POLAR CAPITAL

Polar Capital Global Financials Trust plc

Report and Financial Statements for the year ended 30 November 2016

Year ended

2016

About Us

Investment Objective

The Company's investment objective is to generate for investors a growing dividend income together with capital appreciation.

Investment Policy

The Company seeks to achieve its objective by investing primarily in a global portfolio consisting of listed or quoted securities issued by companies in the financial sector operating in the banking, insurance, property and other sub-sectors. The portfolio is diversified by factors including geography, industry sub-sector and stock market capitalisation.

Full details of the investment policy are set out in the Strategic Report.

Benchmark

The Company's Benchmark for the period to 31 August 2016 was the MSCI World Financials Index (in Sterling with dividends re-invested). On 1 September the constituents of the MSCI World Financials Index changed to exclude real estate, therefore from this date the Company has adopted a revised benchmark. MSCI has provided an index of the MSCI World Financials Index with Real Estate added back, the MSCI World Financials + RE Index (in Sterling with dividends reinvested). This Index has been adopted for the period 1st September 2016 to the end of the financial year and will be adopted for future periods.

This change is covered in further detail in the Chairman's Report.

Capital Structure

As at 30 November 2016, the Company had 172,175,000 ordinary shares in issue. During the year, the Company bought back 1,525,000 ordinary shares. It did not buy back any subscription shares during the year. Further details are set out in the Directors' Report.

The subscription shares give the holders the right but not the obligation to subscribe for one ordinary share at 115p per ordinary share on 31 July 2017, after which date the subscription rights will lapse.

Life of the Company

The Articles of Association require the Directors to put forward at the seventh Annual General Meeting a resolution to place the Company into liquidation. The voting on that resolution will be enhanced such that, provided any single vote is cast in favour, the resolution will be passed. The seventh AGM is expected to be held in April 2020, but in any event, no later than 31 May 2020.

Gearing and Use of Derivatives

In line with the Articles of Association, the Company may employ borrowing from time to time with the aim of enhancing returns, subject to a maximum of 15% of net assets at the time the relevant borrowing is taken out. At the beginning of the year, the Company had an arrangement with ING Bank NV for one year bank loans totalling £20m, of which £10m had been drawn down. In July 2016, the Company entered into a replacement arrangement with ING Bank NV for a one year revolving credit facility in the amount of £10m, and a one year term loan also for £10m. At the year end, £17.5m had been drawn down under these facilities.

The Company may invest through equities, index-linked, equity-linked and other debt securities, cash deposits, money market instruments, foreign currency exchange transactions, forward transactions, index options and other interests including derivative instruments. Forward transactions, derivatives (including put and call options on individual positions and indices) and participation notes may be used to gain exposure to the securities of companies falling within the Company's investment policy or to seek to generate income from the Company's position in such securities, as well as for efficient portfolio management. Any use of derivatives for investment purposes is made on the same principles of risk spreading and diversification that apply to the Company's direct investments. At the year end, the Company held a contract for difference representing 1.4% of its net assets.

Management

The Investment Manager and AIFM is Polar Capital LLP and Mr Nick Brind and Mr John Yakas have managed the portfolio since launch.

The Investment Manager and AIFM is entitled to a fee at the rate of 0.85% per annum of the lower of the Company's market capitalisation and the Company's net asset value. 80% of the management fee is charged to the capital account and the remaining 20% to income.

The Investment Manager may also be entitled to a performance fee paid in cash. The fee is equal to 10% of the excess return over the performance fee hurdle. The hurdle is 100p increased or decreased by reference to the return on the Benchmark* plus 1.25p per annum. The performance is adjusted to take into account dividends paid by the Company. The fee is calculated and payable on the liquidation of the Company. Further details are given in the Strategic Report.

* Changes to the Benchmark which occured during the last year are described in the Chairman's Statement on page 3 and the Benchmark paragraph above.

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Financial Highlights

For the year ended 30 November 2016

Performance (Sterling total return)	For the year ended 30 November 2016 %	Since Inception %
Net asset value per ordinary share (undiluted) (note 1)	22.2	46.5
Ordinary share price (note 2)	21.4	33.4

	For the year ended 30 November 2016 %	Since Inception %
Benchmark (note 3)	24.5	47.8
Other Indices and peer group		
MSCI World	24.1	54.2
S&P 500	30.0	78.2
Eurostoxx 600	10.3	28.2
FTSE All Share	9.8	24.6
Lipper Financial Sector (note 4)	17.2	25.2

Financials

	30 November 2016	30 November 2015	% Change
Net assets per ordinary share (note 5)			
Undiluted	132.0p	111.5p	+18.4
Diluted	129.4p	111.5p	+16.1
Share price			
Ordinary shares	121.8p	104.0p	+17.2
Subscription shares (note 6)	8.6p	5.01p	+71.0
Shares in issue			
Ordinary shares	172,175,000	173,700,000	(0.9)
Subscription shares	30,600,000	30,600,000	–

Expenses

Ongoing Charges (note 7)	1.02%	1.06%	n/a

Dividends

The Company has paid the following dividends relating to the financial year ended 30 November 2016:

Pay Date	Amount per ordinary share	Record Date	Ex-Date	Declared date
25 August 2016	1.95p	05 August 2016	04 August 2016	08 July 2016
28 February 2017	1.60p	10 February 2017	09 February 2017	02 February 2017

Note 1 The total return NAV performance for the year is calculated by reinvesting the dividends in the assets of the Company from the relevant ex dividend date. Performance since inception has been calculated from the initial NAV of 98p to 30 November 2016. Dividends are deemed to be reinvested on the ex-dividend date as this is the protocol used by the Company's benchmark and other indices.

Note 2 The total return share price performance is calculated by reinvesting the dividends in the shares of the Company from the relevant ex-dividend date. Performance since inception has been calculated using the launch price of 100p and the closing price on 30 November 2016.

Note 3 The Benchmark was the MSCI World Financials Index to 31 August 2016, and the MSCI World Financials Index + Real Estate, for the period 1 September to 30 November 2016. See 'About Us' and the Chairman's Statement for further information.

Note 4 The Lipper Financial Sector comprises 62 open ended funds.

Note 5 There is a difference between the diluted and undiluted net asset values when the subscription share conversion price is lower than the NAV per share.

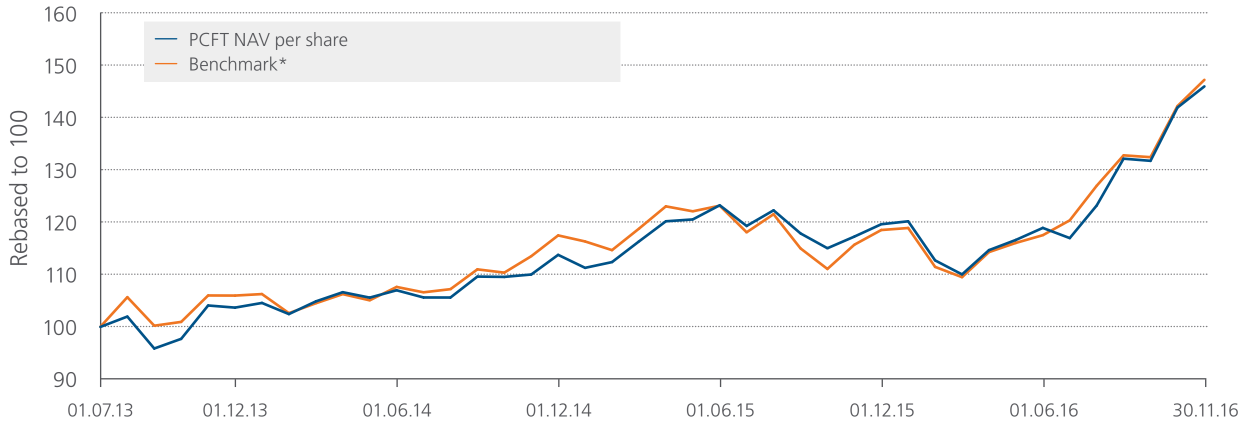
Note 6 Subscription shares were issued to investors on 1 July 2013 on the basis of one subscription share for every five ordinary shares.

Note 7 Ongoing charges represents the total expenses of the Company, excluding finance costs, expressed as a percentage of the average daily net asset value, calculated in accordance with AIC guidance issued in May 2012.

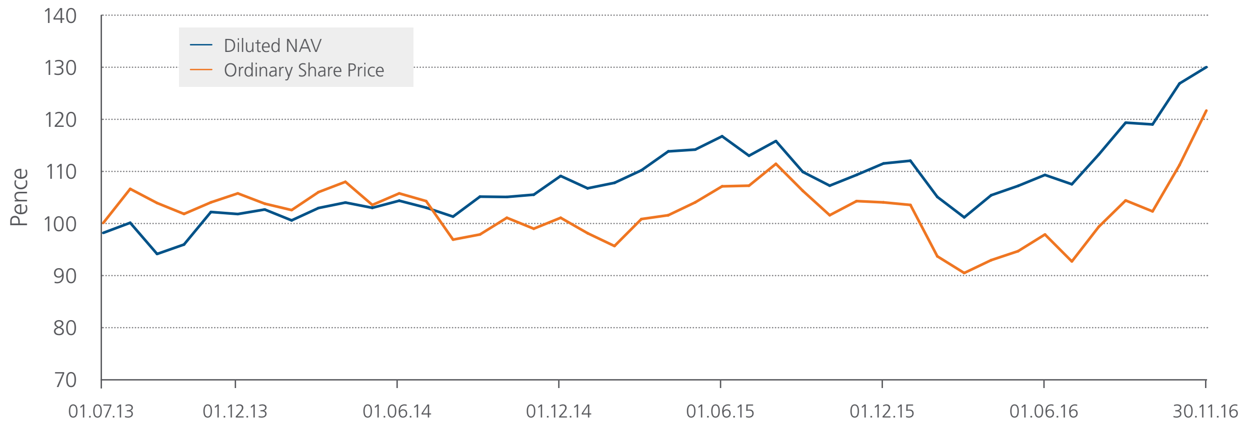
Data sourced by HSBC Securities Services Limited, Polar Capital LLP and Lipper.

Performance

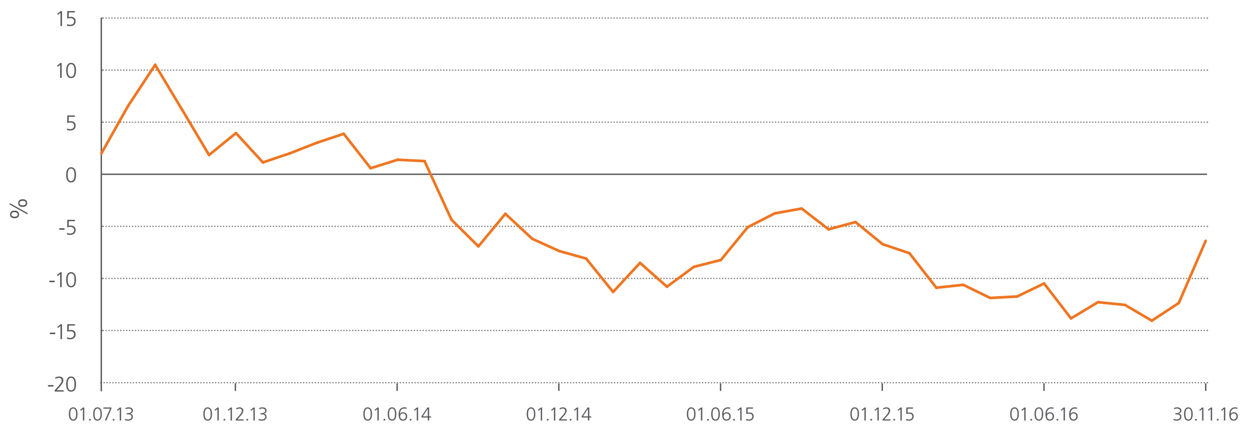
Performance Since Launch



Share Price/Diluted NAV



Premium/Discount



Source: Polar Capital.

* See note 3 on page 1 for a definition of the Benchmark.

Chairman's Statement

Robert Kyprianou

Dear Shareholders

On behalf of the Board I submit the Company's Annual Report for the year to 30 November 2016, the Company's third full financial year. I am pleased to report strong investment performance in absolute terms and relative to peers, a significant narrowing of the Company's share price discount as the year closed, and a growth in income that will allow the Company to raise its total dividend for the year in accordance with the Company's objectives as laid out in the Prospectus.

Benchmark

At launch, the Company employed the MSCI World Financials Index as a benchmark for the management of the portfolio. The investment manager selects and weights stocks based on its views of what will bring the greatest value to the portfolio from a broad universe of financial stocks. In this context the role of the benchmark is to represent the performance of a broad universe of financial stocks so as to provide a reference for assessing the investment manager's performance. In addition, as laid out in the Prospectus, the benchmark is used to provide an incentive to enhance investment performance through a performance fee when investment performance exceeds the return of the benchmark plus a hurdle rate of 1.25% p.a.

At the end of August 2016 MSCI made a significant change to the structure of the MSCI World Financials Index by removing real estate from the universe of stocks comprising the index. At that time, real estate accounted for 18.3% of the MSCI World Financials Index. It is within the Company's investment policy to invest in real estate via REITs and it has, since inception, maintained exposure to this sector as part of its investment portfolio and may continue to do so. The Board believes that continuing to use the revised MSCI World Financials Index with real estate excluded would not only complicate the continuity of performance analysis, but would not provide a broad reference for performance measurement as intended at the time of launch. The Board therefore asked MSCI to provide calculations for the MSCI World Financials Index with real estate added back ('MSCI World Financials + RE') from the end of August 2016, in order to effectively restore performance analysis by the Company to its original position.

Calculations of the benchmark return for historical periods will be based on the return of the MSCI World Financials Index as defined up to the 31st August 2016 and the return of the MSCI World Financial Index + RE from the 1st September 2016.

The provision of returns data for the MSCI World Financials Index + RE will incur a small additional cost for the Company. However, the Board believes that this is merited in order to provide shareholders with continuity and quality in the measurement of the Company's performance.

Performance

This was a year of two halves. Unloved and unwanted, financials were the worst performing sector in the first half of the year. This was reflected in the Company's absolute performance and in a widening of the Company's share price discount to Net Asset Value (NAV) into the low-mid teens during the summer. Although it is difficult to identify a specific catalyst for the turnaround, my interim statement pointed to the growing divergence between the deteriorating sentiment towards financials and the underlying fundamentals which, on balance, were turning more favourable. Eventually, valuations on a relative and absolute basis became too attractive for the market to ignore. The second half of the Company's financial year saw sentiment towards the sector recover as reflected in a narrowing in the Company's share price discount to NAV to under 8% by the close of the financial year.

Chairman's Statement continued

In the year under review, the Company's NAV rose by 22.2% and its share price by 21.4% based on total return. Relative to peers our Manager continues to perform well. However, during the year under review, investment performance lagged the Company's benchmark. This index's total return during the year was 24.5%.

The Manager continued to add value during the year through stock picking. Consistent with its investment process, the Manager does not hedge currency exposure should its stock allocation create deviations from the benchmark's currency exposure. During the year, the portfolio currency exposure was a drag on performance, especially following the decline in sterling after the Brexit referendum. The Manager intends to maintain this approach to currency hedging as it believes that currency movements over the long-term are likely to have a limited impact on relative performance against a benchmark. The Manager's report contains more information on performance.

Share Capital

The Company started the year with 173,700,000 ordinary shares in issue. The poor sentiment towards the sector drove the Company's share price to a significant discount to its NAV. In the interests of shareholders the Board has given authority to the Investment Manager to buy back shares where appropriate. This resulted in the purchase of 1,525,000 ordinary shares during the financial year at an average discount to NAV of 12.49%. These purchases have been accretive to existing shareholders as all shares purchased have been cancelled. Following these purchases the number of ordinary shares outstanding at the end of the financial year was 172,175,000.

The Company does not pursue a formal discount control mechanism. The Board monitors market conditions and determines any appropriate action. The Board has reconfirmed its authority to the Manager to use its discretion to purchase further shares, if deemed necessary, in order to try to maintain a stable market in the Company's shares in the best interests of shareholders.

Subscription shares were issued free to investors on 1 July 2013 on the basis of one subscription share for every five ordinary shares. The exercise price for conversion of the subscription shares is 115p and the exercise date is 31 July 2017. The number of subscription shares remained unchanged over the year at 30,600,000. The fully diluted net assets per ordinary share at the financial year end was 129.4p.

Costs

The Board places a high priority on controlling the Company's expenses. At launch we estimated an Ongoing Charges ratio of 1.27% of net assets. In the initial, partial financial year we achieved a ratio of 1.16%, falling to 1.09% in the first full financial year and to 1.06% during the following financial year. I am pleased to report that, despite the fall in the number of ordinary shares outstanding following share buy backs, the Ongoing Charges ratio fell once again in the latest financial year to 1.02% of the Company's net assets.

The Board will continue to monitor services closely to ensure quality and value for money. How the Ongoing Charges ratio develops from here will in part depend on whether the Company buys back more ordinary shares, and on the number of subscription shares converted to ordinary shares in 2017.

Dividends

The Company aims to pursue a policy of dividend growth, although there is no guarantee that this can be achieved. The Board monitors, with the help of the Manager, the prospects for dividends from its equity holdings, interest income from cash and fixed income securities, and the potential to earn additional revenue from writing options. In its first full financial year the Company paid a total dividend of 3.1p per ordinary share as targeted at the time of the Company's launch. In the following year the Company was able to raise the dividend paid to 3.23p per ordinary share. I am pleased to announce that the Company is able to raise the total dividend pay-out once again this year.

In August 2016, the Company paid an interim dividend of 1.95p per ordinary share for the financial year under review. The Board has approved a further dividend of 1.60p per ordinary share payable to shareholders on the register as at 9 February 2017. This will bring the total dividend paid for the financial year under review to 3.55p per ordinary share, an increase of 9.9% on the previous financial year.

Outlook

The start of the current financial year has a different feel from that of a year ago. Equity markets are performing well generally and sentiment towards the financial sector is more constructive. Following the outcome of referenda and elections in 2016 and with a further round of key elections scheduled in Europe in 2017, the political and policy environment is particularly uncertain. However, the macro background provides some reasons to be positive for financials. The rise of populism and economic nationalism in the developed West could provide the backdrop for a reversal in the generational low in bond yields which should support bank profitability. At the short end of the curve, quantitative easing by monetary authorities globally may have passed its peak. This promises at least a floor to negative short term interest rates, with rises likely in some countries, in particular in the US, where the upward trajectory is already underway. There are encouraging signs that regulators and policy makers are acknowledging concerns over the impact of seemingly never ending encroachment of regulation, taxation and fines.

