Polar Capital Global Financials Trust plc

Annual Report and Financial Statements

for the year ended 30 November 2019

Polar Capital Global Financials Trust plc (the Company) is a UK investment trust launched in July 2013, managed by Polar Capital, with a fixed life that expires in May 2020 subject to the future life Proposals announced on 6 February 2020.

Polar Capital is a specialist, investment-led, active fund manager. Since its foundation in 2001, it has grown steadily and currently has 12 autonomous investment teams managing specialist, active and capacity constrained portfolios, with a collegiate and meritocratic culture where capacity of investment strategies is managed to enhance and protect performance.

See more at:
polarcapitalglobalfinancialstrust.com

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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. Up to 10.0% of total assets may be invested in unlisted or unquoted securities. The portfolio is diversified by factors including geography, industry sub-sector and stock market capitalisation.

Full details of the investment policy are set out on page 17 of the Strategic Report.

Benchmark

The Company's benchmark is the MSCI World Financials + Real Estate Net Total Return Index (in Sterling with dividends reinvested). This index was adopted with effect from 1 September 2016 in order to replicate the constituents of the previously used MSCI World Financials Index following changes to its composition. See note 4 on page 2 and page 19 for more information.

Management

The Investment Manager and AIFM is Polar Capital LLP and Mr Nick Brind and Mr John Yakas have managed the portfolio since launch on 1 July 2013.

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 revenue.

The Investment Manager may also be entitled to a performance fee paid in cash. The fee is calculated and shall accrue daily but is only payable on the liquidation of the Company. To date no performance fee has been accrued. Full details are given in the Strategic Report.

Capital Structure

As at 30 November 2019, the Company had 202,775,000 ordinary shares in issue. No ordinary shares were issued or bought back during the year or have been since the year end.

The subscription shares issued at launch on 1 July 2013 were fully exercised and converted on 31 July 2017 with the issue of 30,600,000 ordinary shares. The Company did not buy back any subscription shares prior to the conversion.

Life of the Company

The Company was launched in July 2013 with a fixed seven-year life. The Articles of Association require the Directors to put forward at the seventh Annual General Meeting (AGM) 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 will be held no later than 31 May 2020. However, as announced on 6 February 2020, ahead of the AGM, the Board will put proposals to shareholders to extend the life of the Company by way of a change to the Articles of Association, and offer shareholders an exit by tender offer. Further details are provided within the Chairman's Statement on page 6.

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 of drawdown. At the beginning of the year, the Company had an arrangement with ING Bank NV for one-year bank loans totalling £30m, of which £15m had been drawn down. In July 2019, the Company entered into a replacement arrangement with ING Luxembourg SA for a one-year revolving credit facility of up to £20m, and a one-year term loan for £10m. At the year end, £10m had been drawn down under these facilities. Subsequent to the year end, £12.5m has been drawn down from the revolving credit facility. At 28 February 2020 this equated to 5.0% net gearing.

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.

Our Performance and Highlights

Performance (Sterling total return)	For the year ended 30 November 2019 %	Since Inception %
Net asset value (NAV) per ordinary share[(1)]*	10.4	85.5
Ordinary share price[(2)]*	12.4	71.9
Ordinary share price including subscription share value[(3)]*	–	75.8

Benchmark	For the year ended 30 November 2019 %	Since Inception %
MSCI World Financials + Real Estate Net Total Return Index[(4)]	9.9	85.2
Other Indices and peer group (in Sterling)		
MSCI World Index	13.0	111.4
FTSE All Share Index	11.0	54.5
Lipper Financial Sector[(5)]	8.1	58.2

Financials	As at 30 November 2019	As at 30 November 2018	% Change
Total net assets	£301,170,000	£280,984,000	+7.2
Net assets per ordinary share	148.5p	138.6p	+7.2
Ordinary share price	143.8p	132.0p	+8.9
Discount per ordinary share*	3.2%	4.8%	
Net gearing*	4.4%	2.1%	
Ordinary shares in issue	202,775,000	202,775,000	–
Total dividend per ordinary share	4.40p	4.15p	+6.0

Earnings per Ordinary share	For the year ended 30 November 2019	For the year ended 30 November 2018
Revenue Return	4.89p	4.71p
Capital Return	9.36p	(6.73p)
Total	14.25p	(2.02p)
Ongoing Charges[(6)]*	1.04%	0.99%

Dividends

The Company has paid or declared the following dividends relating to the financial year ended 30 November 2019:

Pay Date	Amount per Ordinary share	Record Date	Ex-Date	Declared Date
First interim: 30 August 2019	2.40p	2 August 2019	1 August 2019	3 July 2019
Second interim: 28 February 2020	2.00p	7 February 2020	6 February 2020	29 January 2020
Total (2018: 4.15p)	4.40p			

Note 1 The total return NAV performance for the period is calculated by reinvesting the dividends in the assets of the Company from the relevant ex-dividend date. Performance since inception has been calculated using the initial NAV of 98p and the NAV on 30 November 2019. 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 to the closing price on 30 November 2019.

Note 3 The total return share price performance since inception includes the value of the subscription shares issued free of payment at launch on the basis of one for every five Ordinary shares and assumes such were held throughout the period from launch to the conversion date of 31 July 2017. Performance is calculated by reinvesting the dividends in the shares of the Company from the relevant ex-dividend date and uses the launch price of 100p per Ordinary share and the closing price per Ordinary share on 30 November 2019.

Note 4 The benchmark was the MSCI World Financials Index to 31 August 2016, and the MSCI World Financials + Real Estate for all periods from 1 September 2016.

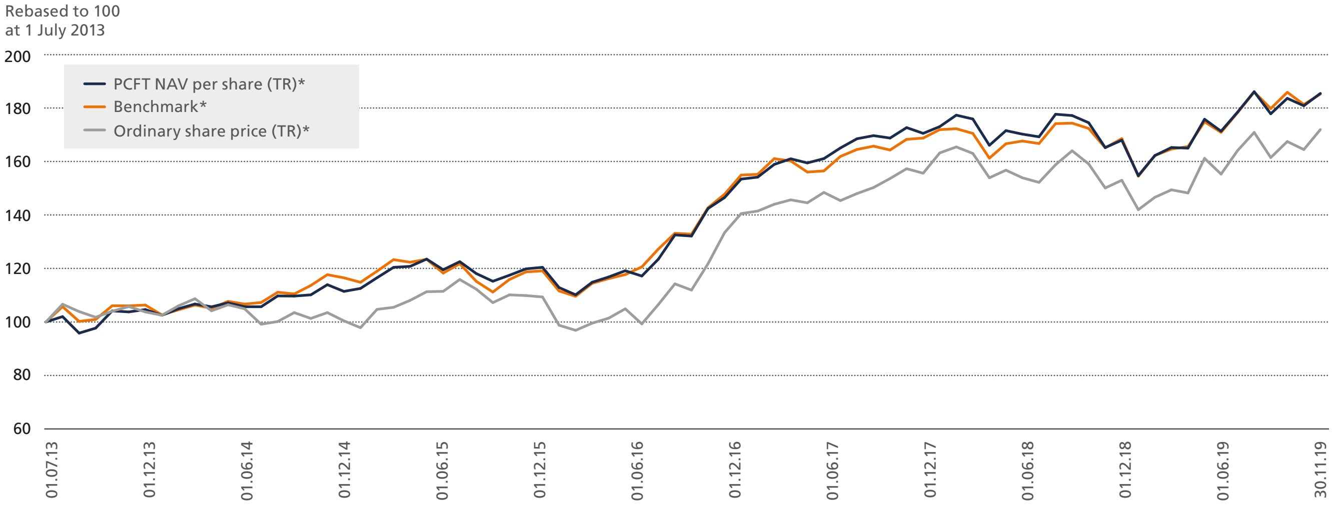
Note 5 Dynamic average of open ended funds in the Lipper Financial Sector Universe which comprised 55 open ended funds in the year under review.

Note 6 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. From 3 January 2018, the date of implementation of the MiFID II regulation, the research cost borne by the Company is included in the ongoing charges calculation. Previously these costs were covered by the commissions charged on the sale and purchase of shares which were charged to the capital account.

* See Alternative Performance Measure on pages 92 and 93.

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

PERFORMANCE SINCE INCEPTION



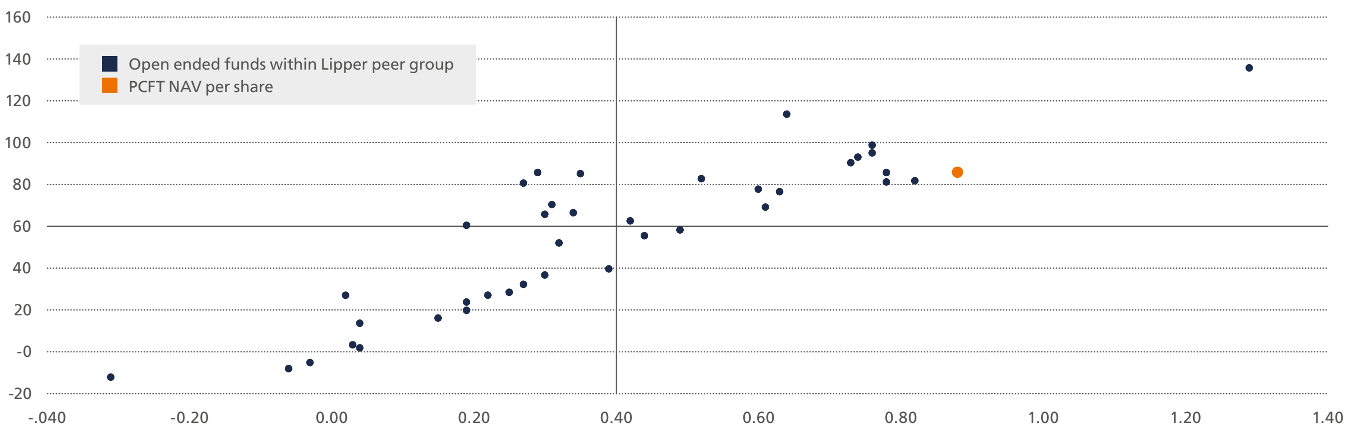
DISCRETE PERFORMANCE (%)

For the year ended 30 November	2013~	2014	2015	2016	2017	2018	2019
NAV per share (TR)*	3.7	9.8	5.3	22.2	16.4	-1.5	10.4
Ordinary share price (TR)*	5.8	-2.2	6.2	21.4	16.7	-1.7	12.4
Benchmark*	6.4	11.0	0.9	24.5	14.2	-0.1	9.9

* See page 2 note 1 and note 2 for NAV and share price total return (TR) calculation respectively and note 4 for a definition of the benchmark.
Source: Polar Capital

~ Performance total return (TR) for the period was from inception date of 1 July 2013 to 30 November 2013.

NAV PER SHARE TOTAL RETURN (TR) PERFORMANCE SINCE INCEPTION WITHIN LIPPER PEER GROUP



Note: Source Lipper: Data quoted from 1 July 2013 through 30 November 2019. The Lipper peer group includes open ended funds and had an average Sharpe ratio of 0.40, the Company's Sharpe ratio over the same period was 0.88. Performance is based on the Company's NAV per share, net of fees in GBP terms. Sharpe ratio based on monthly frequency. The Sharpe ratio is a measure of risk adjusted return. It is the excess portfolio return over the risk-free rate relative to its standard deviation.

Chairman's Statement

Robert Kyprianou
Chairman

Dear Shareholders

On behalf of the Board I am pleased to report for this, the final full year of the Company's seven-year fixed life term, a double-digit rise in the Company's share price, an outperformance of NAV relative to the benchmark, a narrowing of the share price discount to NAV and a further year of strong dividend growth.

On its launch in 2013 the Company embedded into its Articles of Association a fixed life of seven years which would conclude with an opportunity for shareholders to vote for the liquidation of the Company at its AGM in 2020. The vote is enhanced such that a single vote in favour will be sufficient for the resolution to pass. This AGM is due to be held by the end of May 2020. Over the past year the Board has been considering whether any alternative proposals to continue with the Company beyond its seven-year term would be in shareholders' best interests. The results of these deliberations are described in my statement below.

Performance

Despite broad political and economic volatility and policy U-turns, the year under review was a good one for global stock markets. In Sterling terms the MSCI World Index and the FTSE All Share Index rose by 13.0% and 11.0% respectively over the year under review. Despite ending the year strongly, the financials sector lagged a little against the Company's benchmark, the MSCI World Financials plus Real Estate Index, recording a gain of 9.9%.

After all fees and expenses, your Manager delivered a total return of 10.4%, outperforming the Company's benchmark. Share price performance at 12.4% for the year was even stronger as the Company's share price discount to NAV narrowed over the course of the financial year.

Your Manager has delivered this performance while navigating political and economic turbulence from trade wars; the Brexit rollercoaster, growing European populism and Euro-scepticism; monetary policy U-turns and the changing of the guard in various key central banks and financial institutions. Having taken certain defensive measures in response to earlier poor sentiment towards the financials sector, the Manager's strong stock selection capability came through in portfolio performance as sentiment recovered towards the end of the financial year.

From its launch to the recent year end, the Company has earned, after all fees and expenses, a net total return of 85.5%, slightly ahead of the benchmark total return of 85.2%. Over the life of the Company the portfolio's active risk has ranged between 70% and 80% and its tracking error, relative to the benchmark, has ranged between 2% and 7%.

Over this same period the Company's net total return has ranked 9th among a range of 44 open ended funds within the Lipper Financial Sector universe. Exploiting the Company's active global mandate, the Manager has delivered risk adjusted returns significantly superior to that of direct peers and also to a narrow portfolio of holdings in UK mainstream banks.

Please refer to the Investment Manager's Report for more detailed information on investment policy and performance attribution over the most recent financial year.

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. Since then, the Company has raised the dividend in each financial year.

In August 2019 the Company paid an interim dividend of 2.40p per ordinary share. The Board has declared a further interim dividend of 2.00p per ordinary share payable to shareholders on the register as at 7 February 2020. This will bring the total dividend paid for the financial year under review to 4.40p per ordinary share, an increase of 6.0% over the previous financial year. As a result, over the five years since the first full financial year payment, the Company has been able to grow its dividend by an average of 7.3% p.a.

Share Capital

The Company had 202,775,000 ordinary shares in issue at the start of the financial year. No shares were bought back or issued during the financial year under review and the number of shares in issue therefore remains the same. The Company's share price on 30 November 2019 was 143.75p (2018: 132.00p). The Company's market capitalisation at the financial year end was £291.5m (2018: £267.7m).

The Company's share price traded in a discount range of 1.9% to 7.2% throughout the year, ending at a discount of 3.2% compared to 4.8% at the start of the year. The Board monitors the share price discount to NAV and 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 appropriate, in order to maintain a smooth market in the Company's shares and where it believes value can be added for shareholders.

During the course of the year the Company's corporate broker, Panmure Gordon, made some changes in its team coverage of the Company. The Board took this as an opportunity to review its corporate broker services. Following completion of the review, the Board decided to engage Investec Bank PLC as its corporate broker and advisor. The Board believes that this change will ensure that the Company continues to receive high quality advisory and market making services.

Costs

The Board continues to place a high priority on monitoring the Company's expenses. At launch we had estimated an ongoing charges ratio (OCR) of 1.27% of net assets and we have managed to fall below this level for every full year to date. The OCR for the year under review to 30 November 2019 was 1.04%, slightly up on the low of 0.99% at 30 November 2017 and 2018.

The increase in OCR this year is as a result of some ad hoc legal expenses, Non-executive Director (NED) recruitment fees in relation to the appointment of Simon Cordery, and an increase in marketing undertaken in order to support the liquidity of the Company's shares by introducing the Company to a broader universe of investors. This included commissioning third party research on the Company from Marten & Co.

We continue to contribute to the bespoke specialist research used by the Manager under MiFID II regulation. However, the element of research cost borne by the Company has continued to reduce and has again been offset somewhat by the lower transaction commission rates charged to the capital account.

Outlook

As the Company approaches the end of its fixed seven-year life I would like to reflect on the past and consider the future of your Company.

In last year's Annual Report I wrote that ten years after the financial crisis, the sustained and profound regulatory-driven improvements in capital resources and risk management had not been reflected in the valuation of the sector. A year later, as your Manager argues in the Investment Manager's Report, the sector, and in particular banks, seems to be priced for recession and this does not reflect the impressive positive changes in the sector since 2008. For banks in particular, business models have been changed in favour of less capital intensive and off-balance sheet revenue streams; technology has been applied to underpin operating models and efficiency; and capital buffers have been built to the point that stress tests for the most severe of recessions are now a source of comfort rather than panic.

Chairman's Statement
continued

Against this background the Board has been reviewing how best to act in shareholders' interests as the end of the seven-year fixed life approaches. Following consultation with the Manager, our advisers and a number of shareholders, the Board believes that the original thesis for the Trust remains strong and that current valuation levels represent an excellent entry point into the investment opportunity.

The Board also remains comfortable that an actively managed, closed-end, global vehicle remains an appropriate way of participating in, and managing the risks of, a financials portfolio. Such a vehicle will allow the Manager to take a long-term view; to exploit opportunities in less liquid smaller and mid-sized companies as well as non-quoted companies; to allow fintech and niche/specialist financial companies time to mature and realise value; to exploit the long-term growth in the penetration of financial services in emerging markets; and to utilise gearing when appropriate as a performance enhancing tool. Finally, the fixed-term, closed end nature of the vehicle has helped smooth the payment of dividends over the life of the Company and contributed to the Company's record of steady income growth for shareholders.

The Company was launched with a fixed life of seven years to end no later than 31 May 2020. The Company and its advisors have met with a number of shareholders who have indicated an interest in the Company continuing beyond the current seven-year life. The Board has determined that the best course of action is to offer to those shareholders who wish to remain in the investment thesis the opportunity to do so while honouring the original commitment to liquidity for those shareholders who wish to realise their investment at the end of the seven-year life.

Future Proposals

On 6 February 2020, the Company announced that, following a period of shareholder consultation, a number of items would be proposed to shareholders (together 'the Proposals') including:

- minor changes to the Company's investment policy;
- a change to the Articles of Association to replace the current fixed life and requirement to wind-up the Company ahead of 31 May 2020 with an immediate and thereafter five-yearly tender offers;
- a change to the Company's benchmark;
- a reduction in the management fee and change of structure to the performance fee payable to the Investment Manager;
- an increase in the maximum permitted borrowing; and
- use of a treasury account to hold any shares bought in by the Company for future reissue into the market.

The replacement of the wind-up of the Company with a tender offer will give those shareholders wanting an exit the opportunity to tender their shares in full and those shareholders wanting to continue their investment a vehicle in which to remain invested. See pages 18 and 28 for more details.

Full details of the Proposals, including the timetable and anticipated exit costs, will be provided in a Circular to shareholders to be sent in early March.

General Meeting in Relation to the Proposals

Included within the Circular will be a Notice of General Meeting (GM) at which shareholders will have the opportunity to vote on the Proposals. We urge you to attend the meeting or submit your votes on the resolutions ahead of the meeting to ensure your views are considered. The meeting is expected to be held in early April.

Annual General Meeting

The Company's seventh Annual General Meeting (AGM) will be held no later than 31 May 2020 at a date to be notified following the GM detailed above. The formal Notice of AGM will be sent to shareholders as soon as possible and with at least the requisite notice period.

Both the GM and the AGM will be held at the offices of Polar Capital LLP, 16 Palace Street, London SW1E 5JD. The Directors will all be present and there will be an opportunity at the AGM to hear a short presentation directly from your Manager.

My fellow Directors and I look forward to welcoming you to the GM and subsequent AGM, where there will be ample opportunity to discuss with us the performance and the future of the Company. We very much value your support and feedback.

Robert Kyprianou
Chairman
6 March 2020

Investment Manager's Report

Nick Brind
Co-Fund Manager

John Yakas
Co-Fund Manager

Performance

As highlighted in the Chairman's Statement, it is pleasing to report a year of solid returns from the portfolio. The Trust's net asset value total return for the period under review produced gains of 10.4%, against a rise of 9.9%* for our benchmark index, the MSCI World Financials Index + Real Estate Index. While both of these measures lag the MSCI World Index return of 13.0%, the general strength of global equity markets over the reporting period, provided investors with a tailwind.

Positive stock selection was partially offset by an overweight position in banks and an underweight positioning in real estate investment trusts (REITs), as the latter performed very well over the period. Our holdings in a number of emerging market banks and payments companies were also a positive contributor, as were our fixed-income holdings.

