

RNS Number : 8503L
Woodford Patient Capital Trust PLC
24 April 2018

Woodford Patient Capital Trust plc Annual Report

24 April 2018

Woodford Patient Capital Trust plc (WPCT or the Company), announces the audited financial report for the year ended 31 December 2017.

KEY POINTS:

- €€€ The Company is invested in four companies that are valued at more than \$1bn - Purplebricks, Oxford Nanopore, Benevolent AI and Immunocore
- €€€ Since year end, many portfolio holdings have made significant progress:
 - o Oxford Nanopore, Atom Bank and Benevolent AI have completed significant fundraising rounds
 - o Prothena has signed a collaboration agreement with US firm Celgene, set to be worth \$2.2bn. However, it has recently announced the Pronto trial has not met its primary endpoint
 - o Proton Partners has started treating its first patient with proton beam therapy
 - o Autolus has announced its intention to list on Nasdaq in 2018
- €€€ The Company's net asset value declined from 93.24p to 91.73p during the year under review

Susan Searle, Chairman, Woodford Patient Capital Trust plc, says:

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

Many companies will experience failures on their journey to successfully fulfilling their commercial potential, but the Board believes that many will succeed. In either case, the Board maintains its view that patience is required and that portfolio returns will take time to mature. That said, since the end of the period under review, there have been tangible signs that many of the companies in the portfolio, including Oxford Nanopore, Atom Bank and Autolus, are making progress that we hope to see, in due course, reflected in the financials. The Board expects significant news flow in the next period and will continue to track the top portfolio companies and the achievement or not of business milestones. We continue to share the Portfolio Manager's confidence that investors' patience will ultimately be rewarded."

Neil Woodford, Head of Investment, Woodford Investment Management, says:

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

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

Since the launch of WPCT, we have been clear why we have backed Prothena and, given the positive progress throughout the development of the drug, we have been increasingly confident it would be successful. Such trial results are often symptomatic of early-stage investing and with regard to biotech trials the outcome is often binary - it comes down to whether a final trial is successful or not. Nevertheless, the result of the trial is undoubtedly a blow but we will be working with Prothena and its management on its strategy beyond Pronto - it has options. The company still has an early and mid-stage clinical pipeline, collaborations with two major pharmaceutical companies and more than \$500m on its balance sheet.

While Prothena's announcement is disappointing, it should not overshadow the progress many of the portfolio's companies have made - particularly in recent months. Since year end, we have had positive developments from several companies. Proton Partners is now the UK's first high energy proton beam therapy provider having started to treat its first patient in its Newport Centre this month. Benevolent AI announced last week that it received \$115 million in additional funding - an investment that now values the business at just over \$2 billion, while Purplebricks, whose shares trebled in 2017, has received a strategic investment from one of Europe's leading digital publishers, Axel Springer.

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

STRATEGIC REPORT

INVESTMENT OBJECTIVE

The investment objective of Woodford Patient Capital Trust plc (WPCT or the Company) is to achieve long-term capital growth through investing in a diversified portfolio with a focus on UK companies, both quoted and unquoted. As these companies evolve, the geographical profile of the portfolio may change to become more global in nature for reasons such as an overseas listing or as the result of changes to the capital value of a non-UK company.

The Company will aim to deliver a return in excess of 10 per cent per annum over the longer term*.

* This is a target only, not a profit forecast, and there can be no assurance that it will be met.

OPERATIONAL HIGHLIGHTS

Operational milestones

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

Finding Unicorns

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

Building conviction

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

Stock Market Listings

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

Low cost

Annual costs, including all transaction fees, of 0.2 per cent - no fee paid to Portfolio Manager unless cumulative returns in excess of 10 per cent are met.

FINANCIAL HIGHLIGHTS

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

31 December	2017	2016
Net asset value and share price	pence	pence

Net asset value per share	91.33	93.24
Share price	84.45	91.00

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

31 December	2017	2016
Ongoing charges ratio*	0.2	0.2

* Ongoing charges ratio - calculated as a percentage of average shareholders' funds and using expenses, excluding finance costs, performance fees and taxation in accordance with the Association of Investment Companies (AIC) guidelines.

CHAIRMAN'S STATEMENT

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

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

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

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

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

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

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

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

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

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

Susan Searle
Chairman
23 April 2018

PORTFOLIO MANAGER'S REVIEW 2017

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

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

Clearly not all investments we've made have developed in the direction initially envisaged. That is the nature of investing in earlier-stage, higher-risk businesses. We have just heard from Prothena,

the company's largest holding for much of the year, that its Pronto trial, investigating NEOD001 in AL amyloidosis, was unsuccessful. This is an extremely disappointing outcome and one which has surprised the company, with a much bigger and more significant placebo effect being observed than anything seen in prior trials would have suggested. As a result, Prothena has announced that it will halt all spending on NEOD001 immediately, including the termination of the ongoing Vital study, which had been due to read-out next year.

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

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

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

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

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

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

There are many examples of companies in the portfolio that have made meaningful progress on the road to commercialisation. Several have overcome significant challenges to get where they are today. There are many businesses in this portfolio that I believe should become multi-billion-dollar

organisations within the next five years. Patience has been required to get to this stage and it remains a prerequisite for investing in this part of the asset class. The investment case for WPCT, despite Prothena's news, remains compelling.

Thank you for your continued support.

Neil Woodford

23 April 2018

PROGRESS REPORT: JOURNEY TO COMMERCIAL SUCCESS

The rate of progress of many holdings in the portfolio has been rapid and operational milestones are being met. Several of the companies are valued at around the £1bn mark and many are approaching inflection points that could trigger further uplifts in their valuations.

Below, we examine in more detail a selection of companies in the portfolio.

ATOM BANK (3.57%)

Mobile banking

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

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

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

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

AUTOLUS (4.81%)

Living medicine

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

CAR-T cell therapy involves extracting white blood cells from a patient and genetically engineering them to recognise and kill specific cancer cells before infusing them back into the patient. This

treatment approach has turned from hope to reality as the first two products have received regulatory approval in the US, made by competitors Novartis and Kite (acquired by Gilead) following successful clinical trials. The potential in treating cancers is being recognised not just by big pharmas looking to acquire the next big innovation, but by investors and patients alike.

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

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

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

BENEVOLENT AI (6.00%)

Intelligent research

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

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

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

Faster to market

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

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

FEDERATED WIRELESS (1.31%)

Beating the spectrum crunch

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

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

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

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

GIGACLEAR (2.47%)

Countryside connectivity

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

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

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

IMMUNOCORE (5.76%)

Immuno-oncology leader

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

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

Major partnerships

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

MEREO BIOPHARMA (3.65%)

Drug discovery with a twist

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

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

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

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

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

OXFORD NANOPORE (7.92%)

A DNA breakthrough

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

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

DNA sequencing systems have traditionally been bulky and costly, but Oxford Nanopore has developed and is developing a new generation of DNA sequencers, some of which are small,

portable and affordable. Crucially, these are also the world's only sequencers that can deliver DNA analysis in real-time.

Commercially viable

Its pocket-size DNA sequencer the MinION, launched in 2014, has been successfully used to sequence human and crop genomes, to track outbreaks of viruses like Ebola and Zika, to research cancer genetics, and to understand the complex biological composition of seawater and ice. The MinION is just one of several products on the company's shelves. Its GridION x5 is designed to bridge the gap - in terms of the amount of DNA information required - between the pocket-size MinION and its much larger PromethION, while it is currently developing the SmidgION, which can be used with a mobile phone.