At the micro level, the great strides taken by financial institutions to strengthen their operational efficiency since the crisis are clearly being reflected in results. Digitilisation, modernisation and consolidation remain powerful forces that will drive further cost savings and operational leverage.

Challenges remain. Eight years after the financial crisis bank recapitalisations are still making headlines. The current focus is on the troubles in Italian banks which will test Europe's banking authorities and central bankers. How they respond could have broader implications for the European Union – specifically the role the private sector versus the public sector plays in troubled bank recapitalisations, and whether Europe will adopt a common approach to pending bank failures or whether there will be different solutions for different jurisdictions. Answers to these questions have significance for Europe that go way beyond the pace and form of the recovery of its banks.

Overall such challenges are to be welcomed as they form part of the ongoing process, now very advanced, of healing financial institutions in the West. This underpins the ongoing recovery in balance sheets and profitability. The Board is confident that the breadth and depth of the global financials universe presents a highly diversified and extensive sector in which the Manager can continue to deploy its stock picking skills for the benefit of shareholders, and that the sector remains attractive in both relative and absolute terms.

Annual General Meeting

The Company's fourth Annual General Meeting will be held at noon on 26 April 2017 at the offices of Polar Capital Partners, 16 Palace Street, London W1E 5JD. This will give shareholders an opportunity to hear directly from our Manager and to meet the Board. My fellow Directors and I look forward to meeting you there and discussing the performance of your Company. We very much value your support and feedback.

Robert Kyprianou

9 March 2017

Investment Manager's Report
For the year to 30 November 2016

Nick Brind and John Yakas

Performance

The twelve month period covered by this report turned out to be a surprisingly good one for financial shares and therefore the Trust's portfolio. This was despite the results from the UK referendum, the US election and concerns about the health of the Italian banking system and Italian referendum, the latter which took place at the beginning of December. As a result financial shares marginally outperformed underlying equity markets.

The MSCI World Index rose by 24.1% over the year, led by US equities, while European and Japanese markets did not perform anywhere near as well, the former actually falling over the period. Sterling weakness was a significant positive contributor to these returns. Financial shares as illustrated by our Benchmark index* rose by 24.5%, recovering sharply from having been the worst performing sector over the first half. Against this background the Trust's net asset value rose by 22.2%.

The performance of the Trust is disappointing in relative terms reflecting an underweight position versus the US (which represents approximately 50.0% of the benchmark index), and a number of our European smaller companies not performing well. The income requirement of the Trust means that the portfolio has always been underweight the US due to the lower payout ratios of US financials relative to, for example, UK and European financials.

Performance was also impacted by a conscious decision since launch not to hedge currency risk where it deviates from the benchmark. While over the long-term this is not expected to have any material impact on relative performance, over the short term it has, following the sharp fall in sterling against other major currencies, albeit sterling weakness has resulted in a significant boost to absolute returns.

However, against our peer group of funds, performance is better. The Trust's net asset value total return of 22.2% over the last year was better than the Lipper Financial Sector average performance of 17.2%. Similarly, looking at the performance of the Trust since launch, the Trust's net asset value total return of 46.5%, while underperforming our Benchmark* return of 47.8%, has outperformed both the MSCI ACWI Financials + Real Estate Index return of 43.7%, and the Lipper Financial Sector average return of 25.2%.

Investment Review

Financials had a dreadful start to the year with bank shares in particular suffering sharp falls. This was led by a combination of factors. In particular, weaker economic data at the beginning of the year in the US, concern about the banking sector's exposure to the energy sector, a sell-off in AT1 securities (or contingent convertibles as they are also known) and finally negative interest rates. Worries about Italian banks' non-performing loans, smaller UK banks' buy-to-let loan exposure, the upcoming EU referendum in the UK and a sharp sell-off in the Chinese stockmarket at the beginning of the year also undermined sentiment.

Note: Performance figures are total return in Sterling, while individual companies are in their local currency.

* See note 3 on page 1 for a definition of the Benchmark.

Weaker economic data at the beginning of the year in the US pushed back expectations for higher interest rates and was a key driver for a sell-off in US bank shares. Alongside the fall in the oil price, shares of banks with higher exposure to the energy sector or economies exposed to the oil sector suffered sharp falls in their share prices. At the time guidance from banks suggested loan losses could peak at around 20% of the value of energy loans, not dissimilar to previous losses in the 1980s when the oil price suffered similar falls. But the impact for the vast majority of banks was expected to be immaterial, reflecting the fact that their exposure to the energy sector was very low. With the recovery in the oil price, concerns abated very quickly.

There was also a sharp sell-off in credit markets in January and February 2016 driven by weakness in the prices of AT1 securities. The catalyst for the sell-off was a shift in regulatory guidance with respect to the minimum capital a bank needed before being allowed to pay coupons on these debt instruments. The fall in AT1 securities exacerbated the sell-off in banking shares. But with the banking sector being significantly better capitalised than it was during the Eurozone crisis, let alone pre-financial crisis, and carrying significantly higher levels of liquidity, the sell-off was relatively short-lived.

Concern about Italian banks' exposure to non-performing loans resulted in Italian banks suffering sharp falls in their share prices and was an overhang for the majority of the year. Retail investors' exposure to the Italian banking sector through holdings in retail bonds was seen as a bar to banks being bailed-in and the upcoming referendum vote further undermined sentiment towards the sector, preventing a quick resolution. The Trust has exposure to Intesa Sanpaolo and Banca Sistema, both of which suffered sharp falls in their share prices, despite being well capitalised.

Nevertheless, during the period the biggest impact on sentiment and share prices of banks, in particular European and Japanese banks, was concern about low or negative interest rates and the impact it has on banks' net interest margins and therefore their profitability. The fear that central banks would cut rates further or the likelihood of being in a period of low interest rates for an extended period of time with the consequent pressure on profitability of banks continued to undermine sentiment towards the sector.

Against this background, the decision by the UK to leave the EU and subsequent uncertainty following the resignation of David Cameron as Prime Minister led to further falls in equity markets and financials in particular. Sterling fell sharply relative to other currencies. The view taken at the time by financial markets was that at a minimum this would lead to lower growth in the UK as well as Europe in the short-term. However, crucially it led to a sharp fall in expectations for interest rates, so-called 'lower for longer' and bond yields fell further.

The collapse in sentiment towards the sector at the end of June was the catalyst for a sustained rally over the following months driven by a combination of factors. Expectations had fallen too far and little news was needed for bond yields and share prices to recover. Economic data, even in the UK, remained positive while bank results were reassuring. Furthermore, stress tests for European banks and the CCAR (Comprehensive Capital Analysis and Review) for US banks showed that banks were, with a few notable exceptions in Europe, in relatively rude health.

The other major shift was increasing calls for fiscal stimulus, in particular infrastructure spending, to take up the heavy lifting for demand from monetary policy. Increasing criticism of negative interest rate policies emerged, including from some central bankers who disagreed with the policy and highlighted the negative consequences it had on banks' profitability, their share prices and therefore their propensity to lend to the real economy. Expectations that the US would raise rates for only the second time in ten years and the European Central Bank was likely to reduce its bond buying at some point helped lift bond yields and consequently share prices of financials, in particular banks.

A rotation that had started in July out of defensive sectors, such as consumer staples into financials and other sectors seen as beneficiaries of rising interest rates and/or stronger growth was given a sharp jolt from the result of the US election. US banks jumped sharply over the space of a few days and to a lesser extent other banking sectors also benefited, albeit European banks were held back by concern over the consequences of a no vote in the Italian referendum. Emerging markets, which had been weak in preceding months, sold off further as did REITs.

Investment Manager's Report continued

For the year to 30 November 2016

A number of changes were made to the investment portfolio over the period under review, the majority of which were helpful to performance. We took advantage of the sell-off in January and February to add to some of the Trust's holdings in smaller US and European banks utilising a further drawdown of debt from the facility with ING Bank. These included adding to holdings in Aldermore Group, Banca Sistema and Pacific Premier Bancorp while purchasing a new holding in SVB Financial Group, which is based in California.

We also took advantage of the sell-off in high yield markets in December 2015 and the beginning of 2016 to add to a number of the Trust's Business Development Company holdings, such as Ares Capital and Pennant Park Floating Rate Capital, all of which we believed had suffered unjustifiable falls in share prices. In the first half we reduced our exposure to some of the larger European bank holdings in favour of increasing exposure to US banks, adding to holdings in Bank of America and JPMorgan Chase, selling or reducing holdings in BNP Paribas, DNB and Credit Suisse Group.

To reduce our exposure to Italy we sold our holding in Azimut and reduced our holding in Intesa Sanpaolo. We also reduced our exposure to REITs, namely Fortune REIT and Frasers Commercial Trust, as bond yields backed up, thus making them look less attractive. New holdings were purchased in BOC Hong Kong, Commonwealth Bank of Australia, Keycorp, Mastercard and Meta Financial Group, the latter a bank based in South Dakota. Post the US election we also added to the holding in First Republic Bank and bought a new holding in HDFC Bank, which had fallen along with other Indian financials following India's demonetisation exercise.

Outlook

The US Federal Reserve, as expected, raised interest rates in December 2016 while the European Central Bank announced that it will reduce the size of its bond purchases later in 2017. Against this background financials stocks have continued to outperform underlying equity markets since our financial year end. Looking forward there are a number of key reasons the improved sentiment towards the sector could be sustained.

While the underlying macroeconomic trends for the US were positive prior to the US election, the outcome has the potential for some significant ramifications. Firstly, expectations for an increase in fiscal spending will lead to higher US interest rates, all things being equal. As a result interest rate expectations have risen and may well rise further which is very helpful for net interest margins and therefore profitability of banks but similarly for other financial stocks as well. A steeper yield curve means higher earnings for financial companies as they reinvest their holdings of fixed-income securities on maturity at higher yields.

Secondly, the potential to reduce some of the regulatory burden that the sector faces should increase the ability of banks to return capital to shareholders and bear down on costs. There is cross-party support for easing restrictions on smaller banks but whether there is sufficient support to repeal parts of the Dodd-Frank bill, which brought in a significant portion of new regulation on the sector post the financial crisis, is very uncertain.

Finally, the proposed reduction in federal tax rates would have a very beneficial impact on earnings for US financials, being largely domestic businesses, although for some banks it would initially be offset by a reduction in deferred tax assets. Lower taxes for consumers and businesses are also helpful at the margin for reducing concerns about loan losses as it raises cash flows for meeting interest payments on loans.

In Europe, elections in Germany and France in 2017 have the potential to upset sentiment, but perhaps less than some fear with the favoured candidate in France seen as pro-business. More importantly in Italy, depending on the outcome of a long overdue recapitalisation of some of the country's weaker banks, there is a risk of further significant volatility in financial markets, but should it be resolved it will be a significant boost to sentiment. The UK is expected to invoke Article 50 and commence negotiations over its exit from the EU and with expectations remaining very low it would take little for UK financials to react positively.

A stronger US dollar and higher interest rates have historically been unhelpful for emerging markets. Our largest emerging market exposure is to India and the recent demonetisation experiment, namely withdrawal of certain bank notes, has had a significant impact and resulted in a correction in the share prices of Indian financials. Despite the expected slowdown we still see it as having some of the best longer-term growth stories in the sector and have used the opportunity to add to our exposures, albeit expecting some turbulence in the coming months.

On the regulatory front the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, was due to meet and announce final proposals on capital requirements for the banking sector in January. Leaks had suggested that they would be more onerous than expected with those banks that have significant exposure to the mortgage market most susceptible to higher capital requirements albeit with a very long lead time before being implemented.

This is at odds with statements from UK and European regulators who have consistently stated that there would be no material increase in capital requirements. The market appeared to take the view that most of any increase would be offset by a reduction in other capital requirements where national regulators have discretion, they would be diluted down further or at an extreme some countries would walk away from implementing them.

At the beginning of January, a press release was put out by Basel Committee saying the meeting had been postponed as the proposals had yet to be finalised and needed more work in calibrating before a final review. To what extent this was due to significant lobbying rumoured to be from France and Germany, amongst others, or otherwise it is seen as positive news for the sector. The next meeting is due later this month.

Regulation remains a significant risk for the sector. For example, in Poland in December the Ministry of Justice announced an interest rate cap well below where it was previously and in the UK, the Financial Conduct Authority has announced new limits with respect to spread betting. However, it is likely that regulation will become less of a headwind over the next few years. Not only in the US is there agreement to lighten the burden on the banking sector but in the UK the Bank of England has reduced capital requirements for UK banks post the referendum result, and has been lobbying to reduce the burden on smaller banks that are at a regulatory disadvantage to larger banks.

The investment portfolio is focused on the more strongly capitalised banks and other financials which offer attractive and growing dividends. We believe this approach has delivered and will continue to deliver attractive risk-adjusted returns and exhibit lower levels of volatility than the sector. While the portfolio is underweight the US, for reasons explained on the previous page, it is also underweight for example, Canada and Japan. Conversely there are larger positions in both Europe and Asia (ex-Japan). The Trust also has a not insignificant exposure to small and mid-cap companies (please see page 12).

With economic data being supportive and as long as it continues to be we remain positive on the outlook as it is one of the few sectors that is a beneficiary of rising interest rates and/or bond yields. While valuations are no longer as historically cheap as they were in the summer, the sector still trades at a large discount to the underlying market, and recent experience suggests that this is not a bar to further outperformance.

Nick Brind & John Yakas

9 March 2017

Note: We would draw shareholders' attention to http://www.polarcapitalglobalfinancialstrust.co.uk/ for regular monthly portfolio updates and commentary.

Portfolio
As at 30 November 2016

			Sector	Geographical Exposure	Market Value 2016 £'000	Market Value 2015 £'000	% of total net assets 2016 £'000	% of total net assets 2015 £'000
1	(1)	JP Morgan Chase	Banks	North America	10,042	6,435	4.4%	3.3%
2	(2)	Wells Fargo	Banks	North America	7,835	5,769	3.4%	3.0%
3	(3)	ING Groep	Banks	Europe	7,757	5,448	3.4%	2.8%
4	(11)	Bank Of America	Banks	North America	7,276	4,229	3.2%	2.2%
5	(4)	Chubb	Insurance	Europe	7,166	5,341	3.2%	2.8%
6	(9)	BNP Paribas	Banks	Europe	5,800	4,340	2.6%	2.2%
7	(28)	Swedbank	Banks	Europe	5,619	3,031	2.5%	1.6%
8	(10)	Citigroup	Banks	North America	5,418	4,312	2.4%	2.2%
9	(12)	PNC Financial Services	Banks	North America	5,291	4,047	2.3%	2.1%
10	(23)	Marsh & McLennan	Insurance	North America	4,993	3,306	2.2%	1.7%
Top 10 investments					67,197		29.6%	
11	(18)	First Republic Bank	Banks	North America	4,970	3,431	2.2%	1.8%
12	(61)	Synchrony Financial	Diversified Financials	North America	4,841	1,545	2.1%	0.8%
13	(8)	Sampo	Insurance	Europe	4,730	4,402	2.1%	2.3%
14	(19)	Toronto-Dominion Bank	Banks	North America	4,730	3,397	2.1%	1.8%
15	(35)	KBC Groep	Banks	Europe	4,600	2,718	2.0%	1.4%
16	(16)	US Bancorp	Banks	North America	4,368	3,498	1.9%	1.8%
17	(31)	Ares Capital*	Diversified Financials	North America	4,234	2,868	1.9%	1.5%
18	(30)	Solar Capital	Diversified Financials	North America	4,129	2,987	1.8%	1.5%
19		Commonwealth Bank of Australia	Banks	Asia (ex-Japan)	4,037	–	1.8%	–
20	(17)	Discover Financial Services	Diversified Financials	North America	3,932	3,488	1.7%	1.8%
Top 20 investments					111,768		49.2%	
21	(21)	Fortune REIT	Real Estate	Asia (ex-Japan)	3,752	3,343	1.6%	1.7%
22	(6)	Sumitomo Mitsui Financial	Banks	Japan	3,690	4,682	1.6%	2.4%
23	(20)	AXA	Insurance	Europe	3,537	3,370	1.6%	1.7%
24	(25)	ABN Amro Group	Banks	Europe	3,512	3,158	1.5%	1.6%
25	(36)	Frasers Centrepoint Trust	Real Estate	Asia (ex-Japan)	3,364	2,700	1.5%	1.4%
26		Meta Financial Group	Banks	North America	3,152	–	1.4%	–
27	(13)	Direct Line Insurance	Insurance	United Kingdom	3,125	4,047	1.4%	2.1%
28	(32)	Blackstone	Diversified Financials	North America	3,099	2,819	1.4%	1.5%
29	(42)	E Sun Financial	Banks	Asia (ex-Japan)	3,076	2,434	1.3%	1.3%
30	(5)	Societe Generale	Banks	Europe	3,028	5,056	1.3%	2.6%
Top 30 investments					145,103		63.8%	
31	(62)	Skandiabanken	Banks	Europe	2,977	1,525	1.3%	0.8%
32	(27)	Novae Group	Insurance	United Kingdom	2,933	3,116	1.3%	1.6%
33		Mastercard	Software & Services	North America	2,903	–	1.3%	–
34	(26)	Oversea-Chinese Banking	Banks	Asia (ex-Japan)	2,892	3,123	1.3%	1.6%
35	(37)	Allianz	Insurance	Europe	2,888	2,671	1.3%	1.4%
36		SVB Financial	Banks	North America	2,871	–	1.3%	–
37		BOC Hong Kong	Banks	Asia (ex-Japan)	2,842	–	1.2%	–
38	(39)	Pacific Premier Bancorp	Banks	North America	2,838	2,643	1.2%	1.4%
39	(41)	Atom Bank (unquoted)	Banks	United Kingdom	2,774	2,454	1.2%	1.3%
40	(44)	Arrow Global Group	Diversified Financials	United Kingdom	2,689	2,364	1.2%	1.2%
Top 40 investments					173,710		76.4%	
41	(45)	East West Bancorp	Banks	North America	2,683	2,333	1.2%	1.2%
42		Keycorp	Banks	North America	2,634	–	1.2%	–
43		HDFC Bank	Banks	Asia (ex-Japan)	2,622	–	1.2%	–
44	(29)	Shawbrook	Banks	United Kingdom	2,621	3,025	1.2%	1.6%

