BB Healthcare Trust

BB Healthcare Trust plc

Annual Report and Accounts

For the year ended 30 November 2019

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INVESTMENT OBJECTIVE, FINANCIAL INFORMATION, PERFORMANCE SUMMARY AND ALTERNATIVE PERFORMANCE MEASURES

Investment objective

The investment objective of BB Healthcare Trust plc ("the Company") is to provide shareholders with capital growth and income over the long term, through investment in listed or quoted global healthcare companies. The Company's specific return objectives are: (i) to beat the total return of the MSCI World Healthcare Index (in sterling) on a rolling 3 year period (the index total return including dividends reinvested on a net basis); and (ii) to seek to generate a double-digit total shareholder return per annum over a rolling 3 year period.

Financial information

As at 30 November	2019	2018
Net asset value ("NAV") per Ordinary Share (cum income)	143.11p	138.72p
Ordinary Share price	145.00p	140.00p
Ordinary Share price premium to NAV[1]	1.3%	0.9%
Ongoing charges[1]	1.19%	1.21%

Performance summary

	% change 2019[2,4]	% change 2018[3,4]
Share price total return per Ordinary Share[1,5]	6.9%	21.6%
NAV total return per Ordinary Share[1,5]	6.6%	24.0%
MSCI World Healthcare Index (GBP)[5]	8.6%	18.6%

1 These are Alternative Performance Measures.
2 Total returns in sterling terms for the year ended 30 November 2019.
3 Total returns in sterling terms for the year ended 30 November 2018.
4 Source: Bloomberg.
5 Including dividends reinvested in the year.

Alternative Performance Measures ("APMs")

The financial information and performance summary data highlighted in the footnote to above tables represent APMs of the Company. In addition to these APMs other performance measures have been used by the Company to assess its performance, these can be found in the key performance indicators section of the Annual Report, on page 18. Definitions of these APMs together with how these measures have been calculated can be found on pages 68 and 69.

CHAIRMAN'S STATEMENT

I am pleased to present the third annual report of the Company. This is my first as Chairman and I would like to thank my predecessor Professor Stebbing.

The third anniversary is an important milestone for the Company for a number of reasons as discussed below.

Performance

Over the last financial year, the Company's NAV increased from 138.72p to 143.11p i.e. an increase of 3.2%. The total shareholder return (i.e. including reinvestment of dividends) over the last financial year was 6.9% and the NAV total return was 6.6%. This was a little below the benchmark ("MSCI World Healthcare total return Index (GBP)") which generated 8.1%.

This year is the first time we can consider the three-year track record of the Company i.e. the 'longer term' at least in comparison to monthly or annual reviews. Over the three-year period the NAV cum income per Ordinary Share has increased from 98.23p at launch to 143.11p as at 30 November 2019.

Our investment objective can be split into two parts – a relative objective against a benchmark and an absolute one (see page 1).

Relative performance: Since inception it is pleasing that the Company generated returns for Shareholders which exceeded the benchmark by over 8.4%.

Absolute performance: The Company has achieved an annualised total shareholder return of 16.2% thus delivering on its objective to deliver double-digit total Shareholder returns per annum over its first three-year period.

It is particularly satisfactory that the results for our inaugural three years have exceeded both our relative and absolute investment objectives.

Board Composition

As mentioned earlier I took over as Chairman during 2019 from Professor Stebbing. I would like to thank him for his work as Chairman and for agreeing to remain on the Board despite his other academic and clinical commitments. His insights into healthcare are invaluable and the Board and the Investment Adviser appreciate the clinical and scientific context that he can offer as the transformation of the healthcare marketplace unfolds.

Professor Mukherjee stepped down from the Board at the end of the financial year. I would like to thank him for his contributions to the Board and the Company and wish him well for his many clinical, academic and other ventures in the future.

The Board is in the process of considering its future composition and we will update Shareholders in due course.

Portfolio Positioning

The portfolio is positioned to take account of value changes in stocks that are able to capitalise on the changing delivery and capability within healthcare. Geographically the Company remains heavily exposed to the US markets – simply by virtue of the number and size of the companies listed there. This does lead to an exposure to the US Dollar. The Company has the ability to borrow in US Dollars which may provide a small amount of 'natural hedge' but the Company does not take out any specific currency hedging.

We have no specific requirement of subsector allocation into different sub-sectors of healthcare – again investments should be driven by the opportunity set that presents. The Investment Adviser's report provides more detail of their current thinking.

Gearing, Portfolio Turnover, Expenses and Structure

The Company has a revolving credit facility ("RCF") with Scotiabank. As of 30 November 2019, the Company's net gearing was 0.9%.

Consistent with the planned 3 to 5 year holding period, the Company's average turnover (measured as traded value less capital inflows versus gross investment value) has remained around 6% at year end and overall activity levels were slightly lower in financial year 2019 than in financial year 2018.