Mastercard was the biggest contributor to performance, followed by holdings in Blackstone, the US alternative asset manager, Arch Capital, the US speciality insurer and Mapletree Commercial Trust, a Singapore-listed REIT. Conversely, the biggest drag on performance was a holding in Swedbank, one of Sweden's largest banks, Caixabank, a Spanish bank and some of our US regional bank holdings such as East West Bancorp and SVB Financial Group.

Investment Review

Markets

Financial markets suffered a brutal sell-off in December 2018, for example, the S&P 500 Index fell by nearly 15.0% at the worst point on Christmas Eve before staging a partial recovery in the last few days of the year. The fall was sparked by hawkish commentary on the outlook for US interest rates by Jerome Powell, the Chairman of the Federal Reserve, and in particular a statement around the downsizing of the Federal Reserve's balance sheet, which he said was on 'automatic pilot'.

The severity of the falls was not seen as justified and equity markets rallied strongly in January 2019 with the momentum of this rally carrying through to the end of April before there was another correction. The rally was given renewed impetus by less hawkish commentary from the Federal Reserve about the outlook for interest rates and the pace at which it would shrink its balance sheet. Solid fourth-quarter results also helped underpin the positive turn in sentiment.

However, concern around the escalation of trade tensions between the US and China and a fall in leading indicators resulted in interest rate expectations and bond yields falling steadily over the first seven months of the financial year, as expectations increased that the Federal Reserve would have to cut interest rates.

Investment Manager's Report
continued

As trade tensions continued to ratchet up with the US threatening to impose further tariffs, weak manufacturing data and softer leading economic indicators caused bond yields to fall further as the market priced in three interest rate cuts in the US by the end of 2020.

As a result, by the middle of August, US and German ten-year government bond yields had fallen to around 1.45% and -0.7% respectively, in the latter case below levels last seen in 2016. In comparison, the equivalent yields at the start of the financial year were 3.0% and 0.3%. The amount of negative yielding debt globally ballooned to over US$15 trillion, double that at the start of the financial year. At this juncture bond yields bottomed and started to rally and there was a sharp rotation out of growth stocks into value stocks.

The change in outlook was helped by a number of factors. In particular, the Federal Reserve, having cut interest rates three times during 2019, announced in September it was not expecting to cut rates further, citing robust consumer spending, strengthening home sales and reduced geopolitical risks and furthermore stating that they required a material reassessment of the outlook to justify further cuts. There was also progress in trade talks between the US and China, and the UK government came to a new agreement with the EU on Brexit, leading to a sharp rally in Sterling.

Finally, while the ECB announced a further cut in interest rates to stimulate growth, it was coupled with the introduction of a tiered deposit scheme to offset some of the negative impact from negative interest rates on banks' profitability. On top of this the heads of the German, Austrian, Dutch and French central banks all voiced opposition to the ECB's decision to undertake additional monetary easing. There were also increased calls for fiscal stimulus to reduce the need for monetary policy to remain so loose.

US repo markets (short-term funding markets) suffered a sharp spike in cost in September. While a number of reasons were given for the ruction, at its simplest we believe it was driven by the unintended consequence of the liquidity requirements put in place post the financial crisis. As banks are now required to hold a higher amount of high-quality short-dated securities, (in other words government bonds, cash and deposits at central banks) then the ability of the Federal Reserve to shrink its balance sheet materially is vastly reduced. As a result, the Federal Reserve was forced into pumping more liquidity into markets, which undoubtedly helped underpin the improvement in tone in financial markets and rally into the year end.

Sector

This background of falling interest rates and bond yields acted as a headwind for bank stocks over the year, as while they are beneficiaries of rising interest rates, the reverse is also true. Japanese banks were particularly weak over the year but European banks and US regional banks also underperformed, reflecting in the latter case their greater sensitivity to movements in interest rates versus larger US banks and in the others the weaker outlook for interest rates relative to the US.

The sell-off in bank stocks saw their valuations fall materially, bottoming in August. At this point the discount at which US banks traded to the wider equity market had widened out to around 45% on a PE ratio relative to the 20% discount they have, on average, traded for the last seven years. In the case of European banks, valuations fell to levels on a par with those seen in the middle of the crises of 2009 and 2012 before both rebounded sharply.

Money laundering allegations weighed on sentiment towards Swedish banks. Danske Bank, Denmark's largest bank, had come under significant criticism in 2018 over alleged flows through its Estonian branch. While initially Danske was seen as an exception, Swedish banks also came under suspicion over their money laundering controls, in particular Swedbank, which suffered a sharp fall in its share price and resulted in its CEO and Chairman both being forced to step down.

UK banks initially rallied in the first half of the year on the expectation of a 'softer' Brexit as the UK government was forced to concede to the date when the UK could leave the EU being pushed back. However, the rally proved short-lived, along with strength in Sterling, as the political impasse worsened. This led to the resignation of Prime Minister Theresa May and the election of Boris Johnson as her replacement and continued uncertainty about the outlook for the UK as an early act was to prorogue parliament.

Merger and acquisition activity picked up during the period with Deutsche Bank and Commerzbank admitting to talks, which fell through, with other banks also linked to discussions with the latter. In the US, SunTrust and BB&T announced a merger to create the sixth largest bank in the country, with one of the reasons given being a need to increase spending on technology to compete against their larger peers. In the UK, Charter Court Financial Services and OneSavings Bank, both buy-to-let focused lenders and both holdings in the Trust, also announced a merger.

Non-life insurance and REITs performed well over the year albeit their relative performance in the second half of the financial year was weaker, the latter due in part to the pick-up in bond yields. The non-life insurance sector has continued to benefit from its defensive characteristics, namely a steady growth in earnings combined with a relative lack of economic sensitivity, in an environment where investors have been concerned about global growth.

2019 turned out to be the third year in a row to see significant catastrophic losses after several events late in the year, including Hurricane Dorian, Typhoons Hagibis and Faxai, as well as Californian and Australian wildfires. However, the bigger concern for non-life insurers has been around social inflation in the US, which hit the share prices of several companies. Social inflation is the increase in insurance losses caused by higher jury awards which have been rising for a number of reasons, including the increasing availability of third-party litigation funding.

Asset managers also performed well, benefiting from rising equity markets which was enough to offset negative flows and fee pressure for most traditional asset managers as the shift into passive funds out of active funds continues. Alternative asset managers saw a significant jump in their share prices as they continue to benefit from strong demand for alternative assets. Several US alternative asset managers announced they would be changing from a partnership structure to a corporate structure and therefore their shares would become eligible for inclusion in indices and this boosted their share prices further.

Subordinated debt of banks and insurance companies performed strongly over the year as bond yields fell and there was a tightening in the spread at which they traded relative to government bonds. Bond funds have continued to attract inflows as investors search for yield and the outlook for the sector from a credit standpoint remained robust. An expectation that banks would honour call dates which are optional also helped performance.

Investment Activity

We used the sell-off in December 2018 to add to our US bank holdings, taking gearing on the Trust close to 5.0%. However, as the rally in equity markets following the sell-off was so strong we took the opportunity to take gearing back down and make further sales, in particular reducing some of our US, European and Japanese bank holdings, resulting in the Trust holding net cash at the half year.

Subsequently, valuations fell further and as we started to see a rotation back into bank shares, we increased gearing back up to just over 4.0% towards the end of the period covered by the report. We increased exposure to emerging markets by introducing a number of new holdings as well as adding to current holdings. We also increased exposure to US regional banks while reducing exposure to payments companies and the insurance sector.

New holdings over the course of the year included AJ Bell, the UK investment platform, which we purchased at IPO, Bank Central Asia, an Indonesian bank, Grupo Financiero Banorte, a Mexican bank, Itau Unibanco, a Brazilian bank, PayPal, the payments company and Intact Financial, a Canadian non-life insurance company. We also added to holdings in AIA, an Asian life assurer, East West Bancorp, a Californian bank, and DNB, Norway's largest bank.

Conversely, holdings in Commonwealth Bank of Australia, Mitsubishi UFJ Financial and Swedbank, Australian, Japanese and Swedish banks respectively, Indiabulls Housing Finance, an Indian non-bank finance company, and Caixabank, a Spanish bank, were all sold. We also reduced exposure to REITs by reducing holdings in Frasers Centrepoint Trust and Mapletree Commercial Trust, both Singapore-listed REITs.

Outlook

Performance since launch

Since the launch of the Trust, the net asset value total return has annualised at around 10.3%, ahead of financial sector benchmarks but behind global equity markets which have been led by the very strong performance of technology shares. However, while valuations for equity markets have risen by around 30% over this period in PE terms, valuations for financials are little changed, but within that, valuations for banks have fallen by close to 10%.

We believe this relative derating of the sector – or absolute derating in the case of banks – reflects concerns about the medium-term outlook for economic growth, inflation and therefore interest rates, latterly driven by concerns over the impact of coronavirus on global growth, and how these factors will impact profitability. We believe these concerns are overdone and that views on the outlook are so entrenched that investors risk having little or no exposure to the sector and missing out on a rotation back into value stocks, of which financials represent the largest percentage.

Risks

The biggest downside risks to the sector are falling equity markets driving lower fee income, lower interest rates and weaker economic growth or recession leading to lower net interest margins, higher unemployment and corporate insolvencies in turn triggering higher loan losses and bond defaults, all resulting in lower profitability. Lower equity markets aside, asset quality currently, outside some emerging markets, remains resilient and if anything has continued to positively surprise, reflecting the relatively benign macro background.

While the recovery in the US has been the longest expansion in history according to the National Bureau of Economic Research, it has also been far weaker than any previous recovery. Similarly, economic growth in other countries has also been much weaker than in past recoveries. This would suggest that the risks that normally build up in the banking system in an expansion have yet to do so and that therefore banks' operating performance should surprise positively through the next downturn.

One way to observe this is via the credit to GDP gap which has been negative for most developed countries since the crisis i.e. loan growth has been slower than nominal GDP growth. The correlation between loan growth relative to GDP and future loan losses is very high as strong loan growth correlates highly

Investment Manager's Report
continued

with higher loan losses in a downturn and vice versa, reflecting the exuberance or caution with which banks extend new loans. If the correlation stands then this would suggest there will be little or no pick-up in loan losses if a recession were to occur in the next year.

This cautiousness around risk can also be seen in an area where banks lost significant money during the financial crisis, namely trading assets, for example, leveraged loans. There has been understandable concern recently around both the significant increase in leveraged loan issuance but also the fall in underwriting standards and use of adjusted EBITDA forecasts by private equity sponsors to justify paying high valuations. However, the banking sector's exposure to leveraged loans has fallen on some estimates by around 85% since 2007 with other market participants taking up the slack.

All things being equal, lower interest rates lead to lower net interest margins and therefore profitability for banks. But looking back at previous recessions it is noticeable that margins expand as banks look to offset the impact of higher loan losses. It is only as a recovery picks up and loan losses fall that competition picks up and net interest margins fall. More recently, the impact of lower interest rates, while negative, has been overstated, having a bigger impact on sentiment. That said, longer term it will force banks to adjust their business models to adapt if interest rates remain at their current low levels.

Banks' balance sheets are significantly stronger than they were prior to the financial crisis. In the case of US banks one has to go back to the 1930s to find a time when they had lower leverage. Funding similarly is much more robust, with banks less reliant on short-term wholesale funding, so the sector is much more resilient to any volatility in funding markets. Regular stress tests by regulators and better governance around risk by banks also underpins our view that concerns are overdone.

Drivers of future performance

Banks represent a significant portion of the sector and the Trust's portfolio. The sector's performance remains welded to the performance of bank shares and thus any changes in trends in economic data and bond yields in the short term. The pick-up in bond yields since last August has benefited the sector and, while we believe that shorter-term data could disappoint, there are sufficient indicators suggesting that economic data will pick up further over the course of 2020 and therefore the sector should perform well over the next year.

The financial sector is the second largest globally and there are significant opportunities within the sector and a number of that are worth highlighting.

We have increased the Trust's exposure to emerging markets over the last year, reflecting our optimism on the long-term outlook for the growth in penetration of financial services in Asia and Latin America, which remains well below that of developed markets, more recently taking advantage of weak share price performance of a number of individual companies to add to or introduce new holdings.

The non-life insurance sector also remains an important theme and is the second largest exposure of the Trust. With further evidence of insurance premium rate rises coming through, we believe the sector is well positioned to continue to do well. Reflecting its defensive characteristics, it also offers a counterbalance to our banks' exposure for times when we want to reduce risk across the portfolio. For that reason alone, we have marginally reduced our exposure in recent months.

FinTech is a broad theme and one we have played primarily through payments companies, which we continue to expect to do well from the growth in e-commerce and shift from cash to card payments. We have steered clear of so called peer-to-peer or marketplace lenders that take balance sheet risk, and which have universally struggled to justify their high valuations.

Smaller and mid-sized banks remain an important part of the portfolio whether they are focused on niche or specialist lending markets or whether they are regional banks based in a faster growing state or markets in the US or countries elsewhere. We expect the opportunities for these banks to continue as they take market share from their larger peers.

Finally, credit has been a small part of the Trust's portfolio but an area where we have been able to make attractive risk-adjusted returns from buying the debt instruments of banks, non-life insurance and life assurance companies. There remain many interesting opportunities, some of which have resulted from changes in regulation that require the issuer to look to retire or refinance bonds over coming years where bonds no longer count towards regulatory capital.

In conclusion

Looking forward we remain constructive on the outlook for the sector notwithstanding the impact of coronavirus in the short-term. The brief rotation out of growth stocks into value stocks over the last few months of the financial year, of which banks played a prominent part, is not surprising considering the latter's underperformance. Warren Buffet's business partner, Charlie Munger is quoted as saying: "A great business at a fair price is superior to a fair business at a great price". They have increased Berkshire Hathaway's exposure to US financials over the past year and a half by around 40% at the expense of almost any other sector. In an equity market where investors struggle to find value, they see them as solid investments, as we do.

Nick Brind & John Yakas
6 March 2020

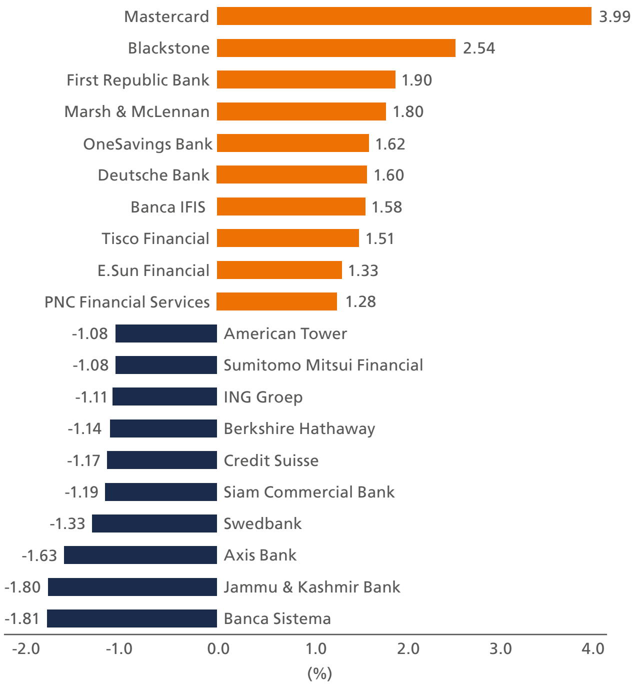
Note

We would draw shareholders attention to
http://www.polarcapitalglobalfinancialstrust.com
for regular monthly portfolio updates and commentary

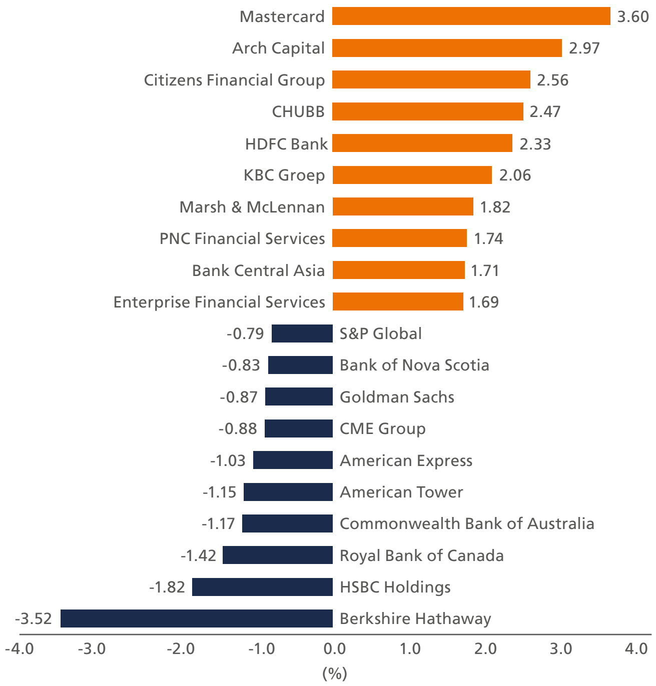
* index performance figures are total return in Sterling

Attribution Analysis

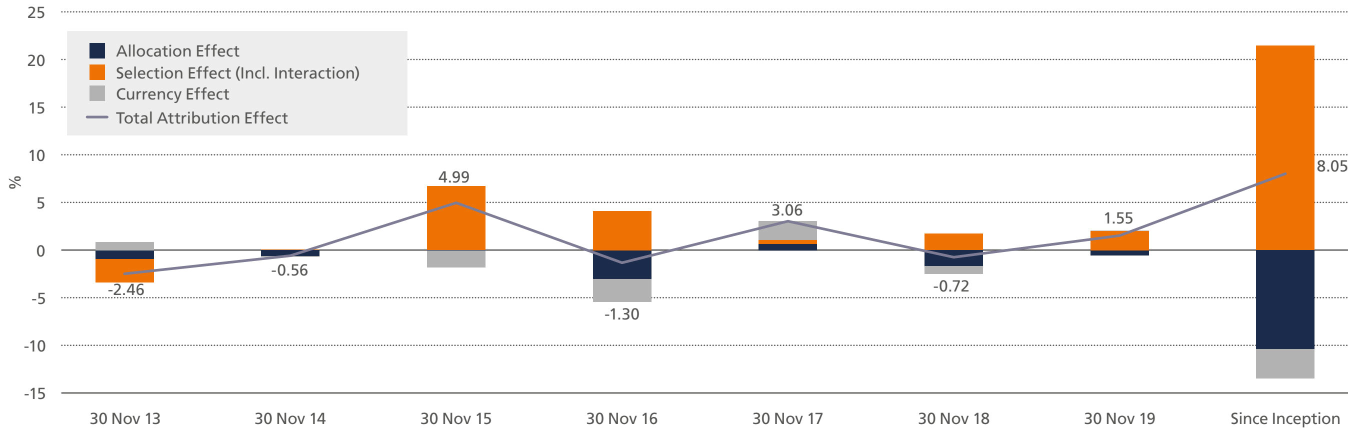
THE TOP TEN RELATIVE CONTRIBUTORS TO AND THE BOTTOM TEN RELATIVE DETRACTORS FROM PERFORMANCE VERSUS THE BENCHMARK SINCE INCEPTION TO 30 NOVEMBER 2019



ACTIVE POSITIONS – TOP TEN AND BOTTOM TEN ACTIVE POSITIONS AS AT 30 NOVEMBER 2019



SINCE INCEPTION TO 30 NOVEMBER 2019



Note: This represents the gross return of the trust's portfolio minus the benchmark return. This reflects the attribution effect where the trust's gross return is compared to the benchmark return. Total Attribution Effect is derived from the Relative Attribution Analysis, which decomposes the Excess Return (Gross) into the Allocation Effect and Selection Effect (Inc. Interaction). Allocation Effect refers to the portion of the trust's overall performance attributable to the Portfolio Manager's decision on taking different asset categories weights. Selection Effect refers to the portion of the trust's overall performance attributable to the Portfolio Manager's decision on selecting individual securities. Interaction Effect refers to the performance attributable to the combination of allocation effect and selection effect.

