Michael Moule	9,000	9,000
Brian Ashford-Russell	270,000	270,000
Sarah Bates	2,000	2,000
David Gamble	5,902	5,902
Charlotta Ginman*	-	-
Peter Hames	10,000	10,000
Rupert Montagu	15,000	15,000

*Appointed on 2 February 2015

There have been no changes in these interests between the end of the financial year and 24 July 2015.

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 24 July 2015

Rupert Montagu

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 2015. The work of the Audit committee is described on page 71 and sets out the factors on which the going concern basis for the preparation of the financial statements was considered.

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

Longer-Term Viability

The Board through the Audit Committee considered and addressed the ability of the company to continue to operate over a longer period. The work of the Audit Committee in looking at the longer-term viability is described on pages 74 and 75.

As an investment company with a liquid portfolio, the majority of which can be sold within one working day, limited expenses which are modest in relation to the asset base of the company, and no employees the Directors are of the opinion that the company can continue in operation for a further 5 year period.

Responsibility Statement under the Disclosure and Transparency Rules

The Directors of Polar Capital Technology Trust plc, who are listed on pages 56 and 57, 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 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 were approved by the Board on 24 July 2015 and the responsibility statement was 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 plc's financial statements (the 'financial statements'):

- give a true and fair view of the state of the company's affairs as at 30 April 2015 and of its net 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

Polar Capital Technology Trust plc's financial statements comprise of:

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

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

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

Our audit approach

Overview

Materiality

- Overall materiality: £7,932,000 which represents 1% of net assets.

Audit scope

- The company is a standalone Investment Trust Company and engages Polar Capital LLP (the 'Manager') to manage its assets.

- We conducted our audit of the financial statements at HSBC Securities Services ('the Administrator') to whom the Manager has, with the consent of the Directors, delegated the provision of certain administrative functions.
- We tailored the scope of our audit taking into account the types of investments within the company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the company operates.

Areas of focus

- Investment income
- Valuation and existence of investments

The scope of our audit and our areas of focus

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

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. 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.

Area of focus	How our audit addressed the area of focus
<p>Investment income Refer to page 90 (Accounting Policies) and page 95 (Notes to the Financial Statements).</p> <p>ISAs (UK & Ireland) presume there is a risk of fraud in income recognition because of the pressure management may feel to achieve capital growth in line with the objective of the company.</p> <p>We focused on 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').</p> <p>This is because incomplete or inaccurate income could have a material impact on the company's net asset value.</p>	<p>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 did not identify any misstatements through our work.</p> <p>We understood and assessed the design and implementation of key controls surrounding income recognition.</p> <p>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.</p> <p>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.</p> <p>We tested the allocation and presentation of dividend income between the income and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP. Our testing did not identify any special dividends.</p>
<p>Valuation and existence of investments Refer to page 72 (Audit Committee Report), page 92 (Accounting Policies) and page 99 (Notes to the Financial Statements).</p> <p>The investment portfolio at 30 April 2015 principally comprised listed equity investments and totalled £770 million.</p> <p>We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Balance Sheet in the financial statements.</p>	<p>We tested the valuation of the listed investments by agreeing the prices used in the valuation to independent third party sources.</p> <p>No misstatements were identified by our testing which required reporting to those charged with governance.</p> <p>We agreed the existence of investments to an independent confirmation from the Custodian, HSBC Bank plc.</p> <p>We have completed our audit procedures in this area and have no matters to report to you.</p>

How we tailored the audit scope

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

The Manager outsources certain accounting, administrative functions to the Administrator.

As part of our risk assessment, we assessed the control environment in place at both the Manager and the Administrator to the extent relevant to our audit. This assessment of the operating and accounting structure in place at both organisations involved obtaining and reading the relevant control reports issued by the independent auditor of the Manager and the Administrator in accordance with generally accepted assurance standards for such work. We then identified those key controls at the Administrator on which we could place reliance to provide audit evidence. We also assessed the gap period of 4 months between the period covered by the Administrator's controls report and the year-end of the company. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements, including whether we needed to perform additional testing in respect of those key controls to support our substantive work. For the purposes of our audit, we determined that additional testing of controls in place at the Administrator's was not required because additional substantive testing was performed.

Independent Auditors' Report to the Members of Polar Capital Technology Trust plc 2014 continued

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 and to evaluate 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	£7,932,000.
How we determined it	1% of net assets.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate and consistent year-on-year basis for our audit.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £397,000 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 80, in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the company's financial statements using the going concern basis of accounting. The going concern basis presumes that the company has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the company's ability to continue as a going concern.

Other Required Reporting

Consistency of other information

Companies Act 2006 opinion

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

ISAs (UK & Ireland) reporting

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

<ul style="list-style-type: none"> information in the Annual Report is: <ul style="list-style-type: none"> 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 arising from this responsibility.
<ul style="list-style-type: none"> the statement given by the directors on page 80, in accordance with provision C.1.1 of the UK Corporate Governance Code ('the Code'), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the company's performance, business model and strategy is materially inconsistent with our knowledge of the company acquired in the course of performing our audit. 	We have no exceptions to report arising from this responsibility.
<ul style="list-style-type: none"> the section of the Annual Report on page 71, 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 arising from this responsibility.

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 the company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Responsibilities for the Financial Statements and the Audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 80, 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.

Allan Mcgrath (Senior Statutory Auditor)

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

24 July 2015

Statement of Comprehensive Income

for the year ended 30 April 2015

	Notes	Year ended 30 April 2015			Year ended 30 April 2014		
		Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Investment income	3	6,018	-	6,018	7,161	-	7,161
Other operating income	4	5	-	5	3	-	3
Gains on investments held at fair value	5	-	191,422	191,422	-	60,662	60,662
Loss on derivative contracts	6	-	(3,263)	(3,263)	-	-	-
Other currency gains/(losses)	7	-	1,165	1,165	-	(1,657)	(1,657)
Total income		6,023	189,324	195,347	7,164	59,005	66,169
Expenses							
Investment management fee	8	(7,033)	-	(7,033)	(6,026)	-	(6,026)
Other administrative expenses	9	(739)	-	(739)	(717)	-	(717)
Total expenses		(7,772)	-	(7,772)	(6,743)	-	(6,743)
(Loss)/profit before finance costs and tax		(1,749)	189,324	187,575	421	59,005	59,426
Finance costs	10	(302)	-	(302)	(411)	-	(411)
(Loss)/profit before tax		(2,051)	189,324	187,273	10	59,005	59,015
Tax	11	(887)	-	(887)	(796)	-	(796)
Net (loss)/profit for the year and total comprehensive income		(2,938)	189,324	186,386	(786)	59,005	58,219
(Loss)/earnings per ordinary share (Basic) (pence)	12	(2.22)	143.06	140.84	(0.61)	45.78	45.17

The Total columns 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 90 to 113 form part of these financial statements.