The OCR was reduced to 1.19% for the 2019 financial year, as compared to 1.21% for financial year 2018. The Investment Manager receives no further fees in addition to the management fee. All other factors being equal, we would expect the OCR to decline further in 2020 as the assets under management have risen.

Responsible investing

The Board is also pleased to note that Bellevue Group has become a signatory of the UN Principles for Responsible Investment (PRI). Whilst the objectives of the Company are focused on returns, it is important to recognise that the focus on 3 – 5 year holding periods necessarily requires consideration of the sustainability of investments which is significantly impacted by their environmental, governance and social aspects. Furthermore, it is becoming increasingly apparent that ESG issues are facing greater scrutiny within the investor universe.

Share Capital

The Company's issued share capital had risen to just under 434 million Ordinary Shares by the financial year end, from 319 million Ordinary Shares as at 30 November 2018, an increase of 36%. Since the Company's year end, a further 2.1 million Ordinary Shares were issued via the Company's block listing facility and the number of shares in issue stood at just over 436 million as of 20 February 2020. The Company has the authority to issue a further c.82 million Ordinary Shares ahead of the AGM on 23 March 2020. At the AGM we will be seeking authority to issue 43,605,706 new Ordinary Shares to meet investor demand in placings and tap issues and to fulfil the scrip dividend alternative.

I would remind readers shares issued through placing and tap issues can only be issued at a premium to NAV and the continued issuance has been possible because the Company's shares traded at a premium to NAV over much of the year. The premium was 1.3% as at 30 November 2019. The Board is satisfied that the Investment Adviser has demonstrated there is considerable headroom to grow the Company's assets without impacting its investment returns or liquidity position.

Dividends

The Company targets an annual dividend of 3.5% of preceding year-end net asset value, paid out in two equal instalments. The Company paid out a final dividend of 2.00p in respect of the year ended 30 November 2018, on 1 March 2019 and an interim dividend of 2.425p in respect of the financial year ended 30 November 2019 on 30 August 2019.

CHAIRMAN'S STATEMENT

CONTINUED

The Board has proposed a final dividend of 2.425p per Ordinary Share in respect of the financial year ended 30 November 2019 and, if approved at the forthcoming Annual General Meeting, this will be paid to Shareholders on 9 April 2020. As in previous periods, the dividend will be largely funded from the Company's capital reserves.

Regarding the financial year ending 30 November 2020, the Board is proposing a total dividend of 5.00p per Ordinary Share, this being 3.5% of the NAV per Ordinary Share of 143.11p (cum income) as at 30 November 2019. The Board intends to declare an interim dividend of 2.50p per Ordinary Share, and to pay this in August 2020. The Board intends to propose a final dividend of 2.50p per Ordinary Share for the financial year ending 30 November 2020 and, subject to Shareholder approval, to pay this dividend in late March 2021.

As discussed above, in July 2019, the Company introduced a scrip dividend alternative, allowing Shareholders to elect for their cash dividend to be automatically subscribed on their behalf for new Ordinary Shares. Certificated Shareholders who have already joined the scrip dividend scheme by providing an instruction through the Registrar's website and who wish to continue to have the full amount of their cash dividends, including the final dividend, automatically subscribed for new Ordinary Shares, do not need to take any further action. Certificated Shareholders who wish to elect for the scrip dividend alternative for the first time can do so online: **https://www.signalshares.com** or a mandate form can be obtained by contacting the Company's registrar Link Asset Services, further details can be found on page 72. Uncertificated Shareholders can make an election via the CREST system.

Outlook

As I write this the newspaper headlines are filled with coverage of the coronavirus (2019-nCoV). Even a couple of months ago it would have been hard to predict such an outbreak was imminent. Secondly, and tragically, it also reminds us of the ever-pressing need for healthcare and thirdly that healthcare has to continuously evolve to face new challenges.

Having acknowledged the futility of prognostication I will observe that sentiment and attention of markets and the media swing rapidly and sometimes unpredictability. Historically the fourth year of a US Presidential cycle has brought a lot of attention to bear on healthcare. However, in this cycle, 2019 (i.e. the third year of the cycle) seems to have generated focus on healthcare in the US. The results of these swings in attention is that valuations can move faster than the actual economic outlook of companies change. This can provide both opportunity and frustration.

We shall see if 2020 leads to even more discussion and debate on this topic or if the debate moves elsewhere. For more detailed discourse on the 2020 outlook I would refer readers to the Investment Adviser's discussion in this report and the monthly factsheets.

Over the longer term however my view, and that of the Board, remains unchanged – that healthcare demand will continue, and that innovation and disruption will create opportunities for investors.

Annual General Meeting

The Company will hold its Annual General Meeting at 11.00am on 23 March 2020, at the offices of our legal advisors, Stephenson Harwood – 1 Finsbury Circus, London, EC2M 7SH (the nearest tube station is Moorgate). Paul Major and Brett Darke, key members of our Investment Adviser, will provide an update on the investments and take questions at the end of the meeting. Members of the Board, including myself, will also be available to discuss the Company. I do hope that you will join us.