					Market Value		% of total net assets	
			Sector	Geographical Exposure	2016 £'000	2015 £'000	2016 £'000	2015 £'000
45	(7)	OneSavings Bank	Banks	United Kingdom	2,583	4,451	1.1%	2.3%
46	(65)	TBC Bank	Banks	United Kingdom	2,530	1,164	1.1%	0.6%
47	(40)	HSBC Holdings	Banks	Asia (ex-Japan)	2,520	2,569	1.1%	1.3%
48	(56)	Mapletree Comercial	Real Estate	Asia (ex-Japan)	2,426	1,832	1.1%	0.9%
49	(70)	Yes Bank	Banks	Asia (ex-Japan)	2,375	919	1.0%	0.4%
50	(15)	UBS Group	Banks	Europe	2,349	3,510	1.0%	1.8%
Top 50 investments					199,053		87.6%	
51	(43)	VPC Specialty Lending Investments	Fixed Income	Fixed Income	2,343	2,387	1.0%	1.2%
52		Pennant Park Floating Rate Capital	Diversified Financials	North America	2,215	–	1.0%	–
53	(34)	Main Street Capital	Diversified Financials	North America	2,184	2,793	1.0%	1.4%
54	(50)	Lloyds Bank 13% Bond	Fixed Income	Fixed Income	2,087	2,080	0.9%	1.1%
55	(51)	Nationwide Building Society 10.25% Bond	Fixed Income	Fixed Income	2,077	2,057	0.9%	1.1%
56		Tisco Financial Group	Banks	Asia (ex-Japan)	2,001	–	0.9%	–
57	(54)	Lloyds Banking Group	Banks	United Kingdom	1,968	1,918	0.9%	1.0%
58	(38)	P2P Global Investments	Fixed Income	Fixed Income	1,964	2,650	0.9%	1.4%
59	(55)	City of London Investment Group	Diversified Financials	United Kingdom	1,948	1,869	0.8%	1.0%
60		Virgin Money	Banks	United Kingdom	1,922	–	0.8%	–
Top 60 investments					219,762		96.7%	
61	(63)	Indiabulls Housing Finance LEPO 21/05/19	Banks	Asia (ex-Japan)	1,892	1,454	0.8%	0.8%
62	(33)	Banca Sistema	Banks	Europe	1,794	2,813	0.8%	1.5%
63	(64)	International Personal Finance 5.75% Bond	Fixed Income	Fixed Income	1,725	1,288	0.8%	0.7%
64	(58)	Phoenix Life 7.25% Bond	Fixed Income	Fixed Income	1,716	1,784	0.7%	0.9%
65	(47)	Aldermore	Banks	United Kingdom	1,621	2,136	0.7%	1.1%
66	(66)	Cielo	Diversified Financials	Latin America	1,619	1,142	0.7%	0.6%
67	(59)	Barclays Bank 14% Bond	Fixed Income	Fixed Income	1,612	1,717	0.7%	0.8%
68	(68)	Sparebank SMN	Banks	Europe	1,555	1,054	0.7%	0.5%
69	(22)	Intesa Sanpaolo	Banks	Europe	1,390	3,323	0.6%	1.7%
70		Aldermore Group Plc 8.5% Bond	Fixed Income	Fixed Income	1,355	–	0.6%	–
Top 70 investments					236,041		103.8%	
71		International Personal Finance 6.125% Bond	Fixed Income	Fixed Income	1,300	–	0.6%	–
72	(69)	Friends Life 8.25% Bond	Fixed Income	Fixed Income	1,056	1,033	0.5%	0.5%
73	(60)	Frasers Commercial Trust	Real Estate	Asia (ex-Japan)	1,039	1,636	0.4%	0.8%
74		Pension Insurance Corp 6.5% Bond	Fixed Income	Fixed Income	936	–	0.4%	–
75		Indiabulls Housing Finance	Banks	Asia (ex-Japan)	886	–	0.4%	–
76	(67)	Old Mutual 8% Bond	Fixed Income	Fixed Income	837	1,093	0.4%	0.6%
77	(72)	Investec Bank 9.625% Bond	Fixed Income	Fixed Income	476	488	0.2%	0.3%
Total investments					242,571		106.7%	
Net liabilities					(15,283)		(6.7%)	
Total assets					227,288		100.0%	

* The investment in Ares Capital is a combination of shares with a value of £1,026,000 and a contract for difference with a value of £3,208,000. See note 13(b) for further detail.

Note: Figures in brackets denote comparative rankings as at 30 November 2015.

Portfolio continued
As at 30 November 2016

Geographical Exposure*	30 November 2016	30 November 2015
North America	42.6%	32.0%
Europe	25.9%	32.6%
Asia (ex-Japan)	15.6%	11.7%
United Kingdom	11.7%	13.2%
Fixed Income	8.6%	9.8%
Japan	1.6%	2.4%
Latin America	0.7%	0.6%
Eastern Europe	–	1.5%
Middle East and Africa	–	–
Other net liabilities	(6.7%)	(3.8%)
Total	100.0%	100.0%

Sector Exposure*	30 November 2016	30 November 2015
Banks	65.5%	61.0%
Diversified Financials	13.6%	14.2%
Insurance	13.1%	13.6%
Fixed Income	8.6%	9.8%
Real Estate	4.6%	5.2%
Software & Services	1.3%	–
Other net liabilities	(6.7%)	(3.8%)
Total	100.0%	100.0%

Market Cap*	30 November 2016	30 November 2015
Large (>US$5bn)	74.1%	67.3%
Medium (US$0.5bn - US$5bn)	22.0%	28.2%
Small (<US$0.5bn)	3.9%	4.5%
Total	100.0%	100.0%

* Based on the net assets as at 30 November 2016 of £227.3m (2015: £193.7m).

Strategic Report

The Strategic Report Section of this Annual Report comprises the Chairman's Statement, the Investment Manager's Report, including information on the portfolio and this Strategic Report. It has been prepared solely to provide information to shareholders on the Company's strategies and potential for those strategies to succeed, including a fair review of the strategy and performance of the Company during the year ended 30 November 2016, including a description of the principal risks and uncertainties. The Strategic Report 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 statements.

Business Model and Regulatory Arrangements

The Company's business model follows that of an externally managed investment trust, and its investment objective is set out below. Its shares are listed on the London Stock Exchange.

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

Both the AIFM and the Depositary have responsibilities to ensure that the assets of the Company are managed in accordance with the investment policy and are held in safe custody. The Board remains responsible for setting the investment strategy and operational guidelines as well as meeting the requirements of the applicable UK and European legislation, including the Listing Rules of the Financial Conduct Authority, and the Companies Act.

Statements from the AIFM and the Depositary can be found on pages 81 to 84.

The Company seeks to manage its portfolio in such a way as to meet the tests set down in Sections 1158 and 1159 of the Companies 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 have all been delegated to third parties.

Future Developments

The Articles of Association require the Directors to put forward, at the Annual General Meeting of the Company in 2020, a resolution to place the Company into liquidation. The voting on that resolution will be enhanced such that, provided any single vote is cast in favour, the resolution will be passed. The Board remains positive on the longer-term outlook for the global financials sector and the Company will continue to pursue its investment objective in accordance with the stated investment policy and strategy. 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 as well as the regulatory environment. The Chairman's Statement and the Investment Manager's Report comment on the business and the outlook and threats.

The Board

As the day to day management of the Company is outsourced to service providers, the Board focuses at each meeting on performance, including the outlook, strategy and management of the service providers and the risks inherent in the various matters reviewed.

Strategic Report continued

Service Providers

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

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

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

Investment Objective and Policy

Objective

The Company's investment objective is to generate a growing dividend income together with capital appreciation by investing in a global portfolio of financials stocks.

Policy

The Company seeks to achieve its objective by investing primarily in a global portfolio consisting of listed or quoted securities issued by companies in the financials sector operating in banking, insurance, property and other sub-sectors.

The portfolio is diversified by geography, industry sub-sector and stock market capitalisation.

The Company may have a small exposure to unlisted and unquoted companies, but in the aggregate, this is not expected to exceed 10% of total assets at the time of investment.

The Company will not invest more than 10% of total assets, at the time of investment, in other listed closed-ended investment companies and no single investment will normally account for more than 10% of the portfolio at the time of investment.

The Company may employ levels of borrowing from time to time with the aim of enhancing returns, subject to an overall maximum of 15% of net assets at the time the relevant borrowing is taken out. Actual levels of borrowing may change from time to time based on the Investment Manager's assessment of risk and reward.

The Company may invest through equities, index-linked and other debt securities, cash deposits, money market instruments, foreign currency exchange transactions, forward transactions, index options and other instruments including derivatives. Forward transactions, derivatives (including put and call options on individual positions or indices) and participation notes may be used to gain exposure to the securities of companies falling within the Company's investment policy or to seek to generate income from the Company's position in such securities, as well as for efficient portfolio management. Any use of derivatives for investment purposes is made on the basis of the same principles of risk spreading and diversification that apply to the Company's direct investments. The Company may hedge exposure to foreign currencies if considered appropriate for efficient portfolio management.

Benchmark

As explained in the Chairman's Statement on page 3; and in note 3 on page 1, the Company compares the Investment Manager's performance against a revised version of the MSCI World Financials Index, total return, in Sterling with dividends reinvested ('the Benchmark'). This is used to measure the performance of the Company, which does not seek to replicate the index in constructing its portfolio. The portfolio may, therefore, diverge substantially from the constituents of this Index. Although the Company has a Benchmark, this is neither a target nor an ideal investment strategy. The purpose of the Benchmark is to set a reasonable return for shareholders above which the Investment Manager is entitled to a share of the extra performance it has delivered.

Performance and Key Performance Objectives

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

KPI	Control process	Outcome
The provision of investment returns to shareholders measured by long-term NAV total return relative to the Benchmark Index and a comparator group.	The Board reviews at each meeting the performance of the portfolio and considers the views of the Investment Manager. The Board also receives monthly reports on performance.	The Company's undiluted NAV total return, over the year ended 30 November 2016, was 22.2% while the Benchmark Index over the same period increased by 24.5%. The underperformance is explained in the Investment Manager's Report.
The achievement of the dividend policy.	Financial forecasts are reviewed to track income and distributions at each meeting.	A total of two interim dividends amounting to 3.55p per ordinary share have been paid in respect of the financial year ended 30 November 2016.
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 reducing volatility for shareholders.	The Board receives regular information on the composition of the share register including trading patterns and discount/ premium levels of the Company's ordinary shares. The Board discusses and authorises the issue or buy back of shares when appropriate. A daily NAV per share, diluted when appropriate, calculated in accordance with the AIC guidelines is issued to the London Stock Exchange.	The discount of the ordinary share price to the NAV per ordinary share over the year ended 30 November 2016 traded at a maximum discount of 16.03%, reached on 8 July 2016. In the year ended 30 November 2016, the Company bought back 1,525,000 ordinary shares. All the shares bought back were cancelled.
Meeting the requirements of Sections 1158 and 1159 of the Corporation Tax Act 2010.	The Board receives regular financial information which discloses the current and projected financial position of the Company against each of the tests set out in Sections 1158 and 1159.	Investment trust status has been granted to the Company subject to the Company continuing to satisfy the conditions of Sections 1158 and 1159 of the Corporation Tax Act 2010. The Directors believe that the conditions have been met in respect of the year ended 30 November 2016 and they believe that the Company will continue to meet the requirements.
Monitoring and managing Ongoing Charges.	The Board receives regular financial information which discloses expenses against budget.	Ongoing Charges for the year ended 30 November 2016 were at the rate of 1.02% (year ended 30 November 2015: 1.06%).

Strategic Report continued

Principal Risks and Uncertainties

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

The Board maintains a Risk Map which seeks to identify and allocate risks to four main risk categories: Business, Portfolio Management, Infrastructure and External. The Risk Map details each identified risk and any factors, both internal and external, which could provide mitigation, as well as outlining the reporting structure which monitors and mitigates, as far as practicable, such risks. During the year, the Board considered, both before and after the event, the market uncertainty specifically arising from the result of the UK referendum to leave the European Union.

Principal Business Risks and Uncertainties	Management of risks through Mitigation & Controls
Business	
Failure to achieve investment objective, investment performance below agreed benchmark objective or market/industry average. Loss of portfolio manager or other key staff. Persistent excessive share price discount to NAV.	The Board seeks to mitigate the impact of such risks through regular reporting and monitoring of the investment performance against a comparator group of open-ended funds, benchmark and other agreed indicators of relative performance. For months when the Board is not scheduled to meet, it receives a monthly report containing financial information on the Company including gearing and cash balances. Performance and strategy are reviewed throughout the year at regular Board meetings where the Board can challenge the Investment Manager. The Board also receives a monthly commentary from the Investment Manager in the form of factsheets for all the financials funds managed by Polar Capital. The Board is committed to a clear communication programme to ensure shareholders understand the investment strategy. This is maintained through the use of monthly factsheets which have a market commentary from the Investment Manager as well as portfolio data, an informative and relevant website as well as annual and half year reports. The Management Engagement Committee considers the suitability of the Investment Manager on the basis of performance and other services provided. Key personnel are incentivised by equity participation in the management company. In consultation with its advisors, including the corporate stock broker, the Board regularly considers the level of premium and discount of the share price to the NAV and the Board reviews ways to enhance shareholder value including share issuance and buy backs. Having a fixed life with a wind-up date in 2020 should help to limit discount volatility.

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 financials and thus the portfolio is more sensitive to investor sentiment and the commercial acceptance of the sector than a general investment portfolio. As the Company's assets comprise mainly listed equities the portfolio is exposed to risks such as market price, credit, liquidity, foreign currency and interest rates. The portfolio is actively managed. The Investment Managers' style focuses primarily on the investment opportunity of individual stocks and, accordingly, may not follow the makeup of the benchmark. This may result in returns which are not in line with the benchmark. The degree of risk which the Investment Manager incurs in order to generate the investment returns and the effect of gearing on the portfolio by borrowed funds can magnify the portfolio returns per share positively or negatively.	The Board has set appropriate investment guidelines and monitors the position of the portfolio against such guidelines which includes guidelines on exposures to certain investment markets and sectors. The Board discusses with the Investment Manager at each Board meeting its views on the sector. At each Board meeting the composition and diversification of the portfolio by geographies, sectors and capitalisations are considered along with sales and purchases of investments. Individual investments are discussed with the Investment Manager as well as the Investment Manager's general views on the various investment markets and the financials sector in particular. Analytical performance data and attribution analysis is presented by the Investment Manager. The policies for managing the risks posed by exposure to market prices, interest rates, foreign currency exchange rates, credit and liquidity are set out in note 26 to the financial statements. Investors have sight of the entire portfolio and geographic exposure to investments.
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 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 has been agreed by the Board. The deployment of borrowed funds (if any) is based on the Investment Manager's assessment of risk and reward.
Ability to fund the dividend as income is less than expected as a result of the currency exposure underlying the portfolio. Level of dividend lower than intended or previously paid.	The Board monitors exposure through monthly management accounts and discussion. The Manager has ability to hedge if thought appropriate.

Strategic Report continued

Principal Risks and Uncertainties continued

Principal Business Risks and Uncertainties	Management of risks through Mitigation & Controls
Infrastructure	
There are risks from the failure of, or disruption to, operational and accounting systems and processes provided by the Investment Manager including any subcontractors to which the Investment Manager has delegated a task as well as directly appointed suppliers. The mis-valuation of investments or the loss of assets from the custodian or sub custodians which could affect the NAV per share or lead to a loss of shareholder value. There is taxation risk that the Company may fail to continue as an investment trust and suffer Capital Gains tax or fail to recover as fully as possible withholding taxes on overseas investments. The legal and regulatory risks include failure to comply with the FCA's Prospectus Rules, Listing Rules and Transparency and Disclosure Rules; not meeting the provisions of the Companies Act 2006 and other UK, European and overseas legislation affecting UK companies and not complying with accounting standards. Further risks arise from not keeping abreast of changes in legislation and regulations which have in recent years been substantial.	At each Board meeting there is an administration report which provides details on general corporate matters including legislative and regulatory developments and changes. There is an annual review of suppliers and their internal control reports which includes the disaster recovery procedures of the Investment Manager. Regular reporting from the Depositary on the safe custody of the Company's assets and the operation of control systems related to the portfolio reconciliation are monitored. Specialist advice is sought on taxation issues as and when required. The Audit Committee has oversight of such work. Information and guidance on legal and regulatory risks is managed by using the Investment Manager or professional advisers where necessary and the submission of reports to the Board for discussion and, if required, any remedial action or changes considered necessary. The Board monitors new developments and changes in the regulatory environment and seeks to ensure that their impact on the Company is understood and complied with although the Board has no control over such legislative changes and such changes may be intended to affect the Company, or it may suffer unintended consequences from changes designed to affect others.
External	
There is significant exposure to the economic cycles of the markets in which the underlying investments conduct their business operations as well as the economic impact on investment markets where such investments are listed. The fluctuations of exchange rates can also have a material impact on shareholder returns.	The Board regularly discusses general economic conditions and developments. The impact on the portfolio from Brexit was reviewed and discussed before and following the referendum. Whilst it is difficult to quantify the impact of such a change, it is not believed to fundamentally impact the business of the Company or to make the financials sector any less attractive as an investment. Note 26 describes the impact of changes in foreign exchange rates.

Management Company and Management of the Portfolio

As the Company is an investment vehicle for shareholders, the Directors have sought to ensure that the business of the Company is managed by a leading specialist investment management team and that the investment strategy is attractive to shareholders. The Directors believe that a strong working relationship with the Investment Manager will achieve the optimum return for shareholders and the Board and the Investment Manager operate in a supportive, co-operative and open environment.

The Company has an Investment Management Agreement with Polar Capital LLP (the Investment Manager), which is authorised and regulated by the Financial Conduct Authority, to act as Investment Manager and AIFM of the Company with sole responsibility for the discretionary management of the Company's assets (including uninvested cash) and sole responsibility to take decisions as to the purchase and sale of individual investments. The Investment Manager also has responsibility for asset allocation within the limits of the investment policy and guidelines established and regularly reviewed by the Board, all subject to the overall control and supervision of the Board.

The Investment Manager has other investment resources which support the investment team and has experience in administering and managing other investment trust companies. The Investment Manager also procures or provides accountancy services, company secretarial and day to day administrative services, including the monitoring of third party suppliers, which are directly appointed by the Company. The Investment Manager has, with the consent of the Directors, delegated the provision of certain of these administrative functions to HSBC Securities Services and to Polar Capital Secretarial Services Limited. The fees of HSBC Securities Services are for the account of the Company.

Information is provided to the Directors on a timely basis, covering all aspects of relevant management, regulatory and financial information. The Board receives a report from the Investment Manager at each Board meeting and may ask representatives of the Investment Manager to attend board meetings enabling Directors to probe further on matters of concern or seek clarification as appropriate.

While the Board reviews the performance of the Investment Manager at each Board Meeting, and the Company's performance against Benchmark and a peer group of funds with similar objectives, the Management Engagement Committee formally carries out an annual review of the Investment Manager's and other suppliers' performance during the year.