Statements of Changes in Equity

for the year ended 30 April 2015

	Notes	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 2013		32,306	12,588	123,378	7,536	424,010	(70,973)	528,845
Total comprehensive income:								
Profit/(loss) for the year to 30 April 2014		-	-	-	-	59,005	(786)	58,219
Transactions with owners, recorded directly to equity:								
Issue of ordinary shares	19 & 21	175	-	3,121	-	-	-	3,296
Issue of ordinary shares on exercise of subscription shares	19 & 21	817	-	15,456	-	-	-	16,273
Cancellation of subscription shares	19 & 20	(214)	214	-	-	-	-	-
Total equity at 30 April 2014		33,084	12,802	141,955	7,536	483,015	(71,759)	606,633
Total comprehensive income:								
Profit/(loss) for the year to 30 April 2015		-	-	-	-	189,324	(2,938)	186,386
Total equity at 30 April 2015		33,084	12,802	141,955	7,536	672,339	(74,697)	793,019

The notes on pages 90 to 113 form part of these financial statements.

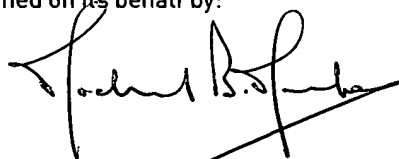
Balance Sheet

at 30 April 2015

	Notes	30 April 2015 £'000	30 April 2014 £'000
Non-current assets			
Investments held at fair value through profit or loss	13 & 14	770,353	584,799
Current assets			
Receivables	15	14,575	7,229
Overseas tax recoverable		103	96
Cash and cash equivalents	16	33,815	54,950
		48,493	62,275
Total assets		818,846	647,074
Current liabilities			
Payables	17	(12,288)	(17,668)
Bank loans	18	(13,539)	(22,773)
		(25,827)	(40,441)
Net assets		793,019	606,633
Equity attributable to equity shareholders			
Share capital	19	33,084	33,084
Capital redemption reserve	20	12,802	12,802
Share premium	21	141,955	141,955
Special non-distributable reserve	22	7,536	7,536
Capital reserves	23	672,339	483,015
Revenue reserve	24	(74,697)	(71,759)
Total equity		793,019	606,633
Net asset value per ordinary share (pence)	27	599.25	458.40

The financial statements, on pages 86 to 89, were approved and authorised for issue by the Board of Directors on 24 July 2015 and signed on its behalf by:

Michael Moule
Chairman



The notes on pages 90 to 113 form part of these financial statements.

Registered number 3224867

Cash Flow Statement

for the year ended 30 April 2015

	Notes	2015 £'000	2014 £'000
Cash flows from operating activities			
Profit before tax		187,273	59,015
Adjustment for non-cash items:			
Foreign exchange (losses)/gains		(1,165)	1,657
Adjusted profit before tax		186,108	60,672
Adjustments for:			
Increase in investments		(185,554)	(73,842)
(Increase)/decrease in receivables		(7,346)	2,653
(Decrease)/increase in payables		(5,380)	12,093
		(198,280)	(59,096)
Net cash (used in)/generated from operating activities before tax		(12,172)	1,576
Overseas tax deducted at source		(894)	(857)
Net cash (used in)/generated from operating activities		(13,066)	719
Cash flows from financing activities			
Issue of share capital		–	19,569
Loans matured		(25,634)	(6,171)
Loans drawn		13,649	11,638
Net cash (used in)/generated from financing activities		(11,985)	25,036
Net (decrease)/increase in cash and cash equivalents		(25,051)	25,755
Cash and cash equivalents at the beginning of the year		54,950	33,271
Effect of foreign exchange rate changes		3,916	(4,076)
Cash and cash equivalents at the end of the year	16	33,815	54,950

The notes on pages 90 to 113 form part of these financial statements.

Notes to the Financial Statements

for the year ended 30 April 2015

1. GENERAL INFORMATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and International Accounting Standards Committee (IASC), as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS and IFRSIC 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 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 2015 is shown in the balance sheet on page 88. As at 30 April 2015 the Company's total assets exceeded its total liabilities by a multiple of over 31. 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 46 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 is 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 continued

for the year ended 30 April 2015

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, if applicable.

(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 protection against falls in capital values of the holdings; and loan interest rate swaps, the purpose of which is to manage interest rate risk.

The Company does not use derivative contracts for speculative purposes.

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, the associated change in value is presented in the capital return column of the Statement of Comprehensive Income.

Notes to the Financial Statements continued

for the year ended 30 April 2015

2. ACCOUNTING POLICIES continued

(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 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 28.

Further analyses of expenses, investment gains or losses, profits 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.

(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 the 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 2(f). At the year end, such investments represented 0.1% of net assets.

(q) Accounting Standards

(i) Standards, amendments and interpretations becoming effective in the year to 30 April 2015:

- IAS 27 (revised), 'Separate financial statements' Requirements for consolidated financial statements moved to IFRS10.
- IAS 28 (revised), 'Associates and joint ventures' Supersedes IAS28, 'Investments in Associates'.
- IFRS 10, 'Consolidated Financial Statements' Provides additional guidance to assist in the determination of control where this is difficult to assess.
- IFRS 11, 'Joint Arrangements' Replaces IAS31, Interests in Joint Ventures.
- IFRS 12, 'Disclosure of Interests in Other Entities' Includes the disclosure requirement for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- Amendments to IFRS 10, 11, 12 – transition guidance.
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Exception from consolidation for 'investment entities'.
- Amendments to IAS 32 'Financial Instruments: Presentation' clarity on offsetting financial assets and liabilities.
- Amendments to IAS 39 'Financial Instruments: Recognition and measurement', novation of derivatives and continuation of hedge accounting.
- IFRIC 21, 'Levies'.