We recognise it is not possible for everyone to attend the AGM and I would remind readers that we have a dedicated email address for Shareholders to submit any enquiries or feedback they might have: **shareholder_questions@bbhealthcaretrust.co.uk**. I encourage you to make use of this facility. In the meantime, we will continue to post content from the Investment Adviser onto the Company's website to keep you informed of the Company's progress.

On behalf of the Board, I wish you a prosperous year ahead and thank you for your continued support of BB Healthcare Trust Plc.

Randeep Grewal
Chairman of the Board of Directors
20 February 2020

INVESTMENT ADVISER'S REPORT

Performance overview

As noted in the Chairman's statement, the Company modestly underperformed its benchmark index during financial year 2019, although such a torpid-sounding adjective belies pernicious levels of volatility that made the year very difficult to navigate successfully, as we detail below.

Indeed, whilst we are disappointed with this outcome, we agree that it should be judged in the context of the December 2018 sell-off and subsequent challenging macro-political environment that unfolded over the remainder of the current financial year. From a personal perspective, financial year 2019 was undoubtedly the most challenging year we have traversed, in terms of understanding and predicting investor sentiment.

After all, it is not our opinion that drives share prices, but the collective perception of all investors. Being able to understand when the market might focus on something (positively or negatively) is a key facet of delivering a reasonable performance in the near term and it is this most ethereal of skills that challenged us during the year.

Looking beyond the shorter-term picture, financial year 2019 also represents the Company's third anniversary and so we will also consider its performance since inception, as a three-year track record is considered to be an industry standard review period (alongside 5 and 10 years):

(All figures in GBP)	Since Inception		Financial Year 2019	
	Return[1]	Difference vs. Benchmark	Return[1]	Difference vs. Benchmark
BB Healthcare Trust NAV (inc. dividends from capital)	**+55.0%**	**+6.7%**	**+6.6%**	**-2.0%**
BB Healthcare Trust Total Shareholder return	**+56.7%**	**+8.4%**	**+6.9%**	**-1.7%**
MSCI World Healthcare Index (GBP)	+48.3%	n/a	+8.6%	n/a
MSCI World Index (GBP)	+40.7%	-7.6%	+13.7%	+5.1%
FTSE All Share Index	+24.4%	-23.9%	+11.0%	+2.4%

[1] The stated return assumes the reinvestment of dividends.

The aforementioned factors saw the MSCI World Healthcare Index ("the benchmark") underperform the wider MSCI World Index in 2019, for the fifth time in 10 years. That having been noted, over a ten-year period, investing in the benchmark index would have delivered a sterling total return nearly three times higher than the same investment into the FTSE 100 Index and 91% higher than the MSCI World Index. The demographic factors that underpin demand growth in this sector have not altered and we remain firmly of the view that healthcare will continue to outperform the wider market over the longer-term.

As the table above demonstrates, the past three years have seen the Company deliver a material excess return versus the benchmark. In line with the previous comment, healthcare overall has delivered materially higher returns than the wider FTSE All Share Index and also outperformed the MSCI World Index, when measured in sterling.

The year in review

Figures 1 and 2 below illustrate the NAV evolution across the year versus the benchmark in sterling and US dollars. Figure 1 highlights clearly the three key phases of our performance during the year: the rapid recovery from the Q4 2018 market sell-off; the erosion of relative performance that began in May 2019 and gathered pace through the summer and the Q4 2019 recovery that saw the substantial relative losses of the summer mostly earned back.

Notwithstanding the persistent parliamentary shenanigans around Brexit and the general election, Figure 2 illustrates the impact of currency volatility on the Company's NAV evolution was negligible over the year as a whole (recall, our exposure to US dollar denominated shares averaged over the course of the financial year and we do not hedge any of our currency exposure). We consider these various phases of healthcare's journey through the year in the following pages.