Strategy

The Investment Manager's investment process is a six stage process primarily driven by a bottom-up fundamental analysis of individual companies, albeit with macroeconomic inputs. The Investment Manager regularly uses both a quantitative and qualitative screens to rank companies on a risk-adjusted basis, since the fundamental view is that long-term returns in most financial stocks are driven by their success in writing risk, rather than short-term growth trends. The approach involves undertaking a detailed income statement and balance sheet analysis and values a company based on the Capital Asset Pricing Model that compares a company's return on equity versus its cost of capital (the latter taking account both stock and country risk) to provide a fair price/book valuation. This valuation (coupled with other more standard valuation systems) is then ranked across the global universe and added to scores focused on other variables such as profitability, risk and growth metrics to provide a model portfolio and so a focus for additional stock-specific research. The Investment Manager undertakes regular trips to the US, Europe and Asia to meet companies as well as those they meet in London, leveraging off the combined experience of the Investment Manager's team of seven fund managers and analysts which focus on the global financials sector. The Investment Manager also has access to the wider investment resource of Polar Capital's other investment teams.

The Company's investment portfolio is both geographically and sectorally diversified with its largest concentration being to the banking sector, and the balance being in insurance, life assurance, real estate investment trusts, asset management and other sub-sectors, subject to the Investment Manager's assessment of where the best opportunities lie. There are no limits on the exposure of the investment portfolio to either smaller or mid-cap companies but the majority of the portfolio is invested in companies with a market capitalisation of above US$5bn. Approximately 90 per cent of the portfolio is invested in equities, with the balance in debt securities. The vast majority of the investment portfolio is invested in companies that not only offer capital appreciation but pay a level of dividends, which are expected to rise over time, so as to meet the necessary income required to facilitate the payment of a rising level of dividends to shareholders.

Strategic Report continued

Management Company and Management of the Portfolio continued

Investment Team

The Investment Manager provides a team of financials specialists and the portfolio is managed jointly by Mr Nick Brind and Mr John Yakas. The Investment Manager also has other specialist and geographically focused investment teams which may contribute to idea generation, supported by five sector specialists.

Termination Arrangements

The Investment Management Agreement is terminable by either the Investment Manager or the Company giving to the other not less than 12 months' written notice. The Investment Management Agreement may be terminated earlier by the Company with immediate effect on the occurrence of certain events, including: (i) if an order has been made or an effective resolution passed for the liquidation of the Investment Manager; (ii) if the Investment Manager ceases or threatens to cease to carry on its business; (iii) where the Company is required to do so by a relevant regulatory authority; (iv) on the liquidation of the Company; or (v) subject to certain conditions, where the Investment Manager commits a material breach of the Investment Management Agreement.

In the event the Investment Management Agreement is terminated before the expiry of the Company's fixed life then, except in the event of termination by the Company for certain specified causes, the management fee and the performance fee will be calculated pro rata for the period up to and including the date of termination.

Fee Arrangements

Management Fee

Under the terms of the Investment Management Agreement, the Investment Manager is entitled to a management fee together with reimbursement of reasonable expenses incurred by it in the performance of its duties. The management fee is payable monthly in arrears at the rate of 0.85% per annum of the lower of the Company's market capitalisation and the Company's Net Asset Value on the relevant day.

In accordance with the Directors' policy on the allocation of expenses between income and capital, in each financial year 80% of the management fee payable is charged to capital and the remaining 20% to income.

Performance Fee

The Investment Manager may be entitled to a performance fee. Any performance fee will be paid at the end of the Company's expected life (except in the case of an earlier termination of the Investment Management Agreement) and will be an amount equal to 10% of the excess return (based on the Adjusted Net Asset Value per ordinary share at that time) over the performance fee hurdle.

The performance fee hurdle is 100 pence, increased or decreased by reference to the return on the Benchmark* Index plus 1.25 pence per annum (reduced pro rata for periods of less than one full year) over the period from the day following Admission to the date on which it is resolved to wind up the affairs of the Company.

For the purposes of calculating the performance fee, the Company's Adjusted Net Asset Value will be based on the Net Asset Value adjusted as follows:

(a) the amount of any dividends paid by the Company shall be deemed to have been reinvested on the date of payment in ordinary shares at their Net Asset Value (on such date) and the resulting amount added to the Company's Net Asset Value;

(b) any dilutive effect caused by the exercise by shareholders of subscription rights in relation to subscription shares shall be deemed to have been added back to the Company's Net Asset Value at the time of issue of the ordinary shares resulting from such exercise, so as to negate the effect of the dilution;

(c) any enhancement to the Terminal NAV arising from any issue of ordinary shares at a premium to the Net Asset Value per ordinary share prevailing at the time of such issue since Admission shall be deducted; and

(d) any enhancement to the Terminal NAV arising from the repurchase of ordinary shares pursuant to a tender offer at a discount to Net Asset Value per ordinary share prevailing at the time of such repurchase since Admission shall be deducted.

* See Chairman's Statement on page 3.

If, at the end of the Company's expected life, the amount available for distribution to shareholders is less than 100 pence per ordinary share, no performance fee will be payable. If the amount is more than 100 pence per ordinary share but payment of the performance fee in full would reduce it below that level, then the performance fee will be reduced (but to not less than nil) such that shareholders receive exactly 100 pence per share.

No performance fee has been accrued as at 30 November 2016.

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.

During the year under review, the Investment Manager voted at 69 company meetings, in each case following the recommendations of the management of that company on the casting of votes.

The Investment Manager reports to the Board, when requested, on the application of the Stewardship Code and Voting Policy. The Investment Manager's Stewardship Code and Voting Policy can be found on the Investment Manager's website in the Document Library (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 comprises two female and one male Non-executive Directors.

Given the relatively short life expectancy of the Company, it is possible that no new appointments will be made to the Board but, in the event that any new appointments are made, the Board will continue to have regard to the benefits of diversity, including gender, when seeking to make any such appointment(s).

The Company has not adopted formal policies on human rights or diversity as it has no employees or operational control of its assets.

Greenhouse Gas Emissions

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

Modern Slavery Act

As an investment company, the Company does not provide goods or services in the normal course of business and does not have any customers. Accordingly, it is considered that the Company is not required to make any slavery or human trafficking statements under the Modern Slavery Act 2015.

Approved by the Board on 9 March 2017.

By order of the Board

Sue Allen FCIS

Polar Capital Secretarial Services Limited

Company Secretary

Board of Directors

Robert Kyprianou

Chairman

aged 63

Appointed to the Board and as Chairman on 7 June 2013.

Robert is currently chairman of Eurobank Cyprus Ltd and a director of Pimco Europe and NIPD Limited. Robert was formerly the CEO of Axa Framlington until his retirement in September 2009. Previous appointments include non-executive director of Gartmore Group Limited and Aviva Investors, Global Head of Fixed Income, and later Deputy CEO and Global Head of Securities at AXA Investment Managers SA; Business Head and Global Head of Fixed Income at ABN AMRO Asset Management Ltd, Head of Portfolio Management at Salomon Brothers Asset Management Ltd.

Robert is a member of both the Management Engagement and Audit Committees.

Joanne Elliott ACA

Director

aged 54

Appointed to the Board and as Chairman of the Audit Committee on 7 June 2013.

Joanne is currently CFO of the property team at Thames River Capital and has been the finance manager for TR Property Investment Trust plc since 1995. Joanne previously held the position of Director of Property, Finance and Operations Europe at Henderson Global Investors. Previously she was Corporate Finance Manager with London and Edinburgh Trust plc and prior to that was an investment/treasury analyst with Heron Corporation plc.

Joanne is Chairman of the Audit Committee and a member of the Management Engagement Committee.

Katrina Hart

Director

aged 42

Appointed to the Board and as Chairman of the Management Engagement Committee on 7 June 2013.

Katrina is currently a non-executive director of AIM quoted Miton Group plc. Previously, she spent 14 years in the City advising, analysing and commentating on a broad range of businesses operating in the fund and asset management sectors. She was a highly rated financials analyst at HSBC, Bridgewell Group Plc and Canaccord Genuity.

Katrina is Chairman of the Management Engagement Committee and a member of the Audit Committee.

Investment Management Team

Nick Brind

Co-Fund Manager

Nick joined Polar Capital following the acquisition of HIM Capital in September 2010 and is also the manager of the Polar Capital Income Opportunities Fund.

He has 22 years' investment experience across a wide range of asset classes. Prior to joining HIM Capital, Nick worked at New Star Asset Management. While there, he managed the New Star Financial Opportunities Fund, a high-income financials fund investing in the equity and fixed-income securities of European financial companies. Previously he worked at Exeter Asset Management and Capel-Cure Myers. Nick has a Masters in Finance from London Business School.

John Yakas

Co-Fund Manager

John joined Polar Capital following the acquisition of HIM Capital in September 2010 and is also the manager of the Polar Capital Asian Financials Fund and Polar Capital Financial Opportunities Fund.

John has over 25 years' experience in the financial services industry having worked for HSBC as a commercial banker in Hong Kong and Fitch IBCA in London covering European Financials. He was head of Asian research at Fox-Pitt, Kelton establishing their office in Hong Kong. In 2003 he joined Hiscox Investment Management which later became HIM Capital. He has an MBA from London Business School and studied at the London School of Economics (BSc Econ).

Report of the Directors

The Directors, who are listed on page 22, have all served throughout the year and up to the date of this report. They present their Report including the Report on Corporate Governance, together with the Audited Financial Statements for the Company prepared under International Financial Reporting Standards as adopted by the European Union (IFRSs) for the year ended 30 November 2016.

Introduction and Status

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

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

The close company provisions do not apply.

The business of the Company is to generate for shareholders a growing dividend income and capital appreciation through access to a discretionary managed diversified global portfolio consisting primarily of listed or quoted equities issued by companies in the financials sector operating in the banking, insurance, property and other sub-sectors. The portfolio is diversified by geographic location and size of investee companies.

The portfolio is managed within a framework of investment limits, restrictions and guidelines determined by the Board which strives to meet the investment objective while seeking to spread and mitigate risk.

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

The Company is registered under the United States' FATCA legislation and its Global Intermediary Identification Number (GIIN) is 8KP5BT.99999.SL.826. The Company's Legal Entity Identifier (LEI) code is 549300G5SWN8EP2P4U41.

The Company seeks to operate as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010. Confirmation has been received from HM Revenue and Customs that, on the basis of the information provided, the Company has been accepted as an approved investment trust for accounting periods commencing on or after 1 July 2013, subject to the Company continuing to meet the eligibility conditions of and the ongoing requirements for approved companies in Chapter 3 of Part 2 Investment Trust (Approved Company) (Tax) Regulations 2011 (Statutory Instrument 2011/2999).

The Directors are of the opinion that the Company has conducted its affairs in respect of the year ended 30 November 2016, and will continue to conduct its affairs so as to maintain its status as an investment trust.

Life of the Company

The Articles of Association require the Directors to put forward, at the seventh Annual General Meeting, a resolution to place the Company into liquidation. The voting on that resolution will be enhanced such that, provided any single vote is cast in favour, the resolution will be passed. The seventh AGM is expected to be held in April 2020, but no later than 31 May 2020.

Annual General Meeting

The Annual General Meeting will be held at 12 noon on 26 April 2016 at the offices of Polar Capital, 16 Palace Street, London SW1E 5JD. The separate Notice of Annual General Meeting accompanies this Annual Report and contains the full text of the resolutions and an explanation of each of them. Resolutions are being proposed to receive the Report of the Directors and Annual Financial Report, approve the Directors' Remuneration Policy and Implementation Report, re-elect all three Directors, re-appoint the auditors and authorise the Directors to set their fees. The Directors are also seeking to renew their powers to allot ordinary shares for cash and to buy back ordinary and subscription shares.

Dividends

The Company aims to increase the dividend (on an annual basis) progressively, but there is no guarantee that this will be achieved. Shareholders should recognise that circumstances may arise when it is necessary to reduce the level of dividend payment or equally there may be instances when the level of dividend must be increased in order to comply with Sections 1158 and 1159 of the Corporation Tax Act 2010. Where this would result in paying a dividend beyond the Board's aim a 'special dividend' will be declared and paid.

The Company aims to pay two interim dividends each year, in February and August. These interim dividends will not necessarily be of equal amounts. Details of the dividends paid and declared are set out on page 1.

Listing Rule 9.8.4

Listing rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The only disclosure to be made is with regard to the amount of interest capitalised and can be found in note 9 on page 63.

Share Capital History, Structure and Voting Interests

Issued share capital

The Company's share capital is divided into ordinary shares of 5p each and subscription shares of 1p each.

The Company was incorporated on 17 May 2013. On 1 July 2013, it issued 153,000,000 ordinary shares plus one subscription share for every five ordinary shares which were admitted to trading on the Main Market of the London Stock Exchange. The original subscription price of each ordinary shares was £1 and the Net Asset Value (NAV) per share on 1 July 2013 was 98p, after launch costs.

At 30 November 2016, there were 172,175,000 ordinary shares in issue and 30,600,000 subscription shares. During the year under review, 1,525,000 ordinary shares were bought back for cancellation. There were no changes to the number of subscription shares in issue during the year.

Since the year end, there have been no changes to the issued ordinary share capital which, as at the date of this report, stands at 172,175,000.

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.

Subscription shares do not carry any rights to attend or vote at meetings of shareholders of the Company but the rights attached to the subscription shares may only be altered or abrogated with the sanction of the subscription shareholders.

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

Report of the Directors continued

Transferability

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

The Articles can be changed by an ordinary shareholder resolution passed at a general meeting of the Company. Where the change would affect the rights of the subscription shareholders, their consent is also required.

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

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

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

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

At the AGM in 2016, the Board was granted by shareholders the power to allot equity securities up to a nominal value of £868,500, being 10% of the Company's issued ordinary share capital at that date, and to issue those shares for cash without first offering those shares to shareholders in accordance with their statutory pre-emption rights. These powers will expire at the 2017 AGM. The powers granted at the 2016 AGM have not been used but renewal of these authorities will be sought at the AGM in 2017. New ordinary shares will not be allotted and issued at below the fully diluted Net Asset Value per share after taking into account the costs of issue.

The Board also obtained shareholder authorities at the AGM in 2016 to make market purchases of up to 26,037,630 ordinary shares of the Company (14.99% of the issued share capital) in accordance with the terms and conditions set out in the shareholder resolution. This authority expires at the AGM in 2017 and its renewal will be sought. The powers granted at the 2016 AGM have been used as detailed above.

Details of the resolutions and the Directors' policies for the issue and purchase of shares are set out in the separate Notice of Meeting.

Capital Structure and Voting Interests

Major interests in ordinary shares

The Company has received notifications from the following shareholders in respect of their interests in the voting rights of the Company at 30 November 2016.

Ordinary Shares

Shareholder	Type of Holding	Number of Shares	% of voting rights*
Investec Wealth & Investment Ltd	Direct	32,928,037	19.12
Brewin Dolphin Ltd	Indirect	17,329,826	10.07
Rathbone Brothers plc	Indirect	14,405,587	8.37
Old Mutual plc	Indirect	12,211,187	7.09
JM Finn & Company Ltd	Direct	8,673,050	5.04
1607 Capital Partners LLC	Indirect	8,373,456	4.86

*Based on issued ordinary share capital as at 30 November 2016, not necessarily in agreement with shareholder's TR1 notification.

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

Shareholder	Type of Holding	Number of Shares	% of voting rights*
Investec Wealth & Investment Ltd	Direct	34,439,598	20.00
Old Mutual plc	Indirect	11,391,105	6.62

Independent Auditors

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

The fee in respect of the audit of the 2016 annual financial statements has been agreed at £25,000.

Report on Corporate Governance

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

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

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

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

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

Report of the Directors continued

Statement of Compliance

The AIC Code comprises 21 principles. The Board considers that for the year under review the Directors, Board and Company have complied with the recommendations of the AIC Code in so far as they apply to the Company's business. For the reasons set out in the AIC Guide the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company:

As all Directors are Non-executive and day to day management has been contracted to third parties, the Company does not have a Chief Executive. The Chairman of the Board is Non-executive.

As there are no executive Directors, the Company does not comply with the UK Code in respect of executive directors' remuneration.

The Company does not have an internal audit function as it relies on the systems of control operated by third party suppliers, in particular those of the Investment Manager. The Board monitors these systems of internal control to provide assurance that they operate as intended insofar as they relate to the affairs of the Company; and

Due to the structure of the Board, it is considered unnecessary to identify a senior independent Non-executive Director. The Board considers that all Directors have different qualities and areas of expertise on which they may lead where issues arise and to whom concerns may be conveyed.

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

Application of the AIC Code's Principles

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

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

It should be noted that, as an investment company where the Directors are Non-executive, most of the Company's day to day duties are delegated to third parties. The Company has agreed policies and operating procedures with the suppliers of these services.

Directors and Board; Independence and Composition

The Board is responsible to shareholders for the overall management of the Company's affairs and currently consists of three Non-executive Directors. Each Director has different qualities and areas of expertise on which they may lead where issues arise.

The Directors' biographies, set out on page 22, demonstrate the breadth of investment, commercial and professional experience relevant to their positions as Directors of the Company. The Directors' Remuneration Report is set out on pages 35 to 38.

The Board has considered the contribution and performance of each Director as part of the performance evaluation process. It has determined that each Director has relevant experience, effectively contributes to the operation of the Board and demonstrated independent views on a range of subjects. All the Directors were considered independent of the Investment Manager and had no relationship or conflicts which were likely to affect their judgment.

Succession

The Board believes that retaining Directors with sufficient experience of the Company, industry and the markets is of benefit to shareholders. While the Board recognises the value of progressive refreshing of and succession planning for Company boards, given the expected seven year life of the Company, the Board believes that there is no need for a policy on the length of service for Directors.

Election of Directors

The Articles of Association govern the appointment, re-election and removal of a Director and require each Director to be re-elected every three years. As all the Directors were elected by shareholders at the AGM in 2014, each Director will be standing for re-election at the 2017 AGM. Each of the Directors was in office throughout the year under review. The appointment date for each Director is given on page 22.

Directors' Interests and Conflicts of Interests

The Chairman of the Company is a Non-executive Director and has no conflicting relationships.

The share interests of the Directors in the ordinary and subscription shares of the Company are set out in the table on page 37.

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

Each Director has provided the Company with a statement of all conflicts of interest and potential conflicts of interest. These have been approved by the Board and recorded in a register. The Board may impose conditions on authorising any conflict or potential conflict situation. Each Director has agreed to notify the Chairman and the Company Secretary of any changes to his or her circumstances which would impact on the notified conflicts or potential conflict with the interests of the Company. No Director has declared receipt of any benefits other than his or her emoluments in his or her capacity as a Director of the Company.