Portfolio Review
As at 30 November 2019

Geographical Exposure*	30 November 2019	30 November 2018
North America	52.2%	46.1%
Asia (ex-Japan)	16.8%	14.5%
Europe	16.3%	21.2%
United Kingdom	8.3%	8.5%
Fixed Income	7.2%	7.3%
Latin America	1.6%	–
Japan	1.5%	3.4%
Eastern Europe	0.2%	0.9%
Other net liabilities	(4.1%)	(1.9%)
Total	100.0%	100.0%

Sector Exposure*	30 November 2019	30 November 2018
Banks	64.6%	66.7%
Insurance	16.6%	13.1%
Fixed Income	7.2%	7.3%
Diversified Financials	7.1%	8.4%
Software & Services	4.6%	2.8%
Real Estate	4.0%	3.6%
Other net liabilities	(4.1%)	(1.9%)
Total	100.0%	100.0%

Market Cap*	30 November 2019	30 November 2018
Large (>US$5bn)	90.1%	82.9%
Medium (US$0.5bn – US$5bn)	10.7%	14.9%
Small (<US$0.5bn)	3.3%	4.1%
Other net liabilities	(4.1%)	(1.9%)
Total	100.0%	100.0%

* Based on the net assets as at 30 November 2019 of £301.2m (2018: £281.0m)

Portfolio Composition

As at 30 November 2019

Top Ten Investments

Ranking 2019	Ranking (2018)	Stock	Sector	Geographical Exposure	Market Value 2019 £'000	Market Value 2018 £'000	% of total net assets 2019 %	% of total net assets 2018 %
1	(1)	JP Morgan Chase	Banks	North America	19,842	16,756	6.6	6.0
		JP Morgan Chase is the largest bank in the US, with a market capitalisation of US$430bn, and a presence in over 100 markets. It is the result of a combination of several banks including JP Morgan, Chase Manhattan, Bank One, Chemical Bank and Manufacturers Hanover. During the financial crisis the company also acquired Bear Stearns, one of the largest investment banks in the US and Washington Mutual, which at the time was the largest savings and loans bank in the US.						
2	(2)	Bank of America	Banks	North America	13,844	12,397	4.6	4.4
		Bank of America is the 2nd largest bank in the US with a market capitalisation of US$308bn. The bank's history dates to 1904 when it was founded as the Bank of Italy to service Italian immigrants in California. It was acquired by Nations Bank in 1998 and its name changed to Bank of America. During the financial crisis the bank acquired Merrill Lynch, one of the largest investment banks in the US.						
3	(5)	Mastercard	Software & Services	North America	10,847	7,780	3.6	2.8
		Mastercard is the 2nd largest payments company in the world with a market capitalisation of US$343bn. Its principal business is to process payments between the banks of merchants and individuals or corporations who use the Mastercard branded debit, credit and prepaid cards to make purchases. It was founded in 1966 by a number of Californian banks as a competitor to what is today Visa.						
4	(3)	CHUBB	Insurance	Europe	9,966	8,666	3.3	3.1
		CHUBB, incorporated in Switzerland, has a market capitalisation of US$75bn and is the largest commercial insurer in the United States and the world's largest publicly traded property and casualty insurer. It operates in 54 countries as a global provider of insurance products which also include accident and health, reinsurance and life insurance. It was formed from the acquisition of CHUBB by ACE in 2016 which then adopted the CHUBB name.						
5	(13)	Arch Capital	Insurance	North America	9,576	6,177	3.2	2.2
		Arch Capital Group operations began in 2001. Through organic growth and strategic acquisitions, Arch has evolved into a leading diversified specialty insurer and reinsurer writing insurance, reinsurance and mortgage insurance on a worldwide basis. Arch's underwriting platform, experienced management team and strong capital base have created a prominent presence providing service for a wide range of property, casualty and specialty insurance for corporations, professional firms and financial institutions across the U.S. It has a market capitalisation of $19bn.						
6	(19)	Citizens Financial Group	Banks	North America	8,349	4,954	2.8	1.8
		Citizens Financial Group is 13th largest bank in the US with a market capitalization of US$17bn. Citizens provides commercial and consumer banking services across 11 states in the Northeast, Mid-Atlantic, and Midwest. After being bought by Royal Bank of Scotland (RBS) in 1988, Citizens Financial went on an acquisition spree, making more than two dozen deals. In 2014, RBS sold 25% of its stake in what was then one of the largest bank IPOs and sold its remaining stake in 2015.						
7	(10)	US Bancorp	Banks	North America	7,801	6,375	2.6	2.3
		US Bancorp is a 5th largest bank in the US with a market capitalisation of US$85bn. It operates in over 24 states predominantly in the western United States and Midwest. Its history dates back to 1863 with the opening of First National Bank of Cincinnati, one of the oldest bank charters in the US. Its most recent acquisition was the purchase of 94 branches of Charter One Bank in Chicago, part of Citizens Financial Group, at the time a subsidiary of Royal Bank of Scotland.						
8	(6)	Wells Fargo	Banks	North America	7,786	7,688	2.6	2.7
		Wells Fargo is the 3rd largest bank in the US with a market capitalisation of US$199bn, and branches across the whole country. It was founded in 1852 by Henry Wells and William G Fargo, two of the founders of American Express, to provide banking and express services to California by stagecoach. Wells Fargo acquired Wachovia in 2008, which at the time was the fourth largest bank in the US based on total assets.						
9	(8)	PNC Financial Services	Banks	North America	7,728	6,772	2.6	2.4
		PNC Financial Services is the 7th largest bank in the United States with a market capitalisation of US$67bn and operations in 19 states. The name originates from two of its predecessor banks, Pittsburgh National Corporation and Provident National Corporation which merged in 1983. It is also the largest shareholder of BlackRock, the largest asset manager in the world with over US$7 trillion in assets under management.						
10	(12)	Marsh & McLennan	Insurance	North America	7,487	6,226	2.4	2.2
		Marsh is a global leader in insurance broking and risk management. Working with clients of all sizes to provide solutions to quantify and manage risk. Offering risk management, risk consulting, insurance broking, alternative risk financing, and insurance program management services to businesses, government entities, organizations, and individuals around the world. It has a market capitalisation of $60bn.						
Top 10 investments					103,226		34.3	

Portfolio Composition continued
As at 30 November 2019

Full Portfolio

Ranking					Market Value		% of total net assets	
2019	(2018)	Stock	Sector	Geographical Exposure	2019 £'000	2018 £'000	2019 %	2018 %
1	(1)	JP Morgan Chase	Banks	North America	19,842	16,756	6.6	6.0
2	(2)	Bank of America	Banks	North America	13,844	12,397	4.6	4.4
3	(5)	Mastercard	Software & Services	North America	10,847	7,780	3.6	2.8
4	(3)	CHUBB	Insurance	Europe	9,966	8,666	3.3	3.1
5	(13)	Arch Capital	Insurance	North America	9,576	6,177	3.2	2.2
6	(19)	Citizens Financial Group	Banks	North America	8,349	4,954	2.8	1.8
7	(10)	US Bancorp	Banks	North America	7,801	6,375	2.6	2.3
8	(6)	Wells Fargo	Banks	North America	7,786	7,688	2.6	2.7
9	(8)	PNC Financial Services	Banks	North America	7,728	6,772	2.6	2.4
10	(12)	Marsh & McLennan	Insurance	North America	7,487	6,226	2.4	2.2
Top 10 investments					103,226		34.3	
11	(60)	AIA Group	Insurance	Asia (ex-Japan)	7,198	1,950	2.4	0.7
12	(9)	Toronto-Dominion Bank	Banks	North America	7,178	6,413	2.4	2.3
13	(33)	HDFC Bank	Banks	Asia (ex-Japan)	7,013	3,468	2.3	1.2
14	(11)	KBC Groep	Banks	Europe	6,868	6,244	2.3	2.2
15	(4)	Citigroup	Banks	North America	6,862	7,952	2.2	2.8
16	(20)	First Republic Bank	Banks	North America	5,660	4,938	1.9	1.8
17	(18)	Allianz	Insurance	Europe	5,590	4,994	1.9	1.8
18	(54)	DNB	Banks	Europe	5,582	2,422	1.9	0.9
19	(15)	KeyCorp	Banks	North America	5,577	5,785	1.8	2.0
20	(23)	Blackstone	Diversified Financials	North America	5,453	4,520	1.8	1.6
Top 20 investments					166,207		55.2	
21	(21)	ING Groep	Banks	Europe	5,158	4,808	1.7	1.7
22	(-)	Bank Central Asia	Banks	Asia (ex-Japan)	5,134	–	1.7	–
23	(32)	East West Bancorp	Banks	North America	5,102	3,777	1.7	1.3
24	(-)	Enterprise Financial Services	Banks	North America	5,081	–	1.7	–
25	(25)	E. Sun Financial	Banks	Asia (ex-Japan)	4,994	4,100	1.7	1.5
26	(56)	Lloyds Banking Group	Banks	United Kingdom	4,952	2,392	1.6	0.9
27	(30)	SVB Financial	Banks	North America	4,936	3,927	1.6	1.4
28	(7)	Sumitomo Mitsui Financial	Banks	Japan	4,373	7,148	1.5	2.5
29	(17)	Sampo	Insurance	Europe	4,347	5,487	1.4	2.0
30	(59)	OneSavings Bank	Banks	United Kingdom	4,276	2,077	1.4	0.7
Top 30 investments					214,560		71.2	

Ranking					Market Value		% of total net assets	
2019	(2018)	Stock	Sector	Geographical Exposure	2019 £'000	2018 £'000	2019 %	2018 %
31	(26)	Ares Capital	Diversified Financials	North America	4,127	4,094	1.4	1.4
32	(47)	Standard Chartered	Banks	United Kingdom	3,946	2,717	1.3	1.0
33	(28)	BNP Paribas	Banks	Europe	3,923	4,047	1.3	1.4
34	(24)	Solar Capital	Diversified Financials	North America	3,793	4,366	1.2	1.6
35	(29)	Mapletree Commercial	Real Estate	Asia (ex-Japan)	3,751	4,045	1.2	1.4
36	(39)	VPC Specialty Lending Investments	Fixed Income	Fixed Income	3,737	3,141	1.2	1.1
37	(-)	Bank of the Philippine Islands	Banks	Asia (ex-Japan)	3,555	–	1.2	–
38	(34)	Fortune REIT	Real Estate	Asia (ex-Japan)	3,546	3,453	1.2	1.2
39	(14)	Oversea-Chinese Banking	Banks	Asia (ex-Japan)	3,441	5,858	1.2	2.1
40	(44)	Nationwide Building Society 10.25% CCDS	Fixed Income	Fixed Income	3,267	2,811	1.1	1.0
Top 40 investments					251,646		83.5	
41	(38)	Atom Bank (unquoted)	Banks	United Kingdom	3,191	3,191	1.1	1.1
42	(42)	Tisco Financial	Banks	Asia (ex-Japan)	3,113	3,041	1.0	1.1
43	(-)	Intact Financial Corporation	Insurance	North America	3,041	–	1.0	–
44	(43)	Frasers Centrepoint Trust	Real Estate	Asia (ex-Japan)	3,039	2,858	1.0	1.0
45	(-)	PayPal	Software & Services	North America	3,023	–	1.0	–
46	(40)	Direct Line Insurance	Insurance	United Kingdom	2,858	3,068	1.0	1.1
47	(22)	Banco Santander	Banks	Europe	2,832	4,634	0.9	1.6
48	(-)	Itaú Unibanco	Banks	Latin America	2,775	–	0.9	–
49	(52)	City of London Investment Group	Diversified Financials	United Kingdom	2,622	2,451	0.9	0.9
50	(46)	International Personal Finance 5.75% Bond	Fixed Income	Fixed Income	2,603	2,781	0.9	1.0
Top 50 investments					280,743		93.2	

Portfolio Composition continued
As at 30 November 2019

Full Portfolio continued

Ranking					Market Value		% of total net assets	
2019	(2018)	Stock	Sector	Geographical Exposure	2019 £'000	2018 £'000	2019 %	2018 %
51	(53)	Sparebank SMN	Banks	Europe	2,470	2,443	0.8	0.9
52	(36)	UBS Group	Banks	Europe	2,421	3,385	0.8	1.2
53	(45)	Pollen Street Secured Lending (formerly P2P Global Investments)	Fixed Income	Fixed Income	2,379	2,786	0.8	1.0
54	(57)	Pennant Park Floating Rate Capital	Diversified Financials	North America	2,323	2,384	0.8	0.8
55	(48)	BOC Hong Kong	Banks	Asia (ex-Japan)	2,278	2,693	0.7	0.9
56	(-)	Grupo Financiero Banorte	Banks	Latin America	2,206	–	0.7	–
57	(58)	Aldermore Group 8.5% Bond	Fixed Income	Fixed Income	2,151	2,204	0.7	0.8
58	(49)	Bank of N. T. Butterfield	Banks	North America	1,979	2,666	0.7	0.9
59	(-)	AJ Bell	Diversified Financials	United Kingdom	1,961	–	0.7	–
60	(-)	Indusind Bank	Banks	Asia (ex-Japan)	1,869	–	0.6	–
Top 60 investments					302,780		100.5	
61	(-)	Link REIT	Real Estate	Asia (ex-Japan)	1,793	–	0.6	–
62	(63)	Phoenix Life 7.25% Bond	Fixed Income	Fixed Income	1,719	1,749	0.6	0.6
63	(-)	International Personal Finance 7.75% Bond	Fixed Income	Fixed Income	1,626	–	0.5	–
64	(66)	Amigo Luxembourg 7.625% Bond	Fixed Income	Fixed Income	1,422	1,461	0.5	0.5
65	(64)	Aegon Floating Rate Bond	Fixed Income	Fixed Income	1,377	1,652	0.5	0.6
66	(-)	HSBC Floating Rate Bond	Fixed Income	Fixed Income	1,179	–	0.4	–
67	(70)	Augmentum Fintech	Diversified Financials	United Kingdom	1,050	738	0.3	0.3
68	(50)	TBC Bank	Banks	Eastern Europe	659	2,606	0.2	0.9
Total investments					313,605		104.1	
Other net liabilities					(12,435)		(4.1)	
Total net assets					301,170		100.0	

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 strategy and potential for that strategy to succeed, including a fair review of the strategy and performance of the Company during the year ended 30 November 2019, as well as 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 main market of 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 84 to 87.

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 Corporation Tax Act 2010 (as amended by section 49(2) of the Finance Act 2011) and continue to qualify as an investment trust. This qualification permits the accumulation of capital within the portfolio without any liability to UK Capital Gains Tax. Further information is provided in the Report of the Directors. 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.

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 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, currently 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.

Strategic Report continued

The Board

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

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 is enhanced such that, provided any single vote is cast in favour, the resolution will be passed. As detailed within the Chairman's Statement on page 6, the Company is making Proposals to amend the Articles of Association and extend the Company's life for those shareholders wishing to remain invested by removing the requirement to propose the winding up of the Company and replacing such with a tender offer and subsequent five-yearly tender offers, in addition to minor changes to the investment policy and structural aspects. The Board remains positive on the longer-term outlook for the global financials sector.

Future performance is dependent, to a significant degree, on the world's financial markets and their response 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, the outlook and threats.

Investment Team

The portfolio is managed jointly by Mr Nick Brind and Mr John Yakas, supported by five other financials specialists within the team.

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 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 of 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 who focus on the global financials sector.

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. The Investment Manager has discretion to invest up to 10% of the portfolio 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.

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.

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

- HSBC Bank plc as Custodian and Depositary;
- Investec Bank plc as Corporate Broker;
- Equiniti Limited as Share Registrars;
- PricewaterhouseCoopers LLP as Independent Auditors;
- RD:IR for investor relations and shareholder analysis;
- Marten & Co as third party research providers;
- Emperor as Designers and Printers for shareholder communications; and
- Huguenot Limited as Website Designers and internet hosting services.

Benchmark

The Company compares the Investment Manager's performance against the MSCI World Financials + Real Estate Net Total Return Index, 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 a determinant of investment strategy. The purpose of the Benchmark is to set out a reasonable measure of performance for shareholders and an appropriate base which, together with an additional hurdle, forms the level above which the Investment Manager earns a share of any outperformance it has delivered.

Strategic Report continued

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 including:

Objective	Control process	KPI / 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 and the value delivered to shareholders through NAV growth and dividends paid. The Board also receives monthly reports on performance against both the Benchmark and a comparator group of open ended investment funds.	The Company's NAV total return, over the year ended 30 November 2019, was 10.4% while the Benchmark Index over the same period delivered 9.9%. The Company ranked 9th of 44 open ended funds within the Lipper Financial Sector universe and 1st of 7 within the short comparator group of funds regularly considered by the Board.
The achievement of a progressive dividend policy.	Financial forecasts are reviewed to track income and distributions at each meeting.	A total of two interim dividends amounting to 4.40p (2018: 4.15p) per ordinary share have been paid or are payable in respect of the financial year ended 30 November 2019, representing an increase of 6.0% year on year. In line with the progressive dividend policy, since the first full year payment, the dividend has grown by an average of 7.3% each year.
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, 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 at the year end was 3.2% compared with the widest discount over the year ended 30 November 2019 of 7.2%, reached on 10 December 2018 and the narrowest discount of 1.9% reached on 24 December 2018. In the year ended 30 November 2019, the Company did not buy back any ordinary shares.
Monitoring and managing ongoing charges.	The Board receives regular financial information which discloses expenses against budget.	Ongoing charges for the year ended 30 November 2019 were 1.04% (year ended 30 November 2018: 0.99%). Details of the slight increase are given in the Chairman's Statement and the Notes to the Financial Statements.
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 2019 and they believe that the Company will continue to meet the requirements.

In addition to the above performance objectives, the Investment Manager and Directors use a variety of financial alternative performance measures ('APMs') to assess the performance of the Company. See pages 92 and 93.

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 has carried out a robust assessment of the risks and 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, that 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 continued to consider the market uncertainty specifically arising as a result of various political movements including both Brexit which is yet to be finalised and the General Election held on 12 December 2019 shortly after the Company's financial year end. Other risks identified and discussed by the Board during the year included the risk of a contagion effect from the situation which evolved out of Woodford Investment Management, the near term fixed life expiry of the Company, the overall ESG environment and the impact of such on the investment process and outcomes.

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.	The Board seeks to manage the impact of such risks through regular reporting and monitoring of investment performance against a comparator group of open-ended funds, the Benchmark and other agreed indicators of relative performance. In 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 specialist financial sector 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.
Loss of portfolio manager or other key staff.	Key personnel are incentivised by equity participation in the investment management company.
Persistent excessive share price discount to NAV.	In consultation with its advisors, including the corporate broker, the Board regularly considers the level of the share price discount to the NAV and the Board reviews ways to enhance shareholder value including share issuance and buy backs. The Board believes that having a fixed life with a wind-up date in 2020 has helped to limit discount volatility.

Strategic Report continued

Principal Business Risks and Uncertainties	Management of risks through Mitigation & Controls
PORTFOLIO MANAGEMENT	
While the portfolio is diversified across a number of stock markets worldwide, the investment mandate is focused on financials and thus the portfolio is more sensitive to investor sentiment and the commercial acceptance of the sector than a general investment portfolio. The Company's portfolio is exposed to risks such as market price, credit, liquidity, foreign currency and interest rates. The portfolio is actively managed. The Investment Manager's 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 limits and monitors the position of the portfolio against such. These include 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 of 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 any new banking facilities and gearing limits 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. At 30 November 2019 the Company was 4.4% geared (2018: 2.1%).
The ability to continue the dividend policy may be compromised due to lower income or as a result of the currency exposure underlying the portfolio. This could result in a lower level of dividend being paid than intended or previously paid.	The Board monitors income and currency exposure through monthly management accounts and discussion. In the event of there being insufficient income during the financial year the Company has built up revenue reserves on which to draw to pay dividends. Equally, in the event of the revenue reserves being fully utilised the Company may use other distributable reserves. See notes 21-23 on pages 74 and 75.
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 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 Disclosure Guidance and Transparency 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. While it has no control over such changes, the Board seeks to ensure that their impact on the Company is understood and complied with.

Principal Business Risks and Uncertainties	Management of risks through Mitigation & Controls
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 continues to be considered. 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. At the year-end over 65% of the portfolio was invested outside of the EEA. Note 26 describes the impact of changes in foreign exchange rates. The Investment Manager has the ability to hedge foreign currency if it is thought appropriate at the time.

Investment 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 (IMA) 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 paid by 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.

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.

Strategic Report continued

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 revenue.

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:

- 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;
- 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;
- 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
- 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.

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 2019 (2018: nil).

Corporate Responsibility

Socially responsible investing and exercise of voting powers.

The Board has instructed the Investment Manager to take into account and have regard to the published corporate governance and ESG policies of the companies in which it invests. The Investment Manager has an ESG policy which is embedded and integral to each of the investment teams' processes. The investment trusts and funds managed by Polar Capital are ranked on their ESG credentials and each portfolio manager is expected to ensure the underlying portfolio companies are improving their ESG credentials on an ongoing basis. The Investment Manager utilises agency rating reports along with industry intelligence, team expertise and research when considering making or withdrawing investments. Polar Capital has signed up to the United Nations Principles of Responsible Investing (UNPRI) and meets all the criteria required by the UNPRI Charter. The full policy is available on the Polar Capital website.