Figure 1

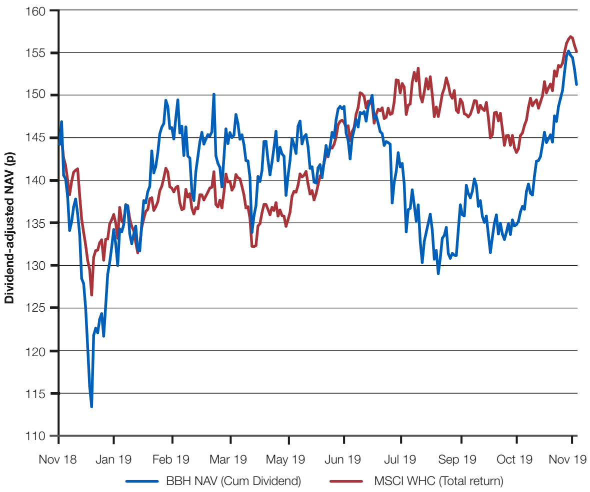
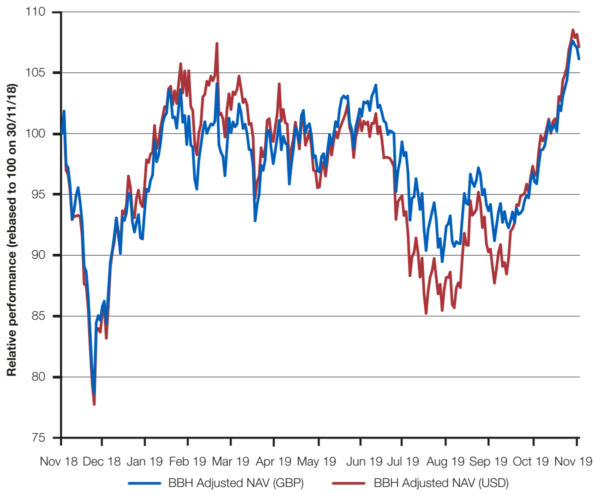
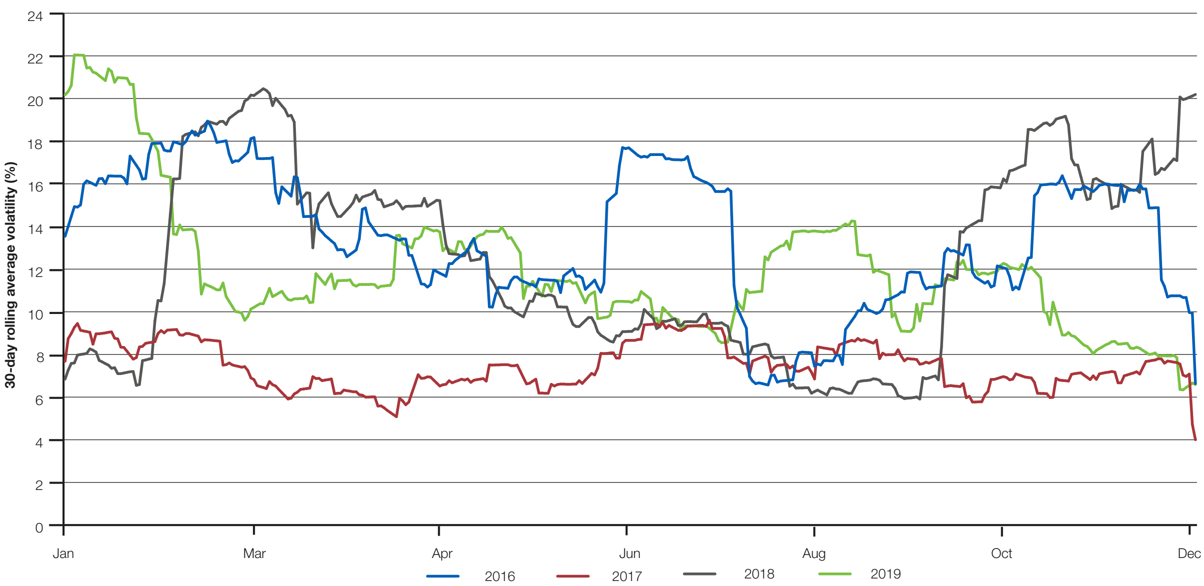


Figure 2



The rapidity and magnitude of the Q1 2019 snapback is difficult to rationalise, but then so was the sell-off in Q4 2018. As such, we would attribute the latter to a reasoned reaction, even if it does look rather extreme on the chart in Figure 1. As one might reasonably expect from a concentrated, growth-oriented portfolio that is more mid-cap focused, periods of significant overall market volatility weigh heavily on our near-term performance. As Figure 3 below illustrates, August and September 2019 were egregiously volatile.

Figure 3: 30-day volatility for the MSCI World Healthcare Index



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INVESTMENT ADVISER'S REPORT

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A rational response by other market participants to uncertainty is to reduce exposure and it is harder to reduce a position in a smaller, less-liquid stock than a larger one. Larger, more diverse companies are generally less volatile as well, so for those wishing to remain exposed to the market, it makes sense to go up the market-cap/liquidity curve and hide in a safe, boring conglomerate: sell mid/small-cap, buy big/meg-cap. Since the reciprocal appetite for others to buy the offered small/mid-cap stocks is absent (a 'buyers strike'), the result is significant pressure on the prices of such assets.

This behaviour is doubly damning for our relative performance since we typically eschew the aforementioned conglomerates. Thus, we do not see any mitigation as the smaller-cap companies' decline and, because the benchmark is crammed full of mega-caps, its fall is more limited, compounding the relative suffering.