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

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

No Director has any links with the Investment Manager and there were no contracts during or at the end of the 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 or to the Director.

Report of the Directors continued

Role and Responsibilities

The Board

The Board meets regularly and as required. In the year to 30 November 2016, there were five scheduled Board meetings dealing with the ongoing stewardship of the Company and other matters, including the setting and monitoring of investment strategy and performance, review of financial statements, and shareholder issues including investor relations. The level of share price discount or premium to the Net Asset Value together with policies for re-purchase or issuance of new shares are kept under review along with matters affecting the industry and the evaluation of third party service providers.

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

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 the Board procedures are followed and that applicable rules and regulations are complied with.

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

Year ended 30 November 2016

	Board	Audit Committee	Management Engagement Committee
Number of scheduled meetings	5	3	1
Robert Kyprianou	5	3	1
Katrina Hart	5	3	1
Joanne Elliott	5	3	1

All the Directors attended the Annual General Meeting.

Senior Independent Director

Due to the structure of the Board it is considered unnecessary to identify a senior Non-executive. The Board considers that each Director has different qualities and areas of expertise on which they may lead where issues arise and to whom concerns may be conveyed. Members of the Board may be contacted through the Registered Office of the Company.

Board Committees

The Board has delegated to the Audit Committee and the Management Engagement Committee specific remits for consideration and recommendation but the final responsibility in these areas remains with the Board. The Board has determined that due to its size, and the fact that all the Directors are Non-executive and independent, the functions of the Nomination Committee and Remuneration Committee are carried out by the full Board.

The Board acting as the Nomination Committee will, when considering new or further appointment of directors, consider the balance of skills, knowledge and experience as well as gender diversity of the whole Board and will also consider the use of external consultants when drawing up a list of candidates.

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

Audit Committee

The Audit Committee comprises all the independent Non-executive Directors under the chairmanship of Joanne Elliott. The Board is satisfied that at least one of the Committee's members has recent and relevant financial experience. The experience and qualifications of the Committee members are set out in the biographical details on page 22.

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

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

A separate report of the work of the Audit Committee over the year is set out on pages 39 to 43.

Management Engagement Committee

The Management Engagement Committee comprises all the independent Non-executive Directors under the chairmanship of Katrina Hart and will usually meet once a year and at such other times as may be necessary.

The Management Engagement Committee is responsible for the review of the relationship with the Investment Manager including the annual review of the Investment Management and other services and resources supplied by Polar Capital, prior to making its recommendation to the Board, as to whether the retention of the Investment Manager is in the best interests of shareholders.

Work of the Management Engagement Committee

The Management Engagement Committee meets annually and last met in November 2016, when it reviewed the Company's investment performance and the quality of the other services provided by Polar. Based on the Manager's superior longer-term investment performance relative to peers, together with the high quality of Polar Capital's operating platform, it is the directors' opinion that the continuing appointment of Polar Capital on existing terms is in the interests of the Company and shareholders as a whole.

Directors' Professional Development

If a new Director is appointed, he or she is offered an induction course provided by the Investment Manager. Directors are also provided on a regular basis with key information on the Company's policies, regulatory and statutory obligations and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise. Directors may also participate in the Investment Manager's online training, as well as participating in professional and industry seminars.

Report of the Directors continued

Performance Evaluation

The Board

The evaluation of the Board, its Committees and individual Directors is carried out annually and involves the use of a written questionnaire, and the Chairman seeking the views of each Director. The responses to the questionnaire are reviewed by the full Board. The Directors are assessed on their relevant experience, their strengths and weaknesses in relation to the requirements of the Board and their commitment to the Company in terms of time spent on attending regular and ad hoc meetings of the Board.

The review of the Chairman's performance is conducted by the full Board led by the Chairman of the Audit Committee. The Board considers size and structure of the Board, as well as succession planning, bearing in mind the balance of skills, knowledge and experience existing on the Board and the Company's expected seven year life.

Reappointment as a Director is not automatic but follows a formal evaluation process. The Company does not have a policy on length of service for Directors due to the expected seven year life. All Directors are appointed for an initial term of three years, subject to reappointment in accordance with the Articles of Association and Companies Act provisions.

The Investment Manager

The Board has contractually delegated the management of the portfolio to the Investment Manager, Polar Capital LLP ('the Investment Manager'). It is the Investment Manager's sole responsibility to take decisions regarding the purchase and sale of individual investments. The Investment Manager has responsibility for asset allocation and stock selection within the limits established and regularly reviewed by the Board.

The investment team provided by the Investment Manager, led by Mr Nick Brind and Mr John Yakas, has experience of investing in the financials sector. In addition, the Investment Manager has other resources which support the investment team and has experience in managing and administering other investment trust companies.

The Investment Manager also provides accountancy services, company secretarial and administrative services including the monitoring of third party suppliers which are directly appointed by the Company. The Investment Manager provides, in a timely manner, all relevant management, regulatory and financial information to the Directors. Representatives of the Investment Manager attend Board meetings, enabling the Directors to probe further on matters of concern or seek clarification on certain issues.

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

The Board reviews the performance of the Investment Manager and the Company's performance against the Benchmark at each Board meeting.

Accountability and Audit

The Statement of Directors' Responsibilities in respect of the financial statements is set out on pages 44 and 45 and the Independent Auditors' Report is on pages 46 to 51.

Internal Controls

The Board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness. The Company has no employees as its operational functions are carried out by third parties.

The Audit Committee does not consider it necessary for the Company to establish its own internal audit function as the Investment Manager, overseen by the Board, is responsible for monitoring all accounting and internal control operations. The Investment Manager has an internal control framework to provide reasonable but not absolute assurance on the effectiveness of the internal controls operated on behalf of its clients. The Investment Manager is authorised and regulated by the Financial Conduct Authority and its compliance department monitors compliance with the FCA rules.

The Board, through the Audit Committee, has established an ongoing process for identifying, evaluating and managing any major risks faced by the Company. The process is documented through the use of a Risk Map which is subject to regular review by the Audit Committee and accords with the Revised Guidance for Directors on the Combined Code published by the Financial Reporting Council.

The controls are embedded within the business and aim to ensure that identified risks are managed and systems are in place to report on such risks. The internal controls seek to ensure the assets of the Company are safeguarded, proper accounting records are maintained and the financial information used by 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.

Internal Controls Operation

The internal controls process was active throughout the year and up to the date of approval of this annual report. However, such an internal controls system is designed to manage rather than eliminate risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board will continue to monitor the system of internal controls in order to provide assurance that they operate as intended.

The Board has received a formal report from the Investment Manager, with details of any known internal control failures and has also considered reports on the Investment Manager's internal controls and systems operated by other third party suppliers. The Board considers ad hoc reports from the Investment Manager and information is supplied to the Board as required.

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

The Board, assisted by the Investment Manager, reviewed the Risk Map and the effectiveness of the system of internal controls taking into account any issues, none of which were considered significant, which arose during the year ended 30 November 2016 and up to the date of this Annual Report.

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

Report of the Directors continued

Relations with Shareholders

The Board and the Investment Manager consider maintaining good communications with shareholders and engaging with larger shareholders through meetings and presentations a key priority. Shareholders are kept informed by the publication of annual and interim reports which include financial statements. These reports are supplemented by the daily release of the net asset value per share to the London Stock Exchange and the publication by the Investment Manager of a monthly factsheet.

All this information together with the Investment Manager's presentations is available from the Company's website at www.polarcapitalglobalfinancialstrust.com.

The Board is keen that the AGM be a participative event for all shareholders who attend. The Investment Manager will make a presentation and shareholders are encouraged to attend. The Chairmen of the Board and of the Committees will attend the AGM and are available to respond to queries and concerns from shareholders. In the event of any material dissent, the Board will engage directly with shareholders.

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

Where the vote is decided on a show of hands, the proxy votes received will be relayed to the meeting and subsequently published on the Company's website. Proxy forms have a 'vote withheld' option. The Notice of Annual General Meeting sets out the business of the AGM together with the full text of any special resolutions.

Shareholders may submit questions for the AGM in advance of the meeting or make general enquiries of the Company via the company secretary at the Registered Office of the Company.

The Board monitors the share register of the Company; it also reviews all correspondence from shareholders and maintains regular contact with major shareholders. Shareholders who wish to raise matters with a Director may do so by writing to them at the Registered Office of the Company.

By order of the Board

Sue Allen FCIS
Polar Capital Secretarial Services Limited
Company Secretary
9 March 2017

Directors' Remuneration Report

Introduction

This report is submitted in accordance with the Large and Medium Sized Companies and Groups (Financial Statements) (Amendment) Regulations 2013 and the Listing Rules of the Financial Conduct Authority in respect of the year ended 30 November 2016.

Shareholders will be asked to approve the Implementation Report for the year under review at the AGM on 26 April 2017.

Chairman's Report

Shareholders approved the Directors' Remuneration Policy by way of an ordinary resolution passed at the AGM on 7 May 2014. The Policy will remain in force until 30 November 2017, unless new approval is obtained before that date. It is the Directors' intention to ask shareholders for renewed approval of the policy, as drafted below, at the Annual General Meeting in April 2017. The minor changes to the currently approved Policy are shown in **bold** in the text below:

Company's Policy on Directors' Remuneration

Policy	Operation	Opportunity
How policy supports strategy		
The Board consists entirely of Non-executive Directors, who meet regularly to deal with the Company's affairs. The intention is that fees payable reflect the time spent by them individually and collectively, be of a level appropriate to their responsibilities and be in line with market practice, sufficient to enable candidates of high calibre to be recruited and retained.	Non-executive Directors have formal letters of appointment (which include notice periods of one month) and their remuneration is determined by the Board within the limits set by the Articles of Association **(of £200,000 in the aggregate)**. 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 **or quarterly** in arrears, to the Director concerned or to a third party in respect of their services.	The Company's policy in relation to fees is to offer only a fixed basic fee in line with equivalent roles within the sector. Additional fees for the roles of Chairman of the Company and Chairman of the Committees **may** also be offered.
As the Company is an investment trust and all the Directors are Non-executive, it is considered inappropriate to have any long-term incentive schemes or benefits.	Non-executive Directors do not receive any bonus, nor do they participate in any long-term incentive schemes or pension schemes.	There are no performance conditions relating to Non-executive Directors' fees.

Fee Review

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

- The Board, acting as the Remuneration Committee, undertook a review of the fees paid to the Directors in November 2016 and concluded that no change in the level of fees was required. These have remained unchanged throughout the life of the Company.
- Directors' fees will continue to be reviewed on an annual basis.

Directors' Remuneration Report continued

Annual Statement

As Chairman, Robert Kyprianou, reports that there have been no changes to Directors' remuneration in the year under review.

Implementation Report – Directors' Remuneration for the Year Ended 30 November 2016

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 or her 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 will be reviewed formally each time a Director retires by rotation under the Articles of Association.

Directors' and officers' liability insurance

Directors' and officers' liability insurance cover is held by the Company in respect of the Directors. The Company has, as permitted by the Articles of Association, entered into a Deed of Indemnity with and in favour of each Director, indemnifying the Directors in respect of costs and liabilities which they may incur in connection with proceedings against them arising out of their position as a Director (excluding criminal or regulatory penalties). The indemnities granted to the Directors are subject to certain exclusions and limitations, including that such indemnities shall not apply to the extent prohibited by law.

Directors' legal costs may in certain circumstances be funded up-front, provided that such costs are reimbursed to the Company where required, including 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 November 2016

The result of the shareholder votes on the Directors' Implementation Report, submitted to the 2016 Annual General Meeting, were as follows:

	Implementation Report %
Votes for	100
Votes against	0
Votes abstained	0

The results of the vote on the Remuneration Policy which took place at the AGM in 2014 were disclosed in the Remuneration Report for the year ended 30 November 2014.

The Board considers the level of support from shareholders as a positive endorsement of its remuneration policy and operation.

Remuneration Arrangements

In the year under review, the Directors' fees were paid at the following annual rates: the Chairman £35,000; other Directors £25,000 with the Chairman of the Audit Committee receiving an extra £5,000 for performing that additional role.

Remuneration (Audited)

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

	Date of appointment	Year ended 30 November 2016 £	Year ended 30 November 2015 £
Robert Kyprianou	7 June 2013	35,000	35,000
Joanne Elliott (Chairman of the Audit Committee)*	7 June 2013	30,000	30,000
Katrina Hart (Chairman of the Management Engagement Committee)	7 June 2013	25,000	25,000
Total		90,000	90,000

* Payment of £30,000 to Thames River Capital LLP on behalf of Joanne Elliott in respect of her services as a Director.

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

Directors' share interests (Audited)

The interests of Directors in the ordinary and subscription shares of the Company on 30 November 2015 and 30 November 2016 are as follows:

	Ordinary shares		Subscription shares	
	30 November 2016	30 November 2015	30 November 2016	30 November 2015
Robert Kyprianou	53,606	52,228	10,000	10,000
Joanne Elliott	25,000	25,000	5,000	5,000
Katrina Hart	46,700	29,183	5,000	5,000

All holdings are beneficially held and there have been no changes in these interests between the end of the financial year and 9 March 2017.

The Directors have agreed to maintain a holding of ordinary shares representing at cost at least 50% of their net cumulative fees for at least five years, except for Joanne Elliott who does not receive her fees personally.

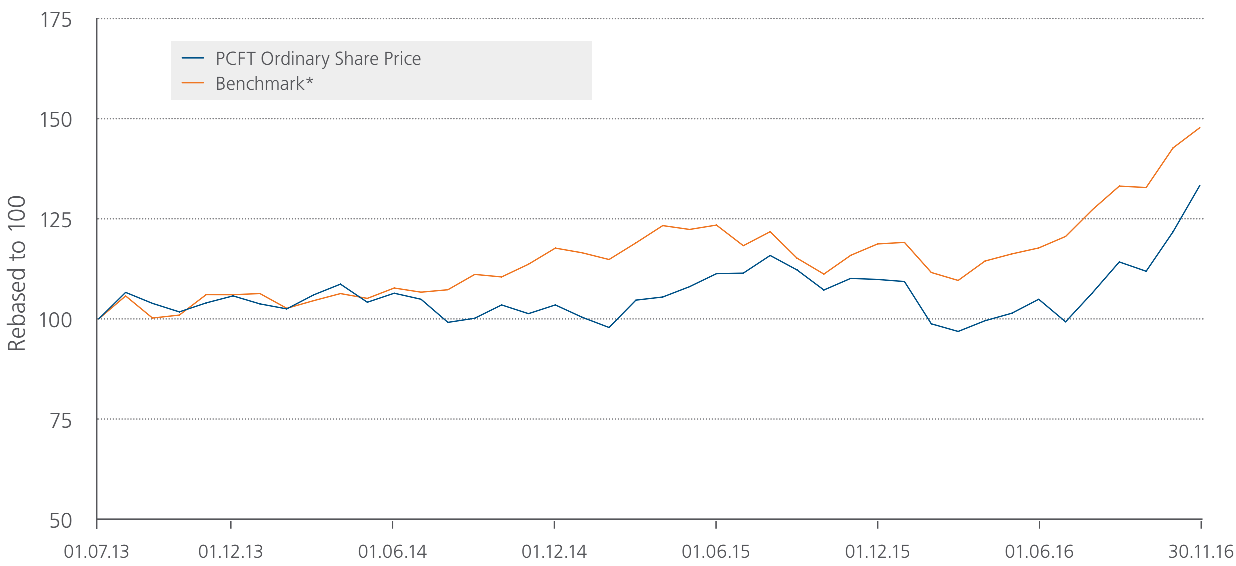
Directors' Remuneration Report continued

Performance

A six year performance comparison is required to be presented in this report. However, as the Company was incorporated on 17 May 2013 and commenced trading on 1 July 2013, the performance comparison is therefore shown for the period from 1 July 2013.

The Company's Benchmark for the period to 31 August 2016 was the MSCI World Financials Index (in Sterling with dividends re-invested). On 1 September the constituents of the MSCI World Financials Index changed to exclude real estate, therefore from this date the Company has adopted a revised benchmark. MSCI has provided an index of the MSCI World Financials Index with Real Estate added back, the MSCI World Financials + RE Index (in Sterling with dividends reinvested). This Index has been adopted for the period 1st September 2016 to the end of the financial year and will be adopted for future periods.

This change is covered in further detail in the Chairman's Statement.



Source: Polar Capital.

* See note 3 on page 1.

The chart shown above, in accordance with legislation, shows the total return of an ordinary share, and does not take into account the subscription shares which were issued to shareholders at launch, on the basis of one subscription share for every five ordinary shares.

Approved by the Board on 9 March 2017

Robert Kyprianou

Chairman

Report of the Audit Committee

The constitution and composition of the Audit Committee is given on page 22. There have been no changes to the membership of the Committee over the financial year to 30 November 2016.

The Committee is chaired by Joanne Elliott and comprises all the Directors. The Board is satisfied that the Committee has sufficient recent and relevant financial experience and, as a whole, has competence relevant to the sector in which the Company operates for the Committee to discharge its functions effectively. The experience of the members of the Committee can be assessed from the Directors' biographies on page 22.

PricewaterhouseCoopers LLP ('PwC') have been the appointed Auditors since 2013.

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

- The scope of the annual audit and agreement with the auditors concerning the key areas of focus;
- The reports from the 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 of and any changes to the accounting policies of the Company, including any judgments required by such policies and the reasonableness of such;
- The financial disclosures contained in the annual report and semi-annual reports to shareholders;
- The policy for non-audit services which may be provided by the Auditors in line with FRC guidance;
- 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 the existing risks and mitigation and controls in place to manage the principal risks;
- The consideration of reports from the Investment Manager and its auditors on the effectiveness of the system of internal financial control, including the Risk Map;
- The going concern statement, longer-term viability statement and the requirement that the annual report and financial statements, when taken as a whole, is fair, balanced and understandable; and
- 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.

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 was 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 co-operation 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 process, 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.

Report of the Audit Committee continued

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 issues which the audit work had identified or the Committee had previously identified as significant or material in the context of the financial statements.

Significant Matters in Relation to the Financial Statements for the Year Ended 30 November 2016

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

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

There were no adverse matters brought to the Audit Committee's attention in respect of the 2016 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 doing so, the Committee has given consideration to the following:

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

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 30 November 2016, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy, and it has reported on these findings to the Board.

Consideration of the Semi-Annual Report and Financial Statements

The Committee considered and reviewed the half-year report and financial statements which are not audited or reviewed by its auditors to ensure that they reflected the accounting policies used in the annual financial statements.