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

PROTHENA (7.75%)

Treating the untreatable

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

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

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

PROTON PARTNERS (3.78%)

A new way to beat cancer

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

Although the company only launched just over three years ago, it is on track to fulfil its goal of

having a network of its unique cancer centres within 90 minutes of 75 per cent of the UK's population by 2023. Construction is already underway at three further centres across the UK, which will be available to medically-insured and self-pay patients, as well as those referred by the NHS.

PURPLEBRICKS (5.93%)

Cementing its position

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

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

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

ULTRAHAPTICS (2.05%)

Virtual reality

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

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

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

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

PORTFOLIO COMPOSITION

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

Listing status		%
01	Quoted	31.60
02	Unquoted	68.40

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

Source: Woodford

And by industry and geography.

Industry		%
01	Consumer Goods	0.76
02	Financials	22.1
03	Health Care	56.2
04	Industrials	6.30
05	Technology	12.1
06	Telecommunications	2.48

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

Source: Woodford

INVESTMENT PORTFOLIO

Name	Industry	Weight (%)	Holding (%) *
Oxford Nanopore (Unquoted)	Health Care	7.92	5.2
Prothena	Health Care	7.75	6.6
Benevolent AI (Unquoted)	Technology	6.00	4.7
Purplebricks	Financials	5.93	4.8
Immunocore A (Unquoted)	Health Care	5.76	7.0
Proton Partners International (Unquoted)	Health Care	3.78	23.7
Mereo Biopharma	Health Care	3.65	14.4
Autolus (Unquoted)	Health Care	3.59	15.1

Atom Bank (Unquoted)	Financials	3.57	11.0
Theravance Biopharma	Health Care	3.23	2.6
Oxford Sciences Innovation (Unquoted)	Financials	3.03	3.8
Gigaclear (Unquoted)	Telecommunications	2.47	11.1
Kymab B Pref (Unquoted)	Health Care	2.38	7.0
Cell Medica (Unquoted)	Health Care	2.23	14.1
Ultrahaptics Pref (Unquoted)	Technology	1.71	22.2
Ombu (Unquoted)	Financials	1.69	9.9
Precision Biopsy (Unquoted)	Health Care	1.62	21.9
IDEX	Technology	1.51	5.5
Arix Bioscience	Financials	1.38	6.7
Mission Therapeutics (Unquoted)	Health Care	1.37	16.3
Malin	Financials	1.33	3.8
AJ Bell (Unquoted)	Financials	1.30	3.2
Thin Film Electronics	Industrials	1.22	4.8
Autolus Pref C (Unquoted)	Health Care	1.22	5.0
Evoform D (Unquoted)	Health Care	1.11	0.0**
Inivata (Unquoted)	Health Care	1.10	23.8
CeQur (Unquoted)	Health Care	1.06	8.1
Federated Wireless (Unquoted)	Technology	1.03	11.1
4D Pharma	Health Care	1.02	4.2
Xeros	Industrials	1.01	3.8
ReNeuron	Health Care	0.99	15.2
Sabina Estates Pref C	Financials	0.97	0.0**
SciFluor Life Sciences (Unquoted)	Health Care	0.92	9.0
AMO Pharma (Unquoted)	Health Care	0.89	20.1
Netscientific	Health Care	0.88	16.4
Seedrs (Unquoted)	Financials	0.84	15.3
Industrial Heat A1 Pref (Unquoted)	Industrials	0.76	1.4
Drayson Technologies B (Unquoted)	Technology	0.67	10.4
Benchmark	Health Care	0.62	1.9
Mercia Technologies	Financials	0.59	5.0
Nexeon (Unquoted)	Industrials	0.58	4.7
ABLS Capital (Unquoted)	Health Care	0.54	29.1
Kind Consumer C (Unquoted)	Consumer Goods	0.50	13.8
Mafic (Unquoted)	Industrials	0.49	7.5
Carrick Therapeutics (Unquoted)	Health Care	0.47	10.5
Industrial Heat A2 Pref (Unquoted)	Industrials	0.44	11.6
Ratesetter (Unquoted)	Financials	0.44	1.9
Mafic B (Unquoted)	Industrials	0.43	6.6
Accelerated Digital Ventures A (Unquoted)	Financials	0.37	9.6
Metalysis (Unquoted)	Industrials	0.36	7.7
Fibre 7 (Unquoted)	Industrials	0.36	60.9
Dementia Discovery Fund (Unquoted)	Health Care	0.36	98.5
PsiOxus (Unquoted)	Health Care	0.34	2.3
Ultrahaptics (Unquoted)	Technology	0.34	4.4
Sphere Medical Pref (Unquoted)	Health Care	0.33	33.0
Seedrs Pref (Unquoted)	Financials	0.30	5.4
Vernails	Health Care	0.29	5.8
Federated Wireless Pref B (Unquoted)	Technology	0.28	3.1
Genomics (Unquoted)	Health Care	0.27	9.7
RM2 International 9% convertible	Industrials	0.27	4.8
Kind Consumer (Unquoted)	Consumer Goods	0.23	12.0
Cambridge Innovation Capital (Unquoted)	Financials	0.22	1.5
Yoyo Wallet (Unquoted)	Technology	0.20	8.3
Novabiotics (Unquoted)	Health Care	0.18	2.2
Econic (Unquoted)	Industrials	0.18	8.3
American Financial Exchange (Unquoted)	Financials	0.16	1.7
Drayson Technologies C (Unquoted)	Technology	0.14	0.9
Northwest Biotherapeutics	Health Care	0.12	1.9
Bodle Technologies (Unquoted)	Technology	0.11	6.4
Metaboards (Unquoted)	Technology	0.11	7.6
Halosource Reg S	Industrials	0.10	8.5
Origin (Unquoted)	Health Care	0.09	1.9
Evoform C (Unquoted)	Health Care	0.07	1.2

RM2 International	Industrials	0.06	6.0
Origin (convertible pref) (Unquoted)	Health Care	0.05	5.1
Industrial Heat A3 (Unquoted)	Industrials	0.04	0.2
Kind Consumer B (Unquoted)	Consumer Goods	0.03	1.8
Origin (warrants) (Unquoted)	Health Care	0.01	0.0**
Sphere Medical (Unquoted)	Health Care	0.01	8.6
Midatech Pharma	Health Care	0.01	0.3
Ombu Pref (Unquoted)	Financials	0.01	2.1
Fibre 7 (ord) (Unquoted)	Industrials	0.00**	0.5
Accelerated Digital Ventures B1 (Unquoted)	Financials	0.00**	0.0**

* Weighting in underlying portfolio company.

** Stated as zero as rounded down.

BUSINESS REVIEW

The strategic report has been prepared in accordance with the requirements of Section 414 A-D of the Companies Act 2006 to help shareholders assess how the Company has performed and to understand its objectives and policies. The business review section of the strategic report discloses the Company's risks and uncertainties as identified by the Board, the key performance indicators used by the Board to measure the Company's performance, the strategies used to implement the Company's objectives, and the Company's environmental, social and ethical policy.

Principal activity

The Company carries on business as an investment trust with a view to achieving the Company's investment objective. Investment companies are a way for investors to make a single investment that gives a share in a much larger portfolio. A type of collective investment, they allow investors to spread risk and diversify in investment opportunities that may not otherwise be easily accessible to them. More information can be found on the AIC website, via the following link: <http://www.theaic.co.uk/guide-to-investment-companies>.