As the year's factsheets outlined in long-winded lugubriousness, the summer volatility spike and the relative performance fade that preceded it were due mainly to investors deciding the much-derided 'Medicare-for-all' proposal of Bernie Sanders and Elizabeth Warren was something to worry about after all.

As with the Q4 2018/Q1 2019 market round trip, quizzicality abounds. We cannot offer any substantive evidence as to why this decade-old proposal is any more workable now than before, or why Sanders is more electable than in 2016, when he lost the Democratic primary race to Hillary Clinton, or why people chose to focus on politics so far ahead of the actual election event in November 2020.

This brings us elegantly to Q4 2019 and the strong material relative and absolute performance from healthcare. We had almost reached the point where we feared our understanding of what was driving sentiment was incomplete and our recollection of past Medicare-for-all ("M4A") debates some sort of confabulation, when Elizabeth Warren announced that she would silence the naysayers by producing some detailed policy plans on implementing and funding this contentious idea.

Porcine idioms about lipstick or silk purses sprang to mind: inevitably, these documents served in opposition to their intention: illustrating starkly the multitudinous obstacles to pursuing this project; Warren even hinted at an intermediate step potentially being as far as it could get. To our mind, the subsequent damascene conversion of the market to healthcare being 'investable again' is as difficult to explain as any of the other previously described events – what really changed?

Figure 4 below illustrates the performance of the benchmark index by sub-sector across the year. There are some notable performances: drug pricing and opioid litigation worries weighed heavily on the distribution and generics sectors and the "M4A" overhang is evident in the performance of the managed care and facilities sub-sectors. Other Healthcare is all animal health and this sits outside the US Political risk bucket and thus enjoyed 'safe haven' status during the year. Diabetes-related companies drove the Healthcare Technology sub-sector.

MSCI World Healthcare Index Performance by sub-sector.

	Weighting (%)	USD Performance (%)	GBP Performance (%)
Healthcare Technology	0.2	75.4	73.0
Healthcare IT	0.7	43.0	41.1
Dental	0.4	32.4	30.5
Other Healthcare	0.9	28.4	26.6
Tools	4.7	26.0	24.3
Medical Technology	13.5	20.0	18.4
Specialty Pharmaceuticals	3.5	18.9	17.2
Biotechnology	10.3	12.5	10.9
Diagnostics	1.8	8.6	7.1
Services	1.5	8.1	6.6
Pharmaceuticals	36.3	5.8	4.3
Facilities	1.2	0.2	-1.2
Conglomerate	11.8	-0.2	-1.6
Managed Care	9.2	-1.8	-3.2
Distributors	3.3	-2.5	-3.8
Generics	0.7	-48.3	-49.0
Total	**100.0**	**+8.5**	**+6.0**

In conclusion, we are a little older, a lot greyer and hopefully a little wiser after a chastening experience. Importantly, we stuck to our convictions through this period and continued to make all our investment decisions on sound, evidence-based reasoning viewed through a prism of long-term returns.

The market capitalisation of the Company rose from £447 million to £627 million, through a combination of positive investment performance and the issuance of 114.8 million Shares across the year using our block listing facility. As of 19 February 2020, the Company has just over 436 million Shares in issue and a market capitalisation of £682 million.

The Company ended the year with a net gearing ratio of only 0.9%, versus 10.2% in November 2018, having substantially reduced leverage during the high volatility of the summer and uncertainties around trade influencing broader market sentiment. The average net gearing ratio across the financial year was 6.4%. We remain comfortable with our target of running a mid to high single digit level of net gearing over the lifetime of the Company and we will increase exposure as and when we feel the appropriate opportunities to do so avail themselves.

Company-level summary

During financial year 2019, the Company held positions in 35 companies (versus 40 in the prior period) using 36 instruments. The discrepancy between instruments and companies is due to the Company owning both the ordinary shares in Alder and subsequently holding the Contingent Value Right ("CVR") that was issued as part consideration when Alder was acquired by Lundbeck in October 2019.

INVESTMENT ADVISER'S REPORT

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We began the financial year with 27 holdings and ended with 31, averaging 28 per month over the year. We exited five positions and added nine during the year. Two of the exits were M&A-related, as portfolio companies were acquired (Celgene and Alder). Of the nine additions, three have been held previously. Excluding M&A and capital inflows, overall portfolio turnover was lower than the prior year.

Our top five and bottom five performers in terms of contribution to the evolution of the NAV are summarised below, along with their share price evolution in local currency and sterling over the year (which does not necessarily correspond to their performance for the Company, since the size and duration of our holding may differ).