None of the above had any significant impact on the amounts reported in these financial statements.

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

- IFRS 9, 'Financial Instruments' (effective for financial periods beginning on or after 1 January 2018) – addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015, subject to endorsement by the EU.
- IFRS 15 Revenue from contracts with customers' (effective for annual reporting periods beginning on or after 1 January 2018).

It is not expected that the standards listed above will have a significant impact on the financial statements of the Company in future periods.

(iii) The following standards, amendments and interpretations to existing standards become effective in future accounting periods (all from 1 January 2016), but are not relevant for the Company's operations:

- IAS 1 – Disclosure Initiative.

The following amendments to Standards are all effective for annual periods beginning on or after 1 January 2016:

- IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation.

3 INVESTMENT INCOME

	Year ended 30 April 2015 £'000	Year ended 30 April 2014 £'000
Franked: Listed investments		
Dividend income	51	1,282
Unfranked: Listed investments		
Dividend income	5,967	5,879
	6,018	7,161

Notes to the Financial Statements continued
for the year ended 30 April 2015

4 OTHER OPERATING INCOME

	Year ended 30 April 2015 £'000	Year ended 30 April 2014 £'000
Bank interest	5	3

5 GAINS ON INVESTMENTS HELD AT FAIR VALUE

	Year ended 30 April 2015 £'000	Year ended 30 April 2014 £'000
Net gains on disposal of investments at historic cost	82,680	80,891
Transfer on disposal of investments	(14,385)	(39,577)
Gains based on carrying value at previous balance sheet date	68,295	41,314
Valuation gains on investments held during the year	123,127	19,348
	191,422	60,662

6 LOSS ON DERIVATIVES

	Year ended 30 April 2015 £'000	Year ended 30 April 2014 £'000
Loss on disposal of derivatives held	(3,263)	-
Transfer of previously recognised losses	-	-
Losses based on carrying value at previous balance sheet date	(3,263)	-
Loss on revaluation of derivatives held	-	-
	(3,263)	-

7 OTHER CURRENCY GAINS/(LOSSES)

	Year ended 30 April 2015 £'000	Year ended 30 April 2014 £'000
Exchange gains/(losses) on currency balances	951	(4,076)
Exchange gains on settlement of loan balances	2,965	-
Exchange (losses)/gains on translation of loan balances	(2,751)	2,419
	1,165	(1,657)

8 INVESTMENT MANAGEMENT FEE

	Year ended 30 April 2015 £'000	Year ended 30 April 2014 £'000
Investment management fee paid to Polar Capital (charged wholly to revenue return)	7,033	6,026

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 54 and 55.

9 OTHER ADMINISTRATIVE EXPENSES

	Year ended 30 April 2015 £'000	Year ended 30 April 2014 £'000
Directors' fees (including NIC)	166	166
Depository fee	73	-
Registrar fee	43	60
Custody charges	150	113
UKLA and LSE listing fees	35	27
Legal & professional fees	16	47
AIC fees	21	24
Auditors' remuneration:		
For audit of financial statements	30	30
For other services (taxation compliance services)	4	6
Directors' and officers liability insurance	9	10
AGM expenses	13	9
Corporate brokers fee	34	34
PR, website and marketing expenses	53	73
Shareholder communications	76	103
Other expenses (including Alliance Trust share plan fees)	16	15
	739	717

Auditors' remuneration for other services cover tax, VAT and Section 1158 advice provided by the Newcastle office of PricewaterhouseCoopers LLP ('PwC').

The Edinburgh office of PwC provides audit services.

Notes to the Financial Statements continued

for the year ended 30 April 2015

10 FINANCE COSTS

	Year ended 30 April 2015 £'000	Year ended 30 April 2014 £'000
Interest on loans and overdrafts	266	403
Loan arrangement fees	36	24
Fair value adjustment on interest rate swap	-	(16)
	302	411

11 TAXATION

	Year ended 30 April 2015 £'000	Year ended 30 April 2014 £'000
a) Analysis of tax charge for the year:		
Overseas tax	887	796
Total tax for the year (see note 11b)	887	796
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	187,273	59,015
Tax at the UK corporation tax rate of 20%*	3,121	-
Tax at the UK corporation tax rate of 21%*	36,051	1,033
Tax at the UK corporation tax rate of 23%	-	12,442
Tax effect of non-taxable dividends	(1,259)	(1,635)
Gains on investments that are not taxable	(39,601)	(13,473)
Unrelieved current year expenses and deficits	1,688	1,633
Expenses and finance costs not deductible for tax purposes	-	-
Overseas tax suffered	887	796
Total tax for the year (see note 11a)	887	796
c) Factors that may affect future tax charges:		
Unrelieved management expenses	20,785	19,231
Non-trading deficits	732	673
	21,517	19,904

* Under the Finance Act 2014, the rate of corporation tax was lowered to 20% from 1 April 2015.

The deferred tax asset is based on a prospective corporation tax rate of 20%, which was substantively enacted in July 2014 and will be effective from 1 April 2015.

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.

12 LOSS/EARNINGS PER ORDINARY SHARE

	Year ended 30 April 2015			Year ended 30 April 2014		
	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)	(2,938)	189,324	186,386	(786)	59,005	58,219
Weighted average ordinary shares in issue during the year	132,336,159	132,336,159	132,336,159	128,889,051	128,889,051	128,889,051
From continuing operations						
Basic – ordinary shares (pence)	(2.22)	143.06	140.84	(0.61)	45.78	45.17

As at 30 April 2015, there are no potentially dilutive shares in issue and the earnings per share therefore equate to those shown above (2014: 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 2015 £'000	Year ended 30 April 2014 £'000
Cost at 1 May	514,367	420,296
Valuation gains	70,432	90,661
Valuation at 1 May	584,799	510,957
Additions at cost	728,032	629,310
Proceeds of disposal	(733,900)	(616,130)
Gains on disposal	68,295	41,314
Valuation gains	123,127	19,348
Valuation at 30 April	770,353	584,799
Cost at 30 April	591,179	514,367
Closing fair value adjustment	179,174	70,432
Valuation at 30 April	770,353	584,799
Of which:		
Listed on a recognised Stock Exchange	770,015	584,305
Unlisted	338	494

Included in additions at cost are purchase costs of £1,067,000 (30 April 2014: £1,596,000). Included in proceeds of disposals are sales costs of £1,131,000 (30 April 2014: £1,608,000). These comprise mainly of commission.