Investment objective

The Company's investment objective is to achieve long-term capital growth through investing in a diversified portfolio with a focus on UK companies, both quoted and unquoted. As these companies evolve, the geographical profile of the portfolio may change to become more global in nature for reasons such as an overseas listing or as the result of changes to capital value of a non-UK company.

The Company will aim to deliver a return in excess of 10 per cent per annum over the longer term*.

* This is a target only, not a profit forecast, and there can be no assurance that it will be met.

Investment Policy

Asset allocation and risk diversification

The Company invests in a diversified portfolio with a focus on UK companies (either incorporated in the UK or traded on a UK exchange), both quoted and unquoted. As these companies evolve, the geographical profile of the portfolio may also change to become more global in nature for reasons such as an overseas listing or as the result of changes to the capital value of a non-UK company.

The Company invests in:

- early-stage companies, which are likely to include both quoted and unquoted companies; and
- mid- and large-capitalisation quoted, mature companies.

The actual portfolio composition at any one time will reflect the opportunities available to the Portfolio Manager, the performance of the underlying investee companies and the maturity of the portfolio.

The Company's portfolio will typically consist of 50-100 holdings. The Company may become a significant shareholder in any of the underlying portfolio companies.

The Company's portfolio is constructed on the basis of an assessment of the fundamental value of individual securities and is not structured on the basis of sector weightings. The Company's portfolio is diversified across a number of sectors and, while there are no specific limits placed on exposure to any one sector, the Company will at all times invest and manage the portfolio in a manner consistent with spreading investment risk.

Investment restrictions

The Company is subject to the following investment restrictions:

- investment in unquoted companies will be limited to 80 per cent of gross assets at the time of investment;*
- the Company's portfolio shall be invested in a minimum of 40 holdings;
- the Company shall not invest more than 10 per cent of its NAV at the time of initial investment in an investee company save that the Portfolio Manager may make further investments into an investee company subject to an aggregate investment limit in any investee company of 20 per cent of NAV at the time of investment;
- the Company may invest in other investment funds, including listed closed-ended investment funds, to gain investment exposure, but such investment will be unleveraged and (other than in relation to investment in money market funds for the purposes of cash management) limited, in aggregate, to 10 per cent of NAV at the time of investment; and
- with respect to cash deposits, the Company shall not have exposure of more than 10 per cent of NAV, at the time of investment, to any one issuer.

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

Borrowing

The Company may employ gearing of up to 20 per cent of NAV, calculated at the time of borrowing, for the purpose of capital flexibility, including for investment purposes.

The Board will oversee the level of gearing in the Company, and will review the position with the Portfolio Manager on a regular basis.

Hedging

The Company may use derivatives for the purposes of hedging any currency risk to which the Company may be subject but will not use derivatives for investment purposes.

Cash management

While it is intended that the Company will be fully invested in normal market conditions, the Company may hold cash on deposit or invest on a temporary basis in a range of debt securities and cash equivalent instruments. There is no restriction on the amount of cash or cash equivalent instruments that the Company may hold and there may be times when it is appropriate for the Company to have a significant cash position instead of being fully or near fully invested.

Unquoted securities valuation policy

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

Link's Fair Value Pricing Policy provides an objective, consistent and transparent basis for estimating the fair value of unquoted equity securities in accordance with Financial Reporting Standard (FRS) 102 as well as International Private Equity and Venture Capital Valuation Guidelines.

An in-depth valuation of each investment is performed independently by Duff & Phelps (the independent third party) using information supplied by the Company's investee companies. A valuation occurs: (i) at the time of initial investment, (ii) with a semi-annual frequency thereafter and (iii) as required where a 'triggering event' has occurred.

A triggering event may include any of the following:

- a subsequent round of financing (whether pro rata or otherwise) by the relevant investee company.
- a significant or material milestone achieved by the relevant investee company.
- a secondary transaction involving the relevant investee company on which sufficient information is available.
- a change in the makeup of the management of the relevant investee company.
- a material change in the recent financial performance or expected future financial performance of the relevant investee company.
- a material change in the market environment in which the relevant investee company operates; or
- a significant movement in market indices or economic indicators.

Once a valuation review has been established, fair value will be assumed to be representative of fair value each business day until a valuation change is enacted by the AIFM who is the decision maker on valuations and enacts the price change. Where the AIFM considers such an adjustment to be material, the Portfolio Manager will inform the Board of the nature and reasons for the

adjustment.

Business model

The management of the Company's assets and the Company's administration has been outsourced to third-party service providers. The Board has oversight of the key elements of the Company's strategy, including the following:

- the Company's level of gearing. The Company has a maximum limit of 20 per cent of NAV at the time of borrowing.
- the Company's investment policy, which determines the diversity of the Company's portfolio.
- the appointment, amendment or removal of the Company's third-party service providers.
- an effective system of oversight over the Company's risk management and corporate governance.
- the Board regularly reviews the premium/discount to NAV.

In order to effectively undertake its duties, the Board may seek expert legal advice. It also can call upon the advice of the Company Secretary.

Premium/Discount management

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

As a means of controlling the discount at which the shares may, from time to time, trade, the Board may seek shareholder authority to buy back ordinary shares. The Directors have not bought back any shares under the authority granted at the Annual General Meeting (AGM) held on 12 June 2017. At the forthcoming AGM, the Board is seeking to renew this authority.

Board diversity

The Board consists of six non-executive Directors, three of whom are female. The Board has adopted a diversity policy, which acknowledges the benefits of greater diversity, including gender diversity, and remains committed to ensuring that the Company's Directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives to the Board. Whilst the Board does not feel that it would be appropriate to set targets as all appointments are made on merit, the following objectives for the appointment of Directors have been established:

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

Corporate and operational structure

Alternative Investment Fund Manager's Directive (AIFMD)

In accordance with the AIFMD, the Company has appointed Link Fund Solutions Limited to act as its AIFM. The AIFM has in turn appointed Woodford Investment Management Ltd to act as its

Portfolio Manager, to manage the Company's assets. The AIFM monitors the Portfolio Manager of the Company and ensures that the Company's assets are valued appropriately in accordance with the relevant regulations and guidance. In addition, the Company has appointed The Northern Trust Company (as a delegate of the depositary) to provide custody services to the Company as required by the AIFMD.

Operational and portfolio management

In addition to the above, the Company has outsourced its operations to the following service providers:

- Link Company Matters Limited has been appointed to act as the Company Secretary;
- Northern Trust Global Services Limited (Northern Trust) has been appointed to act as the Company's investment accountant and administrator;
- Link Market Services Limited has been appointed as the Company's registrar; and
- Winterflood Investment Trusts (a division of Winterflood Securities Limited) has been appointed to act as the Company's corporate broker and financial adviser.

Environment, social, human rights, community and employee issues

The Board has high standards on all issues that concern the environment, social matters, human rights, community and employees. The Company has no employees and all of its Board members are non-executive. There are therefore no disclosures to be made in respect of employees. The Board has delegated the Company's day-to-day operations and investment decisions to third-party service providers.

The Portfolio Manager considers, among other things, the environment, social and human rights, employee and community implications of the companies within which it invests the Company's assets. The Board is provided with detailed information on each of the Company's underlying holdings on a regular basis. It has regular meetings with members of the investment management team who provide them with detailed feedback on the affairs of the Company's underlying holdings. It can request that action is taken to bear pressure on the companies in which the Portfolio Manager invests on behalf of the Company to ensure the highest standards are maintained. The Portfolio Manager aims to exercise its votes at the shareholders' meetings of the Company's underlying holdings in every situation it can. In addition, the Portfolio Manager meets regularly with the management of many of the Company's underlying holdings and encourages high standards with regard to each company's approach to social, environmental, human rights, community and employee matters.