Top 5 Performers			Bottom 5 Performers		
Company	**Performance (local currency) (%)**	**Performance (GBP) (%)**	**Company**	**Performance (local currency) (%)**	**Performance (GBP) (%)**
Teladoc	+34.1	+32.3	CareDx	-29.9	-30.9
Align Technology	+20.6	+19.0	Walgreens Boots	-29.6	-30.6
Insmed	+28.7	+26.9	Akcea	-42.6	-43.3
Humana	+3.6	+3.0	Nektar	-49.8	-50.5
Lonza	+5.2	+4.6	Evolent Health	-72.0	-72.3

Once again, it was our largest holdings that generated the greatest returns. Lonza and Humana's share price performance across the 12 months belies significant intra-year volatility – both stocks had a trough-to-peak move of ~45% during the year and adjusting our position sizing, around these price fluctuations contributed to the material positive returns.

On the negative side; Evolent Health, Nektar, Akcea and CareDx are all smaller companies that suffered greatly in the volatility over the summer, with the first three seeing setbacks around the investment thesis that underpins their place in the portfolio. None of these are material to the longer-term investment case and we continue to hold positions in all four. As discussed in our April 2019 Factsheet, we exited our exposure to the drug retail supply chain (Walgreens Boots and AmerisourceBergen) due to the sentiment overhang regarding drug pricing reform, opioid litigation and increasing competition.

Our top 10 holdings as of the end of the financial year and other relevant portfolio metrics are illustrated in the following tables:

TOP TEN HOLDINGS as at 30 November 2019	**% of net assets**
Illumina	7.3
Align Technology	7.0
Anthem	6.9
Bristol Myers Squibb	6.4
Teladoc	6.3
Humana	5.5
Esperion	4.7
Insmed	4.5
Intuitive Surgical	3.5
Jazz Pharma	3.5
Top ten holdings	**55.6**
Other net assets	44.4
Total	**100.0**

Subsector exposure Allocation as at 30 November	**2019 %**	**2018 %**	**% Change**
Biotechnology	10.7	20.6	-9.9
Dental	7.0	7.3	-0.3
Diagnostics	17.0	12.4	+4.6
Distributors	0.0	3.5	-3.5
Facilities	2.7	0.0	+2.7
Healthcare Technology	1.0	2.6	-1.6
Healthcare IT	8.9	7.2	+1.7
Managed Care	14.4	10.9	+3.5
Medical Technology	10.2	12.3	-2.1
Other Healthcare	0.0	3.0	-3.0
Pharmaceuticals	6.4	3.9	+2.5
Services	2.9	5.1	-2.2
Specialty Pharma	16.8	11.2	+5.7
Tools	2.0	0.0	+2.0
Total	**100.0**	**100.0**	

INVESTMENT ADVISER'S REPORT

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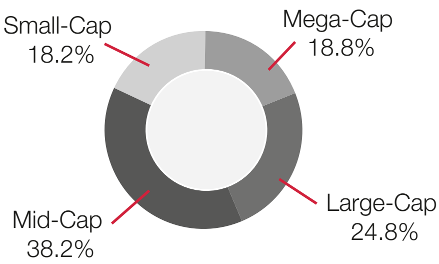
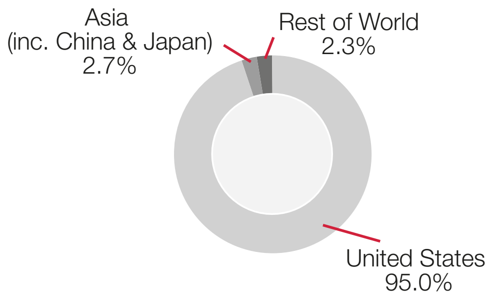
Market Capitalisation Breakdown



Geographical Breakdown (Operational HQ)



Source: Bellevue Asset Management.
Data as of 30 November 2019
Mega Cap >$50bn, Large Cap >$10bn, Small-Cap <$2bn.
As of November 30 2019, the Company held no companies with an operational headquarters in the UK or wider EU.

During the year in review, the Company held positions in 14 sub-sectors (the same number as in 2018): Biotechnology, Dental, Diagnostics, Distributors, Facilities, Healthcare IT, Healthcare Technology, Managed Care, Medical Technology, Pharmaceuticals, Services, Specialty Pharmaceuticals, Tools and Other Healthcare. In the prior year, there was exposure to Generics but not to Tools. The sub-sector exposure table above illustrates how the sub-sector allocation has evolved over the financial year.

We have continued to operate a strategy with a very high active share versus the MSCI World Healthcare Index: our Active share was 92.9% at year end (versus 90% at end financial year 2018) and remained around these levels throughout the year.

Recent trading and sector outlook

At the time of writing, (late January, 2020), the trading environment for healthcare stocks has remained broadly positive as the early comments on Q4 trading have been in line and the "M4A" debate in the US continues to recede in the minds of investors as a credible threat to the status quo. US/china trade & wider macro. 2020 is a US Presidential election year and we are in no doubt that the macro-political noise level will remain high.