Notes to the Financial Statements continued

for the year ended 30 April 2015

13 INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS continued

ii) Changes in derivative financial instruments

	Year ended 30 April 2015 £'000	Year ended 30 April 2014 £'000
Valuation at 1 May	-	[16]
Fair value adjustment	-	16
Additions at cost	3,473	-
Proceeds of disposal	[210]	-
Losses on disposal	[3,263]	-
Valuation at 30 April	-	-

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 92.

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 2015 £'000	Year ended 30 April 2014 £'000
Equity Investments		
Level 1	770,015	584,305
Level 2	-	-
Level 3	338	494
	770,353	584,799

	Year ended 30 April 2015 £'000	Year ended 30 April 2014 £'000
Level 3 investments at fair value through profit or loss		
Opening balance	494	1,851
Transfers from Level 1	-	15
Disposal proceeds	[370]	[229]
Total gains/(losses) included in the Statement of Comprehensive Income		
– on assets held at the year end	214	[1,143]
Closing balance	338	494

iv) Unquoted investments

The value of the unquoted investments as at 30 April 2015 was £338,000 (30 April 2014: £494,000) and the portfolio comprised of the following holdings:

	30 April 2015 £'000	30 April 2014 £'000
Herald Ventures Limited Partnership	68	275
Herald Ventures Limited Partnership II	270	219
Low Carbon Accelerator	-	-
	338	494

During the year Herald Ventures Limited Partnership distributed £370,000 (2014: £229,000)

14 SUBSIDIARY UNDERTAKING

The Company had an investment in the entire issued ordinary share capital, fully paid, in its wholly owned subsidiary undertaking, PCT Finance Limited, which was registered in England and Wales and operated in the United Kingdom as an investment dealing company.

The trading subsidiary, PCT Finance Limited was dissolved from the Companies House register on 29 October 2013.

	30 April 2015 £'000	30 April 2014 £'000
Balance brought forward	-	1,233
Revaluation of subsidiary	-	(1,233)
Balance carried forward	-	-

During the year a dividend of £nil (2014: £1,233,000) was paid to Polar Capital Technology Trust plc.

15 RECEIVABLES

	30 April 2015 £'000	30 April 2014 £'000
Sales for future settlement	14,233	6,851
Prepayments and accrued income	329	368
VAT recoverable	13	10
	14,575	7,229

The carrying values of other receivables approximate their fair value.

16 CASH AND CASH EQUIVALENTS

	30 April 2015 £'000	30 April 2014 £'000
Cash at bank	33,815	54,950

Notes to the Financial Statements continued

for the year ended 30 April 2015

17 PAYABLES

	30 April 2015 £'000	30 April 2014 £'000
Purchases for future settlement	10,165	15,793
Accruals	2,123	1,875
	12,288	17,668

The carrying values of other payables approximate their fair value.

18 BANK LOANS

	30 April 2015 £'000	30 April 2014 £'000
The Company has the following unsecured Japanese Yen and US dollar loans:		
Y1,700m at a rate of 1.21829% repayable 2 October 2015	9,244	-
\$6.6m at a rate of 1.5786% repayable 2 October 2015	4,295	-
Y2,600m at a rate of 1.30786% repayable 2 October 2014	-	15,074
\$13.0m at a rate of 1.6294% repayable 2 October 2014	-	7,699
	13,539	22,773

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.

19 SHARE CAPITAL

	30 April 2015 £'000	30 April 2014 £'000
Allotted, Called up and Fully paid:		
Ordinary shares of 25p each		
Opening balance of 132,336,159 (30 April 2014: 128,231,742)	33,084	32,058
Issue of nil ordinary shares (2014: 700,000)	-	175
Conversion of nil (2014: 3,404,417) subscription shares to ordinary shares	-	851
Allotted, called up and fully paid: 132,336,159 (30 April 2014: 132,336,159) ordinary shares of 25p	33,084	33,084
Subscription shares of 1p each:		
Opening balance of nil (30 April 2014: 24,774,460)	-	248
Conversion of nil (2014: 3,404,417) subscription shares to ordinary shares	-	[34]
Cancellation of nil (2014: 21,370,043) subscription shares	-	[214]
Closing balance of nil (30 April 2014: nil)	-	-
At 30 April 2015	33,084	33,084

20 CAPITAL REDEMPTION RESERVE

	30 April 2015 £'000	30 April 2014 £'000
As at 1 May 2014	12,802	12,588
Cancellation of nil (2014: 21,370,043) subscription shares	-	214
As at 30 April 2015	12,802	12,802

21 SHARE PREMIUM

	30 April 2015 £'000	30 April 2014 £'000
As at 1 May 2014	141,955	123,378
Issue of nil ordinary shares (2014: 700,000)	-	3,121
Conversion of nil (2014: 3,404,417) subscription shares to ordinary shares	-	15,456
As at 30 April 2015	141,955	141,955

22 SPECIAL NON-DISTRIBUTABLE RESERVE

	30 April 2015 £'000	30 April 2014 £'000
As at 1 May 2014	7,536	7,536
As at 30 April 2015	7,536	7,536

23 CAPITAL RESERVES

	Capital reserve – gains/ losses on disposal 30 April 2015 £'000	Capital reserve – revaluation 30 April 2015 £'000	Total capital reserves 30 April 2015 £'000	Capital reserve – gains/ losses on disposal 30 April 2014 £'000	Capital reserve – revaluation 30 April 2014 £'000	Total capital reserves 30 April 2014 £'000
As at 1 May	409,721	73,294	483,015	332,906	91,104	424,010
Net gains on disposal of investments	68,295	-	68,295	41,314	-	41,314
Transfer on disposal of investments	14,385	(14,385)	-	39,577	(39,577)	-
Valuation gains on investments held during the year	-	123,127	123,127	-	19,348	19,348
Net loss on derivative contracts	(3,263)	-	(3,263)	-	-	-
Exchange gains/(losses) on currency balances	951	-	951	(4,076)	-	(4,076)
Exchange gain on settlement of loan balances	2,965	-	2,965	-	-	-
Exchange (losses)/gains on translation of loan balances	-	(2,751)	(2,751)	-	2,419	2,419
As at 30 April	493,054	179,285	672,339	409,721	73,294	483,015

Notes to the Financial Statements continued

for the year ended 30 April 2015

24 REVENUE RESERVE

	30 April 2015 £'000	30 April 2014 £'000
As at 1 May	(71,759)	(70,973)
Loss for the year to 30 April	(2,938)	(786)
As at 30 April	(74,697)	(71,759)

25 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 2015 £'000	30 April 2014 £'000
Proceeds on disposal of fair value through profit or loss investments	726,518	618,839
Purchases of fair value through profit or loss investments	(733,660)	(618,779)
	(7,142)	60

26 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 2015 were £7,033,000 (2014: £6,026,000) of which £1,934,000 (2014: £1,609,000) 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 £153,000 (2014: £151,000) which comprises £153,000 (2014: £151,000) paid by the Company to the Directors.