Principal risks and uncertainties

The Board has carried out a robust assessment of its risks and controls during the period under review, including those that would threaten its business model, future performance, solvency or liquidity. The process involves the maintenance of a risk register, which identifies the risks facing the Company and assesses each risk on a scale, classifying the likelihood of the risk and the potential impact of each risk to the Company. This helps the Audit Committee and Board focus on any identified risk of particular concern and aids with the development of the Board's risk appetite. In developing the risk management process, the Board took into consideration the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council (FRC).

The Board has established controls to mitigate against risks faced by the Company, which are reviewed on a regular basis to ascertain the effectiveness of each control.

The Company's operations are undertaken by third-party service providers who have established controls to mitigate against risks identified by the Board. The controls and operations of each service provider are subject to a detailed analysis of their operations, which includes testing their key systems to identify any weaknesses, by independent auditors on at least an annual basis. The findings of each review are detailed in Assurance Reports, copies of which are provided to the Audit Committee for their review, so that it can gain a greater understanding of the risk management processes and how they apply to the Company's business.

The principal risks and uncertainties faced by the Company in respect of the year ended 31 December 2017 are set out below. The risks arising from the Company's financial instruments are set out in Note 22 of the financial statements below.

The Board has determined that the three key risks for the Company are portfolio concentration; potential key man dependency; and the outsourced service provider model.

Portfolio risk: Portfolio concentration risk

The Company invests a significant proportion of its assets in early-stage companies and early-growth companies. Such companies may not have the financial strength, diversity and resources of larger, more established companies and may find it difficult to operate, especially in periods of low economic growth. The shares of such companies, quoted and unquoted, may be less liquid, and as a consequence their share prices may be more volatile than larger capitalised investments. The success of such quoted and unquoted companies may depend on commercial and technical milestones, some of which may not be in their control - for example, the failure of a clinical trial in a biotechnology company. The performance of the Company's individual holdings, together with market events, may create short-term volatility in the Company's NAV.

Some of the Company's investments may demonstrate potentially swift growth, which could lead to those investments representing larger proportions of the portfolio than might be expected. The Board feels that in those circumstances, portfolio concentration is acceptable as it evidences the success of the Portfolio Manager's judgement. The alternative, imposing limits on the size of any one investment, would potentially result in the Company being a forced seller of an investment that still had further growth potential. The Board does not feel that this would be in the best interests of the shareholders and this view is in line with the Portfolio Manager's investment strategy.

The risk linked to any portfolio concentration might be compounded due to the nature of some of the business and the risk associated with both commercial and technical milestones.

Mitigation - The Company's portfolio is monitored closely by the Board and Portfolio Manager. The Company seeks to invest in a diversified portfolio across a wide range of companies so as to mitigate against the risk posed by an individual early-stage or early-growth company. However, the Board is mindful that the Company was established with the aim of providing long-term growth and that concentration should be a sign of success as a result of assets backed becoming more valuable. Short-term liquidity problems with the Company's underlying holdings, which may be compounded by market events, should be mitigated over time when such companies deliver on their milestones and value is recognised.

Portfolio Manager and key man risk

The departure of some or all of the Portfolio Manager's investment professionals could prevent the Company from achieving its investment objective. In particular, Neil Woodford is considered a key

individual as the fund manager principally responsible for the management of the Company's assets. The past performance of the Portfolio Manager's investment professionals cannot be relied upon as an indication of the future performance of the Company.

The Portfolio Manager could terminate its contract with the Company. This event would have an impact on the management of the portfolio and on the provision of the debt facility.

Mitigation - The Portfolio Manager has developed a suitable succession planning programme which seeks to ease the impact that the loss of a key investment professional may have on the Company's performance. The Board has reached an agreement with the Portfolio Manager that any change in its key professionals will be notified to the Board at the earliest possible opportunity and the Board will be made aware of all efforts made to fill a vacancy. Furthermore, investment decisions are made by a team of professionals, mitigating the impact of the loss of any key professional within the Portfolio Manager's organisation on the Company's performance. The risk of Woodford terminating the contract is thought to be very low given the key part in the Woodford portfolio that the product plays and the associated risk to reputation.

Outsourced service provider model risk

The Company has no employees and the Directors have been appointed on a non-executive basis. The Company is reliant upon the performance of third-party service providers for its executive function. The AIFM, the Portfolio Manager, the depositary, the Company Secretary and the administrator will be performing services that are integral to the operation of the Company. Failure of any of its third-party service providers to perform in accordance with the terms of its appointment could have a material detrimental impact on the operation of the Company. Furthermore, any of the Company's service providers could terminate their contract.

Mitigation - The performance of the Company's service providers is monitored closely by the Board and its Committees.

Gearing

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

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

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

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

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

KEY PERFORMANCE INDICATORS

Performance and indicators

Performance is measured against the Company's objective of in excess of 10 per cent growth per year. During the period to 31 December 2017, the Company's NAV declined by 2 per cent. A more detailed explanation of the Company's performance can be found in the Portfolio Manager's review and the Chairman's statement above.

The key performance indicators (KPIs) monitored by the Board are the progress that the top 10 holdings in the portfolio make against commercial, operational and technical milestones. Progress on the next 10 holdings is also reviewed with less frequency. New entrants and emerging portfolio company progress is also discussed.

Performance against other trusts

The Company is positioned within the AIC's UK All Companies sector by most investment company broker analysts. The Board does not have a specific comparative benchmark against which performance is measured. It believes that operational progress is the KPI in this unique portfolio of quoted and unquoted assets.

Share price premium/(discount) to NAV per share

During the Company's first financial period to 31 December 2015, it issued a total of 827,000,000 ordinary shares in order to meet natural market demand. No further shares have been issued. The Company's shares traded at an average discount of 5.6 per cent to its NAV (cum income) throughout the year to 31 December 2017.

Ongoing charges

The Portfolio Manager does not receive a fee for managing this investment trust, unless it delivers cumulative annual returns in excess of 10 per cent. The ongoing charges cover the general administrative and management costs associated with running the trust.

The Company calculates the ongoing charges ratio as a percentage of average shareholders' funds and expenses, excluding finance costs, performance fees and taxation, in accordance with AIC guidelines. This gives an indication as to the Company's expenses to its shareholders and potential investors. The Board monitors the Company's estimated ongoing charges against its peers at each Board meeting to ensure that the Company remains competitive against its peers. It is not expected that the ongoing charges will exceed 0.2 per cent, which compares favourably with the Company's peers who operate with an average ongoing charges level of 0.9 per cent. As at 31 December 2017, the Company's ongoing charge ratio was 0.2 per cent.

The Portfolio Manager is committed to greater transparency on the total cost of investing. All transaction costs, in addition to the ongoing charge figure, have been disclosed monthly on its website to help investors better understand the total, true cost of investing.

Gearing

As at 31 December 2017, the Company had gearing of £149,411,000 (19.78 per cent of NAV), in respect of an overdraft, while the average level of gearing among its peers was 5.2 per cent.

Portfolio diversification

The Board reviews the portfolio at every Board meeting and expects it to become more

concentrated around a number of larger assets.