Non-Audit Work

The Committee has updated its policy on the provision of non-audit work by the auditors which seeks 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 has discussed the specific non-audit services provided by the auditors to ensure that none of these services would put the auditors in the position of auditing their own work.

The Committee reviewed the non-audit work and considered that PricewaterhouseCoopers LLP was an appropriate provider as this work related to the provision of IXBRL tagging of the financial statements for presentation to HMRC as part of an arrangement established by Polar Capital, and also acting as the Company's tax agent in Taiwan.

The fees paid to PricewaterhouseCoopers LLP in respect of the audit of the annual financial statements amounted to £25,000 (2015: £24,000) and the fees for the IXBRL tagging were £500. Fees for acting as the Company's tax agent in Taiwan amounted to approximately $3,000 p.a. The Committee did not consider the provision of this non-audit work to the Company affects the independence of the auditors. However, with effect from 1 December 2016, PricewaterhouseCoopers LLP resigned as the Company's tax agent in Taiwan, and will no longer provide IXBRL tagging services.

Appointment of Auditors and Tenure

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

PricewaterhouseCoopers LLP have provided audit services to the Company from its incorporation in 2013 to date. As the Company has an expected fixed life lasting less than 10 years, it is considered there is no need to plan for an audit tender.

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

The Committee, having considered the above factors, considers it appropriate to recommend to the Board and shareholders that PricewaterhouseCoopers LLP be reappointed as auditors at the AGM.

PricewaterhouseCoopers LLP have agreed to offer themselves for reappointment as auditors in accordance with section 487(2) of the Companies Act 2006 and resolutions requesting approval of their reappointment and to authorise the Directors to determine their remuneration will be presented at the AGM.

Overview of Risk

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

The Company has a Risk Map which seeks to identify, quantity, monitor and control principal risks as far as possible. Over the year, the Audit Committee undertook a substantial review of the Risk Map used by the Company to identify the principal risks facing the business and reviewed each risk as to its likelihood and impact. The Audit Committee carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance and liquidity. The Committee also robustly considered the mitigating factors and controls to reduce the impact of such risks, as described on pages 16 to 18. This process was carried out throughout the year and is the means by which the Risk Map is monitored and kept relevant, by reflecting changes.

As part of the year end processes, the 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 controls reports from other key suppliers on the quality and effectiveness of the services provided to the Company. The annual review of the Risk Map and the effectiveness of the system of internal controls was conducted by the Audit Committee, assisted by the Investment Manager as part of the year end process for the preparation of the Annual Report. There were no issues which arose during the course of the year ended 30 November 2016, and up to the date of this report, which were considered significant.

Report of the Audit Committee continued

Overview of Risk continued

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

The Audit Committee will continue to actively 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.

Longer-term Viability and Going Concern

Going Concern

The Audit Committee, at the request of the Board, has considered the ability of the Company to adopt the going concern basis for the preparation of the Financial Statements. The Committee has considered the financial position of the Company, its cash flow and 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 Committee has also considered the Company's ability to liquidate its portfolio and meet its expenses as they fall due, together with its exposure to currency and credit risk; and
- the factors impacting the forthcoming year as set out in the Strategic Report section, comprising the Chairman's Statement, the Investment Manager's Report and the Strategic Review.

The financial position of the Company and its cash flows and liquidity position are described in the Strategic Report and Financial Statements. Note 26 to the Financial Statements includes the Company's policies and process for managing its capital, its financial risk management objectives; and details of the financial instruments. Exposure to credit risk and liquidity risk are also disclosed.

In the light of information provided to the Audit 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 November 2016.

Longer Term Viability

The Board has also asked the Audit Committee to address the requirement that a longer-term viability statement be provided to shareholders. This statement should take account of the Company's current position and principal risks as set out on pages 16 to 18 so that the Board may state that it has 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 its assessment.

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

- The portfolio comprises investments traded on major international stock exchanges. There is a spread of investments by size of company. The current portfolio could be liquidated to the extent of 96% within seven trading days, and there is no expectation that the nature of the investments held within the portfolio will be materially different in future;
- The expenses of the Company are predictable and modest in comparison with the assets and there are no capital commitments foreseen which would alter that position;
- The Company has only three Non-executive Directors and no employees and consequently does not have redundancy or other employment related liabilities or responsibilities.

As well as considering the principal risks on pages 16 to 18 (together with their mitigating factors) and the financial position of the Company, the Audit Committee has also considered the following assumptions when assessing the longer-term viability.

- The fact that the Company faces a liquidation vote at the seventh AGM, expected to be held in April 2020. The voting at this meeting has been enhanced such that, provided any single vote is cast in favour, the resolution will be carried;
- Financials 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 end 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 with other competitive products; and
- The performance of the Company will continue to be satisfactory. Should the performance be less than the Board deems acceptable, it has appropriate powers to replace the Investment Manager.

In the 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, until the winding up vote at the seventh AGM (expected April 2020), may be made.

Joanne Elliott
Chairman of the Audit Committee
9 March 2017

Statement of Directors' Responsibilities

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

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

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Financial Statements, Article 4 of the IAS Regulations. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website although day to day maintenance has been delegated to Polar Capital LLP. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions. The work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the website.

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

Disclosure of Information to the Auditors

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

Going Concern

The Board has, through the Audit Committee, considered the Company's position as at 30 November 2016 and the factors impacting the forthcoming year are set out in the Chairman's Statement and the Investment Manager's Report on pages 3 to 9 of the annual report and in the Strategic Review and in the Report of the Directors which incorporates the corporate governance statements.

The financial position of the Company, its cash flows, and its liquidity position are described in the Strategic Report section on pages 3 to 21 of the annual report. Note 26 to the Financial Statements includes the Company's policies and process for managing its capital; its financial risk management objectives and details of financial instruments. Exposure to credit risk and liquidity risk are also disclosed.

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

Longer-Term Viability

The Board through the Audit Committee has 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 42 and 43 of the annual report.

As an investment company with a liquid portfolio, the majority of which can be sold within seven working days, limited expenses which are modest in relation to the asset base of the Company, and no employees the Directors are of the opinion that the Company can continue in operation up to its wind up date, expected to be in April 2020.

Responsibility Statement under the Disclosure and Transparency Rules

Each of the Directors of Polar Capital Global Financials Trust plc, who are listed on page 22 of the annual report, confirm that, to the best of their knowledge:

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

The financial statements were approved by the Board on 9 March 2017 and the responsibility statements were signed on its behalf by Robert Kyprianou, Chairman of the Board.

Robert Kyprianou

Chairman

9 March 2017

Independent Auditors' Report

To the Members of Polar Capital Global Financials Trust plc

Report on the financial statements

Our opinion

In our opinion, Polar Capital Global Financials 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 November 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

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

- the Balance Sheet as at 30 November 2016;
- the Statement of Comprehensive Income for the year then ended;
- the Cash Flow Statement for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

Our audit approach

Materiality

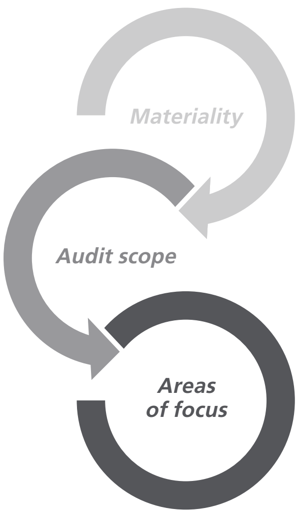
- Overall materiality: £2.2 million which represents 1% of net assets.

Audit scope

- The Company is a standalone Investment Trust Company and engages Polar Capital LLP (the 'Manager') to manage its assets.
- We conduct our audit of the financial statements at the offices of HSBC Securities Services (the 'Administrator') who the Manager has, with the consent of the Directors, delegated the provision of certain administrative functions.
- We tailored the scope of our audit 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.

Area of focus

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



The scope of our audit and our areas of focus

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

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

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

Area of focus	How our audit addressed the area of focus
Income from investments	
Refer to page 40 (Audit Committee Report), page 56 (Accounting Policies) and page 61 (Notes to the Accounts). ISAs (UK & Ireland) presume there is a risk of fraud in income recognition. We considered this risk to specifically relate to the risk of overstating investment gains and the misclassification of dividend income as capital rather than revenue due to the pressure management may feel to achieve capital growth in line with the objective of the Company. We focused on the valuation of investments with respect to gains on investments and the accuracy and completeness of dividend income recognition and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the 'AIC SORP').	We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy. We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy. We understood and assessed the design and implementation of key controls surrounding income recognition. In addition, we tested dividend receipts by agreeing the dividend rates from a sample of investments to independent third party sources. No misstatements were identified by our testing which required reporting to those charged with governance. To test for completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared for a sample of investment holdings in the portfolio. Our testing did not identify any unrecorded dividends. We tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP. We then tested the classification of income and capital special dividends to independent third party sources. We did not find any special dividends that were not treated in accordance with the AIC SORP.

Independent Auditors' Report continued

To the Members of Polar Capital Global Financials Trust plc

Report on the financial statements continued

Our audit approach continued

The scope of our audit and our areas of focus continued

Area of focus	How our audit addressed the area of focus
Valuation and existence of investments	
Refer to page 40 (Audit Committee Report), page 58 (Accounting Policies) and page 66 (Notes to the Accounts). The investment portfolio at 30 November 2016 comprised listed equity investments of £236 million and unlisted investments of £2.7 million. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed in the Statement of Financial Position in the financial statements.	We tested the valuation of 100% of the listed investments by agreeing the prices used in the valuation to independent third party sources. No misstatements were identified by our testing which required reporting to those charged with governance. We tested the valuation of the unlisted investment in Atom Bank by comparing the valuation to recent market transactions. No misstatements were identified by our testing which required reporting to those charged with governance. We agreed the existence of investments to independent third party sources by agreeing the holdings of investments to an independent confirmation from the Depositary, HSBC Bank plc. No differences were identified.

How we tailored the audit scope

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

Materiality

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

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

Overall materiality	£2.2 million (2015: £1.9 million).
How we determined it	1% of net assets.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practise for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate and 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 £111,700 (2015: £96,800) 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 42, in relation to going concern. We have nothing to report having performed our review.

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

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

Other required reporting

Consistency of other information and compliance with applicable requirements

Companies Act 2006 reporting

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion: • information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report.
• the statement given by the directors on page 44, in accordance with provision C.1.1 of the UK Corporate Governance Code (the 'Code'), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the company's position and performance, business model and strategy is materially inconsistent with our knowledge of the company acquired in the course of performing our audit.	We have no exceptions to report.
• the section of the Annual Report on page 39, as required by provision C.3.8 of the Code, describing the work of the Audit Comittee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

Independent Auditors' Report continued

To the Members of Polar Capital Global Financials Trust plc

Other required reporting continued

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

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

• the directors' confirmation on page 16 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
• the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
• the directors' explanation on page 42 of the Annual Report, in accordance with provision C.2.2 of the code, as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or draw attention to.

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

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

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

Other Companies Act 2006 reporting

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

Corporate governance statement

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 44, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

What an audit of financial statements involves

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

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

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

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

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

Allan McGrath (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors, Edinburgh

9 March 2017

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

Statement of Comprehensive Income

For the year ended 30 November 2016

	Notes	Year ended 30 November 2016 Revenue return £'000	Year ended 30 November 2016 Capital return £'000	Year ended 30 November 2016 Total return £'000	Year ended 30 November 2015 Revenue return £'000	Year ended 30 November 2015 Capital return £'000	Year ended 30 November 2015 Total return £'000
Investment income	3	8,917	83	9,000	8,074	–	8,074
Other operating income	4	2	–	2	3	–	3
Gains on investments held at fair value	5	–	34,761	34,761	–	4,471	4,471
Gains/(losses) on derivatives		–	555	555	–	(16)	(16)
Other currency losses	6	–	(619)	(619)	–	(181)	(181)
Total income		8,919	34,780	43,699	8,077	4,274	12,351
Expenses							
Investment management fee	7	(298)	(1,191)	(1,489)	(310)	(1,242)	(1,552)
Other administrative expenses	8	(483)	–	(483)	(500)	(2)	(502)
Total expenses		(781)	(1,191)	(1,972)	(810)	(1,244)	(2,054)
Profit before finance costs and tax		8,138	33,589	41,727	7,267	3,030	10,297
Finance costs	9	(57)	(227)	(284)	(46)	(183)	(229)
Profit before tax		8,081	33,362	41,443	7,221	2,847	10,068
Tax	10	(891)	283	(608)	(673)	290	(383)
Net profit for the year and total comprehensive income		7,190	33,645	40,835	6,548	3,137	9,685
Earnings per ordinary share (basic) (pence)	11	4.16	19.46	23.62	3.77	1.81	5.58
Earnings per ordinary share (diluted) (pence)	11	4.16	19.46	23.62	3.77	1.81	5.58

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

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

The notes on pages 56 to 80 form part of these financial statements.

Statement of Changes in Equity
For the year ended 30 November 2016

	Notes	Called up share capital £'000	Capital Redemption reserve £'000	Share premium reserve £'000	Special distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total Equity £'000
		Year ended 30 November 2016						
Total equity at 1 December 2015		8,991	175	21,946	140,688	18,058	3,801	193,659
Total comprehensive income:								
Profit for the year ended 30 November 2016		–	–	–	–	33,645	7,190	40,835
Transactions with owners, recorded directly to equity:								
Shares repurchased and cancelled	18,19,21	(76)	76	–	(1,453)	–	–	(1,453)
Equity dividends paid	12	–	–	–	–	–	(5,753)	(5,753)
Total equity at 30 November 2016		8,915	251	21,946	139,235	51,703	5,238	227,288

	Notes	Called up share capital £'000	Capital Redemption reserve £'000	Share premium reserve £'000	Special distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total Equity £'000
		Year ended 30 November 2015						
Total equity at 1 December 2014		9,036	130	21,946	141,567	14,921	2,815	190,415
Total comprehensive income:								
Profit for the year ended 30 November 2015		–	–	–	–	3,137	6,548	9,685
Transactions with owners, recorded directly to equity:								
Shares repurchased and cancelled	18,19,21	(45)	45	–	(879)	–	–	(879)
Equity dividends paid	12	–	–	–	–	–	(5,562)	(5,562)
Total equity at 30 November 2015		8,991	175	21,946	140,688	18,058	3,801	193,659

The notes on pages 56 to 80 form part of these financial statements.

Balance Sheet
As at 30 November 2016

	Notes	30 November 2016 £'000	30 November 2015 £'000
Non current assets			
Investments held at fair value	13	239,363	198,426
Current assets			
Receivables	14	3,537	2,361
Overseas tax recoverable		63	46
Cash and cash equivalents	15	5,240	5,030
		8,840	7,437
Total assets		248,203	205,863
Current liabilities			
Payables	16	(3,039)	(1,855)
Bank loan	17	(17,500)	(10,000)
Fair value of open derivative contracts	13	(376)	(349)
		(20,915)	(12,204)
Net assets		227,288	193,659
Equity attributable to equity shareholders			
Called up share capital	18	8,915	8,991
Capital redemption reserve	19	251	175
Share premium reserve	20	21,946	21,946
Special distributable reserve	21	139,235	140,688
Capital reserves	22	51,703	18,058
Revenue reserve	23	5,238	3,801
Total equity		227,288	193,659
Net asset value per ordinary share (pence)	24	132.01	111.49
Net asset value per ordinary share (diluted) (pence)	24	129.44	111.49

The financial statements on pages 52 to 55 were approved and authorised for issue by the Board of Directors on 9 March 2017 and signed on its behalf by:

Robert Kyprianou
Chairman

The notes on pages 56 to 80 form part of these financial statements.

Registered number: 8534332

Cash Flow Statement
For the year ended 30 November 2016

	Notes	Year ended 30 November 2016 £'000	Year ended 30 November 2015 £'000
Cash flows from operating activities			
Profit before tax		41,443	10,068
Adjustment for non-cash items:			
Gain on investments held at fair value through profit or loss		(34,761)	(4,471)
Scrip dividends received		(145)	(99)
Amortisation on fixed interest securities		(35)	43
Adjusted profit before tax		6,502	5,541
Adjustments for:			
Purchases of investments, including transaction costs		(50,160)	(49,351)
Sales of investments, including transaction costs		44,132	51,910
(Increase)/decrease in receivables		(64)	35
Decrease in payables		83	105
Overseas taxation deducted at source		(577)	(471)
Net cash (used in)/generated from operating activities		(84)	7,769
Cash flows from financing activities			
Cost of shares repurchased		(1,453)	(879)
Loan drawn		7,500	–
Equity dividends paid	12	(5,753)	(5,562)
Net cash generated from/(used in) financing activities		294	(6,441)
Net increase in cash and cash equivalents		210	1,328
Cash and cash equivalents at the beginning of the year		5,030	3,702
Cash and cash equivalents at the end of the year	15	5,240	5,030

The notes on pages 56 to 80 form part of these financial statements.

Notes to the Financial Statements
For the year ended 30 November 2016

1. General Information

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

The Board has determined that sterling is the Company's functional currency and the presentational currency of the financial statements because it is the currency which is most relevant to the majority of the Company's shareholders and creditors and is 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 periods presented, are set out below:

(a) Basis of Preparation

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

Where presentational guidance set out in the Statement of Recommended Practice (SORP) for investment trusts issued by the Association of Investment Companies (AIC) in November 2014 (which superseded the SORP issued in January 2009) is consistent with the requirements of IFRS, in so far as those requirements are applicable to the financial statements, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

(b) Presentation of the Statement of Comprehensive Income

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

(c) Income

Dividends receivable from equity shares are 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 cash dividend foregone is recognised in the capital return column of the Statement of Comprehensive Income.

The fixed returns on debt securities and non-equity shares are recognised under the effective interest rate method.

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

(d) Written Options

The Company may write exchange-traded options with a view to generating income. This involves writing short-dated covered-call options and put options. The use of financial derivatives is governed by the Company's policies, as approved by the Board.

These options are recorded initially at fair value, based on the premium income received, and are then measured at subsequent reporting dates at fair value. Changes in the fair value of the options are recognised in the capital return for the year.

The option premiums are recognised evenly over the life of the option and shown in the revenue return, with an appropriate amount shown in the capital return to ensure the total return reflects the overall change in the fair value of the options.

Where an option is exercised, any balance of the premium is recognised immediately in the revenue return with a corresponding adjustment in the capital return based on the amount of the loss arising on exercise of the option.

(e) Expenses and Finance Costs

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

Expenses are allocated wholly to the revenue column of the Statement of Comprehensive Income except as follows:

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

Finance costs are calculated using the effective interest rate method and are accounted for on an accruals basis and, in line with the management fee expense, are charged 20% to the revenue account and 80% to the capital account of the Statement of Comprehensive Income.