Refer to pages 76 to 79 for the Directors' Remuneration Report.

The subsidiary, prior to its dissolution was a related party. During the year, a dividend of £nil (2014: £1,233,000) was paid by the subsidiary to the Company.

27 NET ASSET VALUE PER ORDINARY SHARE

	Net asset value per share	
	30 April 2015	30 April 2014
Undiluted:		
Net assets attributable to ordinary shareholders (£'000)	793,019	606,633
Ordinary shares in issue at end of year	132,336,159	132,336,159
Net asset value per ordinary share (pence)	599.25	458.40

As at 30 April 2015, there were no potentially dilutive shares in issue (2014: there was no dilution).

28 SEGMENTAL REPORTING

Geographical segments

Since the Company does not have external customers an analysis of the Company's investments held at 30 April 2015 by geographical segment and the related investment income earned during the year to 30 April 2015 is noted below:

	Year ended 30 April 2015		Year ended 30 April 2014	
	Value of investments £'000	Gross income £'000	Value of investments £'000	Gross income £'000
North America	560,287	4,276	416,069	3,995
Europe	59,117	375	47,404	2,054
Asia & Pacific	150,949	1,367	121,326	1,112
Total	770,353	6,018	584,799	7,161

29 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 46. 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 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.

Notes to the Financial Statements continued

for the year ended 30 April 2015

29 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS continued

(a) Market Risk

Market risk comprises three types of risk: market price risk (see note 29(a)(ii)), currency risk (see note 29(a)(iii)), and interest rate risk (see note 29(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 40 to 44. 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 no derivative instruments (30 April 2014: no derivative instruments).

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 2015 £'000	30 April 2014 £'000
Non-current asset investments at fair value through profit or loss	770,353	584,799
	770,353	584,799

An analysis of the Company's portfolio is shown on pages 38 to 40.

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 2014: 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 2015 £'000		30 April 2014 £'000	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
Revenue return	(1,156)	1,156	(877)	877
Capital return	115,553	(115,553)	87,720	(87,720)
Change to the profit after tax for the year	114,397	(114,397)	86,843	(86,843)
Change to shareholders' funds	114,397	(114,397)	86,843	(86,843)
Change to NAV per share (pence)	86.47	(86.47)	65.62	(65.62)

(iii) 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.

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 2015 £'000	30 April 2014 £'000
Monetary Assets:		
Cash and short-term receivables		
US Dollars	16,099	23,244
Euros	11,314	1,686
Taiwan Dollars	7,397	5,107
Japanese Yen	4,727	4,133
Swiss Francs	2,180	-
Swedish Kroner	834	681
Indian Rupee	34	32
Hong Kong Dollars	-	880
Korean Won	-	334
Canadian Dollars	-	8
Monetary Liabilities:		
Payables		
Korean Won	-	(1,197)
Euros	(815)	-
Japanese Yen	(1,824)	(15)
US Dollars	(7,333)	(14,606)
Bank Loans:		
US Dollars	(4,295)	(7,699)
Japanese Yen	(9,244)	(15,074)
Foreign currency exposure on net monetary items	19,074	(2,486)
Non-Monetary Items:		
Investments at fair value through profit or loss that are equities		
US Dollars	618,508	453,203
Japanese Yen	36,452	34,352
Taiwan Dollars	25,545	23,888
Korean Won	21,594	23,456
Hong Kong Dollars	19,289	8,783
Euros	19,149	22,269
Swedish Kroner	4,521	7,267
Swiss Francs	3,981	-
Canadian dollar	1,991	-
Total net foreign currency exposure	770,104	570,732

Notes to the Financial Statements continued

for the year ended 30 April 2015

29 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS continued

During the financial year sterling depreciated by 9.0% against the US Dollar (2014: appreciated by 8.5%), appreciated by 6.6% (2014: appreciated by 13.8%) against the Japanese Yen, appreciated by 12.6% (2014: appreciated by 3.2%) against the Euro, depreciated by 9.0% (2014: appreciated by 8.4%) against the Hong Kong Dollar, depreciated by 5.6% (2014: appreciated by 1.8%) against the Korean Won and depreciated by 7.7% (2014: appreciated by 11.0%) 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 2015 £'000					
	US Dollar	Euro	Yen	Hong Kong Dollar	Korean Won	Taiwan Dollar
Statement of Comprehensive Income – profit after tax						
Revenue return	402	24	25	5	24	110
Capital return	69,220	3,294	3,346	2,143	2,399	3,660
Change to the profit/loss after tax for the year	69,622	3,318	3,371	2,148	2,423	3,770
Change to shareholders' funds	69,622	3,318	3,371	2,148	2,423	3,770

	30 April 2014 £'000					
	US Dollar	Euro	Yen	Hong Kong Dollar	Korean Won	Taiwan Dollar
Statement of Comprehensive Income – profit after tax						
Revenue return	369	30	11	2	16	62
Capital return	50,460	2,662	2,600	1,074	2,510	3,222
Change to the profit/loss after tax for the year	50,829	2,692	2,611	1,076	2,526	3,284
Change to shareholders' funds	50,829	2,692	2,611	1,076	2,526	3,284

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 2015 £'000						
	US Dollar	Euro	Yen	Hong Kong Dollar	Korean Won	Taiwan Dollar
Statement of Comprehensive Income – profit after tax						
Revenue return	(329)	(20)	(21)	(4)	(19)	(90)
Capital return	(56,634)	(2,695)	(2,737)	(1,754)	(1,963)	(2,995)
Change to the profit/loss after tax for the year	(56,963)	(2,715)	(2,758)	(1,758)	(1,982)	(3,085)
Change to shareholders' funds	(56,963)	(2,715)	(2,758)	(1,758)	(1,982)	(3,085)

30 April 2014 £'000						
	US Dollar	Euro	Yen	Hong Kong Dollar	Korean Won	Taiwan Dollar
Statement of Comprehensive Income – profit after tax						
Revenue return	(302)	(25)	(11)	(2)	(13)	(52)
Capital return	(41,286)	(2,178)	(2,127)	(878)	(2,054)	(2,636)
Change to the profit/loss after tax for the year	(41,588)	(2,203)	(2,138)	(880)	(2,067)	(2,688)
Change to shareholders' funds	(41,588)	(2,203)	(2,138)	(880)	(2,067)	(2,688)

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.