By order of the Board

Link Company Matters Limited

Secretary

23 April 2018

EXTRACTS FROM THE DIRECTORS' REPORT

Going concern

The financial statements have been prepared on a going concern basis. Having had regard to the Company's projected income and expenses, the Directors consider that going concern is the appropriate basis as they have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the next 12-month period. The Directors shall continue to adopt the going concern basis of accounting in preparing the financial statements.

Viability statement

In accordance with Principle 21 of the AIC Code of Corporate Governance published in July 2016 and provision C.2.2 of the UK Corporate Governance Code, published by the FRC in April 2016, the Directors have assessed the prospects of the Company over the five-year period to 31 December 2022. The Directors consider that a period of at least five years is required to assess the viability of an investment company that holds predominantly young unquoted or small-to-medium-sized companies, as they believe this to be a reasonable period of time for such young companies to make meaningful progress on the journey towards fulfilling their long-term potential. In its assessment of the viability of the Company, the Directors have considered each of the Company's principal risks and uncertainties detailed above and in particular the impact of the total collapse of one or more of the Company's significant holdings. The Board has considered the Company's likely income and expenditure. The Board is mindful that a proportion of the Company's portfolio comprises cash and equity assets traded on public markets which are realisable and that can be sold to meet funding requirements, if required.

The Board has given careful consideration to the Company's estimated annual expenditure on operating costs, the Company's risks and internal controls, the Company's asset allocation and diversification, portfolio risk, financial controls, and the restrictions set to the Company's level of gearing. Following the Board's detailed analysis, it has concluded that there is a reasonable expectation that the Company will be able to continue to operate and to meet its liabilities as they fall due over the five-year period to 31 December 2022.

Post year end events

Save as otherwise disclosed, there have been no important events to disclose since the period end under review.

The full Annual Report contains the following statements regarding responsibility for the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company as at the end of each financial year and of the profit or loss of the Company for that period.

In preparing those financial statements, the Directors are required to:

- present fairly the financial position, financial performance and cash flows of the Company;
- select suitable accounting policies in accordance with United Kingdom Generally Accepted Accounting Practice and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are also responsible for preparing the strategic report, the Directors' report, the Directors' remuneration report, the corporate governance statement and the report of the Audit Committee in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure Guidance and Transparency Rules. The Directors have delegated responsibility to the Portfolio Manager for the maintenance and integrity of the Company's corporate and financial information included on Woodford Investment Management Limited's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors confirms that:

- the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- the strategic report contained in the annual report and financial statements includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The AIC Code of Corporate Governance requires Directors to ensure that the annual report and financial statements are fair, balanced and understandable. In order to reach a conclusion on this matter, the Board has requested that the Audit Committee advises on whether it considers that the annual report and financial statements fulfil these requirements. The process by which the Audit Committee has reached these conclusions is set out in its report in the full annual report. As a result, the Board has concluded that the annual report and financial statements for the year ended 31 December 2017, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Signed on behalf of the Board of Directors by:

Susan Searle
Chairman
23 April 2018

The financial information set out below does not constitute the Company's statutory accounts for the year ended 31 December 2017 and the year ended 31 December 2016 but is derived from those accounts. Statutory accounts for 2016 have been delivered to the Registrar of Companies, and those for 2017 will be delivered in due course. The Auditor has reported on those accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006. The text of the Auditor's report can be found in the full Annual Report.

INCOME STATEMENT

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

Year ended 2016	Notes	Revenue £'000	Capital £'000	Total £'000
Losses on investments and derivatives measured at fair value through profit or loss	15	0	(32,193)	(32,193)
Income	3	1,255	0	1,255
Portfolio management fee	4	0	0	0
Other expenses	5	(1,367)	0	(1,367)
Return before finance costs and				

taxation		(112)	(32,193)	(32,305)
Finance costs	6	(599)	0	(599)
Return before taxation		(711)	(32,193)	(32,904)
Taxation	7	0	0	0
Return for the period		(711)	(32,193)	(32,904)
Return per ordinary share (pence)	18	(0.09)p	(3.89)p	(3.98)p

The notes below form part of these accounts.

The total column of this statement is the profit and loss account of the Company.

All the revenue and capital items in the above statement derive from continuing operations.

There is no other comprehensive income.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

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

The notes below form part of these accounts.

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

Susan Searle
Chairman

STATEMENT OF CHANGES IN EQUITY

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

Year ended 2016	Share capital £'000	Share premium account £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Beginning of year	8,270	813,043	(17,587)	1,538	805,264
Total comprehensive income for the financial year	0	0	(32,193)	(711)	(32,904)
Share issue costs written back	0	56	0	0	56
Dividends paid	0	0	0	(1,323)	(1,323)
Balance at 31 December 2016	8,270	813,099	(49,780)	(496)	771,093

Distributable reserves comprise: the revenue reserve and capital reserve attributable to realised profits.

Share capital represents the nominal value of shares that have been issued. The share premium account includes any premiums received on issue of share capital. Any direct transaction costs associated with the issuing of shares are deducted from share premium.

All investments are held at fair value through profit or loss. When the Company revalues the investments still held during the period, any gains or losses arising are credited/charged to the capital reserve.

CASH FLOW STATEMENT

31 December	2017 £'000	2016 £'000
Cash flow from operating activities		
Loss before finance costs and taxation	(13,439)	(32,305)
Adjustments for:		
Movements in investments held at fair value through profit or loss	12,357	32,193
Decrease in debtors	34	288
Increase in creditors	240	15
Net cash (used)/generated from operating activities	(808)	191
Cash flows from investing activities		
Purchases of investments	(285,503)	(217,879)
Proceeds from sales of investments	194,658	136,354
Cash outflows from derivative financial instruments	(15,624)	(5,507)
Cash inflows from derivative financial instruments	34,865	2,115
Net cash used in investing activities	(71,604)	(84,917)

Cash flows from financing activities		
Dividends paid	0	(1,323)
Finance costs	(2,359)	(599)
Net cash used in financing activities	(2,359)	(1,922)
Net (decrease)/increase in cash and cash equivalents	(74,771)	(86,648)
Cash and cash equivalents at the beginning of the year	(74,640)	12,008
Cash and cash equivalents at the end of the year	(149,411)	(74,640)

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Woodford Patient Capital Trust Plc (the 'Company') was incorporated in England and Wales on 26 January 2015 with registered number 09405653, as a closed-ended investment Company. The Company commenced its operations on 21 April 2015. The Company intends to carry on business as an investment trust within the meaning of Chapter 4 of Part 24 of the Corporation Tax Act 2010.

The Company's investment objective is to achieve long-term capital growth through investing in a portfolio consisting predominantly of UK companies, both quoted and unquoted. The Company will aim to deliver a return in excess of 10 per cent per annum over the longer term.

The Company's shares were admitted to the Official List of the UK Listing Authority with a premium listing on 21 April 2015. On the same day, trading of the ordinary shares commenced on the London Stock Exchange. The registered office is Beaufort House, 51 New North Road, Exeter, EX4 4EP, United Kingdom.

2. Accounting policies

The principal accounting policies followed by the Company are set out below:

(a) Basis of accounting

The Company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Company for the year ended 31 December 2017 and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (issued in November 2014 and updated in January 2017). The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The financial statements have been prepared on a going concern basis and on assumption that approval as an investment trust will continue to be granted.

The financial statements have been presented in Sterling (£), which is also the functional currency of the Company.

(b) Investments

The Company has adopted the provisions of Sections 11 and 12 of FRS 102 for measuring and disclosing its financial instruments. All investments held by the Company are classified as "fair value through profit or loss", and are valued in accordance with the International Private Equity and Venture Capital Valuation (IPEVVCV) guidelines.