The Board 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 line with Institutional Shareholder Services (ISS) policy. However, in exceptional cases, where it believes that voting on a resolution in line with the ISS policy 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 at the Investment Manager's discretion.

During the year under review, the Investment Manager voted at 61 of a possible 65 company meetings, of which 98.5% of votes cast followed the recommendations of the ISS policy.

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 and Greenhouse Gas Emissions

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

The 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.

Diversity, Gender Reporting and Human Rights Policy

The Company has no employees and the Board comprises two male and two female Non-executive Directors.

In the event of continuation of the Company following the expiry of the fixed life, the Board will adopt a succession plan and throughout any recruitment process will continue to have regard to the benefits of diversity, including gender, when seeking to make any such appointment(s). See page 32 for further details on succession.

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

Modern Slavery Act, Anti-Bribery and Corruption

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.

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.

s172 Statement – Directors' Duties

The statutory duties of the Directors are listed in s171-177 of the Companies Act 2006. Under s172, Directors have a duty to promote the success of the Company for the benefit of its members (the Shareholders) as a whole and in doing so have regard to the consequences of any decision in the long term, as well as having regard to the Company's stakeholders amongst other considerations.

The fulfilment of this duty not only helps the Company achieve its Investment Objective but ensures decisions are made in a responsible and sustainable way for shareholders. The Directors have considered this duty when making the strategic decisions during the year that affect shareholders, including: the change of the Company's Corporate Broker following numerous changes in personnel at the previously appointed firm; the appointment of Simon Cordery to the Board, bringing extensive marketing and industry experience; continuing the increase in dividends paid to shareholders and adopting an annual vote on the Dividend Policy; monitoring the Investment Manager's use of gearing and taking careful and detailed steps in the considerations for the reconstruction Proposals to be made to shareholders, which included meeting with shareholders representing some 70.0% of the Company's issued share capital to gauge the appetite for continuation of the Company and the financials mandate. The Board has also sought to better understand the views of both shareholders and other stakeholders. Accordingly, the Directors have attended several industry events to meet with shareholders and prospective investors, as well as meeting the Company's service providers. For the first time, shareholders will also have the opportunity to consider the Company's dividend policy, approval of which will be sought by way of ordinary resolution at the Company's AGM (further details can be found in the Report of the Directors). The Board considers the understanding of shareholders' views as essential in fulfilling its duty under s172 and welcomes the opportunity to meet and speak with shareholders. Shareholders are therefore encouraged to attend the Company's AGM, details of which will be sent to shareholders in April 2020. Alternatively shareholders may contact the Directors via the Company Secretary.

Approved by the Board on 6 March 2020.
By order of the Board

Tracey Lago FCG
Polar Capital Secretarial Services Limited
Company Secretary

Board of Directors

Robert Kyprianou

Independent Non-executive Chairman

Date appointed
Appointed to the Board on 7 June 2013.

Skills and Experience
Robert was formerly the CEO of AXA Framlington until his retirement in September 2009. Previous appointments include: independent 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 and Head of Portfolio Management at Salomon Brothers Asset Management Ltd.

Other Appointments
Robert is a director of Eurobank Cyprus Ltd and an independent non-executive director of Pimco Europe Limited.

Committee Memberships
Chairman of the Board, Nomination and Remuneration Committees.

Member of the Audit and Management Engagement Committees.

Share Interests
68,526 shares

Annual Remuneration
£37,000

Joanne Elliott ACA

Independent Non-executive Director

Date appointed
Appointed to the Board on 7 June 2013.

Skills and Experience
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.

Other Appointments
Whilst Joanne is a director of a number of private companies in connection with her role at Thames River Capital, she holds no other active external appointments.

Committee Memberships
Chair of the Audit Committee.

Member of the Management Engagement, Nomination and Remuneration Committees.

Share Interests
30,000 shares

Annual Remuneration
£31,500

Ms Elliott's remuneration is paid to Thames River Capital LLP in respect of her services as a Director.

Katrina Hart

Independent Non-executive Director

Date appointed
Appointed to the Board on 7 June 2013.

Skills and Experience
Katrina spent her executive career in investment banking, advising, analysing and commentating on a broad range of businesses. Initially working in corporate finance at ING Barings and Hawkpoint Partners, Katrina then moved into equities research at HSBC, covering the General Financials sector. Latterly, she headed up the Financials research teams at Bridgewell Group plc and Canaccord Genuity, specialising in wealth and asset managers.

Other Appointments
Katrina is a non-executive director of Premier Miton Group plc, an AIM-listed fund manager. She is also a non-executive director of Keystone Investment Trust plc, Blackrock Frontiers Investment Trust plc and AEW UK REIT plc, each listed on the main market.

Committee Memberships
Chair of the Management Engagement Committee.

Member of the Audit, Nomination and Remuneration Committees.

Share Interests
51,700 shares

Annual Remuneration
£26,500

Investment Managers

Simon Cordery FCSI
Independent Non-executive Director

Date appointed
Appointed to the Board on 1 July 2019.

Skills and Experience
Simon has almost 40 years' experience working within financial services of which nearly 30 years have been focused on the wealth management industry. Most recently he was Head of Investor Relations and Sales at BMO Global Asset Management, where he spent almost 25 years in senior roles, and previously he held roles with Invesco Fund Managers, Jefferies & Co, Kleinwort Benson Securities and Rea Bros Merchant Bank. Simon has considerable and detailed knowledge of the investment trust industry and remains actively involved with the AIC.

Other Appointments
No other current appointments.

Committee Memberships
Member of the Audit, Nomination, Remuneration and Management Engagement Committees.

Share Interests
5,330 shares

Annual Remuneration
£26,500

Nick Brind
Co-Fund Manager

Date appointed
Nick joined Polar Capital following the acquisition of HIM Capital in September 2010.

Skills and Experience
Nick is also the manager of the Polar Capital Income Opportunities Fund. He has over 25 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

Date appointed
John joined Polar Capital following the acquisition of HIM Capital in September 2010.

Skills and Experience
John is also the manager of the Polar Capital Asian Opportunities Fund and Polar Capital Financial Opportunities Fund. He has over 30 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 26 and 27, 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 2019.

The Strategic Report includes information on the Regulatory Arrangements, Future Development, Service Providers, Investment Policy, Objective and Strategy, Benchmark and Key Performance Objectives, Principal Risks and Uncertainties, Management Company, and Corporate Responsibilities of the Company.

Introduction and Status

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 (the 'Act') and its ordinary shares are listed and traded on the main market of the London Stock Exchange.

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.

The Directors are of the opinion that the Company has conducted its affairs in respect of the year ended 30 November 2019 and will continue to conduct its affairs so as to maintain its status as an investment trust.

Purpose

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, sub-sector 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 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.

Life of the Company

As detailed within the Chairman's Statement, the Articles of Association require the Directors to propose, at the seventh AGM, a special resolution to place the Company into liquidation. However, as announced on 6 February 2020 the Company will be putting to shareholders a set of Proposals which will include alteration of the Articles of Association to remove this requirement.

Proposals

The Proposals will be put to shareholders at a General Meeting expected to be held in early April 2020. As announced, the Proposals include

- minor changes to the investment mandate;
- replacement of the fixed life with an immediate and thereafter five-yearly tender offers;
- a change to the Company's benchmark;
- a reduction in the management fee paid to Polar Capital and a change to the terms of the performance fee;
- an increase to the maximum allowable gearing from 15% to 20% of NAV at the time borrowing is adopted; and
- future use of treasury to hold any shares that may be bought back by the Company for reissue into the market.

In the event of the Proposals not being passed the Board will bring forward proposals for the liquidation of the Company.

Annual General Meeting

Subject to the outcome of the resolutions on the Proposals, the seventh AGM of the Company will be held no later than 31 May 2020. The Notice of Meeting calling the AGM and detailing the resolutions to be put to shareholders will be distributed as a separate mailing to shareholders in April 2020. Resolutions will be proposed to receive the Report of the Directors and Annual Financial Report, approve the Directors' Remuneration Policy and the associated Implementation Report, re-appoint the auditors, authorise the Directors to set their fees and to approve the dividend policy. The Directors will also seek to renew their powers to allot ordinary shares for cash and to buy back ordinary shares for holding in treasury.

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. The Directors do not recommend and the Company does not pay a final dividend. Details of the dividends paid and declared are set out on pages 2 and Note 12 on pages 69 and 70. A resolution to approve the dividend policy of the Company will be recommended to shareholders at the AGM annually.

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 agreed in respect of the audit of the 2019 annual financial statements was £33,000 (2018: £26,280). The increase in fees reflects a re-basing by PwC of their fees to more fairly reflect the level of audit work required to perform a robust quality audit.

Share Capital History and Voting Interests

Issued share capital

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 share was 100p and the net asset value (NAV) per share on 1 July 2013 was 98p, after launch costs.

In accordance with the Company's original prospectus, on 31 July 2017, the subscription shareholders had the opportunity to exercise their rights to subscribe for one ordinary share per subscription share at a price of 115p per ordinary share following which all subscription rights lapsed and the subscription shares were cancelled. As a result of the subscription exercise the Company issued 30,600,000 new ordinary shares. The Company did not buy back any subscription shares prior to the conversion and no ordinary shares were bought back during the year.

At 30 November 2019, there were 202,775,000 ordinary shares in issue. Since the year end, there have been no changes to the issued ordinary share capital of the Company.

Voting Rights

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

Transferability

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

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

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

At the AGM in 2019, the Board was granted by shareholders the power to allot equity securities up to a nominal value of £1,013,875, being 10% of the Company's issued ordinary share capital on 11 April 2019, 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 2020 AGM.

Report of the Directors continued

The powers granted at the 2019 AGM have not been used but renewal of these authorities will be sought at the AGM in 2020. New ordinary shares will not be allotted and issued at below the net asset value per share after taking into account the costs of issue.

The Board also obtained shareholder authorities at the AGM in 2019 to make market purchases of up to 30,395,972 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 2020 and its renewal will be sought.

Details of the resolutions and the Directors' policies for the issue and purchase of shares will be set out in the separate Notice of Annual General Meeting which is expected to be distributed to shareholders in April 2020.

Major interests in ordinary shares

As at 30 November 2019, the Company had received TR1 notices for the purposes of Part 5 of the FCA's Disclosure Guidance and Transparency Rules from the under-noted shareholders. The Board is aware that there have been changes in shareholdings since the receipt of the TR1 notifications, but which would not necessarily have triggered the threshold for an updated notification to be delivered to the Company. The shareholder register of interests in the ordinary shares of the Company as at 30 November 2019 reflects these changes, as below:

		TR1 Notification		Shareholder Register as at 30 November 2019	
Shareholder	**Type of Holding**	**Number of Shares**	**% of voting rights***	**Number of Shares**	**% of voting rights**
Investec Wealth & Investment Ltd	Direct	40,272,752	19.86	39,984,528	19.72
Rathbone Brothers plc	Indirect	14,405,587	7.10	19,569,198	9.65
1607 Capital Partners LLC	Indirect	10,333,665	5.10	16,106,610	7.94
City of London Investment Management	Direct and Indirect	10,343,015	5.10	13,485,515	6.65
Wells Capital Management	Direct and Indirect	10,193,464	5.03	12,265,167	6.05
JM Finn & Company Ltd	Direct	7,472,137	3.69	8,130,213	4.01
Canaccord Genuity	Indirect	10,091,107	4.98	7,265,119	3.58
Quilter Cheviot Investment Management (previously Old Mutual plc)	Indirect	10,126,736	4.99	7,244,626	3.57
Brewin Dolphin Ltd	Indirect	10,109,310	4.99	6,303,916	3.11

* The percentage voting rights are calculated based on the number of shares shown in the notice divided by 202,775,000, the number of shares in issue as at 30 November 2019 and do not necessarily match the submitted TR1s.

The Company has not been notified of any changes to major interests in shares held since the year end and up to the date of this report.

Listing Rule 9.8.4

Listing Rule 9.8.4 requires the Company to include certain further information in a single identifiable section of the Annual Report. The only disclosure to be made is with regard to the amount of interest capitalised and can be found in Note 9 on page 67.

By order of the Board

Tracey Lago FCG
Polar Capital Secretarial Services Limited
Company Secretary
6 March 2020

Report on Corporate Governance

The Directors are accountable to shareholders for the governance of the Company's affairs. The Financial Conduct Authority ('FCA') 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 ('FRC'). The UK Code can be viewed at www.frc.org.uk. The Association of Investment Companies ('AIC') published a Code of Corporate Governance (the 'AIC Code') and a Corporate Governance Guide for Investment Companies (the 'AIC Guide') in 2016 which applies for the year under review.

In February 2019 the AIC published a revised AIC Code (the '2019 AIC Code') to reflect changes made to the UK Code in July 2018. In line with the UK Code, the 2019 AIC Code and associated withdrawal of the AIC Guide applies to accounting years beginning on or after 1 January 2019. Accordingly, the Annual Report for the year ending 30 November 2020 will be the first year in which the Company will report under the 2019 AIC Code. Where the Company has chosen to early adopt, this Report on Corporate Governance has been prepared with consideration to the provisions contained within the 2019 AIC Code.

The AIC Code and AIC Guide address the relevant 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 FRC has confirmed that by following the AIC Code, boards of investment companies will meet their obligations under FCA Listing Rule 9.8.6.

As an investment company, most of the day to day responsibilities are delegated to outside 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 provides the most appropriate information to shareholders.

Corporate Governance Framework

The following diagram demonstrates the governance framework within which the Company is managed. The Directors are ultimately accountable to Shareholders for the Company's affairs and are therefore responsible for the good governance of the Company. As the Company has no employees, they rely on third parties to administer the Company and to provide investment management services.

Shareholders

Board of Directors
Chairman: Robert Kyprianou
NEDs: Joanne Elliott, Katrina Hart, Simon Cordery

Audit Committee	Management Engagement Committee	Nomination Committee	Remuneration Committee
Chair: Joanne Elliott **Members**: all independent NEDs	**Chair:** Katrina Hart **Members:** all independent NEDs	Functions carried out by the Board as a whole	Functions carried out by the Board as a whole

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 insofar as they apply to the Company's business. For the reasons set out in the AIC Guide, the Board considers the following provisions are not relevant to the position of the Company, being an externally managed investment company:

- As all Directors, including the Chairman, are non-executive and day to day management has been contracted to third parties, the Company does not have a Chief Executive.
- As there are no executive directors, the Company has no need to 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 size and structure of the Board, it is considered unnecessary to identify a senior independent Non-executive Director and the Company has therefore not reported further in respect of this provision.

The Report on Corporate Governance describes how the principles of the AIC Code have been applied.

Report on Corporate Governance continued

Application of the AIC Code's Principles

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

The Board 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.

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 four 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 pages 26 and 27, 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 37 to 41.

The Board has considered the contribution and performance of each Director as part of the performance evaluation process. Simon Cordery, who joined the board on 1 July 2019, was included within the evaluation process albeit with only a short term on which to reflect. The Board has determined that each Director has relevant experience, effectively contributes to the operation of the Board and demonstrates independent views on a range of subjects.

All the Directors are considered independent of the Investment Manager and have no relationship or conflicts which are likely to affect their judgement.

Succession

The Board believes that retaining Directors with sufficient experience of the Company, industry and financial markets is of benefit to shareholders while recognising that regular refreshment of approach is equally of benefit and importance. Therefore, with consideration to the fixed seven-year life of the Company and the Proposals for reconstruction, the Board has formulated a succession plan which, subject to the passing of the Proposals on the future of the Company, is anticipated to commence in 2021.

In formulating the plan, the Board has given due regard to the recommended maximum of nine years' tenure for a non-executive director and a formal tenure policy, allowing for a reasonable extension to the nine years for the role of Chairman. It is therefore anticipated that a managed programme of recruitment, appointment and retirement, including the role of Chairman, will be carried out from early 2021 with the expectation that such process will conclude by early 2023.

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. The three founding Directors were re-elected by shareholders at the AGM in 2017 and are therefore due to stand for re-election again at the AGM in 2020; Simon Cordery who was appointed during the year will stand for election by Shareholders at the AGM in 2020, being his first AGM post appointment. Each of the Directors, with the exception of Simon Cordery, was in office throughout the year under review. The appointment date for each Director is given on pages 26 and 27. Having regard to the 2019 AIC Code, it is intended that all Directors will in future stand for re-election annually.

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 shares of the Company are set out in the table on page 40.

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 Act, public companies may authorise conflicts or potential conflicts if the Articles of Association contain provisions to this effect; the Company's Articles contain such provisions.

Each Director has provided the Company with a statement of all conflicts of interest and potential conflicts of interest which have been individually approved by the Board and recorded in a register. The Board may impose conditions on authorising any conflict or potential conflict situation and 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. Each Director has agreed to notify the Chairman and the Company Secretary of any changes to his or her circumstances which could impact on the notified conflicts or potentially conflict with the interests of the Company.

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.

No Director has declared receipt of any benefits other than his or her emoluments in his or her capacity as a Non-executive Director of the Company. The Directors' Remuneration Report is provided on pages 37 to 41. The Report includes details of remuneration received by each Director and describes the process undertaken when reviewing and setting remuneration levels.

Role and Responsibilities

The Board

In the year to 30 November 2019, 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. In addition to the scheduled formal meetings the Board meets in person or by telephone informally to discuss matters relevant to the Company as necessary throughout the year.

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 2019	Board	Audit	MEC
Number of scheduled meetings	5	3	1
Robert Kyprianou	5	3	1
Katrina Hart	5	3	1
Joanne Elliott	5	3	1
Simon Cordery	3	2	1

All the Directors, with the exception of Simon Cordery who joined the Board on 1 July 2019, attended the Annual General Meeting held on 1 April 2019.

Board Committees

The Board has delegated to the Audit and Management Engagement Committees 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 appointments 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. During 2019 a formal recruitment process was undertaken with Trust Associates whereby a list of candidates was considered followed by interview of a short list. The process culminated in the appointment of Simon Cordery as a Non-executive Director with effect form 1 July 2019.

The Board acting as the **Remuneration Committee** is responsible for considering and proposing changes to the remuneration of the directors having due regard to a number of factors. This is detailed within the Remuneration Report on pages 37 to 41.

The Board 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.

Report on Corporate Governance continued

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 and the Committee as a whole has competence relevant to the sector in which the Company operates. The experience and qualifications of the Committee members are set out in the biographical details on pages 26 and 27.

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

A separate report on the work of the Audit Committee over the year is set out on pages 42 to 46.

Management Engagement Committee

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

The Management Engagement Committee is responsible for reviewing the relationship with the Investment Manager including the annual review of the Investment Management Agreement 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 last met in November 2019, when it reviewed the Company's investment performance and the quality of the other services provided by Polar Capital LLP. Based on the Investment Manager's long-term investment performance relative to the Benchmark and peers, together with the high quality of Polar Capital's operating platform, it is the Directors' opinion that the continuing appointment of Polar Capital LLP on existing terms is in the interests of the Company and shareholders as a whole.

As detailed on page 28, an element of the Proposals to be made to shareholders in connection with the future of the Company is a reduction in the management fee and a change to the terms of the performance fee payable to the Manager. The Directors confirm that these changes are in the interests of shareholders as a whole.

Directors' Professional Development

On appointment, a new Director is offered a full induction course provided by the Investment Manager, such course provides information on the Company, the regulatory environment and the operational arrangements. Guidance in relation to a Director's responsibilities and duties is also provided where necessary. Directors are also provided on an ongoing 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 risk and compliance training, as well as participating in professional and industry seminars.

Performance Evaluation

The Board

The evaluation of the Board, its Committees and individual Directors is carried out annually, with the last evaluation completing in September 2019, and involves the use of a written questionnaire and the Chairman seeking the views of each Director. The anonymous 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 and led by the Chair of the Audit Committee. The Board considers the 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.

Reappointment as a Director is not automatic but follows a formal evaluation process. All Directors are appointed for an initial term of three years and are subject to reappointment in accordance with the provisions of the Articles of Association and Companies Act 2006. The Company does not have a policy on length of service for Directors but has formulated a succession plan to ensure regular refreshment of the Board.

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, co-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 or procures 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 that Board procedures are followed and that applicable rules and regulations are complied with. The Board and Investment Manager operate in a supportive, co-operative and open environment.