Notes to the Financial Statements *continued*

for the year ended 30 April 2015

29 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS *continued*

(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 re-set;
- fixed interest rates (i.e. giving fair value interest rate risk) – when the financial instrument is due for repayment.

	30 April 2015			30 April 2014		
	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:						
Cash and Cash equivalents	33,815	–	33,815	54,950	–	54,950
Exposure to fixed interest rates:						
Bank loan	(13,539)	–	(13,539)	(22,773)	–	(22,773)
Total exposure to interest rates	20,276	–	20,276	32,177	–	32,177

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 2015 £'000	30 April 2014 £'000
Statement of Comprehensive Income – profit after tax		
Revenue return	51	80
Capital return	–	–
Change to the profit/loss after tax for the year	51	80
Change to shareholders' funds	51	80

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.

(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 18 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 2015 £'000	30 April 2014 £'000
Due within 1 month:		
Balances due to brokers	10,165	15,793
Accruals	2,109	1,850
Due after 3 months and within 1 year:		
Bank loan	13,631	22,938

Notes to the Financial Statements continued

for the year ended 30 April 2015

29 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS continued

(c) Credit Risk

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

Management of the risk

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

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

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

Credit risk exposure

The maximum exposure to credit risk at 30 April 2015 was £48,344,000 (30 April 2014: £62,154,000) comprising:

	30 April 2015 £'000	30 April 2014 £'000
Balances due from brokers	14,233	6,851
Accrued income	296	353
Cash at bank	33,815	54,950
	48,344	62,154

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 18.

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 46.

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 (i.e. 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.

Portfolio at 30 April 2015

North America

		Value of holding		% of net assets	
	Classification	30 April 2015 £'000	30 April 2014 £'000	30 April 2015 %	30 April 2014 %
Apple	Computers & Peripherals	84,441	46,722	10.6	7.7
Google	Internet Software & Services	56,041	47,813	7.0	7.9
Facebook	Internet Software & Services	30,914	22,543	3.9	3.7
Microsoft	Software	24,991	27,875	3.2	4.6
Cisco	Communications Equipment	21,230	10,128	2.7	1.7
Amazon.com	Internet & Catalog Retail	17,289	10,764	2.2	1.8
Oracle	Software	15,634	11,555	1.9	1.9
Intel	Semiconductors & Semiconductor Equipment	14,609	13,015	1.8	2.1
Salesforce.com	Software	11,074	7,101	1.3	1.2
Red Hat	Software	9,674	-	1.2	-
LinkedIn	Internet Software & Services	8,846	2,450	1.1	0.4
Western Digital	Computers & Peripherals	8,318	7,974	1.0	1.3
Visa	IT Services	7,613	2,381	0.9	0.4
Lam Research	Semiconductors & Semiconductor Equipment	7,409	2,714	0.9	0.4
F5 Networks	Communications Equipment	7,298	4,768	0.9	0.8
Texas Instruments	Semiconductors & Semiconductor Equipment	7,160	8,069	0.9	1.3
Palo Alto Networks	Communications Equipment	6,928	2,259	0.9	0.4
Qualcomm	Communications Equipment	6,861	13,153	0.9	2.2
Akamai Technologies	Internet Software & Services	6,849	1,074	0.9	0.2
TripAdvisor	Internet & Catalog Retail	6,828	2,984	0.9	0.5
VMware	Software	6,773	5,648	0.9	0.9
Illumina	Life Sciences Tools & Services	6,770	2,297	0.9	0.4
Splunk	Software	6,736	6,535	0.8	1.1
Nimble Storage	Computers & Peripherals	6,229	2,137	0.8	0.4
Twitter	Internet Software & Services	6,076	-	0.8	-
Mastercard	IT Services	6,059	3,627	0.8	0.6
Micron Technology	Semiconductors & Semiconductor Equipment	6,053	6,077	0.8	1.0
Verint Systems	Software	5,887	-	0.7	-
Netsuite	Software	5,671	-	0.7	-
Cavium	Semiconductors & Semiconductor Equipment	5,399	2,631	0.7	0.4
Medidata Solutions	Health Care Technology	5,262	-	0.7	-
Adobe	Software	5,153	4,556	0.6	0.8
Workday	Software	4,871	-	0.6	-

		Value of holding		% of net assets	
	Classification	30 April 2015 £'000	30 April 2014 £'000	30 April 2015 %	30 April 2014 %
Proofpoint	Software	4,779	2,494	0.6	0.4
Fortinet	Software	4,651	-	0.6	-
LogMeIn	Internet Software & Services	4,522	1,670	0.6	0.3
Demandware	Internet Software & Services	4,435	3,109	0.6	0.5
Integrated Device Technology	Semiconductors & Semiconductor Equipment	4,415	-	0.6	-
IAC Interactive	Internet Software & Services	4,397	-	0.6	-
Synaptics	Semiconductors & Semiconductor Equipment	4,314	4,438	0.5	0.7
Intuit	Software	4,131	3,453	0.5	0.6
Athenahealth	Health Care Technology	4,062	2,098	0.5	0.3
Harman International	Household Durables	3,945	1,636	0.5	0.3
Silicon Labs	Semiconductors & Semiconductor Equipment	3,845	-	0.5	-
Cognex	Electronic Equipment, Instruments & Components	3,809	-	0.5	-
eBay	Internet Software & Services	3,544	2,321	0.4	0.4
Cvent	Internet Software & Services	3,356	-	0.4	-
Autodesk	Software	3,268	-	0.4	-
Zendesk	Software	3,265	-	0.4	-
Callidus Software	Software	3,071	1,222	0.4	0.2
Applied Materials	Semiconductors & Semiconductor Equipment	3,052	4,998	0.4	0.8
Electronic Arts	Software	3,049	-	0.4	-
Analog Devices	Semiconductors & Semiconductor Equipment	3,041	-	0.4	-
Priceline.com	Internet & Catalog Retail	2,901	922	0.4	0.2
Tableau Software	Software	2,878	-	0.4	-
Arista Networks	Communications Equipment	2,767	-	0.3	-
Varonis Systems	Software	2,764	-	0.3	-
Ruckus Wireless	Communications Equipment	2,743	-	0.3	-
J2 Global	Internet & Catalog Retail	2,649	-	0.3	-
Plantronics	Communications Equipment	2,566	-	0.3	-
Vasco Data Security	Software	2,300	-	0.3	-
Integrated Silicon Solutions	Semiconductors & Semiconductor Equipment	2,214	-	0.3	-
Activision	Software	2,210	-	0.3	-
Taser International	Aerospace & Defense	2,198	865	0.3	0.1
Altera	Semiconductors & Semiconductor Equipment	2,089	-	0.3	-