We classify healthcare investments into 16 different categories. Note: these are not the same as the GICS classification system used by MSCI and, sometimes, we re-classify stocks into different categories based on payor dynamics or similarity to peers. In order to provide shareholders with some additional insights into our current thinking, we have summarised our high-level thoughts on the outlook by sub-sector in the following paragraphs:

- **Biotechnology:** having delivered stellar returns in 2017 and the first nine months of 2018, the US Biotech sector latterly struggled to deliver comparable returns to the rest of healthcare and has underperformed over the period since the inception of the Company. As we have noted before, this feels rather against the run of success that the industry has demonstrated at a fundamental level; compelling innovations are far from scarce.

  Concerns over drug pricing legislation and action to ease biosimilar entry seems to have been the main fear factors (arguably median pricing per treatment is significantly higher in this group) and this had receded somewhat. More importantly, M&A came back as a significant force at the end of 2019 and the pharma industry remains underweight new products to sustain growth.

One should never rely on extraneous factors like bid speculation to drive returns and it would not be unfair to suggest there may be some shorter-term sentiment setback if the M&A momentum is not sustained in the coming months. Coming back to fundamentals, there are many interesting trial read-outs, filing and approval decisions, we expect a more positive outlook in 2020 than 2019, but we also thought that last year and it proved misplaced.

- **Conglomerates and pharmaceuticals:** we have combined our comments on these two categories since investing in these sorts of companies is generally antithetical to our strategy. Nonetheless, they account for a material proportion of the MSCI Index and are thus very important for sentiment to wider healthcare. We see several overhangs to sentiment that might improve. For some companies such as Bayer and J&J, resolution of legal overhangs is probably the critical issue for improved sentiment.

  Thinking about large-cap pharmaceuticals more widely, the picture is more challenging. Firstly, let us lay out our long-term view: the split of therapeutics companies into pharma, biotech and specialty pharma feels rather arbitrary and backward looking. Generally speaking, most innovative drugs would classify as (and indeed originate from) biotechnology or specialty pharma, making pharma more of a legacy grouping of leviathans from another age, whose crapulous appetite for M&A and woeful R&D returns tell of a failed strategy kept alive by prodigious cashflows.

  The contrast in investor sentiment versus biotech over the past year is surely all the more notable in light of these contrasting fundamentals. Will the pendulum swing back, or will the safe haven of those well-defended cashflows remain alluring in an uncertain world? Generally we only like to invest in big pharma when valuation is very compelling and that still remains the case for Bristol-Myers (which, post completion of the Celgene deal is arguably more akin to a large-cap Biotech than a classical pharma stock in any event). A tough one to call, but we would think US pharma outpaces premium-valued European pharma over the year, especially as the ability of the current administration to pass legislation that has a material impact on the drug pricing environment is looking limited. This issue may well return to the fore after the election but the make up of Congress will be critical. Anything close to the status quo argues against legislation coming to fruition.

- **Dental:** everyone has teeth and they are invariably wonky. As such, orthodontics has very compelling long-term supply and demand characteristics. Within this, we continue to expect clear aligners to take market share from traditional wires and brackets and for Align Technology to remain at the forefront of this market evolution.

  Align experienced significant falls in Q4 2018 and Q3 2019. In both cases, the stock largely recovered within a few months. We saw both situations as more of a misunderstanding of the business than reflective of real issues (as the recovery attests) but we are chastened by the experience and more mindful of covering off event risk into reporting periods. That said, we see this investment as a core long-term opportunity.

- **Diagnostics:** this is one of our largest sub-sector exposures heading into 2020 and with good reason. The patient journey through the healthcare system begins with diagnosis and preventative health programs are predicated on screening. Better understanding of a problem is the first step to a solution and the tremendous improvements in diagnostic power (driven as much by computational factors as better chemistry and genetic knowledge) offer huge opportunities.

  Our exposures cover a wide gamut from near patient testing to long-term monitoring and human genetics programmes. Despite the obvious growth potential, we also see significant value opportunities with some of our holdings, which are trading significantly below peer group averages. Our high weighting reflects our conviction and enthusiasm for this sector.

- **Distributors:** investment returns from this sub-sector probably depend more on the resolution of litigation and legislative overhangs around drug pricing and the US opioid crisis than it does on actual fundamental business performance. On the latter, the situation is probably looking better as generic drug pricing has stabilised versus recent years.

INVESTMENT ADVISER'S REPORT

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Hopefully the market is now over its Amazon/Pill pack paranoia, allowing investors to ascribe a higher fundamental price/earnings; this low-margin, infrastructure-heavy industry will not be an easy marketplace to disrupt. However, since we cannot have any edge on the former points, we will continue to eschew this sub-sector.

- **Facilities:** we think hospital operators in developed markets are likely to continue to struggle at an operational level. The simple reality is that medical treatment is changing profoundly, and the infrastructure needed to deliver this care will change with it. As such, a typical operator is heavily exposed to debt and out-of-date infrastructure (think of a telephone exchange in late 1990s – for those under 40, Wikipedia can explain to you what a telephone exchange was). We have made an active decision to own the agents of change rather than the customers of that change.