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

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 ('FCA') and its compliance department monitors compliance with the FCA rules.

The Board, through the Audit Committee, has established an ongoing process for identifying, evaluating, monitoring 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 Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published by the Financial Reporting Council in September 2014.

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, in assessing the effectiveness of the Company's internal controls has, through the work of the Audit Committee, received formal reports from the Investment Manager on the policies and procedures in operation and the tests for the year ended 30 November 2019 with details of any known internal control failures, and has also considered reports on the 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 but remains responsible to the Company for these functions and provides the Board with information on these services.

Report on Corporate Governance continued

The Board, assisted by the Investment Manager, has 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 2019 and up to the date of this Annual Report.

Relations with Shareholders

The Board and the Investment Manager consider maintaining good communications with shareholders and engaging with larger shareholders through meetings and presentations a key priority. Shareholders are kept informed by the publication of annual and interim reports which include the 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 and a Key Information Document.

All this information, together with the Investment Manager's presentations, Committee terms of reference and other documents relating to the governance of the Company is available from the Company's website at www.polarcapitalglobalfinancialstrust.com.

During the preparation for the reconstruction Proposals in relation to the fixed life of the Company the Chairman met with shareholders representing some 70% of the issued share capital of the Company, to gauge opinion and address questions or concerns. Feedback from such meetings was used when formulating the Proposals.

Shareholders are encouraged to attend the General Meeting (GM) in relation to the Proposals at which the full Board will be present and there will be ample opportunity to ask questions of the Board and the Investment Manager.

Further, the Board is keen that the Annual General Meeting (AGM) be a participative event for all shareholders who attend. The Investment Manager will give a presentation and shareholders are encouraged to attend. All Directors will attend the AGM and are available to respond to queries and concerns from shareholders.

In the event of any material dissent to a resolution, the Board will engage directly with shareholders. When possible, 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 will have a 'vote withheld' option. The Notice of AGM will be sent to shareholders separately as the meeting will follow the holding of the GM in relation to the Proposals. The Notice will set out the business of the AGM together with the full text of any special resolutions.

The Board monitors the share register of the Company; it also reviews all correspondence from shareholders and maintains regular contact with major shareholders. Shareholders may submit questions for the GM or AGM or raise matters with a Director by writing to the Company Secretary or the Directors at the Registered Office of the Company.

Tracey Lago FCG
Polar Capital Secretarial Services Limited
Company Secretary
6 March 2020

Directors’ Remuneration Report

Introduction
This report is submitted in accordance with the Large and Medium Sized Companies and Groups (Financial Statements) (Amendment) Regulations 2013 (the ‘Regulations’) and the Listing Rules of the Financial Conduct Authority in respect of the year ended 30 November 2019. Information is audited where indicated.

Resolutions will be proposed to Shareholders to approve the Implementation Report for the year under review and the Remuneration Policy for the three years expiring on 30 November 2023, at the AGM to be held before 31 May 2020.

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.

Chairman’s Report
Shareholders approved the Directors’ Remuneration Policy by way of an ordinary resolution passed at the AGM on 26 April 2017, such Policy to remain in force until 30 November 2020. It is the Directors’ intention to ask shareholders for renewal of the Policy, as detailed below, at the AGM to be held before 31 May 2020. There are no significant changes proposed to the currently approved Policy.

Company’s Policy on Directors’ Remuneration

Policy *How policy supports strategy*	**Operation**	**Opportunity**
The Board consists entirely of Non-executive Directors, who meet regularly to deal with the Company’s affairs. The intention is that fees payable reflect the time spent by them individually and collectively, be of a level appropriate to their responsibilities and be in line with market practice, sufficient to enable candidates of high calibre to be recruited and retained.	Non-executive Directors have formal letters of appointment (which include notice periods of one month) and their remuneration is determined by the Board within the limits set by the Articles of Association. Rates are reviewed annually but the review will not necessarily result in any change to rates. Non-executive Directors are appointed initially for a three-year term, subject to re-election by shareholders. All fees are paid 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. The Directors have agreed to maintain at all times a holding of shares representing at cost at least 50% of their net cumulative fees for at least five years.	There are no performance conditions relating to non-executive directors’ fees.

As mentioned above, the current Policy will have been in force for three years and will expire on 30 November 2020. The Company is therefore required to seek shareholder approval for a Remuneration Policy that can remain in operation for the next three-year period, subject to the Company’s reconstruction Proposals.

The policy being proposed has not changed materially from that which was approved in 2017 but has been updated to reflect changes to the AIC Code of Corporate Governance, the enactment of the EU Shareholder Rights Directive II and to include reference to additional payments Directors may receive for services beyond their ordinary duties (per the Company’s Articles of Association). In such instances, the Board will provide the details in the Annual Report of the events, duties and responsibilities that gave rise to an additional payment. If approved by shareholders, and subject to the Company reconstruction Proposals, the renewed Remuneration Policy will remain in force until 30 November 2023.

Directors' Remuneration Report continued

The following Remuneration Policy shall therefore be proposed to Shareholders for approval at the AGM to be held before 31 May 2020:

Policy on Directors' remuneration – to come into force on 1 December 2020 (subject to shareholder approval of the reconstruction Proposals)

How policy supports strategy and promotes long-term sustainable success	Operation
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. The Company's policy in relation to fees is to offer only a fixed basic fee in line with equivalent roles within the sector with additional fees for the roles of Chairman of the Company and Chairman of the Committees. 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. In accordance with the Company's Articles of Association, any Director who performs, or undertakes to perform, services which the Directors consider go beyond the ordinary duties of a Director may be paid such additional remuneration (whether by way of fixed sum, bonus, commission, participation in profits or otherwise) as the Directors may determine.	Non-executive Directors have formal letters of appointment and their remuneration is determined by the Board within the limits set by the Articles of Association. Directors are not entitled to payment for loss of office and do not receive any bonus, nor do they participate in any long-term incentive schemes or pension schemes. All fees are paid in cash, monthly or quarterly in arrears, to the Director concerned or a nominated third party. Rates are reviewed annually but the review will not necessarily result in any change to rates. Non-executive Directors are subject to annual re-election by shareholders. There are no performance conditions relating to Non-executive Directors fees.

As per previous AGM resolutions, Shareholders will also be asked to consider a non-binding vote for the approval of the following Directors' Remuneration Implementation Report, which reports on how the current Remuneration Policy has operated during the year ended 30 November 2019.

Remuneration Implementation Report – Directors' Remuneration for the Year Ended 30 November 2019

Fees and Expenses – Annual Review

The Board undertook the annual review of the fees paid to the Directors in November 2019 and agreed that no change would be made to fees for the year commencing 1 December 2019. Directors therefore continue to receive the following levels of remuneration:

- Non-Executive Director £26,500 pa;
- Chairman £37,000 pa; and
- Additional supplement for performing the role of Chair of the Audit Committee £5,000.

A small inflationary increase was awarded to the Directors in 2017, the first such increase to Directors' fees since the launch of the Company. Directors' fees will continue to be reviewed on an annual basis. The annual review involves consideration of the time and commitment required of the Directors including any significant increase in requirements due to regulatory or other changes. For comparative purposes the remuneration awarded to directors of similar vehicles and general market data is also considered.

In accordance with the Shareholder Rights Directive, the annual percentage change in remuneration in respect of the five financial years prior to the current year in respect of each Director is as follows:

Financial year to:	30 November 2015	30 November 2016	30 November 2017	30 November 2018	30 November 2019
Chairman	0%	0%	0%	+5.7%	0%
Non-Executive Director	0%	0%	0%	+6.0%	0%
Chair of the Audit Committee	0%	0%	0%	+5.0%	0%

Expenses

The Directors are entitled to be reimbursed for reasonable expenses incurred by them in connection with the performance of their duties and attendance at Board and General Meetings. In certain circumstances, under HMRC rules travel and other out of pocket expenses reimbursed to the Directors attending Board meetings in London, may be classed as taxable benefits. Where expenses are classified as taxable under HMRC guidance, they will be shown in the taxable column of the Directors' remuneration table. There were no such expenses claimed by the Directors in the year under review (2018: nil).

As an investment trust there are no employees or executive positions. All Directors are independent and non-executive. As such we believe it to be inappropriate to offer any form of long-term incentive scheme or other non-standard remuneration rewards for service.

Annual Statement

As Chairman, Robert Kyprianou reports that there have been no changes to Directors' remuneration in the year under review for the year commencing 1 December 2019.

The result of the shareholder votes on the Directors' Remuneration Policy and the Implementation Report submitted to the 2017 and 2019 Annual General Meetings, were as follows:

	Remuneration Policy for the three years ending on 30 November 2020	**Implementation Report for the year ended 30 November 2018**
	Approved at AGM on 26 April 2017 Implementation	***Approved at AGM on 11 April 2019***
Votes for	99.9%	99.9%
Votes against	0.1%	0.1%
Votes abstained	0%	0%

The Board considers the level of support from shareholders as a positive endorsement of its remuneration policy and operation. There have been no communications from shareholders regarding any aspect of the Directors' remuneration.

Service Contracts

In accordance with recommended practice, none of the Directors have a contract of employment. Each Director has received a letter setting out the terms of appointment which forms a contract for services. A Director may resign by giving one month's notice in writing to the Board at any time.

New Directors are appointed and elected with the expectation that they will serve for a period of at least three years. In accordance with the Articles of Association each Director shall stand for election by shareholders at the first AGM following appointment and for re-election at every third AGM. In light of recent recommendations in the 2019 Code of Corporate Governance, and notwithstanding the length of service expectation, all Directors shall in future stand for annual re-election.

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, which, subject to the Articles of Association and UK legislation, indemnifies the Director 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 the individual. These provisions were in force during the year and remain in force.

Directors' Remuneration Report continued

Remuneration (Audited)

In the year under review, the Directors' fees were paid at the following annual rates: the Chairman £37,000; other Directors £26,500 with the Chair of the Audit Committee receiving an extra £5,000 for performing that additional role. As detailed on page 38, no increase was awarded for the year commencing 1 December 2019.

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

	Date of Appointment	Year ended 30 November 2019 £	Year ended 30 November 2018 £
Robert Kyprianou (Chairman)	7 June 2013	**37,000**	37,000
Joanne Elliott (Chair of the Audit Committee)*	7 June 2013	**31,500**	31,500
Katrina Hart (Chair of the Management Engagement Committee)	7 June 2013	**26,500**	26,500
Simon Cordery	1 July 2019	**11,108**	n/a
Total		**106,108**	95,000

*Payment of £31,500 is made to Thames River Capital LLP in respect of Joanne Elliott's services as a Director.

No pension contributions or other remuneration or compensation were paid or was 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 shares of the Company on 30 November 2019 and 30 November 2018 are as follows:

	30 November 2019	30 November 2018
Robert Kyprianou	**68,526**	66,571
Joanne Elliott	**30,000**	30,000
Katrina Hart	**51,700**	51,700
Simon Cordery*	**5,250**	n/a
Total	**155,476**	148,271

*Simon Cordery was appointed to the Board with effect from 1 July 2019.

All holdings are beneficially held. Since the year end, Simon Cordery's holding has increased to 5,330 shares as a result of dividend reinvestment. There have been no further changes in these interests between the end of the financial year and 6 March 2020.

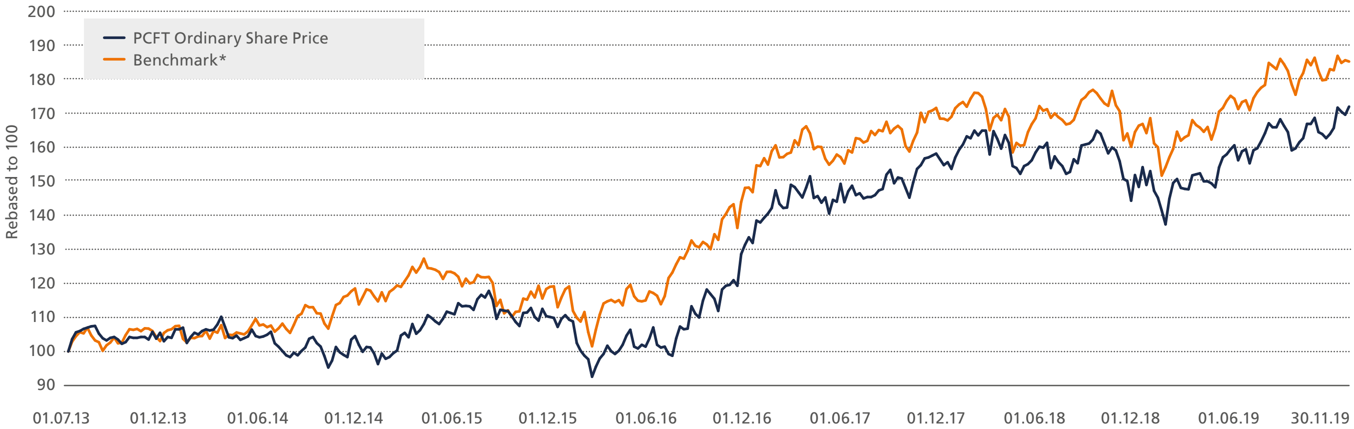
The Directors have agreed to maintain a holding of ordinary shares representing, at cost, at least 50% of their net cumulative fees for at least five years, except for Joanne Elliott who does not receive her fees personally.

Performance

The Regulations require a performance comparison line graph to be included in the Directors' Remuneration Report showing the total shareholder return for each of the financial years in the relevant period. As the Company was incorporated on 17 May 2013 and commenced trading on 1 July 2013, the performance comparison is shown for the period from 1 July 2013. Each subsequent annual graph is required to increase by one year until the maximum relevant period of ten years is reached; thereafter the relevant period will continue to be ten years.

The Company's Benchmark for the period to 31 August 2016 was the MSCI World Financials Index. On 1 September 2016 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 + Real Estate Net Total Return Index. This Index has been adopted for all periods from 1 September 2016.

Total return per ordinary share



* In Sterling with dividends reinvested.

Source: Polar Capital

The chart above, in accordance with legislation, shows the total return per ordinary share, and does not take into account the value ordinary shareholders would have received from the subscription shares they were given at launch and were able to sell or exercise on the single conversion date of 31 July 2017.

Relative Importance of Spend on Remuneration

Under the Regulations (Schedule 8, Part 3 (20)) the Directors' Remuneration Report must set out in a graphical or tabular form that shows in respect of the relevant financial year and the immediately preceding financial year the actual expenditure of the Company, and the difference in spend between those years, on remuneration paid to or receivable by all employees of the group; and distributions to shareholders by way of dividend and share buyback; and any other significant distributions and payments or other uses of profit or cash-flow deemed by the Directors to assist in understanding the relative importance of spend on pay.

As the Company has no employees, the Directors do not consider that the comparison of Directors' remuneration with the distributions of the Company is a meaningful measure of the Company's overall performance. There were no dividends paid to shareholders or other distributions which made use of the Company's profit or cash flow that were deemed to assist in the understanding of the relative importance of spend on pay, in line with the Company's objective of capital growth.

	2019 £'000	2018 £'000	Change £'000	Change %
Directors' total remuneration~	**106**	95	11	11.6
Dividends paid and payable	**8,922**	8,415	507	6.0
Profit/(Loss) on ordinary activities after tax	**28,906**	(4,098)	33,004	805.4

~2019 includes Simon Cordery who was appointed as a Director on 1 July 2019.

No payments were made in the period to any past Directors (2018: £nil).

Approved by the Board on 6 March 2020.

Robert Kyprianou
Chairman

Report of the Audit Committee

Joanne Elliott
Audit Committee Chair

I am pleased to present my report to you as Chair of the Audit Committee. The Committee comprises all the Directors and 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.

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

The experience of the members of the Committee can be assessed from the Directors' biographies on pages 26 and 27. During the year Simon Cordery joined the Committee as a Member having been appointed to the Board with effect from 1 July 2019.

During the year, the Committee met three times, with all members attending each meeting. The following matters were considered:

- Audit regulation, requirements and recommendations;
- 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 independence and objectivity of the external auditors;
- The appointment of the auditors and the need to put the audit out for tender;
- The policy for non-audit services in line with FRC guidance;
- 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 reports from the Investment Manager and its auditors on the effectiveness of the system of internal financial control, including the Risk Map;
- The valuation of unquoted investments and the provision of associated recommendations to the Board;
- The going concern and longer-term viability statements, including the impact of the Company's limited life and the Proposals to be put to shareholders;
- 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.

Audit Regulation

During the year under review, the UK audit sector has been subject to a number of reviews, including those conducted by the Competition and Markets Authority ('CMA') into the Statutory Audit Market, the Kingman Review of the FRC and the Brydon Review on the quality and effectiveness of audit. These have resulted in a number of recommendations for the Department of Business, Energy and Industrial Strategy to consider and have also coincided with the FRC's own consultation proposing important changes to the UK's Ethical and Auditing Standards which was last updated in 2016.

The Audit Committee has considered the recommendations and how they may affect the Company should they be implemented. The Committee does not at this time recommend any change to the current practices employed in the external audit process in response to these reviews, but will continue to monitor developments as they unfold. In addition to this, the Committee reviews the outcome of the FRC's annual Audit Quality Reviews and discusses the findings with the Auditor where appropriate.

Audit and Efficacy of Audit Process

The 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 were provided with an opportunity to address the Committee without the Investment Manager present, to raise any concerns or discuss any matters relating to the audit work and the 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.

The Committee and the Board consider from time to time the need for an internal audit function. As an externally managed investment trust such function is not deemed necessary.

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 2019

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. Such report is provided on page 87.
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 2019 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;
- The extensive levels of review undertaken in the production process by the Investment Manager and the Committee; and
- The unqualified audit report from the auditors confirming their work based on substantive testing on the financial statements.

Report of the Audit Committee continued

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 30 November 2019, 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 Half-Year Report and Financial Statements

Prior to publication, the Committee considered, reviewed and confirmed that the half-year report and financial statements, which are not audited or reviewed by the auditors, reflected the accounting policies used in the annual financial statements.

Non-Audit Work

The Committee's policy on the provision of non-audit services by the auditors 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.

In line with the FRC ethical standards issued in April 2016, the nature of any non-audit services are considered in respect of their permissibility and any such services are required to be pre-approved by the Audit Committee. A copy of the Company's Non-Audit Services Policy is available on the Company's website. When non-audit services are proposed, the Committee undertakes a review of the services to satisfy itself that these are proposed within the terms of the policy and proposed in an efficient and cost-effective way.

In both the year under review and the prior year, no non-audit services were provided by the Auditor.

Appointment of Auditors, Tenure and Fees

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 current need to plan for an audit tender. There are no contractual obligations restricting the choice of external auditors. It was noted by the Audit Committee that should the Proposals in relation to the reconstruction of the Company and the replacement of the fixed life with a five-yearly tender offer proceed, consideration to an audit tender would be given ahead of the completion of 10 years' service.

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. As detailed in the Report of the Directors, the fee agreed in respect of the audit of the 2019 annual financial statements was £33,000 (2018: £26,280). The fee represents an increase on the prior year to more fairly reflect the level of audit work required to perform a robust quality audit. The Committee considered the fee increase carefully recognising the increase in regulatory scrutiny faced by auditors. The Committee noted that prior year fee increases had been marginal and deemed the larger increase in this instance appropriate and recommended such to the Board.

The Committee, having considered the above factors, consider it appropriate to recommend to the Board and shareholders that PricewaterhouseCoopers LLP be reappointed as auditors at the AGM. PricewaterhouseCoopers LLP have agreed, subject to the Company's reconstruction proposals, 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.

Dividend Policy

The Committee considered the Company's draft Dividend Policy and recommended to the Board that it should be adopted. The Dividend Policy will be proposed for approval by shareholders at the Company's 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 maintains a Risk Map which seeks to identify, quantify, monitor and manage principal risks as far as possible as well as identifying emerging risks facing the business. Over the year, the Audit Committee undertook a substantial review of the Risk Map which is used to review each risk as to its likelihood and impact. New risks identified for Board consideration within the year included any possible contagion effect from the situation which evolved out of Woodford Investment Management, the near-term fixed life expiry of the Company and the increasing focus on ESG issues on the investment process and outcomes. The Audit Committee, on behalf of the Board, carried out a robust assessment of the principal and emerging risks, including those that might threaten its business model, future performance, liquidity and reputation. The Committee also robustly considered the mitigating factors and controls to reduce the impact of such risks, as described on pages 21 to 23. This process was carried out throughout the year and is the means by which the Risk Map is monitored and kept relevant by reflecting any changes to the source and level of risks facing the Company.