Portfolio at 30 April 2015

North America continued

		Value of holding		% of net assets	
	Classification	30 April 2015 £'000	30 April 2014 £'000	30 April 2015 %	30 April 2014 %
RingCentral	Wireless Telecommunication Services	2,001	–	0.3	–
Avigilon	Electronic Equipment, Instruments & Components	1,991	–	0.3	–
Sunpower	Semiconductors & Semiconductor Equipment	1,971	1,527	0.2	0.3
Universal Display	Electronic Equipment, Instruments & Components	1,892	–	0.2	–
Tesla Motors	Automobiles	1,722	–	0.2	–
Mobileye	Software	1,665	–	0.2	–
Cerner	Health Care Technology	1,313	1,062	0.2	0.2
Yelp	Internet Software & Services	1,299	3,379	0.2	0.6
Proto Labs	Machinery	723	2,708	0.1	0.4
Ultimate Software	Software	634	3,978	0.1	0.7
Model N	Software	545	–	0.1	–
Marin Software	Internet Software & Services	354	1,068	–	0.2
Cermetek Microelectronics	Other	1	–	–	–
Total North American investments		560,287		70.6	

Portfolio at 30 April 2015

Europe

		Value of holding		% of net assets	
		30 April 2015 £'000	30 April 2014 £'000	30 April 2015 %	30 April 2014 %
	Classification				
ARM Holdings	Semiconductors & Semiconductor Equipment	10,152	3,745	1.3	0.6
SAP	Software	9,278	9,071	1.2	1.5
NXP Semiconductors	Semiconductors & Semiconductor Equipment	8,570	4,899	1.1	0.8
Herald Investment Trust	Other	5,436	-	0.7	-
Ingenico	Electronic Equipment, Instruments & Components	5,293	2,755	0.7	0.5
AMS	Semiconductors & Semiconductor Equipment	3,981	-	0.5	-
ASML	Semiconductors & Semiconductor Equipment	3,835	4,533	0.5	0.7
Criteo	Internet Software & Services	3,152	-	0.4	-
Arcam	Machinery	2,819	2,344	0.4	0.4
Ericsson	Communications Equipment	1,702	4,923	0.2	0.8
Telit Communications	Communications Equipment	1,584	2,022	0.2	0.3
Materialise	Software	1,064	-	0.1	-
Iomart	Internet Software & Services	800	-	0.1	-
Alcatel-Lucent	Communications Equipment	742	-	0.1	-
IQE	Semiconductors & Semiconductor Equipment	371	-	-	-
Herald Ventures Limited Partnership	Other	68	275	-	-
Herald Ventures Limited Partnership II	Other	270	219	-	-
Low Carbon Accelerator (in liquidation)	Other	-	-	-	-
Total European investments		59,117		7.5	

Portfolio at 30 April 2015

Asia & Pacific

		Value of holding		% of net assets	
		30 April 2015 £'000	30 April 2014 £'000	30 April 2015 %	30 April 2014 %
Classification					
Tencent Holdings	Internet Software & Services	19,289	8,783	2.4	1.4
Samsung Electronics	Semiconductors & Semiconductor Equipment	14,882	15,462	1.9	2.5
Baidu	Internet Software & Services	12,456	8,249	1.6	1.4
Taiwan Semiconductor	Semiconductors & Semiconductor Equipment	11,988	8,997	1.5	1.5
Alibaba	Internet Software & Services	9,166	-	1.2	-
Check Point Software Technology	Software	6,721	4,582	0.8	0.8
Radware	Communications Equipment	6,163	4,460	0.8	0.7
SK Hynix	Semiconductors & Semiconductor Equipment	5,804	6,053	0.7	1.0
Keyence	Electronic Equipment, Instruments & Components	5,520	3,717	0.7	0.6
Nintendo	Software	5,279	-	0.7	-
Harmonic Drive Systems	Machinery	5,093	2,600	0.6	0.4
Disco Corporation	Semiconductors & Semiconductor Equipment	4,041	2,729	0.5	0.5
Mediatek	Semiconductors & Semiconductor Equipment	3,238	6,521	0.4	1.1
Allot Communications	Software	3,206	3,797	0.4	0.6
Himax Technologies	Semiconductors & Semiconductor Equipment	3,116	2,110	0.4	0.3
Silicon Motion Technology	Semiconductors & Semiconductor Equipment	3,056	-	0.4	-
Next	Media	2,874	3,669	0.4	0.6
Rakuten	Internet & Catalog Retail	2,870	-	0.4	-
Omron	Electronic Equipment, Instruments & Components	2,569	2,045	0.3	0.3
TDK	Electronic Equipment, Instruments & Components	2,528	-	0.3	-
Sohu.com	Internet Software & Services	2,429	-	0.3	-
Nitto Denko	Chemicals	2,168	-	0.3	-
Catcher Technology	Computer & Peripherals	2,041	-	0.3	-
Toyko Electron	Semiconductors & Semiconductor Equipment	1,785	-	0.2	-
Advanced Semiconductor	Semiconductors & Semiconductor Equipment	1,758	1,014	0.2	0.2
Hirose Electric	Electronic Equipment, Instruments & Components	1,726	3,957	0.2	0.7
Ememory Technology	Semiconductors & Semiconductor Equipment	1,614	-	0.2	-
Ardentec	Semiconductors & Semiconductor Equipment	1,602	-	0.2	-
Gigabyte	Computer & Peripherals	1,314	-	0.2	-
Quanta Computer	Computer & Peripherals	1,207	3,540	0.2	0.6
Sina	Internet Software & Services	1,113	903	0.1	0.1
Naver	Internet Software & Services	907	1,941	0.1	0.3
Silicon Precision Industries	Semiconductors & Semiconductor Equipment	783	2,317	0.1	0.4
Seeing Machines	Electronic Equipment, Instruments & Components	643	-	0.1	-
Unus Technologies	Communications Equipment	-	-	-	-
Total Asian investments		150,949		19.1	