The performance fee (when payable) is charged entirely to capital as the fee is based on the out-performance of the Benchmark and is expected to be attributable largely, if not wholly, to capital performance. A provision will be recognised when out-performance has been achieved in accordance with the calculations detailed on page 20.

Notes to the Financial Statements continued

For the year ended 30 November 2016

2. Accounting Policies continued

(f) Taxation

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

The tax currently payable is based on the taxable profits for the year ended 30 November 2016. 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.

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

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

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

Written options are valued at fair value using quoted bid prices.

The Contracts for Difference held in the portfolio are valued based on the price of the underlying security or index which they are purchased to reflect.

All investments, classified as fair value through profit or loss, are further categorised into the fair value hierarchy detailed on page 67.

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

In respect of unquoted investments, or where the market for a financial instrument is not active, fair value is established by using various valuation techniques, in accordance with the International Private Equity and Venture Capital ('IPEVC') Valuation Guidelines (December 2012). These may include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to recent rounds of re-financing undertaken by investee companies involving knowledgeable parties, reference to the current fair value of another instrument that is substantially the same or an earnings multiple.

(h) Receivables

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

(i) Cash and Cash Equivalents

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

(j) Dividends Payable

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

(k) Payables

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

(l) Foreign Currency Translation

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling on the date of each transaction. Monetary assets, monetary liabilities and equity investments in foreign currencies at the balance sheet date are translated into sterling at the rates of exchange ruling on that date.

Realised profits or losses on exchange, together with differences arising on the translation of foreign currency assets or liabilities, are taken to the capital return column of the Statement of Comprehensive Income.

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

(m) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity, as a deduction, net of tax, from the proceeds.

(n) Capital Reserves

Capital reserve arising on investments sold includes:

– gains/losses on disposal of investments;
– exchange differences on currency balances; and
– other capital charges and credits charged to this account in accordance with the accounting policies above.

Capital reserve arising on investments held includes:

– increases and decreases in the valuation of investments held at the balance sheet date.

All of the above are accounted for in the Statement of Comprehensive Income.

Notes to the Financial Statements continued

For the year ended 30 November 2016

2. Accounting Policies continued

(o) Repurchase of Ordinary Shares

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

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

(p) New and revised accounting Standards

There were no new IFRSs or amendments to IFRSs applicable to the year under review which had any significant impact on the Company's financial statements.

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

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

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

(q) Segmental Reporting

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

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

(r) Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. 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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources. There are not considered to be any critical estimates and assumptions likely to cause material adjustment to the carrying values of assets and liabilities.

3 Investment income

	Year ended 30 November 2016 £'000	Year ended 30 November 2015 £'000
UK dividends	1,379	1,388
Overseas dividends	6,012	5,224
Scrip dividends	145	99
Interest on debt securities	1,108	1,106
Dividends on contracts for difference	273	257
Total investment income	8,917	8,074
Capital:		
Special dividends allocated to capital	83	–
Total investment income allocated to capital	83	–

4 Other operating income

	Year ended 30 November 2016 £'000	Year ended 30 November 2015 £'000
Bank interest	2	3
Total other operating income	2	3

5 Gains on investments held at fair value

	Year ended 30 November 2016 £'000	Year ended 30 November 2015 £'000
Net (losses)/gains on disposal of investments at historic cost	(868)	1,622
Less fair value adjustments in earlier years	(2,745)	(2,382)
Losses based on carrying value at previous balance sheet date	(3,613)	(760)
Valuation gains on investments held during the year	38,374	5,231
	34,761	4,471

6 Other currency losses

	Year ended 30 November 2016 £'000	Year ended 30 November 2015 £'000
Exchange losses on currency balances	(619)	(181)

Notes to the Financial Statements continued

For the year ended 30 November 2016

7 Investment management fee

	Year ended 30 November 2016 £'000	Year ended 30 November 2015 £'000
Management fee		
– charged to revenue	298	310
– charged to capital	1,191	1,242
Investment management fee payable to Polar Capital LLP.	1,489	1,552

Management fees are allocated 20% to revenue and 80% to capital. Details of the fee arrangements are given in the Strategic Report on page 20.

8 Other administrative expenses (including VAT where appropriate)

	Year ended 30 November 2016 £'000	Year ended 30 November 2015 £'000
Directors' fees*	90	90
Directors' NIC	6	6
Auditors' remuneration:		
For audit services	25	24
For other services	3	5
Depositary fee	25	25
Registrar fee	25	25
Custody and other bank charges	37	43
UKLA and LSE listing fees	20	21
Legal & professional fees	4	5
AIC fees	20	19
Directors' and officers liability insurance	8	8
Corporate brokers fee	48	48
Marketing expenses	22	19
Shareholder communications	9	32
HSBC administration fee	128	125
Other expenses	13	5
	483	500
Transaction charges (allocated to capital)	–	2
	483	502

* Full disclosure is given in the Directors' Remuneration Report on page 37.

9 Finance costs

	Year ended 30 November 2016			Year ended 30 November 2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest on loans and overdrafts	52	209	261	38	151	189
Loan arrangement fees	5	18	23	8	32	40
	57	227	284	46	183	229

Finance costs are allocated 20% to revenue and 80% to capital.

10 Taxation

	Year ended 30 November 2016			Year ended 30 November 2015		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
a) Analysis of tax charge for the year:						
Overseas tax	555	–	555	462	–	462
Corporation tax	130	–	130	70	–	70
Adjustment in respect of previous year end	–	–	–	(79)	–	(79)
Tax relief in capital	283	(283)	–	290	(290)	–
Double taxation relief	(77)	–	(77)	(70)	–	(70)
Total tax for the year (see note 10b)	891	(283)	608	673	(290)	383

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:

	Year ended 30 November 2016			Year ended 30 November 2015		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Profit before tax	8,081	33,362	41,443	7,221	2,847	10,068
Tax at the UK corporation tax rate of 20% (2015: 20%)	1,616	6,672	8,288	481	190	671
Tax at the UK corporation tax rate of 20%* (2015: 21%)	–	–	–	1,011	399	1,410
Tax effect of non-taxable dividends	(1,203)	(16)	(1,219)	(1,132)	–	(1,132)
Gains on investments that are not taxable	–	(6,939)	(6,939)	–	(879)	(879)
Overseas tax suffered	555	–	555	462	–	462
Adjustment in respect of previous year end	–	–	–	(79)	–	(79)
Tax relief on overseas tax suffered	(77)	–	(77)	(70)	–	(70)
Total tax for the year (see note 10a)	891	(283)	608	673	(290)	383

* The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the Company's profits for the year ended 30 November 2015 are taxed at an effective rate of 20.3%.

Notes to the Financial Statements continued

For the year ended 30 November 2016

10 Taxation continued

c) Factors that may affect future tax charges:

The Company has no unrecognised deferred tax asset (30 November 2015: £nil) based on a prospective corporation tax rate of 18% (2015: 20%). The reduction in the standard rate of corporation tax was substantively enacted in October 2015 and effective from 1 April 2020.

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

11 Earnings per Ordinary Share

	Year ended 30 November 2016			Year ended 30 November 2015		
	Revenue return	Capital return	Total return	Revenue return	Capital return	Total return
The calculation of basic earnings per share is based on the following data:						
Net profit for the year (£'000)	7,190	33,645	40,835	6,548	3,137	9,685
Weighted average ordinary shares in issue during the year ended 30 November 2016	172,916,257	172,916,257	172,916,257	173,880,959	173,880,959	173,880,959
From continuing operations						
Basic – ordinary shares (pence)	4.16	19.46	23.62	3.77	1.81	5.58

The Company has in issue 30,600,000 subscription shares which are convertible into ordinary shares.

The subscription shares were issued on 1 July 2013. Further details of the conversion price are given in note 18 on page 70.

There was no dilutive effect on the earnings per ordinary share in respect of the conversion rights attending to the subscription shares as the conversion price was higher than the average ordinary share price of the Company during the year.

12 Amounts Recognised as Distributions to Ordinary Shareholders in the Year

Dividends paid in the year ended 30 November 2016

Payment date	No of shares	Pence per share	Year ended 30 November 2016 £'000
29 February 2016	173,700,000	1.375p	2,388
25 August 2016	172,575,000	1.95p	3,365
			5,753

The revenue available for distribution by way of dividend for the year is £7,190,000 (2015: £6,548,000).

The total dividends payable in respect of the financial year ended 30 November 2016 which is the basis on which the requirements of Section 1158 Corporation Tax Act 2010 are considered, are set out below:

Payment date	No of shares	Pence per share	Year ended 30 November 2016 £'000
25 August 2016	172,575,000	1.95p	3,365
27 February 2017	172,175,000	1.60p	2,755
			6,120

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

Payment date	No of shares	Pence per share	Year ended 30 November 2015 £'000
27 August 2015	173,700,000	1.85p	3,214
29 February 2016	173,700,000	1.375p	2,388
			5,602

Notes to the Financial Statements continued

For the year ended 30 November 2016

13 Investments and derivatives

(a) Investments

	30 November 2016 £'000	30 November 2015 £'000
Cost brought forward	178,125	178,539
Valuation gains	20,301	17,452
Valuation at 30 November	198,426	195,991
Additions at cost	51,385	50,993
Proceeds on disposal	(45,244)	(52,986)
Losses on disposal	(3,613)	(760)
Amortisation on fixed interest securities	35	(43)
Add: Valuation gains	38,374	5,231
Valuation at 30 November	239,363	198,426
Cost at 30 November	183,433	178,125
Closing fair value adjustment	55,930	20,301
Valuation at 30 November	239,363	198,426

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

	30 November 2016 £'000	30 November 2015 £'000
On acquisitions	137	130
On disposals	89	115
	226	245

(b) Fair value of open derivative contracts

	30 November 2016 £'000	30 November 2015 £'000
Ares Capital contract for difference*	(376)	(349)
Fair value at 30 November	(376)	(349)

* The contract for difference is held in order to increase exposure to stock movements without the financial commitment of purchasing the stock. The total market exposure on the Ares Capital contract for difference is £3,208,000 (2015: £2,626,000) and liability attached to this contract for difference is £3,584,000 (2015: £2,975,000). This is an unrealised loss of £376,000 (2015: £349,000).

(c) Fair value hierarchy

The Company's financial instruments within the scope of IFRS 7 that are held at fair value comprise its investment portfolio and derivative financial instruments.

They are categorised into a hierarchy consisting of the following three levels:

Level 1 – valued using quoted prices in active markets.

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

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

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset.

Details of the valuation techniques used by the Company are given in note 2(g) on page 58.

The following tables set out the fair value measurements using the IFRS 7 hierarchy at 30 November 2015 and 2016:

	As at 30 November 2016			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Equity Investments	219,520	1,892	2,774	224,186
Interest bearing securities	15,177	–	–	15,177
Derivative Financial Instruments	–	(376)	–	(376)
Total	234,697	1,516	2,774	238,987

The Level 2 assets are comprised of Indiabulls Housing finance warrants and the Ares Capital contract for difference. The only Level 3 investment is the shares in Atom Bank.

	As at 30 November 2015			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Equity Investments	178,448	3,639	2,454	184,541
Interest bearing securities	13,885	–	–	13,885
Derivative Financial Instruments	–	(349)	–	(349)
Total	192,333	3,290	2,454	198,077

Notes to the Financial Statements continued
For the year ended 30 November 2016

13 Investments and Derivatives continued

(c) Fair value hierarchy continued

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.

Level 3 investments at fair value through profit or loss	30 November 2016 £'000	30 November 2015 £'000
Opening balance	2,454	500
Transfers from Level 1	–	–
Additions at cost	320	1,509
Disposal proceeds	–	–
Total gains included in the Statement of Comprehensive Income – on assets held at the year end	–	445
Closing balance	2,774	2,454

(d) Unquoted investments

The value of the unquoted investments as at 30 November 2016 was £2,774,000 (2015: £2,454,000) and the portfolio comprised of the following holdings:

	30 November 2016 £'000	30 November 2015 £'000
Atom Bank	2,774	2,454
	2,774	2,454

The investment in Atom Bank is stated in the Company's Financial Statements at fair value as at 30 November 2016.

Atom Bank is a new start up business. At 30 November 2016, the Company owned 3.7% (2015: 3.7%) of Atom Bank's issued share capital. Atom Bank was granted a full banking licence on 4 April 2016. Atom started to accept savings and loan business from this date.

As at 31 March 2016 (Atom Bank's financial year end), Atom Bank announced that it had made pre-tax losses of £23,331,000 (2015: £6,485,000) and had net assets attributable to shareholders of £29,296,000 (2015: £9,023,000).

14 Receivables

	30 November 2016 £'000	30 November 2015 £'000
Securities sold awaiting settlement	2,634	1,522
VAT recoverable	5	2
Dividends and interest receivable	860	791
Prepayments	38	46
	3,537	2,361

The Directors consider that the carrying amounts of receivables approximate to their fair value.

15 Cash and Cash Equivalents

	30 November 2016 £'000	30 November 2015 £'000
Cash at bank	3,652	3,463
Cash held at derivative clearing houses	1,588	1,567
	5,240	5,030

16 Payables

	30 November 2016 £'000	30 November 2015 £'000
Securities purchased awaiting settlement	2,623	1,543
Accruals	363	307
Corporation tax payable	53	5
	3,039	1,855

The Directors consider that the carrying amounts of payables approximate to their fair value.

17 Bank Loans

	30 November 2016 £'000	30 November 2015 £'000
The Company has the following unsecured Sterling loans:		
£10m at 1.5% repayable 16 January 2017	10,000	10,000
£3m at 1.5% repayable 6 March 2017	3,000	–
£2.5m at 1.7% repayable 16 January 2017	2,500	–
£2m at 1.5% repayable 28 April 2017	2,000	–
	17,500	10,000

The loan amounts have been drawn on the Company's £20 million (2015: £20 million) facilities with ING. These facilities are unsecured but are subject to covenants and restrictions which are customary for facilities of this nature, all of which have been complied with during the year. £17.5m was drawn down from the facilities at the year end. See 'About us' on inside front cover for further information.

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

The main covenants to the current loan are:

(i) Total borrowings shall not exceed 35% of adjusted net asset value.

(ii) The Company's minimum net asset value shall be £50m.

(iii) The Company shall not change the investment manager without the prior consent of the shareholders.

(iv) The Company shall ensure that the collateral posted with CFD and derivative transaction counterparties shall not exceed an aggregate of 8% of the net asset value.

Notes to the Financial Statements continued
For the year ended 30 November 2016

18 Called up share capital

	30 November 2016 £'000	30 November 2015 £'000
Allotted, Called up and Fully paid:		
Ordinary shares of 5p each:		
Opening balance of 173,700,000 (30 November 2015: 174,600,000)	8,685	8,730
Repurchase of 1,525,000 (2015: 900,000) ordinary shares for cancellation	(76)	(45)
Allotted, Called up and Fully paid: 172,175,000 (30 November 2015: 173,700,000) ordinary shares of 5p	8,609	8,685
30,600,000 (2015: 30,600,000) subscription shares at 1p each	306	306
At 30 November	8,915	8,991

This reserve is not distributable.

The subscription shares were issued as a bonus issue to ordinary shareholders at a rate of one bonus subscription share for every 5 ordinary shares held on 1 July 2013. A subscription share carries the right to subscribe in cash for one ordinary share at a price of 115p on 31 July 2017.

1,525,000 (2015: 900,000) ordinary shares were repurchased and cancelled in the year at a cost of £1,453,000 (2015: £879,0000).

No shares were issued in the year (2015: nil).

19 Capital redemption reserve

	30 November 2016 £'000	30 November 2015 £'000
At 1 December	175	130
Repurchase of 1,525,000 (2015: 900,000) ordinary shares for cancellation	76	45
At 30 November	251	175

This reserve is not distributable.

20 Share premium reserve

	30 November 2016 £'000	30 November 2015 £'000
At 1 December	21,946	21,946
At 30 November	21,946	21,946

21 Special distributable reserve

	30 November 2016 £'000	30 November 2015 £'000
At 1 December	140,688	141,567
Cost of 1,525,000 ordinary shares repurchased for cancellation (2015: 900,000)	(1,453)	(879)
At 30 November	139,235	140,688

Surpluses to the credit of the special distributable reserve can be used to purchase the Company's own shares. In addition the Company may use this reserve for the payment of dividends.

22 Capital reserves

	30 November 2016 £'000	30 November 2015 £'000
At 1 December	18,058	14,921
Net losses on disposal of investments	(3,613)	(760)
Valuation gains on investments held during the year	38,374	5,231
Gains/(losses) on contracts for difference	554	(16)
Realised gain on Forward FX	1	–
Special dividends allocated to capital	83	–
Exchange losses on currency balances	(619)	(181)
Investment management fee	(1,191)	(1,242)
Finance costs	(227)	(183)
Tax relief due from revenue	283	290
Transaction charges	–	(2)
At 30 November	51,703	18,058

The balance on the capital reserve represents a profit of £55,205,000 (2015 £19,953,000) on investments held and a loss of £3,502,000 (2015: loss £1,895,000) on investments sold.

The balance on investments held comprises holding gains on investments which may be deemed to be realised and other amounts, which are unrealised. An analysis has not been made between the amounts that are realised (and may be distributed or used to repurchase the Company's shares) and those that are unrealised.

The balance on investments sold are realised distributable capital reserves which may be used to repurchase the Company's shares or be distributed as dividends.

Notes to the Financial Statements continued

For the year ended 30 November 2016

23 Revenue reserve

	30 November 2016 £'000	30 November 2015 £'000
At 1 December 2015	3,801	2,815
Revenue profit	7,190	6,548
Interim dividends paid	(5,753)	(5,562)
At 30 November 2016	5,238	3,801

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

24 Net asset value per ordinary share

	30 November 2016	30 November 2015
Undiluted:		
Net assets attributable to ordinary shareholders (£'000)	227,288	193,659
Ordinary shares in issue at end of year	172,175,000	173,700,000
Net asset value per ordinary share (pence)	132.01	111.49
Diluted:		
Net assets attributable to ordinary shareholders (£'000)	262,478	228,849
Ordinary shares in issue at end of year	202,775,000	204,300,000
Net asset value per ordinary share (pence)	129.44	112.02

The diluted net asset value per ordinary share has been calculated on the assumption that 30,600,000 subscription shares in issue are fully converted at 115 pence per share.

The subscription shares offer the right to subscribe for one ordinary share of the Company at 115 pence per share on 31 July 2017.

There is a dilutive effect on the net asset value per ordinary share in respect of the conversion rights attaching to the subscription shares as the conversion price is lower than the NAV per share of the Company (2015: no dilutive effect).