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 in respect of duties within the Investment Management Agreement and as a business, 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 2019, and up to the date of this report, which were considered significant.

The Audit Committee will continue to monitor actively the system of internal controls through the regular review of the Risk Map and controls in order to provide assurance that they continue to operate as intended. Such policies include the Investment Manager's anti-bribery and cyber security policies and the use of brokerage commissions generated from transactions in the Company's portfolio and the policy to obtain best execution on all transactions.

The Audit Committee has also considered the policy and controls used by the Investment Manager surrounding the use of independent third-party broker research under the MiFID II regulations. The Board has agreed with the Investment Manager a capped contribution budget for research. The estimated spend for calendar year 2019 is US$26,701 (£20,643), such contribution being allocated solely to specialist financial research. The Board considers the appropriate contribution to research spend on an annual basis.

Going Concern and Longer-term Viability

The Company launched in 2013 with a fixed life of seven years expiring at the seventh AGM to be held at the latest by 31 May 2020. As stated within the Chairman's Statement and the Report of the Directors on page 28, the Board has announced Proposals in relation to the reconstruction of the Company. In the event that the Proposals are not passed and/or the resultant size of the Company following the tender offer does not meet the minimum size condition the Board will put forward liquidation proposals. However, on the basis of extensive discussions with shareholders, the Board believes that there is sufficient support for the Proposals and have therefore concluded that the Company's financial statements can be produced on a going concern basis and is satisfied that the Company can meet its financial obligations for the foreseeable future. Such status is subject to the material uncertainty surrounding the vote to be taken at the General Meeting at which the Proposals are to be made to shareholders, expected to be held in early April.

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 subject to the material uncertainty surrounding the fixed end of life and reconstruction Proposals. The Committee has considered the financial position of the Company, its cash flow and liquidity position as well as the fixed life as referenced above. The Board is satisfied that, should the reconstruction Proposals not be passed, there is no material impact on the basis of preparation of the financial statements for the year ended 30 November 2019. The Committee has also considered the following factors 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 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 2019, however the outcome of the vote on the Proposals at the General Meeting represent a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

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 21 to 23 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.

Report of the Audit Committee continued

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 98% 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 Company has one unquoted investment in Atom Bank, which at the year end equated to 1.1% of total net assets;
- 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; and
- The Company has only four 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 21 to 23 (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 Proposals to be put to shareholders are in the best interests of shareholders and remove the need for the Company to face a liquidation vote at the seventh AGM, to be held before 31 May 2020;
- 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;
- There will be no material or significant changes in the principal risks and uncertainties; and
- The performance of the Company will continue to be satisfactory. Should the performance be weaker than the Board deems acceptable, it has appropriate powers to replace the Investment Manager.

In light of these considerations, the Audit Committee has recommended to the Board that a statement may be made on the Company's longer-term prospects to continue its operations and meet its expenses and liabilities as they fall due, until and beyond the reconstruction Proposals to be made to shareholders. In the event that the reconstruction Proposals are passed the Company will adopt a five yearly tender offer. Accordingly the Audit Committee recommends a positive statement in relation to the longer-term viability of the Company until the date the first tender offer under the Proposals, which will fall in 2025, is made. In support of such recommendation the Committee considered the financial position, the cash flow forecast including expenses and the portfolio liquidity position covering the period of five years and beyond. If the Proposals are not passed at the General Meeting the Board will bring forward a liquidation event.

Effectiveness of the Committee

The services provided to the Board by the Audit Committee are reviewed within the Annual Board Evaluation, including consideration of actions undertaken by the Audit Committee with the Investment Manager and Auditor to ensure an appropriate audit process is undertaken. I am pleased to confirm that the evaluation result was positive and no matters of concern or requirements for change were highlighted.

Joanne Elliott
Chair of the Audit Committee
6 March 2020

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Company's 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;
- Assess the Company's ability to continue as a going concern, disclosing as applicable matters related to going concern; 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 such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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. Under applicable law and regulations, the Directors are responsible for preparing a Strategic Report and a Corporate Governance Statement which are each compliant with such laws and regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on 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 auditor accepts no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the Company's website.

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 auditor is 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

As referenced within the Report of the Audit Committee on pages 42 and 46, the Board has considered the Company's position as at 30 November 2019 and the factors impacting the forthcoming year, which represent a material uncertainty and may cast significant doubt on the Company's ability to continue as a going concern. Details are set out in the Chairman's Statement and the Investment Manager's Report on pages 4 to 10 and in the Strategic Review, the Report of the Directors and the Report on Corporate Governance.

The financial position of the Company, its cash flows, and its liquidity position are described in the Strategic Report section on pages 4 to 25. 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 notwithstanding the material uncertainty in relation to the shareholder vote to be taken on the Proposals for reconstruction.

Statement of Directors' Responsibilities
continued

Longer-Term Viability

The Board has also 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 45 and 46. Such work includes consideration of the risk environment, the valuation of investments and the ability to liquidate the portfolio should it become necessary.

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 the end of the fixed life and, in the event of the reconstruction Proposals being approved by shareholders at the General Meeting as referenced within the Chairman's Statement on page 6, up to the first five-yearly tender offer of the Company expected to be in 2025.

Responsibility Statement under the Disclosure and Transparency Rules

Each of the Directors of Polar Capital Global Financials Trust plc, who are listed on pages 26 and 27 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 or loss 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 and the responsibility statement were approved by the Board on 6 March 2020 and Robert Kyprianou, Chairman of the Board, was authorised to sign them on behalf of the Board.

Robert Kyprianou
Chairman
6 March 2020

Independent Auditors' Report

To the Members of Polar Capital Global Financials Trust plc

Report on the audit of the financial statements

Opinion

In our opinion, Polar Capital Global Financials Trust plc's financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 November 2019 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.

We have audited the financial statements, included within the Annual Report and Financial Statements, which comprise: the Balance Sheet as at 30 November 2019; the Statement of Comprehensive Income, the Statement of Changes in Equity and Cash Flow Statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

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

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

We have provided no non-audit services to the Company in the period from 1 December 2018 to 30 November 2019.

Material uncertainty related to going concern

Explanation of material uncertainty

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2a to the financial statements concerning the Company's ability to continue as a going concern. The Articles of Association of the Company require the Directors to propose, at the seventh Annual General Meeting, a special 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. As detailed within the Report of the Directors on page 28 and the Report of the Audit Committee on page 45, the Company will be putting to shareholders a set of Proposals regarding the restructure of the Company which will include alteration of the Articles of Association to remove this requirement. These Proposals will be put to shareholders at a General Meeting expected to be held in early April 2020. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Independent Auditors' Report continued

To the Members of Polar Capital Global Financials Trust plc

Audit procedures performed

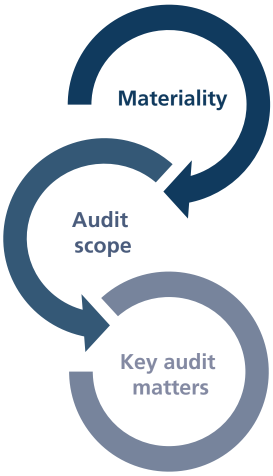
We reviewed the Directors' assessment of going concern with consideration for the above conditions including assessing the appropriateness of preparing the financial statements on a going concern basis.

We challenged the Directors on their assessment which included the below procedures:

- reviewed the Articles of Association of the Company;
- discussed with the Board their intentions regarding the Proposals;
- reviewed minutes of Board of Directors meetings with respect to this matter;
- reviewed correspondence with the Corporate Broker which includes research on significant shareholder intentions; and
- reviewed the announcement document which outlines the Proposals to shareholders.

Our audit approach

Overview



- Overall materiality: £3.0 million (2018: £2.8 million), based on 1% of net assets.

- The Company is a standalone Investment Trust Company and engages Polar Capital LLP (the 'AIFM') to manage its assets.
- We conducted our audit of the Financial Statements using information from the AIFM and HSBC Securities Services with whom the AIFM has engaged to provide 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.

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

The scope of our audit

As part of designing our audit, we determined materiality and assessed 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.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of Section 1158 of the Corporation Tax Act 2010 and the UK and European regulatory principles, such as those governed by the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or to overstate the value of investments and increase the net asset value of the Company. Audit procedures performed by the engagement team included:

- discussions with the Directors, the AIFM and Company Secretary including consideration of known or suspected instances of non-compliance with laws and regulations and fraud, and review of the reports made by management;
- reviewing relevant meeting minutes, including those of the Audit Committee;
- identifying and testing journal entries, in particular any material or revenue impacting manual journal entries posted as part of the Annual Report and Financial Statements preparation process;
- assessment of the Company's compliance with the requirements of Section 1158 of the Corporation Tax Act 2010, including recalculation of numerical aspects of the eligibility conditions; and
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing of expenses.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Income from investments Refer to page 43 (Report of the Audit Committee), page 60 (Accounting Policies) and page 65 (Notes to the Financial Statements). ISAs (UK) 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. The gains/losses on investments held at fair value comprise realised and unrealised gains/losses. For unrealised gains and losses, we tested the valuation of the portfolio at the year-end (see below), together with testing the reconciliation of opening and closing investments. For realised gains/losses, we tested a sample of disposal proceeds by agreeing the proceeds to bank statements and we re-performed the calculation of a sample of realised gains/losses. In addition, we tested dividend receipts by agreeing the dividend rates from all investments to independent third party sources. 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 all investments during the year. Our testing did not identify any unrecorded dividends. No material misstatements were identified from this testing.
Valuation and existence of investments Refer to pages 43 (Report of the Audit Committee), page 62 (Accounting Policies) and page 70 (Notes to the Financial Statements). The investment portfolio at 30 November 2019 comprised of listed equity investments of £310.4 million and an unlisted investment of £3.2 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 Balance Sheet in the financial statements.	We tested the valuation of the listed investments by agreeing the prices used in the valuation to independent third party sources. We tested the valuation of the unlisted investment in Atom Bank by comparing the valuation to recent market transactions while considering the effects of market movements throughout the year and since the recent transaction. We tested the existence of all investments by agreeing the holdings of all investments to an independent confirmation from the Depository, HSBC Bank plc as at 30 November 2019. No material misstatements were identified from this testing.

Independent Auditors' Report continued

To the Members of Polar Capital Global Financials Trust plc

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 structure of the Company, the accounting processes and controls, and the industry in which it operates.

As part of designing our audit, we determined materiality and assessed 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.

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 in aggregate 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	£3.0 million (2018: £2.8 million).
How we determined it	1% of net assets.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate and consistent year-on-year basis for our audit.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £150,000 (2018: £140,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Company's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to other than the Material uncertainty we have described in the material uncertainty related to going concern section above. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's business and the wider economy.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report and Financial Statements other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report, Report of the Directors and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 30 November 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors. (CA06)

Corporate Governance Statement

In our opinion, based on the work undertaken in the course of the audit, the information given in the Report on Corporate Governance (on page 35) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ("DTR") is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in this information. (CA06)

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on page 31) with respect to the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. (CA06)

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Company. (CA06)

The Directors' assessment of the prospects of the Company and of the principal risks that would threaten the solvency or liquidity of the Company

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 21 of the Annual Report and Financial Statements that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report and Financial Statements that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 45 of the Annual Report and Financial Statements 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.

Independent Auditors' Report continued

To the Members of Polar Capital Global Financials Trust plc

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Company and 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 UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Company and its environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 47, that they consider the Annual Report and Financial Statements taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Company obtained in the course of performing our audit.
- The section of the Annual Report and Financial Statements on page 42 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 47, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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 by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; 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.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 17 May 2013 to audit the financial statements for the year ended 30 November 2013 and subsequent financial periods. The period of total uninterrupted engagement is seven years, covering the years ended 30 November 2013 to 30 November 2019.

Catrin Thomas (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
6 March 2020

Statement of Comprehensive Income

For the year ended 30 November 2019

		Year ended 30 November 2019			Year ended 30 November 2018		
	Notes	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Investment income	3	12,021	–	12,021	11,674	–	11,674
Other operating income	4	36	–	36	23	–	23
Gains/(losses) on investments held at fair value	5	–	20,925	20,925	–	(11,630)	(11,630)
Other currency losses	6	–	(76)	(76)	–	(63)	(63)
Total income		12,057	20,849	32,906	11,697	(11,693)	4
Expenses							
Investment management fee	7	(461)	(1,846)	(2,307)	(475)	(1,900)	(2,375)
Other administrative expenses	8	(646)	(15)	(661)	(506)	(15)	(521)
Total expenses		(1,107)	(1,861)	(2,968)	(981)	(1,915)	(2,896)
Profit/(loss) before finance costs and tax		10,950	18,988	29,938	10,716	(13,608)	(2,892)
Finance costs	9	(60)	(242)	(302)	(69)	(274)	(343)
Profit/(loss) before tax		10,890	18,746	29,636	10,647	(13,882)	(3,235)
Tax	10	(967)	237	(730)	(1,090)	227	(863)
Net profit/(loss) for the year and total comprehensive income/(expense)		9,923	18,983	28,906	9,557	(13,655)	(4,098)
Earnings/(losses) per ordinary share (pence)	11	4.89	9.36	14.25	4.71	(6.73)	(2.02)

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 amounts dealt with in the Statement of Comprehensive Income are all derived from continuing activities.

The notes on pages 60 to 83 form part of these financial statements.

Statement of Changes in Equity

For the year ended 30 November 2019

		Year ended 30 November 2019						
	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
Total equity at 1 December 2018		10,139	251	55,854	139,235	67,469	8,036	280,984
Total comprehensive income:								
Profit for the year ended 30 November 2019		–	–	–	–	18,983	9,923	28,906
Transactions with owners, recorded directly to equity:								
Equity dividends paid	12	–	–	–	–	–	(8,720)	(8,720)
Total equity at 30 November 2019		10,139	251	55,854	139,235	86,452	9,239	301,170

		Year ended 30 November 2018						
	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
Total equity at 1 December 2017		10,139	251	55,852	139,235	81,124	6,691	293,292
Total comprehensive (expense)/income:								
(Loss)/profit for the year ended 30 November 2018		–	–	–	–	(13,655)	9,557	(4,098)
Transactions with owners, recorded directly to equity:								
Conversion of subscription shares – Prior year adjustment	20	–	–	2	–	–	–	2
Equity dividends paid		–	–	–	–	–	(8,212)	(8,212)
Total equity at 30 November 2018		10,139	251	55,854	139,235	67,469	8,036	280,984

The notes on pages 60 to 83 form part of these financial statements.

Balance Sheet
As at 30 November 2019

	Notes	30 November 2019 £'000	30 November 2018 £'000
Non-current assets			
Investments held at fair value through profit or loss	13	313,605	286,424
Current assets			
Receivables	14	807	1,439
Corporation tax receivable		–	30
Overseas tax recoverable		316	184
Cash and cash equivalents	15	4,175	8,363
		5,298	10,016
Total assets		318,903	296,440
Current liabilities			
Payables	16	(2,858)	(456)
Bank overdraft	15	(4,875)	–
Bank loan	17	(10,000)	(15,000)
		(17,733)	(15,456)
Net assets		301,170	280,984
Equity attributable to equity shareholders			
Called up share capital	18	10,139	10,139
Capital redemption reserve	19	251	251
Share premium reserve	20	55,854	55,854
Special distributable reserve	21	139,235	139,235
Capital reserves	22	86,452	67,469
Revenue reserve	23	9,239	8,036
Total equity		301,170	280,984
Net asset value per ordinary share (pence)	24	148.52	138.57

The financial statements on pages 56 to 59, including the associated notes, were approved and authorised for issue by the Board of Directors on 6 March 2020 and signed on its behalf by:

Robert Kyprianou
Chairman

The notes on pages 60 to 83 form part of these financial statements.

Registered number: 8534332

Cash Flow Statement

For the year ended 30 November 2019

	Notes	Year ended 30 November 2019 £'000	Year ended 30 November 2018 £'000
Cash flows from operating activities			
Profit/(loss) before tax		29,636	(3,235)
Adjustment for non-cash items:			
(Gains)/losses on investments held at fair value through profit or loss		(20,925)	11,630
Scrip dividends received		(125)	(146)
Amortisation on fixed interest securities		(110)	(93)
Adjusted profit before tax		8,476	8,156
Adjustments for:			
Purchases of investments, including transaction costs		(76,222)	(56,569)
Sales of investments, including transaction costs		73,210	53,727
Decrease/(increase) in receivables		65	(76)
(Decrease)/increase in payables		(10)	63
Overseas taxation deducted at source		(862)	(959)
Net cash generated from operating activities		4,657	4,342
Cash flows from financing activities			
Cost of subscription shares conversion	20	–	2
Loan repaid	17	(15,000)	(22,500)
Loan drawn	17	10,000	27,500
Equity dividends paid	12	(8,720)	(8,212)
Net cash used in financing activities		(13,720)	(3,210)
Net (decrease)/increase in cash and cash equivalents		(9,063)	1,132
Cash and cash equivalents at the beginning of the year		8,363	7,231
Cash and cash equivalents at the end of the year	15	(700)	8,363

The notes on pages 60 to 83 form part of these financial statements.

Notes to the Financial Statements
For the year ended 30 November 2019

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. All figures are rounded to the nearest thousand pounds (£'000) except as otherwise stated.

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 Company announced on 6 February 2020, that Proposals would be put to shareholders at a General Meeting expected to be held in early April 2020 to, *inter alia*, change the Articles of Association to replace the current fixed life with a tender offer and thereafter subsequent five yearly tender offers. The Proposals are detailed in the Chairman's Statement on page 6 and in the Report of the Directors on page 28. On the basis of extensive discussions with shareholders, the Board believes that there is sufficient support for the Proposals and that the Company's financial statements for the year ended 30 November 2019 can be prepared on a going concern basis. The Board acknowledges that should the Proposals not proceed or the minimum size condition for the ongoing vehicle not be met, the Board will bring forward liquidation proposals to shareholders in accordance with the current requirements of the Articles of Association. As such, the outcome of the vote on the Proposals represents a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. The Board is satisfied that even if the Company were to enter liquidation at that time there is no material impact on the preparation of the financial statements for the year ended 30 November 2019. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern. In arriving at the decision on the basis of preparation, the Board has considered the financial position of the Company, it's cashflow and liquidity position as well as the liquidation vote, in relation to the Company's fixed life.

Where presentational guidance set out in the Statement of Recommended Practice (SORP) for investment trusts issued by the Association of Investment Companies (AIC) in October 2019 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.

The revised SORP, issued in October 2019, is applicable for accounting periods beginning on or after 1 January 2019 and early adoption is encouraged. The Company has chosen to early adopt the revised SORP. As a result, the presentation of gains and losses arising from disposals of investments and gains and losses on revaluation of investments have now been combined, as shown in note 13, with no impact to the net asset value or profit/(loss) reported for both the current or prior year. No other accounting policies or disclosures have changed as a result of the revised 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 accrual 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 accrual basis.

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.

Any performance fee accrued is charged entirely to capital as the fee is based on the outperformance of the Benchmark and is expected to be attributable largely, if not wholly, to capital performance. A provision will be recognised when outperformance has been achieved in accordance with the calculations detailed on page 24.

The research costs relate solely to specialist financial research and are accounted for on an accrual basis. They are allocated 20% to revenue and 80% to capital in line with the expected long-term split of revenue and capital return from the Company's investment portfolio.

Notes to the Financial Statements continued
For the year ended 30 November 2019

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 2019. 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 Tax 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 when 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.

All investments, classified as fair value through profit or loss, are further categorised into the fair value hierarchy detailed on page 71.

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 – Edition December 2018. These may include using reference to 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, maturity of three months or less, 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) Bank Loans
Interest-bearing bank loans are initially recognised at cost, being the proceeds received net of direct issue costs, and subsequently at amortised cost. The amounts falling due for repayment within one year are included under current liabilities in the Balance Sheet.

(m) 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.

(n) 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.

(o) 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.

(p) Repurchase of Ordinary Shares
Where applicable, 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.

Notes to the Financial Statements continued
For the year ended 30 November 2019

2. Accounting Policies continued

(q) Share Issue Costs

Where applicable, costs incurred directly in relation to the issue of new shares together with additional share listing costs have been deducted from the share premium reserve.

(r) New and Revised Accounting Standards

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

The following standards became effective on 1 January 2018 and the adoption of the standards and interpretations have not had a material impact on the financial statements of the Company.