For investments actively traded on organised financial markets, fair value is generally determined by reference to Stock Exchange market quoted bid prices at the close of business on the balance sheet date. Purchases and sales of quoted investments are recognised on the trade date where a contract of sale exists whose terms require delivery within a time frame determined by the relevant market. Purchases and sales of unlisted investments are recognised when the contract for acquisition or sale becomes unconditional.

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

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

1. held at the price of a recent investment for an appropriate period where there is considered to have been no material change in fair value; or
2. where the basis in (1) is no longer considered appropriate, then the following factors will be considered in determining the fair value:
 - a. where a value is indicated by a material arms-length transaction by an independent third party in the shares of a company, this value will be used; or
 - b. in the absence of (a) and depending upon both the subsequent trading performance and investment structure of an investee company, the valuation basis will usually move to an earnings multiple basis or, if appropriate, other valuation models such as Probability-Weighted Expected Return Method. Adjusted recent transaction prices (which consider the company's performance against key milestones) are also used. These valuation methods may lead to a company being valued on a suitable price-earnings ratio to that company's historic, current or forecast post-tax earnings before interest and amortisation (the ratio used being based on a comparable sector but the resulting value being adjusted to reflect points of difference identified by the investment adviser compared to the sector including, inter alia, a lack of marketability).
3. if the investment is in a fund then the valuation will be based on the NAV of the fund (which is invariably comprised of early stage unquoted investments), or on an adjusted basis to recognise the potential for a premium or discount to be applied to the share price.

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

(c) Foreign currency

Transactions denominated in foreign currencies are translated into Sterling at actual exchange rates as at the date of the transaction. Assets and liabilities denominated in foreign currencies at the period end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss to capital or revenue in the income statement as appropriate. Foreign exchange movements on investments are included in the Income Statement within gains on investments.

(d) Derivatives

Derivatives, including forward foreign exchange contracts, are non-basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss.

(e) Income

Investment income has been accounted for on an ex-dividend basis or when the Company's right to the income is established. Special dividends are credited to capital or revenue in the income statement, according to the circumstances surrounding the payment of the dividend. UK dividends are accounted for net of any tax credits. Overseas dividends are included gross of withholding tax. Interest receivable on deposits is accounted for on an accruals basis.

(f) Expenses

All expenses are accounted for on an accruals basis and are charged as follows:

- any performance fee is allocated to capital;
- investment transaction costs are allocated to capital;
- other expenses are charged wholly to revenue;
- direct issue costs are deducted from the share premium account; and
- finance costs are charged wholly to revenue.

(g) Taxation

The charge for taxation is based upon the net revenue for the year. The tax charge is allocated to the revenue and capital accounts according to the marginal basis whereby revenue expenses are first matched against taxable income arising in the revenue account. Deferred taxation will be recognised as an asset or a liability if transactions have occurred at the interim reporting date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. An asset will not be recognised to the extent that the transfer of economic benefit is not probable.

(h) Cash and cash equivalents

Cash and cash equivalents are defined as cash and demand deposits readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within current liabilities.

(i) Finance costs

Finance costs are interest costs on the overdraft facility and are recognised in the profit and loss account within revenue.

3. Income

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

4. Portfolio management fee

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Performance fee accrual: 100% charged to capital	0	0
Total	0	0

The Portfolio Manager is entitled to receive a performance fee equal to 15 per cent of any excess returns over a cumulative 10 per cent per annum hurdle rate, subject to a high watermark. The performance fee is calculated on the following basis.

$$PF = ((A-B) \times C) \times 15 \text{ per cent.}$$

Where:

- PF is the performance fee, if any, payable to the Portfolio Manager
- A is the adjusted NAV per ordinary share
- B is the higher of: (i) the high watermark NAV per ordinary share and (ii) the hurdle
- C is the time weighted average number of ordinary shares in issue since the last performance period in respect of which a performance fee was earned, or if no performance fee has yet been earned, admission

In the event that A-B is a negative number, it shall be taken to equal zero.

For these purposes:

'Performance period' means: (i) the period beginning on the date of admission and ending on 31 December 2017 and (ii) each subsequent period corresponding to each accounting period of the Company.

'Adjusted NAV per ordinary share' means the NAV per ordinary share on the last business day of each performance period, adjusted by adding back any performance fee accrual in respect of such performance period.

'High watermark NAV per ordinary share' means the NAV per ordinary share as at the last

business day of the performance period in respect of which a performance fee was last earned, adding back the effect of any performance fee paid in respect of such performance period (or, if no performance fee has yet been earned, the issue price).

'Hurdle' means the issue price increased, from admission, at a rate of 10 per cent per annum, compounded annually as at the last business day of each performance period (pro-rated, in the case of the first performance period, from the date of admission).

The high watermark NAV per ordinary share and the hurdle will be adjusted to reflect the impact on the adjusted NAV per ordinary share from a capital return and/or dividend and/or distribution to shareholders at the time of such capital return and/or dividend and/or distribution, on a pence per ordinary share basis. As at 31 December 2017, the high watermark NAV per ordinary share was 129.75p.

If at any time a potential adjustment event shall occur, the Portfolio Manager and the Company will discuss in good faith what adjustment would be appropriate for the purpose of calculation of the performance fee. Failing such agreement, the Company will instruct another independent firm of accountants, to report to the Company and the Portfolio Manager regarding any adjustment that, in the opinion of the independent firm of accountants, shall be appropriate to be made for the purpose of the calculation of the performance fee.

'Potential adjustment event' means, in relation to the Company, every issue by way of capitalisation of profits or reserves and every issue by way of rights or bonus and every consolidation or sub-division or reduction of capital or share premium or capital dividend or redemption of ordinary shares, or other reconstruction or adjustment relating to the share capital of the Company (or any shares, stock or securities derived there from or convertible there into) and also includes any other amalgamation or reconstruction affecting the share capital of the Company (or any shares, stock or securities derived therefrom or convertible there into).

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

5. Other expenses

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

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

6. Finance costs

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

7. Taxation

(a) Analysis of charge in the year:

	Year ended 31 December 2017 Revenue £'000	Year ended 31 December 2017 Capital £'000	Year ended 31 December 2017 Total £'000	Year ended 31 December 2016 Total £'000
Overseas tax	0	0	0	0
Total tax charge for the year (see note 7(b))	0	0	0	0

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

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for a company over the period in question of 19.25 per cent. (2016: 20.0 per cent). The differences are explained below:

	Year ended 31 December 2017 Revenue £'000	Year ended 31 December 2017 Capital £'000	Year ended 31 December 2017 Total £'000	Year ended 31 December 2016 Total £'000
Total return before taxation	(3,441)	(12,357)	(12,505)	(32,905)
UK corporation tax at 19.25% (2016: 20.0%)	(662)	(2,379)	(2,407)	(6,581)
Effects of:				
Capital (gains)/losses not subject to corporation tax	0	2,379	1,745	6,439
UK dividends which are not taxable	(76)	0	(76)	(251)
Loan relationship deficit not utilised	452	0	452	120
Movement in unutilised management expenses	267	0	267	269
Expenses not deductible for UK corporation tax purposes	19	0	19	4
Total tax charge	0	0	0	0

The Company is not liable to tax on capital gains due to its status as an investment trust. Due to the Company's status as an investment trust, and the intention to continue meeting the conditions required to maintain the investment trust status, the Company has not provided for deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

After claiming relief against accrued income taxable on receipt, the Company has a deferred tax asset of approximately £596,833 (31 December 2016: £361,079) based on the long-term prospective corporation tax rate of 17 per cent (31 December 2016: 17 per cent) relating to excess management expenses of £3,510,780 (31 December 2016: £2,123,996). It is unlikely that the Company will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset in respect of these expenses has been recognised. Additionally, the Company has a deferred tax asset of approximately £518,037 (31 December 2016: £101,846) based on the long-term prospective corporation tax rate of 17 per cent (31 December 2016: 17 per cent) relating to excess non-trade loan relationships of £3,047,277 (31 December 2016: £599,093). Again it is unlikely that the Company will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset in respect of these expenses has been recognised.