Contacts

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
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Registered Number

Incorporated in England and Wales with company
number 3224867 and registered as an investment
company under section 833 of the Companies Act 2006

Company Website

www.polarcapitaltechnologytrust.co.uk

The Company maintains a website which provides a
wide range of information on the Company, monthly fact
sheets, and copies of announcements and other useful
details and further links to information sources.

Registrar

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

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

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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.

Other Information

Disability Act

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

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

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

Nominee Shareholder Code

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

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

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 Wealth Management Association at www.thewma.co.uk

Financial Advisers

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

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

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

Online Stockbroking Services

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

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 6 to 55 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

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 than 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	<i>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.</i>
Total Net Assets	The value of the Company's assets, principally investments made in other companies and cash being held, minus any liabilities.

Computing terminology

4G LTE	An initialism of Long-term Evolution. 4G LTE is a fourth generation wireless communication standard and successor to the current 3G standard.
Android	A Linux-based operating system for mobile devices developed by the Open Handset Alliance, led by Google.
Cloud Computing	The delivery of computing and storage capacity as a service to a heterogeneous community of end-recipients. A Private Cloud is operated solely for a single organisation whether managed internally or by a third-party and hosted internally or externally while a Public Cloud is the purest form of Cloud computing based on multi-tenancy and Internet delivery.
Datacentre	A centralised repository for the storage, management and dissemination of data and information.
eCommerce	Electronic commerce, known as e-commerce, is the buying and selling of products or services over electronic systems such as the Internet.
Hadoop	An open source software framework enabling applications to work with thousands of independent computers and massive data sets.
iOS	Apple's operating system used in its iPhone/iPad ranges.
Software as a service (SaaS)	Software delivery model where software and associated data is centrally hosted on the Cloud and accessed by users via a web browser. Sometimes referred to as 'on-demand software'.
Virtualisation	The creation of a virtual (rather than actual) version of something which involves the abstraction of software from underlying hardware resources.

Computer data storage capacity

Bit	The basic capacity of information in computing with only two possible values (often interpreted as binary digits and denoted as numerical digits 0 and 1).	
Byte	A unit of digital information equivalent to eight bits.	
Kilobit/KiloByte	Kb/KB	Equivalent to 1000 bits or Bytes.
Megabit/MegaByte	Mb/MB	Equivalent to one million (10 ⁶) bits or Bytes.
Gigabit/GigaByte	Gb/GB	Equivalent to one thousand million Bytes (10 ⁹) or 1000 gigabits (Gb).
Terabit/TeraByte	Tb/TB	Equivalent to one trillion (10 ¹²) bits or Bytes.
Petabit/PetaByte	Pb/PB	Equivalent to one quadrillion (10 ¹⁵) bits or Bytes.
Zettabit/ZettaByte	Zb/ZB	Equivalent to one sextillion (10 ²¹) bits or Bytes.

This list of computing terms has been compiled from public sources with acknowledgement and thanks to Wikipedia.

Alternative Investment Fund Management Directive Disclosures

Statement by Depositary

The Directors

Polar Capital Technology Trust Plc

Statement of the Depositary's Responsibilities in Respect of the Trust and Report of the Depositary to the Shareholders of Polar Capital Technology Trust plc ('the Company') for the Period Ended 30 April 2015

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

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

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

The Depositary must ensure that:

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

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

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

HSBC Bank Plc
24 July 2015

Statement by Alternative Investment Manager

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

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

The periodic disclosures to investors are:

- Information about the investment strategy, geographic and sector investment focus and principal stock exposures of the AIF.
These are included within the Strategic Report which includes the portfolio of all positions at 30 April 2015.
- Notification of any of the AIF's assets that are subject to special arrangements arising from their illiquid nature:
There are no assets of this nature.
- Risk disclosures about the profile and risk management processes in place:
These are set out in the Strategic Report and in Note 29 to the Financial Statements. There have been no changes to the risk management processes in the period under review and there have been no breaches to the risk limits set. No breaches are anticipated.
- Liquidity management:
There are no new arrangements for the management of liquidity of the AIF or any material changes to the liquidity management systems and procedures employed by the AIFM.

- **Remuneration disclosures:**

During the AIFM's financial year between 1 April 2013 and 31 March 2014, the proportion of the total remuneration paid by the AIFM to its staff attributable to the AIF was £2,640,000. Within such figure, the proportion of the fixed remuneration of the AIFM's staff attributable to the AIF was £599,000 and the proportion of the variable remuneration of the AIFM's staff attributable to the AIF was £2,041,000. No performance fee was paid to staff by the AIF during the financial year.

During the financial year, the aggregate amount of remuneration paid to the senior management of the AIFM was £3,182,000 and the aggregate amount of remuneration paid to members of staff, including senior management, whose actions had a material impact on the risk profile of the AIF was £8,145,000. For the purposes of identifying the members of the AIFM's staff whose actions had a material impact on the risk profile of the AIF, the AIFM has conducted an assessment that it believes to be consistent with certain guidance published by the European Securities and Markets Authority (ESMA/2013/201).

- **Leverage disclosure:**

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

- **Depositary Disclosure:**

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

Leverage

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

net asset value. The difference between the two methods is the commitment method which nets off derivative instruments and the gross method which aggregates them.

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

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

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

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

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

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

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

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

	As a percentage of net assets	
	Gross Method	Commitment Method
Maximum Leverage Limit	200%	200%
Actual Leverage Level 30 April 2015	97.15%	97.15%

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

B K Tomlinson
Polar Capital LLP

Chief Legal and Compliance Officer
24 July 2015

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