IFRS 9 (2014) Financial Instruments
The requirements of IFRS 9 and its application to the assets and liabilities held by the Company were considered ahead of its adoption on 1 January 2018. The classification of all assets and liabilities remains unchanged under IFRS 9 and all figures will be directly comparable to the existing basis of valuation.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 sets out the requirements for revenue recognition. The Company's only revenue streams are dividend income and gains and losses from sale of investments. Given the nature of the Company's revenue streams from financial instruments, the provisions of this standard have not had a material impact.

At the date of authorisation of these financial statements, the following new IFRS that potentially impact the Company are in issue but are not yet effective and have not been applied in these accounts:

Effective for periods commencing on or after 1 January 2019:

IFRS 16 Leases
As the Company neither holds, trades or has any lease obligations of any type, the provisions of this standard are not expected to have a material impact on the accounts.

IFRIC 23 Uncertainty over Income Tax Treatments
The interpretation provides guidance on considering uncertain tax treatments in relation to taxable profit or loss and does not add any new disclosures. The Company complies with all relevant tax laws where applicable and the provisions of this interpretation are not expected to have a material impact on the accounts.

IAS 19 (amended) Employee Benefits
As the Company has no employees, the amendment to this standard is not expected to have any impact on the accounts.

IAS 28 (amended) Investments in Associates and Joint Ventures
As the Company has no investment in associates or joint ventures, the amendment to this standard is not expected to have any impact on the accounts.

IFRS 9 (Amended) Prepayment Features with Negative Compensation
Negative compensation arises where the contractual terms permit a borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest. The Company has no such terms in any of its loan agreements in place and the amendment is not expected to have any impact on the accounts.

Annual Improvement Cycles 2015-2017 (Amendments)
This makes narrow-scope amendments to four IFRS Standards: IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Incomes Taxes and IAS 23 Borrowing costs. These limited amendments are not expected to have any impact on the accounts.

Effective for periods commencing on or after 1 January 2020:
IFRS 3 Business Combinations (amended)

IAS 1 and IAS 8 Definition of Material (amended)

References to the conceptual Framework in IFRS Standards (amended)

Effective for periods commencing on or after 1 January 2021:
IFRS 17 Insurance Contracts (issued on 18 May 2017)

The Directors expect that the adoption of the standards listed above will have either no impact or that any impact will not be material on the financial statements of the Company in future periods.

(s) 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.

(t) Critical Accounting Estimates and Judgements
The preparation of financial statements in conformity with IFRS requires management to make judgements, 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The key judgements and sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities and expenses in future periods are as follows:

Valuation of Level 3 Investments
Investments valued using valuation techniques include unlisted financial investments, which by their nature, do not have an externally quoted price based on regular trades.

The valuation techniques used may include the techniques described in note 2(g). When determining the inputs into the valuation techniques used, priority is given to publicly available prices from independent sources when available, but overall the source of pricing is chosen with the objective of arriving at a fair value measurement that reflects the price at which an orderly transaction would take place between market participants at the balance sheet date.

3. Investment Income

	Year ended 30 November 2019 £'000	Year ended 30 November 2018 £'000
UK dividends	1,763	1,712
Overseas dividends	9,028	8,912
Scrip dividends	125	146
Interest on debt securities	1,105	904
Total investment income	12,021	11,674

Notes to the Financial Statements continued
For the year ended 30 November 2019

4. Other Operating Income

	Year ended 30 November 2019 £'000	Year ended 30 November 2018 £'000
Bank interest	35	23
Interest on tax receivable	1	–
Total other operating income	36	23

5. Gains/(Losses) on Investments Held at Fair Value

	Year ended 30 November 2019 £'000	Year ended 30 November 2018 £'000
Net gains on disposal of investments at historic cost	767	10,088
Less fair value adjustments in earlier years	(3,870)	(12,275)
Losses based on carrying value at previous balance sheet date	(3,103)	(2,187)
Valuation gains/(losses) on investments held during the year	24,028	(9,443)
	20,925	(11,630)

6. Other Currency Losses

	Year ended 30 November 2019 £'000	Year ended 30 November 2018 £'000
Exchange losses on currency balances	(76)	(63)

7. Investment Management Fee

	Year ended 30 November 2019 £'000	Year ended 30 November 2018 £'000
Management fee		
– charged to revenue	461	475
– charged to capital	1,846	1,900
Investment management fee payable to Polar Capital LLP	2,307	2,375

Management fees are allocated 20% to revenue and 80% to capital. Details of the fee arrangements are given in the Strategic Report on page 24. No performance fees have been accrued for the year ended 30 November 2019 (2018: nil).

8. Other Administrative Expenses (including VAT where appropriate)

	Year ended 30 November 2019 £'000	Year ended 30 November 2018 £'000
Directors' fees[1]	106	95
Directors' NIC	6	6
Auditors' remuneration – for audit of the financial statements	33	26
Depositary fee[2]	25	28
Registrar fee	26	25
Custody and other bank charges[2]	42	42
UKLA and LSE listing fees	27	24
Legal and professional fees[3]	22	6
AIC fees	21	18
Directors' and officers' liability insurance	8	8
Corporate broker's fee	54	51
Marketing expenses[4]	87	9
Research costs[5]	4	4
Shareholder communications	26	25
HSBC administration fee	133	128
Other expenses[6]	26	11
	646	506
Research costs – allocated to capital[5]	15	15
	661	521

1 Full disclosure is given in the Directors' Remuneration Report on page 40.

2 Fees determined on the pre-approved rate card with HSBC.

3 2019 includes Taiwan tax agent fee and legal costs relating to preparations for the reconstruction proposals.

4 Includes bespoke marketing expenses payable to Polar Capital LLP of £60,000.

5 Research costs (which applied from 3 January 2018) payable by the Company relate solely to specialist financial research. The estimated spend for the calendar year 2019 was US $24,476 (£18,922) (2018: US$ 26,811 (£21,013)), the cost of general non-specialist research was absorbed by Polar Capital. These costs are allocated 20% to revenue and 80% to capital and are included in the ongoing charges calculation.

6 2019 includes costs in relation to the Non-executive Director search fee.

9. Finance Costs

	Year ended 30 November 2019			Year ended 30 November 2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest on loans and overdrafts	49	197	246	61	241	302
Loan arrangement fees	11	45	56	8	33	41
	60	242	302	69	274	343

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

Notes to the Financial Statements continued
For the year ended 30 November 2019

10. Taxation

a) Analysis of tax charge/(credit) for the year:

	Year ended 30 November 2019			Year ended 30 November 2018		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Overseas tax	841	–	841	833	–	833
Tax relief in capital	237	(237)	–	257	(257)	–
Withholding tax recovered	(111)	–	(111)	–	–	–
Overseas capital gain tax	–	–	–	–	30	30
Total tax charge/(credit) for the year (see note 10b)	967	(237)	730	1,090	(227)	863

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

The tax charge/(credit) for the year can be reconciled to the profit per the Statement of Comprehensive Income as follows:

	Year ended 30 November 2019			Year ended 30 November 2018		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Profit/(loss) before tax	10,890	18,746	29,636	10,647	(13,882)	(3,235)
Tax at the UK corporation tax rate of 19% (2018: 19%)	2,069	3,562	5,631	2,023	(2,637)	(614)
Tax effect of non-taxable dividends	(1,727)	–	(1,727)	(1,681)	–	(1,681)
(Gains)/losses on investments that are not taxable	–	(3,961)	(3,961)	–	2,222	2,222
Overseas tax suffered	841	–	841	833	–	833
Overseas capital gain tax	–	–	–	–	30	30
Unrelieved current period expenses and deficits	–	77	77	–	90	90
Withholding tax recovered	(111)	–	(111)	–	–	–
Tax relief on overseas tax suffered	(105)	85	(20)	(85)	68	(17)
Total tax charge/(credit) for the year (see note 10a)	967	(237)	730	1,090	(227)	863

c) Factors that may affect future tax charges:

The Company has an unrecognised deferred tax asset of £222,000 (30 November 2018: £126,000) based on a prospective corporation tax rate of 17% (2018: 17%).

The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the financial statements.

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/(Losses) Per Ordinary Share

	Year ended 30 November 2019			Year ended 30 November 2018		
	Revenue return	Capital return	Total return	Revenue return	Capital return	Total return
The calculation of basic earnings/(losses) per share is based on the following data:						
Net profit/(loss) for the year (£'000)	9,923	18,983	28,906	9,557	(13,655)	(4,098)
Weighted average ordinary shares in issue during the year	202,775,000	202,775,000	202,775,000	202,775,000	202,775,000	202,775,000
From continuing operations						
Basic – ordinary shares (pence)	4.89	9.36	14.25	4.71	(6.73)	(2.02)

As at 30 November 2019 there were no potentially dilutive shares in issue (2018: nil).

12. Amounts Recognised as Distributions to Ordinary Shareholders in the Year

Dividends paid in the year ended 30 November 2019

Payment date	No of shares	Amount per share	Year ended 30 November 2019 £'000
28 February 2019	202,775,000	1.90p	3,853
30 August 2019	202,775,000	2.40p	4,867
			8,720

The revenue available for distribution by way of dividend for the year is £9,923,000 (2018: £9,557,000).

The total dividends payable in respect of the financial year ended 30 November 2019, which is the basis on which the requirements of Section 1158 of the Corporation Tax Act 2010 are considered, are set out below:

Payment date	No of shares	Amount per share	Year ended 30 November 2019 £'000
30 August 2019	202,775,000	2.40p	4,867
28 February 2020	202,775,000	2.00p	4,055
			8,922

The total dividends payable in respect of the financial year ended 30 November 2018, which is the basis on which the requirements of Section 1158 of the Corporation Tax Act 2010 are considered, are set out below:

Payment date	No of shares	Amount per share	Year ended 30 November 2018 £'000
31 August 2018	202,775,000	2.25p	4,562
28 February 2019	202,775,000	1.90p	3,853
			8,415

Notes to the Financial Statements continued

For the year ended 30 November 2019

13. Investments Held at Fair Value Through Profit or Loss

(a) Investments held at fair value through profit or loss*

	30 November 2019 £'000	30 November 2018 £'000
Opening book cost	232,411	222,644
Opening investment holding gains/(losses)	54,013	75,731
Opening fair value	286,424	298,375
Analysis of transactions made during the year		
Purchases at cost	78,759	53,910
Sales proceeds received	(72,613)	(54,324)
Gains/(losses) on investments held at fair value	20,925	(11,630)
Amortisation on fixed interest securities	110	93
Closing fair value	313,605	286,424
Closing book cost	239,434	232,411
Closing investment holding gains	74,171	54,013
Closing fair value	313,605	286,424

The Company received £72,613,000 (2018: £54,324,000) from disposal of investments in the year. The book cost of these investments when they were purchased was £71,846,000 (2018: £44,236,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

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

	30 November 2019 £'000	30 November 2018 £'000
On acquisitions	102	51
On disposals	47	31
	149	82

* Note 13(a), including the prior year, has been updated in accordance with the presentational guidance set out in the Statement of Recommended Practice (SORP) for investment trusts issued by the Association of Investment Companies (AIC) in October 2019.

(b) 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 for identical assets or liabilities.
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 62.

The following tables set out the fair value measurements using the IFRS 7 hierarchy at 30 November 2019 and 2018:

	As at 30 November 2019			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity Investments	288,954	–	3,191	292,145
Interest-bearing securities	21,460	–	–	21,460
Total	310,414	–	3,191	313,605

The Level 3 investment relates to the shares in Atom Bank.

	As at 30 November 2018			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity Investments	262,711	–	3,191	265,902
Interest-bearing securities	20,522	–	–	20,522
Total	283,233	–	3,191	286,424

The Level 3 investment relates to the shares in Atom Bank.

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 2019 £'000	30 November 2018 £'000
Opening balance	3,191	3,191
Closing balance	3,191	3,191

Level 3 investments are recognised at fair value through profit or loss on a recurring basis.

Level 3 investments are valued by comparison to recent arm's length transactions. As such, the valuation of the investment in Atom Bank reflects the price per share at which Atom Bank agreed terms with external shareholders and at which additional capital was raised in both 2017 and 2018. An investment valuation decision was taken not to increase the valuation of Atom Bank during the year.

A +/- 10% change in the price used to value the investment in Atom Bank as at the year end would result in a +/- £319,000 (2018: £319,000) impact on the profit or loss.

Notes to the Financial Statements continued
For the year ended 30 November 2019

13. Investments Held at Fair Value Through Profit or Loss continued

(c) Unquoted investments

The value of the unquoted investments as at 30 November 2019 was £3,191,000 (2018: £3,191,000) and the portfolio comprised the following holdings:

	30 November 2019 £'000	30 November 2018 £'000
Atom Bank	3,191	3,191
	3,191	3,191

At 30 November 2019, the Company owned 0.64% (2018: 0.71%) of Atom Bank's issued share capital. Atom Bank was granted a full banking licence on 4 April 2016 and started to accept savings and loan business from this date.

At 31 March 2019 (Atom Bank's financial year end), Atom Bank announced that it had made pre-tax losses of £79,857,000 (2018: £52,680,000) and had net assets attributable to shareholders of £212,704,000 (2018: £134,971,000).

The valuation of Atom Bank was reviewed by the Investment Manager and Board during both the half year and full year financial results process. Taking into account the operating performance of the bank and its expected future performance, market movements in the share prices of UK banks and the valuations at which other start-up banks have raised capital, in both instances the valuation was left unchanged from the price at which it raised capital from shareholders during 2017 and 2018. In the event of the Proposals, as detailed in the Chairman's Statement, not being passed, the Board will bring forward liquidation proposals; it is recognised that within such proposals a discount may need to be applied to the value that may be achieved in a forced sale situation of the holding in Atom Bank.

14. Receivables

	30 November 2019 £'000	30 November 2018 £'000
Securities sold awaiting settlement	–	597
VAT recoverable	10	2
Dividends and interest receivable	770	814
Prepayments	27	26
	807	1,439

15. Cash and Cash Equivalents

	30 November 2019 £'000	30 November 2018 £'000
Cash at bank	1,780	5,977
Cash held at derivative clearing houses	2,395	2,386
	4,175	8,363
Bank overdraft	(4,875)	–
	(700)	8,363

16. Payables

	30 November 2019 £'000	30 November 2018 £'000
Securities purchased awaiting settlement	2,412	–
Accruals	446	456
	2,858	456

17. Bank loans

i) Bank loans

	30 November 2019 £'000	30 November 2018 £'000
The Company has the following unsecured Sterling loans:		
£15m at 1.775% repayable 12 July 2019	–	15,000
£10m at 1.51% repayable 12 July 2020	10,000	–
	10,000	15,000

During the year, the Company repaid the drawn down amount of £15m on the £30m bank loan facility with ING Bank N.V. and entered into a replacement arrangement with ING Luxembourg SA for a one-year revolving credit facility of £20m and a one-year term loan of £10m. See 'About us' on the inside front cover for further information.

The revolving credit facility of £20m expires on 12 July 2020. This facility was undrawn at the year end. Since the year end, £12.5m has been drawn down and £7.5m remains available on the credit facility.

The term loan of £10m held at the year end is due for settlement within 12 months and is stated at its fair value, which equates to amortised cost.

Both the term loan and credit facility are unsecured but subject to certain covenants and restrictions, all of which have been complied with during the year. The main covenants to the current loan and credit facility are:

(i) Total borrowings shall not exceed 35%.

(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.

ii) Reconciliation of bank loans

	30 November 2019 £'000	30 November 2018 £'000
Bank loans held as at 1 December 2018	15,000	10,000
Loan repaid	(15,000)	(22,500)
Loan drawn	10,000	27,500
Bank loans held as at 30 November 2019	10,000	15,000

Notes to the Financial Statements continued
For the year ended 30 November 2019

18. Called Up Share Capital

	30 November 2019 £'000	30 November 2018 £'000
Allotted, Called up and Fully paid:		
Ordinary shares of 5p each:		
Opening balance of 202,775,000 (30 November 2018: 202,775,000)	10,139	10,139
Allotted, Called up and Fully paid: 202,775,000 (30 November 2018: 202,775,000) ordinary shares of 5p	10,139	10,139
At 30 November 2019	10,139	10,139

This reserve is not distributable.

No ordinary shares were repurchased or cancelled in the year (2018: nil).

19. Capital Redemption Reserve

	30 November 2019 £'000	30 November 2018 £'000
At 1 December 2018	251	251
At 30 November 2019	251	251

This reserve is not distributable.

20. Share Premium Reserve

	30 November 2019 £'000	30 November 2018 £'000
At 1 December 2018	55,854	55,852
Adjustment to prior year subscription share conversion cost*	–	2
At 30 November 2019	55,854	55,854

This reserve is not distributable.

* The adjustment related to the refund of the fee paid out from share premium reserve and VAT adjustment as part of the subscription share conversion, and was paid back in 2018.

21. Special Distributable Reserve

	30 November 2019 £'000	30 November 2018 £'000
At 1 December 2018	139,235	139,235
At 30 November 2019	139,235	139,235

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 2019 £'000	30 November 2018 £'000
At 1 December 2018	67,469	81,124
Net losses on disposal of investments	(3,103)	(2,187)
Valuation gains/(losses) on investments held during the year	24,028	(9,443)
Exchange losses on currency balances	(76)	(63)
Investment management fee charged to capital	(1,846)	(1,900)
Research costs charged to capital	(15)	(15)
Finance costs	(242)	(274)
Overseas capital gain tax	–	(30)
Tax relief due from revenue	237	257
At 30 November 2019	86,452	67,469

The balance on the capital reserve represents a profit of £74,171,000 (2018: profit of £54,013,000) on investments held and a gain of £12,281,000 (2018: gain of £13,456,000) 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.

23. Revenue Reserve

	30 November 2019 £'000	30 November 2018 £'000
At 1 December 2018	8,036	6,691
Revenue profit	9,923	9,557
Interim dividends paid	(8,720)	(8,212)
At 30 November 2019	9,239	8,036

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 2019	30 November 2018
Net assets attributable to ordinary shareholders (£'000)	301,170	280,984
Ordinary shares in issue at end of year	202,775,000	202,775,000
Net asset value per ordinary share (pence)	148.52	138.57

As at 30 November 2019, there were no potentially dilutive shares in issue (2018: nil).

Notes to the Financial Statements continued
For the year ended 30 November 2019

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 2019 were £2,307,000 (2018: £2,375,000) of which £201,000 (2018: £184,000) was outstanding at the year end.

In addition, the total research costs in respect of the period from 1 January 2019 to 30 November 2019 were £19,000 (2018: £19,000) of which £9,000 (2018: £13,000) 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 £106,000 (2018: £95,000) to the Directors of which £34,000 (2018: £26,000) was outstanding at the year end and the Remuneration Report is on pages 37 to 41. When dividends are paid by the Company these are received by the Directors at the same rates and terms as by all other shareholders.

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 17.

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 22.

(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 13 to 16. Investments are valued in accordance with the accounting policies as stated in note 2(g).

At the year end, there was no derivative instrument included in the Company's portfolio (2018: nil).

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 2019 £'000	30 November 2018 £'000
Investments held at fair value through profit or loss	313,605	286,424

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% (2018: 15%) in the fair values of the Company's investments. This level of change is considered to be reasonably possible based on observation of current market conditions and historic trends. The sensitivity analysis is based on the Company's investments at each balance sheet date, adjusting for a change in management fee, with all other variables held constant.

	30 November 2019		30 November 2018	
	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	(80)	80	(73)	73
Capital return	46,721	(46,721)	42,671	(42,671)
Change to the profit after tax for the year	46,641	(46,641)	42,598	(42,598)
Change to equity attributable to shareholders	46,641	(46,641)	42,598	(42,598)

(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 may be used to hedge against the exposure to currency risk at the Investment Manager's discretion.