8. Dividend

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

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

9. Investments

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

(b) Movements

Year ended 31 December 2017	Listed £'000	Unquoted £'000	Total £'000
Book cost at beginning of year	529,841	345,529	875,370
(Losses)/gains on investments held at beginning of year	(56,958)	22,747	(34,211)
Valuation at beginning of year	472,883	368,276	841,159

Movements in year:

Purchases at cost	57,321	228,623	285,944
Sales:			
- proceeds	(194,861)	0	(194,861)
- losses on investment holdings sold in the year	(70,670)	0	(70,670)
Transfer between unquoted and listed investment at valuation	6,000	(6,000)	0
Movements in gains on investment holdings held at end of year	15,345	28,367	43,712
Valuation at end of year	286,018	619,266	905,284

Year ended 31 December 2016	Listed £'000	Unquoted £'000	Total £'000
Book cost at beginning of year	533,913	275,843	809,756
(Losses)/gains on investments held at beginning of year	(26,646)	13,819	(12,827)
Valuation at beginning of year	507,267	289,662	796,929
Movements in year:			
Purchases at cost	139,670	72,974	212,644
Sales:			
- proceeds	(131,837)	(4,096)	(135,933)
- (losses)/gains on investment holdings sold in the year	(11,906)	808	(11,098)
Movements in (losses)/gains on investment holdings held at end of year	(30,311)	8,928	(21,383)
Valuation at end of year	472,883	368,276	841,159

Significant gains/(losses) on individual investments during the year	£'000
Realised gains/(losses) on investments sold in year.	
Purplebricks	22,453
Horizon Discovery	5,284
Verseon	(5,587)
IP	(11,610)
Oxford pharmascience (Abaco Capital)	(14,711)
Allied Minds	(22,834)
Circassia	(24,497)
	£'000
Unrealised gains/(losses) in investments holdings at year end.	
Purplebricks	31,634
Autolus (unquoted)	9,697
Immunocore (unquoted)	8,702
Oxford Nanopore (unquoted)	6,539
Ultrahaptics (unquoted)	6,046
Mereo BioPharma	5,444
Ombu Pref (unquoted)	(5,020)
Vernalis	(6,053)
RM2 International	(7,061)
4D Pharma	(8,963)
Theravance BioPharma	(9,078)

	Total Year ended 31 December 2017 £'000	Total Year ended 31 December 2016 £'000

Comprising:		
Book cost at end of year	895,783	875,370
Gains/(losses) on investment holdings at end of year	9,501	(34,211)
Valuation at end of year	905,284	841,159

2017

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

2016

	Listed £'000	Unquoted £'000	Total £'000
Book cost at end of year	529,841	345,529	875,370
(Losses)/gains on investment holdings at end of year	(56,958)	22,747	(34,211)
Valuation at end of year	472,883	368,276	841,159

Transaction costs on purchases for the year ended 31 December 2017 amounted to £78,000 (31 December 2016: £175,000) and on sales for the year amounted to £2,150 (31 December 2016: £35,000).

10. Debtors

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

11a. Other creditors

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

11b. Bank overdraft

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

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

Company are held as security for this facility.

12. Derivative financial instruments

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

31 December 2016	Current assets £'000	Current liabilities £'000	Net current assets/ (liabilities) £'000
Forward foreign exchange contracts - GBP/CHF	495	0	495
Forward foreign exchange contracts - GBP/EUR	1,001	(118)	883
Forward foreign exchange contracts - GBP/NOK	1,370	(56)	1,314
Forward foreign exchange contracts - GBP/USD	2,864	(822)	2,042
Total derivative financial instruments	5,730	(996)	4,734

13. Share capital

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

31 December	2017 No of Shares	2017 £'000	2016 No of Shares	2016 £'000
Allotted, issued and fully paid:				
Ordinary shares of 1p	827,000,000	8,270	827,000,000	8,270
	827,000,000	8,270	827,000,000	8,270

The ordinary shares carry the right to receive dividends and have one voting right per ordinary share.

There are no shares that carry specific rights with regard to the control of the Company. The shares are freely transferable.

There are no restrictions or agreements between shareholders on the voting rights of any of the ordinary shares or the transfer of shares.

14. Share premium

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

Closing balance	813,099	813,099
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15. Capital reserve

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

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

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

16. Revenue reserve

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

17. Financial commitments

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

18. Return per ordinary share

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

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

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

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

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

issue during the year (31 December 2016: calculations are based on 827,000,000 ordinary shares in issue during the year).

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

19. Net asset value per share

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

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

The NAV per share is based on total shareholders' funds above, and on 827,000,000 ordinary shares in issue at the year end.

20. Transactions with the Portfolio Manager and the AIFM

The Company provides additional information concerning its transactions with the Portfolio Manager, Woodford Investment Management Ltd. The amount of the accrual established as a provision for the performance fee due to Woodford is nil as set out in note 4. At 31 December 2017, no amount was payable in respect of the fee as it only crystallises at the end of a performance period, although it would accrue if over the hurdle (31 December 2016: no amount was payable in respect of the fee).

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

Woodford has subcontracted to Northern Trust Global Services Limited (NT) the provision of the middle office function on behalf of the Company. NT charges the Company directly for that service. From time-to-time, Woodford instructs various third parties to undertake various functions on behalf of the Company, which they recharge the Company at cost. During the year, charges relating to middle office services amount to £133,961 (31 December 2016: £78,496).

21. Related party transactions

Under the Listing Rules, the Portfolio Manager and AIFM are regarded as related parties of the Company. However, the existence of an independent Board of Directors demonstrates that the Company is free to pursue its own financial and operating policies and therefore, in terms of FRS 102, the Portfolio Manager and the AIFM are not considered related parties. Transactions with the Portfolio Manager and AIFM are noted above.

Fees paid to the Company's Directors are disclosed in the Directors' remuneration report.

22. Risk management policies and procedures

As an investment trust, the Company invests in equities and other investments for the long term so as to secure its investment objectives stated above. In pursuing its investment objectives, the Company is exposed to a variety of risks that could result in either a reduction in the Company's net assets or a reduction of the profits available for dividends.

The Company's financial instruments comprise securities in unquoted and quoted companies, trade receivables, trade payables and cash.

The main risks arising from the Company's financial instruments are fluctuations in market price, interest rate, credit, liquidity, capital and foreign currency exchange rate risk. The policies for managing each of these risks are summarised below.

(a) Market risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements - currency risk (see (b) below), interest rate risk (see (c) below) and other price risk (see (d) below). The Board reviews and agrees policies for managing these risks. The Company's AIFM assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

(b) Currency risk

Certain of the Company's assets, liabilities and income are denominated in currencies other than Sterling (the Company's functional currency, in which it reports its results). As a result, movements in exchange rates may affect the Sterling value of those items.