25 Transactions with the investment manager and related party transactions

(a) Transactions with the manager

Under the terms of an agreement dated 11 June 2013 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 November 2016 were £1,489,000 (2015: £1,552,000) of which £143,000 (2015: £116,000) was outstanding at the year end.

(b) Related party transactions

The Company has no employees and therefore no key management personnel other than the Directors. The Company paid £90,000 (2015: £90,000) to the Directors of which £25,000 (2015: £25,000) is outstanding at the year end and the Remuneration Report is on pages 35 to 38.

26 Derivatives and Other Financial Instruments

Risk management policies and procedures for the Company

The Company invests in equities, debt securities and other financial instruments for the long-term to further the investment objective set out on page 14.

This exposes the Company to a range of financial risks that could impact on the assets or performance of the Company.

The main risks arising from the Company's pursuit of its investment objective are market risk, liquidity risk and credit risk and the Directors' approach to the management of them is set out below.

The Company's exposure to financial instruments can comprise:

- Equity and non-equity shares and fixed interest securities which may be held in the investment portfolio in accordance with the investment objective.
- Borrowings, the main purpose of which is to enhance returns.
- Cash, liquid resources and short-term debtors and creditors that arise directly from the Company's operations.
- Derivative transactions which the Company enters into may include equity or index options, contracts for difference, index futures contracts, and forward foreign exchange contracts. The purpose of these is to manage the market price risks and foreign exchange risks arising from the Company's investment activities.

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

(a) Market Risk

Market risk comprises three types of risk: market price risk (see note 26(a)(i)), currency risk (see note 26(a)(ii)), and interest rate risk (see note 26(a)(iii)). Further details are included in the Strategic Report on page 16.

(i) Market Price Risk

The Company is an investment company and as such its performance is dependent on its valuation of its investments. Consequently market price risk is the most significant risk that the Company faces.

Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's operations. It represents the potential loss the Company might suffer through holding market positions in the face of price movements.

A detailed breakdown of the investment portfolio is given on pages 10 to 12. Investments are valued in accordance with the accounting policies as stated in note 2(g).

At the year end, the Company's portfolio included one derivative instrument (2015: one), as shown in note 13(b).

Notes to the Financial Statements continued
For the year ended 30 November 2016

26 Derivatives and Other Financial Instruments continued

(a) Market Risk continued

(i) Market Price Risk

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 financial sub sector. The allocation of assets to international markets, together with stock selection covering small, medium and large companies, and the use of options, are additional factors which act to reduce price risk. The Investment Manager actively monitors market prices 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 on its investments at 30 November was as follows:

	30 November 2016 £'000	30 November 2015 £'000
Investments held at fair value through profit or loss	239,363	198,426
Derivative financial instruments held at fair value through profit or loss	3,208	2,626
	242,571	201,052

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% (2015: 10%) 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, adjusting for a change in management fee, with all other variables held constant.

	30 November 2016		30 November 2015	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
Statement of Comprehensive Income – profit after tax				
Revenue return	(61)	61	(34)	34
Capital return	36,138	(36,138)	19,968	(19,968)
Change to the profit after tax for the year	36,077	(36,077)	19,934	(19,934)
Change to equity attributable to shareholders	36,077	(36,077)	19,934	(19,934)

(ii) Currency Risk

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

Management of the risk

The Investment Manager mitigates risks through an international spread of investments.

Derivative contracts are not used to hedge against the exposure to currency risk.

Foreign currency exposure

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

	30 November 2016 £'000	30 November 2015 £'000
Monetary Assets:		
Cash and short term receivables		
Indian rupee	1,757	–
US dollars	1,413	1,700
Taiwan dollars	314	236
Euros	137	69
Japanese yen	79	62
Norwegian krona	8	25
Singapore dollars	4	26
Indonesian rupiah	–	19
Russian ruble	–	2
Monetary Liabilities:		
Payables		
Indian rupee	(2,622)	–
US dollar	–	(1,892)
Foreign currency exposure on net monetary items	1,090	247

	30 November 2016 £'000	30 November 2015 £'000
Non-Monetary Items:		
Investments held at fair value through profit or loss		
US dollars	100,966	65,968
Euros	40,761	44,434
Singapore dollars	9,721	9,291
Hong Kong dollars	9,114	6,650
Indian rupee	5,883	–
Swedish krone	5,619	3,031
Canadian dollars	4,730	3,397
Norwegian krona	4,532	4,849
Australian dollars	4,037	–
Japanese yen	3,690	4,682
Taiwan dollars	3,077	2,434
Swiss francs	2,349	6,817
Thai baht	2,001	–
Brazilian real	1,619	1,142
Czech krone	–	1,801
Indonesian rupiah	–	919
Total net foreign currency exposure	199,189	155,662

Notes to the Financial Statements continued

For the year ended 30 November 2016

26 Derivatives and Other Financial Instruments continued

(a) Market Risk continued

(ii) Currency Risk

Foreign currency sensitivity

The following tables illustrate the sensitivity of net profit for the year and net assets with regard to the Company's monetary financial assets and liabilities and exchange rates. The sensitivity analysis is based on the Company's monetary currency financial instruments held at the balance sheet date and assumes a 15% (2015: 10%) appreciation or depreciation in Sterling against the currencies to which the Company is exposed, which is considered to be a reasonable illustration based on the volatility of exchange rates during the year.

If Sterling had weakened by 15% this would have had the following effect:

	30 November 2016 £'000	30 November 2015 £'000
Statement of Comprehensive Income – profit after tax		
Revenue return	899	527
Capital return	164	25
Change to the profit after tax for the year	1,063	552
Change to equity attributable to shareholders	1,063	552

Foreign currency sensitivity

Conversely if Sterling had strengthened by 15% (2015: 10%) this would have had the following effect:

	30 November 2016 £'000	30 November 2015 £'000
Statement of Comprehensive Income – profit after tax		
Revenue return	(899)	(527)
Capital return	(164)	(25)
Change to the profit after tax for the year	(1,063)	(552)
Change to equity attributable to shareholders	(1,063)	(552)

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

(iii) Interest Rate Risk

The Company will be affected by interest rate changes as it holds interest-bearing financial assets. Interest rate changes will also have an impact on the valuation of investments, although this forms part of price risk, which is considered separately above.

Management of the risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions.

Derivative contracts are not used to hedge against the exposure to interest rate risk.

Interest rate exposure

The exposure, at 30 November 2016, 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; and
- Fixed interest rates (i.e. giving fair value interest rate risk) – when the financial instrument is due for repayment.

	30 November 2016		
	Within one year £'000	More than one year £'000	Total £'000
Exposure to floating interest rates:			
Cash and cash equivalents	5,240	–	5,240
Non current asset investments held at fair value through profit or loss	–	8,847	8,847
Exposure to fixed interest rates:			
Non current asset investments held at fair value through profit or loss	–	6,330	6,330
Bank loans	(17,500)	–	(17,500)
Total exposure to interest rates	(12,260)	15,177	2,917

	30 November 2015		
	Within one year £'000	More than one year £'000	Total £'000
Exposure to floating interest rates:			
Cash and cash equivalents	5,030	–	5,030
Non current asset investments held at fair value through profit or loss	–	7,640	7,640
Exposure to fixed interest rates:			
Non current asset investments held at fair value through profit or loss	–	6,245	6,245
Bank loans	(10,000)	–	(10,000)
Total exposure to interest rates	(4,970)	13,885	8,915

The weighted average interest rate for the fixed rate financial assets was 6.5% (30 November 2015: 5.5%) and the effective period for which the rate was fixed was 4.9 years (30 November 2015: 5.8 years).

During the year the Company agreed £20 million (2015: £20 million) loan facilities with ING. Interest is payable at a rate of LIBOR as quoted in the market for the relevant currency and period, plus a margin, plus Mandatory Costs, which are the lender's costs of complying with certain regulatory requirements of the Bank of England. Details of the amounts drawn on this facility as at 30 November 2016, and the interest rates applying, are given in note 17.

The above amounts are not necessarily representative of the exposure to interest rates in the year ahead, as the level of cash and investment in fixed interest securities varies during the year according to the performance of the stock market, events within the wider economy and the Investment Manager's decisions on the best use of cash or borrowings over the year.

Notes to the Financial Statements continued
For the year ended 30 November 2016

26 Derivatives and Other Financial Instruments continued

(a) Market Risk continued

(iii) Interest Rate Risk

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 25 basis points in interest rates in regard to the Company's monetary financial assets, which are subject to interest rate risk. This level of change is considered to be reasonably possible based on observation of current market conditions.

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

	30 November 2016		30 November 2015	
	Increase in rate £'000	Decrease in rate £'000	Increase in rate £'000	Decrease in rate £'000
Effect on revenue return	13	(13)	13	(13)
Effect on capital return	–	–	–	–
Effect on net profit and on equity attributable to shareholders	13	(13)	13	(13)

In the opinion of the Directors, the above sensitivity analyses may not be representative of the year as a whole, since the level of exposure may change.

(b) Liquidity Risk

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

Management of the risk

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

Liquidity risk exposure

At 30 November, the financial liabilities comprised of:

	30 November 2016 £'000	30 November 2015 £'000
Due within 1 month:		
Balances due to brokers	2,623	1,543
Accruals	363	307
Due after 3 months and within 1 year:		
Bank loan	17,500	10,000
Corporation tax	53	5
	20,539	11,855

(c) Credit Risk

Credit risk is the exposure to loss from failure of a counterparty to deliver securities or cash for acquisitions or disposal 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 year under review.

Credit risk exposure

The maximum exposure to credit risk at 30 November 2016 was £8,734,000 (2015: £7,343,000) comprising:

	30 November 2016 £'000	30 November 2015 £'000
Balances due from brokers	2,634	1,522
Accrued Income	860	791
Cash and cash equivalents	5,240	5,030
	8,734	7,343

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 ratings of A or higher.

(d) Gearing Risk

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

Management of the risk

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

Gearing risk exposure

The loans are valued at amortised cost, using the effective interest rate method in the financial statements.

Notes to the Financial Statements continued

For the year ended 30 November 2016

26 Derivatives and Other Financial Instruments continued

(e) Capital Management Policies and Procedures

The Company's capital management objectives are:

The Company's capital, or equity, is represented by its net assets which amounted to £227,288,000 as at 30 November 2016 (£193,659,000 as at 30 November 2015), which are managed to achieve the Company's investment objective set out on page 14.

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

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

(ii) the determination of dividend payments and

(iii) the planned level of gearing through the Company's fixed rate loan facility.

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, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by company law.

27 Capital Commitments, Contingent Assets and Liabilities

Capital Commitments

The Company has no commitments to further investment in Atom Bank (2015: £320,000).

The Alternative Investment Fund Manager's Report

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

Polar Capital LLP was appointed as the Alternative Investment Fund Manager to the Polar Capital Global Financials Trust plc ('AIF') on 22 July 2014. 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 AIF website or from Polar Capital LLP, 16 Palace Street, London SW1E 5JD.

The periodic disclosures to investors are:

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

  These are included within the Strategic Report which includes the portfolio of all positions at 30 November 2016.

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

  There is one position in the portfolio that is subject to special arrangements arising from its illiquid nature. This is a position in Atom Bank which the AIFM's Valuation Committee have agreed there should be no change in valuation as there has been no new information to justify a change.

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

  These are set out in the Strategic Report and in note 26 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 2015 and 31 March 2016, the total remuneration paid by the AIFM to its staff attributable to the Fund was £649,300. Within such figure, the proportion of the fixed remuneration of the AIFM's staff attributable to the Fund was £210,100 and the proportion of the variable remuneration of the AIFM's staff attributable to the Fund was £439,200. No performance fee was paid to staff by the Fund during the financial year.

  During the AIFM's financial year, the aggregate amount of remuneration paid to the senior management of the AIFM was £2,143,000 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 Fund was £5,376,000. For the purposes of identifying the members of the AIFM's staff whose actions had a material impact on the risk profile of the Fund, the AIFM has conducted an assessment that it believes to be consistent with certain guidance published by the European Securities and Markets Authority (ESMA/2013/201).

- Leverage disclosure;

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

- Depositary Disclosure;

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

The Alternative Investment Fund Manager's Report continued

Leverage

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

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

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

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

Exposure values under the gross method 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 AIF, 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 the 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 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 AIF:

	As a percentage of net assets	
	Gross Method	Commitment Method
Maximum Leverage Limit*	200%	200%
Actual Leverage Level 30 November 2016	106.9%	106.9%

* This leverage limit should not be confused with gearing which is calculated under the traditional method set out by the Association of Investment Companies. The AIFM is also required to comply with the gearing parameters set by the Board in relation to borrowings.

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 Cann
Polar Capital LLP
Chief Legal & Compliance Officer
9 March 2017

All references to 'the AIF' and 'the Fund' in the above report are to 'the Company'.

Alternative Investment Fund Managers Directive Disclosures

Statement by Depositary

The Directors

Polar Capital Global Financials Trust plc (the Company)

Statement of the Depositary's Responsibilities in Respect of the Company and Report of the Depositary to the Shareholders of the Company for the Year Ended 30 November 2016.

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

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

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

The Depositary must ensure that:

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

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

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

HSBC Bank plc

9 March 2017

Investing

Market Purchases

The ordinary and subscription shares of Polar Capital Global Financials Trust plc are listed and traded on the London Stock Exchange. Investors may purchase shares through their stockbroker, bank or other financial intermediary. The subscription shares will cease to be listed or traded on the London stock Exchange following the conversion date of 31 July 2017.

Share Dealing Services

The Company has arranged for Shareview Dealing, a telephone and Internet share sale service offered by Equiniti to be made available.

For telephone sales call 0800 876 6889 (or +44 121 415 7047) between 8.30am and 4.30pm for dealing and up to 6.00pm for enquiries, Monday to Friday.

For Internet sales log on to www.shareview.co.uk/dealing.

There are a variety of ways to invest in the Company, however, these will largely depend on 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 which 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:

Investing continued

Online Stockbroking Services

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

Investing Risks

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

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

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

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

Other information

Disability Act

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

Nominee Shareholders

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

Capital Gains Tax

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

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

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

The Company was launched on 1 July 2013 with the issue of ordinary shares at £1 per share with subscription shares attached (on a one for five basis).

The Subscription Share section below provides further information regarding the calculation of the base cost of Subscription Shares for Capital Gains Tax purposes.

Subscription Shares

Subscription Shares

Polar Capital Global Financials Trust plc issued subscription shares on 1 July 2013 on the basis of one subscription share for every five ordinary shares subscribed. The subscription shares were admitted to trading on the London Stock Exchange on 1 July 2013.

Subscription shares offer the right to subscribe for one ordinary share of the Company at 115p per ordinary share on 31 July 2017.

Subscription shares acquired other than pursuant to the placing are qualifying investments for the stocks and shares component of an ISA, and should be eligible for inclusion in a UK SIPP.

Subscription Shares Tax Implications

The base 'cost' for UK tax purposes of the subscription shares will be a proportion of the issue price paid for the ordinary shares to which the subscription shares were attached. The apportionment is made by reference to the respective market values of the ordinary shares and subscription shares at the close of business on 1 July 2013, the day the ordinary and subscription shares were admitted to trading. The market values for UK tax purposes of the Company's ordinary shares and subscription shares on such date were as follows:

Ordinary shares:	103.625p
Subscription shares:	11.75p

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

Please note this is a summary of some of the information contained in the Prospectus issued by the Company on 11 June 2013 (the 'Prospectus') in connection with the Placing and Offer for subscription of ordinary shares and subscription shares and should be read as such. Full details of the subscription shares, their issue and conversion are set out in the Prospectus and in the Articles of Association of the Company and reference should be made to that document for a complete and full understanding of the terms of the subscription shares.

Warnings to Investors and Shareholders

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

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

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

Boiler Room Scams

Shareholders may receive unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments or offering to act on the shareholder's behalf on the payment of a retainer or similar in a spurious corporate event. These operations are commonly known as 'boiler rooms'.

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

If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation;
- Check that they are properly authorised by the FCA before getting involved by visiting http://www.fca.org.uk/register/;
- Report the matter either by calling the FCA on 0845 606 1234 or visiting http://www.fca.org.uk/consumers/scams; and
- 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.

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 3 to 21 of this Annual Report and Financial Statements.

No part of this Annual Report and Financial Statements constitutes, or shall be taken to constitute, an invitation or inducement to invest in Polar Capital Global Financials 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.

Company Information

Company Registration Number

8534332 (Registered in England)
The Company is an investment company as defined under Section 833 of the Companies Act 2006.

Directors

Robert Kyprianou, Chairman
Joanne Elliott
Katrina Hart

Investment Manager and AIFM

Polar Capital LLP
16 Palace Street
London
SW1E 5JD

Authorised and regulated by
the Financial Conduct Authority.
Telephone: 020 7227 2700
Website: www.polarcapital.co.uk

Fund Managers

Mr Nick Brind and Mr John Yakas

Company Secretary

Polar Capital Secretarial Services Limited
represented by Mrs Sue Allen, FCIS

Registered Office and Contact Address for Directors

16 Palace Street
London
SW1E 5JD

Independent Auditors

PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Solicitors

Herbert Smith Freehills LLP
Exchange House
Primrose Street
London
EC2A 2HS

Depositary, Bankers and Custodian

HSBC Bank Plc
8 Canada Square
London
E14 5HQ

Identification Codes

Ordinary shares
SEDOL: B9XQT11
ISIN: GB00B9XQT119
TICKER: PCFT
GIIN: 8KP5BT.99999.SL.826
LEI: 549300G5SWN8EP2P4U41

Subscription shares
SEDOL: B9XQV37
ISIN: GB00B9XQV370
TICKER: PCFS

Registrar

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

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

Equinti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

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

Company Information continued

Electronic Communications

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

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

Paper copies will still be available on request.

Company Website

www.polarcapitalglobalfinancialstrust.co.uk

The Company maintains a website which provides a wide range of information on the Company, monthly factsheets issued by the investment manager and copies of announcements, including the annual and half year reports when issued.

Information on the Company can be obtained from various different sources including:

www.theaic.co.uk
www.ft.com/markets
www.londonstockexchange.co.uk

Share Prices and Net Asset Value

The Company's Net Asset Value (NAV) is normally released daily, on the next working day following the calculation date, to the London Stock Exchange. The mid-market price of the ordinary shares is published daily in the Financial Times in the Companies and Markets section under the heading 'Investment Companies'. Share price information is also available from The London Stock Exchange Website:

www.londonstockexchange.co.uk

Portfolio Details

Portfolio information is provided to the AIC for its monthly statistical information service www.theaic.co.uk.

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.

PREMIUM MAIN MARKET
LONDON STOCK EXCHANGE

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