Notes to the Financial Statements continued
For the year ended 30 November 2019

26. Derivatives and Other Financial Instruments continued

(a) Market Risk continued

(ii) Currency Risk continued

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 2019 £'000	30 November 2018 £'000
Monetary Assets:		
Cash and short term receivables		
US dollars	1,501	530
Taiwan dollars	1,245	507
Hong Kong dollars	638	–
Indian rupee	603	–
Norwegian krona	369	29
Euros	277	303
Japanese yen	89	171
Philippine peso	28	–
Monetary Liabilities:		
Payables		
Norwegian krona	(299)	–
Indonesian rupiah	(301)	–
Indian rupee	(603)	–
Hong Kong dollars	(606)	–
US dollar	(1,027)	(14)
Foreign currency exposure on net monetary items	1,914	1,526
Non-Monetary Items:		
Investments held at fair value through profit or loss		
US dollars	162,473	133,913
Euros	31,321	39,720
Hong Kong dollars	18,761	13,855
Singapore dollars	10,231	12,761
Canadian dollars	10,219	6,413
Indian rupee	8,882	5,865
Norwegian krona	8,052	4,865
Indonesian rupiah	5,134	–
Taiwan dollars	4,994	4,100
Japanese yen	4,373	9,671
Philippine peso	3,555	–
Thai baht	3,113	3,041
Swiss francs	2,421	3,385
Mexican peso	2,206	–
Swedish krone	–	5,702
Australian dollars	–	3,844
Total net foreign currency exposure	277,649	248,661

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% (2018: 15%) 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 2019 £'000	30 November 2018 £'000
Statement of Comprehensive Income – profit after tax		
Revenue return	1,276	1,261
Capital return	287	229
Change to the profit after tax for the year	1,563	1,490
Change to equity attributable to shareholders	1,563	1,490

Conversely, if Sterling had strengthened by 15% this would have had the following effect:

	30 November 2019 £'000	30 November 2018 £'000
Statement of Comprehensive Income – profit after tax		
Revenue return	(1,276)	(1,261)
Capital return	(287)	(229)
Change to the profit after tax for the year	(1,563)	(1,490)
Change to equity attributable to shareholders	(1,563)	(1,490)

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 may be used to hedge against the exposure to currency risk at the Investment Manager's discretion.

Interest rate exposure

The exposure, at 30 November 2019, 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.

Notes to the Financial Statements continued
For the year ended 30 November 2019

26. Derivatives and Other Financial Instruments continued

(a) Market Risk continued

(iii) Interest Rate Risk continued

	30 November 2019		
	Within one year £'000	More than one year £'000	Total £'000
Exposure to floating interest rates:			
Cash and cash equivalents	4,175	–	4,175
Bank overdraft	(4,875)	–	(4,875)
Non-current asset investments held at fair value through profit or loss	–	15,809	15,809
Exposure to fixed interest rates:			
Non-current asset investments held at fair value through profit or loss	–	5,651	5,651
Bank loans	(10,000)	–	(10,000)
Total exposure to interest rates	(10,700)	21,460	10,760

	30 November 2018		
	Within one year £'000	More than one year £'000	Total £'000
Exposure to floating interest rates:			
Cash and cash equivalents	8,363	–	8,363
Non-current asset investments held at fair value through profit or loss	–	14,343	14,343
Exposure to fixed interest rates:			
Non-current asset investments held at fair value through profit or loss	–	6,179	6,179
Bank loans	(15,000)	–	(15,000)
Total exposure to interest rates	(6,637)	20,522	13,885

The weighted average interest rate for the fixed rate financial assets was 8.2% (30 November 2018: 9.2%) and the effective period for which the rate was fixed was 2.8 years (30 November 2018: 3.4 years).

During the year, the Company entered a £10m (2018: £15m with ING Bank N.V.) term loan with ING Luxembourg SA. Interest is payable at a fixed rate of 1.51%. The loan will expire on 12 July 2020. Details of the amounts drawn on the term loan are given in note 17.

The Company also agreed a one-year revolving credit facility for the amount of £20m (2018: £15m with ING Bank N.V.) with ING Luxembourg SA. 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. The facility was undrawn at the year end.

Since the year end, the Company has drawn down £12.5m from the revolving credit facility; £7.5m was drawn down on 4 December 2019 at an interest rate of 1.727% and an additional £5m was drawn down on 17 January 2020 at an interest rate of 1.5885%. Both are repayable on the expiry of the facility on 13 July 2020, or earlier if the reconstruction Proposals are not approved.

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.

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 respect of 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 2019		30 November 2018	
	Increase in rate £'000	Decrease in rate £'000	Increase in rate £'000	Decrease in rate £'000
Effect on revenue return	(2)	2	21	(21)
Effect on capital return	–	–	–	–
Effect on net profit and on equity attributable to shareholders	(2)	2	21	(21)

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 2019 £'000	30 November 2018 £'000
Due within 1 month:		
Balances due to brokers	2,412	–
Accruals	446	456
Bank overdraft	4,875	–
Due after 3 months and within 1 year:		
Bank loan	10,000	15,000
	17,733	15,456

(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 current and prior year.

Notes to the Financial Statements continued
For the year ended 30 November 2019

26. Derivatives and Other Financial Instruments continued

(c) Credit Risk continued

Credit risk exposure

The maximum exposure to credit risk at 30 November 2019 was £4,945,000 (2018: £9,774,000) comprising:

	30 November 2019 £'000	30 November 2018 £'000
Balances due from brokers	–	597
Accrued income	770	814
Cash and cash equivalents	4,175	8,363
	4,945	9,774

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, this magnifies the impact on shareholders' 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.

(e) Capital Management Policies and Procedures

The Company's capital, or equity, is represented by its net assets which amounted to £301,170,000 as at 30 November 2019 (£280,984,000 as at 30 November 2018), which are managed to achieve the Company's investment objective set out on page 17.

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 (i.e. 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 2006 with respect to its status as a public company. In addition, in order to pay dividends out of profits available for distribution by way of dividend, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by company law.

27. Capital Commitments, Contingent Assets and Liabilities

Capital Commitments

The Company has no commitments to further investment in Atom Bank (2018: £nil) or any other investee companies.

28. Post Balance Sheet Events

After the year end, £12.5m has been drawn down from the Company's one year revolving credit facility of £20m with ING Luxembourg SA. Following this draw down, £7.5m remains available on the credit facility.

On 6 February 2020, an announcement was released by the Company detailing a number of Proposals for the reconstruction of the Company ahead of the end of the fixed seven-year life. A Circular to shareholders will be distributed in early March with the expectation that a General Meeting of the Company will be held in early April 2020.

There are no other significant events that have occurred after the end of the reporting period to the date of this report which require disclosure.

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 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 2019.
- 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 has agreed there should be no change in valuation based on the review by the Investment Manager and the Board.
- 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 2018 and 31 March 2019, the proportion of the total remuneration paid by the AIFM to its staff attributable to the AIF was £1,042,900. Within such figure, the proportion of the fixed remuneration of the AIFM's staff attributable to the AIF was £187,900 and the proportion of the variable remuneration of the AIFM's staff attributable to the AIF was £854,900. No performance fee was paid to staff by the AIF during the financial year.

  During the AIFM's financial year, the aggregate amount of remuneration paid to the senior management of the AIFM was £4,177,000 and the aggregate amount of remuneration paid to members of staff, including senior management, whose actions had a material impact on the risk profile of the AIF was £12,330,500. For the purposes of identifying the members of the AIFM's staff whose actions had a material impact on the risk profile of the AIF, the AIFM has conducted an assessment that it believes to be consistent with certain guidance published by the European Securities and Markets Authority (ESMA/2013/201).
- Leverage disclosure;

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

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 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 Alternative Investment Fund Manager's Report
continued

Leverage continued

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*	200.0%	200.0%
Actual Leverage Level 30 November 2019	104.3%	104.3%

* 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
6 March 2020

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

Statement by Depositary
Alternative Investment Fund Manager's Directive Disclosures

The Directors

Polar Capital Global Financials Trust plc (the 'Company')

Statement of the Depositary's Responsibilities in Respect of the Scheme and Report of the Depositary to the Shareholders of the Polar Capital Global Financials Trust plc for the Period Ended 30 November 2019.

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 the Company is managed in accordance with the Articles of Association in relation to the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as 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
6 March 2020

Investor Information

PRIIPS KID

The Packaged Retail and Insurance-based Investment Products (PRIIPS) regulations came into force on 3 January 2018 and require the manufacturer of a retail product to publish a Key Information Document (KID) for consideration by investors and potential investors. The KID has prescribed content and a formulaic approach. The KID is available on the Trust's website; it should be noted that calculations are based purely on historical data and contain no judgemental analysis of the Board or Manager. It is strongly recommended that the KID is not looked at in isolation but is read in conjunction with other documents published by the Trust.

Market Purchases

The ordinary 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 ceased 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 may manage a portfolio of shares on behalf of a private investor and can 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 Ascentric, Interactive Investor, Nucleus, Raymond James, Seven IM and Transact.

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

Online Stockbroking Services

There are a number of real time execution only stockbroker services which allow private investors to trade online for themselves, manage a portfolio and buy UK listed shares. Online stockbroking services include A J Bell, Barclays Stockbrokers, Halifax Share Dealing, Hargreaves Lansdown, Interactive Investor, Selftrade and Share Centre.

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 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.

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 email providing the website address where the documents can be viewed and downloaded. Paper copies will still be available on request.

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 and Company Details

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

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 100 pence per share with subscription shares attached (on a one-for-five basis).

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

Tax Advice
The Company is unable to provide tax advice in any form. Investors should contact their accountant or other financial adviser should they require advice or information in relation to their personal circumstances.

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. The subscription shares were admitted to trading on the London Stock Exchange on 1 July 2013. The subscription shares ceased trading following the conversion date of 31 July 2017.

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

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

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

Investment scams are often sophisticated and difficult to spot

How to avoid investment scams

1. **Reject unexpected offers**
   Scammers usually cold call, but contact can also come by email, post, word of mouth or at a seminar. If you've been offered an investment out of the blue, chances are it's a high risk investment or a scam.
2. **Check the FCA Warning List**
   Use the FCA Warning List to check the risks of a potential investment – you can also search to see if the firm is known to be operating without FCA authorisation.
3. **Get impartial advice**
   Get impartial advice before investing – don't use an adviser from the firm that contacted you.

If you're suspicious, report it

You can report the firm or scam to the Financial Conduct Authority on **0800 111 6768** or through www.fca.org.uk/scamsmart

If you've lost money in a scam, contact Action Fraud on **0300 123 2040** or www.actionfraud.police.uk

Be ScamSmart and visit www.fca.org.uk/scamsmart

FCA FINANCIAL CONDUCT AUTHORITY
Be a ScamSmart Investor

Alternative Performance Measures (APMs)

In assessing the performance of the Company, the Investment Manager and the Directors use the following APMs, which are considered to be known industry metrics:

Net Asset Value (NAV)	The NAV is the value attributed to the underlying assets of the Company less the liabilities, presented either on a per share or total basis. The value of the Company's assets, principally investments made in other companies and cash being held, minus any liabilities. The NAV is also described as 'Shareholders' funds' per share. The NAV is often expressed in pence per share after being divided by the number of shares which have been issued. The NAV per share is unlikely to be the same as the share price, which is the price at which the Company's shares can be bought or sold by an investor. *As at 30 November 2019, the Company's total equity was £301,170,000 and there were 202,775,000 ordinary shares in issue. The Company's NAV per share was therefore 148.52p (£301,170,000/202,775,000).*
Total Net Assets	The value of the Company's assets, principally investments made in other companies and cash being held, minus any liabilities. *As at 30 November 2019, the total assets were £318,903,000 and the total liabilities were £17,733,000, the total net assets therefore were £301,170,000 (£318,903,000 – £17,733,000).*
NAV Total Return	The NAV total return shows how the net asset value per share has performed over a period of time taking into account both capital returns and dividends paid to shareholders. The NAV total return performance for the period is calculated by reinvesting the dividends in the assets of the Company from the relevant ex-dividend date. The adjusted NAV at the start of the period was 164.60p. *As at 30 November 2019, the Company's NAV per share was 148.52p, the impact of the dividend reinvestment in NAV was 33.28p, and the adjusted NAV per share was therefore 181.80p (148.52p+33.28p). The NAV total return over the year was 10.45% ((181.80p-164.60p)/164.60p).* NAV total return since inception is calculated as the change in NAV from the initial NAV of 98p, assuming that dividends paid to shareholders are reinvested on the ex-dividend date in ordinary shares at their net asset value. *As at 30 November 2019, the Company's adjusted NAV per share was 181.80p; the NAV total return since inception was 85.51% ((181.80p-98p)/98p)*
Share Price Total Return	Share price total return shows how the share price has performed over a period of time. It assumes that dividends paid to shareholders are reinvested in the shares at the time the shares are quoted ex-dividend. *As at 30 November 2019, the Company's share price was 143.75p and the opening adjusted share price as at 30 November 2018 was 152.98p; a reinvestment factor of 1.196034783, relating to the impact of the reinvested dividends, was applied to reach a closing adjusted share price for the purposes of the calculation of share price performance with income reinvested of 171.93p. The share price total return is 12.39% ((171.93p-152.98p)/152.98p).* Share price total return since inception is calculated as the change in share price from the launch price of 100p, assuming that dividends paid to shareholders are reinvested on the ex-dividend date. *As at 30 November 2019, the Company's adjusted share price was 171.93p, the share price total return since inception was 71.93% ((171.93p-100p)/100p).*
Share Price Total Return Including Subscription Share Value	The share price total return including subscription share value performance since inception includes the value of the subscription shares issued free of payment at launch on the basis of one-for-five ordinary shares and assumes such were held throughout the period from launch to the conversion date of 31 July 2017. Performance is calculated by reinvesting the dividends in the shares of the Company from the relevant ex-dividend date and uses the launch price of 100p per ordinary share. *As at 30 November 2019, the adjusted share price including impact of the dividend reinvested and subscription share value was 175.76p; the share price total return since inception was 75.76% (175.76p-100p)/100p).*
Discount/ Premium	A description of the difference between the share price and the net asset value per share usually expressed as a percentage (%) of the net asset value per share. If the share price is higher than the NAV per share the result is a premium. If the share price is lower than the NAV per share, the shares are trading at a discount. *The share price at 30 November 2019 was 143.75p and NAV was 148.52p; the discount was therefore 3.21%, ((143.75p-148.52p)/148.52p).*

Total Expenses	Comprising all the operating expenses, which includes research costs, of the Company plus those expenses which are excluded from the ongoing charges calculation, including transaction costs, finance costs, tax and non-recurring expenses. Costs in relation to share issues and share buybacks are excluded from the calculation. *At 30 November 2019, the total operating expenses including management fees were £2,968,000, finance costs were £302,000 and taxes were £730,000; the total expenses therefore were £4,000,000 (£2,968,000 + £302,000 + £730,000).*
Ongoing Charges	Ongoing charges are calculated in accordance with AIC guidance by taking the Company's annual ongoing charges, excluding performance fees and exceptional items, if any, and expressing them as a percentage of the average daily net asset value of the Company over the year. Ongoing charges include all regular operating expenses of the Company. Transaction costs, interest payments, tax and non-recurring expenses are excluded from the calculation as are the costs incurred in relation to share issues and share buybacks. Where a performance fee is paid or is payable, a second ongoing charge is provided, calculated on the same basis as the above but incorporating the amount of performance fee due or paid. *Ongoing charges for the year equal the management fee of £2,307,000 plus other operating expenses of £661,000 divided by the Company's average NAV in the year (£2,968,000/£285,370,471=1.04%).* *Since there was no performance fee paid or payable for the year, the ongoing charges including performance fee is the same as the ongoing charges.*
Net Gearing	Gearing is calculated in line with AIC guidelines and represents net gearing. This is defined as total assets less cash and cash equivalents divided by net assets. The total assets are calculated by adding back the bank loan. Cash and cash equivalents are cash and purchases and sales for future settlement outstanding at the year end. *As at 30 November 2019, the net assets were £301,170,000, the value of the bank loan was £10,000,000 and cash and cash equivalents (including amounts awaiting settlement) were £3,112,000; the net gearing was therefore 4.35% (((£301,170,000+£10,000,000+£3,112,000) / £301,170,000) -1).*

Glossary of Terms

AAF Report	A report prepared in accordance with Audit and Assurance Faculty guidance issued by the Institute of Chartered Accountants in England and Wales. Utilised within the review of internal controls.
AGM	The Annual General Meeting, to be held before 31 May 2020 at the office of the Manager, Polar Capital, 16 Palace Street, London SW1E 5JD. Notice of the AGM will be sent to shareholders as a separate mailing.
AIC	Association of Investment Companies, the industry body for closed ended investment companies.
AIFM	Alternative Investment Fund Manager – Polar Capital LLP.
AIFMD	Alternative Investment Fund Managers Directive. Issued by the European Parliament in 2012 and 2013, the Directive requires that, while the Board of Directors of an Investment Trust remains fully responsible for all aspects of the Company's strategy, operations and compliance with regulations, all alternative investment vehicles ("AIFs") in the European Union must appoint a Depositary and an Alternative Investment Fund Manager ("AIFM"). The Company's AIFM is Polar Capital LLP.
Benchmark	The Benchmark is the MSCI World Financials + Real Estate Net Total Return Index (in Sterling with dividends reinvested).
Closed-ended Investment Company	An Investment Company with a fixed issued ordinary share capital, the shares of which are traded on an exchange at a price not necessarily related to the net asset value of the company and which can only be issued or bought back by the company in certain circumstances.
Custodian	The Custodian is HSBC Bank plc, a financial institution responsible for safeguarding, worldwide, the listed securities and certain cash assets of the Company, as well as the income arising therefrom, through provision of custodial, settlement and associated services.
Depositary	The Depositary is also HSBC Bank plc. Under AIFMD rules the Company must appoint a Depositary whose duties in respect of investments, cash and similar assets include: safekeeping; verification of ownership and valuation; and cash monitoring. Under the AIFMD rules, the Depositary has strict liability for the loss of the Company's financial assets in respect of which it has safe-keeping duties. The Depositary's oversight duties will include but are not limited to share buybacks, dividend payments and adherence to investment limits.
Derivative	A contract between two or more parties, the value of which fluctuates in accordance with the value of an underlying security. Examples of derivatives are put and call options, swap contracts, futures and contracts for difference. A derivative can be an asset or a liability and is a form of gearing because it can increase the economic exposure to shareholders.
GAAP	The Generally Accepted Accounting Practice. This includes UK Financial Reporting Standards (FRS) and International GAAP (IFRS or International Financial Reporting Standards applicable in the European Union).
GM	The General Meeting to be held in order to make the Proposals to shareholders as detailed in the Chairman's Statement and the Report of the Directors.
Investment Manager	Polar Capital LLP is the Investment Manager and Nick Brind and John Yakas have delegated responsibility for the creation of the portfolio of investments subject to various parameters set by the Board of Directors. The responsibilities of the Investment Manager and the fees payable are set out in the Report of the Directors.
Investment Company	Section 833 of the Companies Act 2006. An Investment Company is defined as a company which invests its funds in shares, land or other assets with the aim of spreading investment risk.
Investment Trust taxation status	Section 1158 of the Corporation Tax Act 2010. UK Corporation Tax law allows an Investment Company (referred to in tax law as an Investment Trust) to be exempted from tax on its profits realised on investment transactions, provided it complies with certain rules. These are similar to Section 833 above but further require that the Company must be listed on a regulated stock exchange and that it cannot retain more than 15% of income received. The Report of the Directors contains confirmation of the Company's compliance with this law and its consequent exemption from taxation on capital gains.
Leverage	As defined under AIFMD rules, leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded in derivative positions. Leverage is broadly equivalent to gearing but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowings).
Non-executive Director	The Company is managed by a Board of Directors who are appointed by letter rather than a contract of employment. The Company does not have any executive directors. Remuneration of the Non-executive Directors is set out in the Directors' Remuneration Report while the duties of the Board and the various Committees are set out in the Corporate Governance Statement.
PRIIPS	The Packaged Retail and Insurance-based Investment Products regulations which came into force on 1 January 2018 in the UK and EU. The regulations require generic pre-sale disclosure of investment "product" costs, risks and certain other matters.
PwC	The Company's auditor is PricewaterhouseCoopers LLP, represented by Catrin Thomas, Partner.
SORP	The Statement of Recommended Practice. The financial statements of the Company are drawn up in accordance with the Investment Trust SORP issued by the AIC.

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
Simon Cordery

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

Co-Fund Managers
Mr Nick Brind and Mr John Yakas

Company Secretary
Polar Capital Secretarial Services Limited
represented by Tracey Lago, FCG

Registered Office and
Contact Address for Directors
16 Palace Street
London SW1E 5JD

Independent Auditors
PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
EdinburghEH3 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

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.

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

Shareholder helpline: 0800 313 4922
(or +44 121 415 0804)
www.shareview.co.uk

Corporate Broker
Investec Bank Plc
30 Gresham Street
London EC2V 7QP

Company Website
www.polarcapitalglobalfinancialstrust.com

The Company maintains a website which provides a wide range of information including, monthly factsheets, copies of announcements and the annual and half-year reports when issued. Information on the Company can also be obtained from other sources including:

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

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.

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 21 to 23 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.

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Polar Capital Global Financials Trust plc

Annual Report and Financial Statements for the year ended 30 November 2019