The AIFM monitors the Company's exposures and reports to the Board on a regular basis. Income denominated in foreign currencies is converted to Sterling on receipt. The Company does not use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt.

Foreign currency exposures

An analysis of the Company's equity investments and liabilities at 31 December 2017 (shown at fair value, except derivatives at gross exposure value) that are priced in a foreign currency based on the country of primary exposure are shown below:

As at 31 December 2017	Investment s £'000	Derivative financial instruments £'000	Net financial assets £'000
Currency			
Euro	20,638	0	20,638
Norwegian Krone	24,923	0	24,923
Swiss Francs	9,634	0	9,634
US Dollar	251,815	0	251,815
Total	307,010	0	307,010

As at 31 December 2016	Investments £'000	Derivative financial	Net financial
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		instruments £'000	assets £'000
Currency			
Euro	19,000	(17,251)	1,749
Norwegian Krone	25,267	(23,409)	1,858
Swiss Francs	8,090	(7,289)	801
US Dollar	202,836	(183,137)	19,699
Total	255,193	(231,086)	24,107

Foreign currency sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and the equity in regard to the Company's non-monetary financial assets to changes in the exchange rates for the portfolio's significant currency exposure, being Sterling / US Dollar.

It assumes the following changes in exchange rates:

Sterling/US Dollar 10 per cent (2016: +/- 10 per cent)

These percentages have been determined based on a reasonable estimate of the potential volatility. The sensitivity analysis is based on the foreign currency financial instruments held at each statement of financial position date.

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

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

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

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

In the opinion of the Directors, the above sensitivity analyses are not representative of the period as a whole, since the level of exposure changes frequently as part of the currency risk management process used to meet the Company's objectives.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk specifically through its bank overdraft (2016: cash holdings). Interest rate movements may affect the level of income receivable from any cash at

bank and on deposits or payable on the bank overdraft facility (see note 11b). The effect of interest rate changes on the earnings of the companies held within the portfolio may have a significant impact on the valuation of the Company's investments.

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

(d) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The Company is exposed to market price risk arising from its equity investments. The movements in the prices of these investments result in movements in the performance of the Company.

The Board manages the market price risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the AIFM. The Board meets regularly and at each Board meeting reviews investment performance. The Board monitors the AIFM's compliance with the Company's objectives.

Concentration of exposure to other price risks

A sector breakdown and geographical allocation of the portfolio is contained above.

Other price risk sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year to an increase or decrease of 10 per cent in the fair values of the Company's equities. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Company's equities at the balance sheet date, with all other variables held constant.

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

(e) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk exposure

The Company's assets comprise quoted and unquoted equity shares. While the unquoted equity is intentionally illiquid, the quoted assets comprise readily realisable securities that can be sold to meet funding requirements if necessary.

For the avoidance of doubt, none of the assets of the Company are subject to special liquidity arrangements.

The investment in unquoted securities may have limited liquidity and be difficult to realise. At 31 December 2017, the unquoted securities are valued at £619,266,000 (31 December 2016: £368,276,000).

(f) Credit risk

The failure of the counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss.

The cash is subject to counterparty credit risk as the Company's access to its cash could be delayed should the counterparties become insolvent or bankrupt.

In summary, the exposure to credit risk at 31 December 2017 was as follows:

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

None of the above assets were impaired or past due but not impaired.

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

Cash at bank is held only with reputable banks with high-quality external credit ratings.

(g) Fair value measurements of financial assets and financial liabilities

The financial assets and liabilities are either carried in the balance sheet at their fair value, or the balance sheet amount is a reasonable approximation of fair value (due from brokers, dividends receivable, accrued income, due to brokers, accruals and cash balances).

The valuation techniques used by the Company are explained in the accounting policies note 2(b) above.

For financial reporting purposes, fair value measurements are categorised into a fair value hierarchy based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are

described as follows:

Level 1 - The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.

Level 3 - Inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

The table below sets out fair value measurements using fair value hierarchy.

Financial assets at fair value through profit or loss:

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

At 31 December 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets:				
Equity investments	472,883	0	368,276	841,159
Derivative financial instruments	0	5,730	0	5,730
Total	472,883	5,730	368,276	846,889

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

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

31 December 2016	£'000
Opening fair value of level 3	289,662
Purchases at cost	72,974
Sales proceeds	(4,096)
Profits on investment holdings sold in the year	808
Movement in holding gains on assets held at the year end	8,928
Closing fair value of level 3	368,276

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

The change in fair value for the current year is recognised through the income statement.

Financial liabilities at fair value through profit or loss:

At 31 December 2017	Note	Level 2 £'000	Total £'000
Liabilities:			
Derivative financial instruments	12	0	0
Total		0	0

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

Categorisation within the liabilities has been determined on the basis of level input 2 that is significant to the fair value measurement of the relevant liability.

(h) Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that the Company will be able to continue as a going concern; and
- to deliver a return in excess of 10 per cent per annum over the longer term.

Although the Company has the ability to deploy gearing of up to 20 per cent of its NAV, this is primarily to be achieved through equity capital.

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

23. Segmental analysis

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

24. Post balance sheet events

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

- 1) The Company's investment in AJ Bell was sold in January 2018, resulting in gross proceeds to the Company of £11,066,664.
- 2) The Company's investment in Gigaclear was sold, with completion expected in April 2018. This is expected to generate gross proceeds for the Company of £27,760,976.
- 3) Evofem completed its reverse take-over by Neothetics plc in January 2018 and the newly listed company, Evofem, commenced trading on the Nasdaq exchange in the United States. The valuation impact on the day of completion was neutral to the NAV of the Company.
- 4) Prothena announced on 23 April 2018 that its trial for NEOD001 in AL Amyloidosis, its lead asset, has been unsuccessful in its Phase II trial, and as a result further development of this drug would be suspended. According to the company, its collaborations with Roche (which is partnering Prothena in PRX002 in Parkinson's disease, currently in Phase II trials) and Celgene (which has collaborated with Prothena on three earlier stage clinical assets) will

continue. This result has led to an immediate decline in the share price of Prothena at market opening on 23 April 2018 of approximately 68 per cent from that used in the valuation of the portfolio of the Company as at 31 December 2017, when it accounted for 7.75 per cent of the gross portfolio assets. It is anticipated that there will be a period of volatility in the share price of Prothena following today's announcement.

This announcement was approved by the Board of Directors on 23 April 2018.

Annual General Meeting

The Annual General Meeting of the Company will be held at Landing Forty Two, The Leadenhall Building, 122 Leadenhall Street, London EC3V 4AB on Tuesday, 12 June 2018 at 2.30pm.

National Storage Mechanism

A copy of the annual report and accounts will be submitted shortly to the National Storage Mechanism ("NSM") and will be available for inspection at the NSM, which is situated at: www.morningstar.co.uk/uk/nsm.

The annual report will also be available on the Woodford Patient Capital Trust plc's section of Woodford Investment Management Limited's website at www.woodfordfunds.com. Neither the contents of the Manager's website nor the contents of any website accessible from hyperlinks on the Manager's website (or any other website) is incorporated into, or forms part of, this announcement.

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For further information go to: woodfordfunds.com

About Woodford Investment Management:

Woodford Investment Management Limited is a fast-growing asset management company built on a founding philosophy of transparency and simplicity. Launched in May 2014, the company has more than £13bn assets under management and advice. Further information can be found at <https://woodfordfunds.com>

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Registered in England and Wales. Number 10118169

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