  The notable exception is in developing countries rolling out national healthcare schemes (e.g. Asia and the MENA region). Here, the infrastructure is de-novo and the rising utilisation trend a clear positive. We are happy to own operators focused on these high growth markets.

- **Generics:** this has been a tricky sub-sector to navigate for a number of years and we do not see that changing in 2020. A confluence of factors (negative pricing, litigation, over-capacity, pro-domestic policy in China) weigh on the growth outlook. In the midst of all this, determining the right valuation becomes challenging and thus we are happy to remain on the sidelines.

- **Healthcare IT:** this is a sub-sector where we think the interesting companies are outside the benchmark, which is dominated by Cerner and Veeva. We continue to see myriad opportunities in this area: healthcare is a veritable data treasure trove and, as much as we all like to think that we are special and unique, an actuarial analysis of your medical history and lifestyle can be highly predictive of potential future medical issues.

  These datasets will only become more powerful as the amount of familial genetic data available online increases. Preventative "population health" initiatives can be driven by these datasets, prompting early interventions in the highest risk member of society, thus lowering acute medical costs over the longer-term. Big Brother is watching, and he might just save your life.

- **Healthcare Technology:** if there was one segment of the market where we would like to have more exposure than we do, it is healthcare technology, which we describe as the application of continuous monitoring and algorithms to deliver improved care outcomes. Most of the opportunities are currently in the cardio-metabolic area.

  Sadly, the combination of limited listed options, tremendous potential and rapid visible growth has led to crowded longs and stretched valuations. It is hard to justify anything trading on double-digit revenue multiples. We will look to be more constructive in the event of a pull-back, but the momentum is definitely with this sector for those happy to ignore valuation.

- **Managed Care:** health insurers were in the eye of the storm in 2019 as the 'Medicare for All' debate took centre stage. Q4 2019 saw a significant recovery as the probability of the harshest iterations of this idea faded away. Nonetheless, investors are still nervous and valuations could rise further as the Primary campaigns progress (through a further row-back from Warren or more centrist candidates like Biden, Bloomberg or Buttigieg storming ahead). We have thus entered the year with considerable managed care overweight versus the benchmark, but this will likely decline if the sector continues its positive re-rating.

- **Medical Technology:** it is difficult to reduce such a broad swathe of companies to a few paragraphs of commentary. We are currently biased toward durable equipment vs. consumables, resonating with our views on the facilities sector described above (akin to re-tooling a factory for new production processes).

Generally speaking, valuations are also less demanding at this end of continuum as well, especially versus the higher-technology end of consumer med-tech that better resonates with our wider investment approach than commoditised items such as large joint orthopaedics. We prefer more focused operators and generally see our exposure declining given overall valuation levels looking stretched, although we would likely be very active in the event of a market pullback.

- **Animal Health/Other:** we will not opine on this grouping as our investment mandate is around improving human health rather than animal health (eloquently described recently by someone as a "no pot, no pets" approach; there are now three Canadian-listed "medical marijuana" companies in the MSCI World Healthcare Index. We classify these into specialty pharma).

- **Services:** we expect to increase our exposure to the services space, around our wider theme of the 'democratisation of innovation'. If one accepts the previously posited paradigm that big pharma is woeful at R&D, the future belongs to smart PhD students who can turn their idea into a clinical stage programme (which pharma will then license or buy for a tidy sum).

  There is now an army of service providers to help with clinical trial design and management, animal disease models, contract manufacturing, sales and market support and so on. The volume growth opportunity for these service providers to the next wave of drug discovery innovators looks very positive, irrespective of the macro-political outlook.

- **Speciality Pharma:** this accounts for our largest exposure, alongside Diagnostics and is the reciprocal of the aforementioned bearishness on pharma. Therapeutics, in their various forms, account for roughly half the index's value in market capitalisation terms. With so much scientific innovation to come (the proportion of human diseases with known pathways but without drugs or with poorly effective treatments remains very high); the question is not 'should one invest in therapeutics' but rather 'how do I best invest in therapeutics'.

  For us, the approach is to concentrate on smaller, focused companies with clearly defined products or technologies that are not reliant upon presumed future R&D success beyond the visible late stage pipeline to justify valuation upside. Our increased weighting toward speciality pharma reflects the pivot away from Med-Tech as valuations have become more challenging and the corollary of opportunities thrown up by the previously discussed uncertainties overhanging biotech.

- **Tools:** this sub-sector covers laboratory equipment used in research and testing. We eschewed tools for most of the first three years of the Company's life, feeling that longer-term growth expectations were on the high side. This was probably an overly cautious view, but our general sense is that the outlook is now more reasonable moving forward and we have made our first foray into this area. We may well increase our exposure further if we think valuation is supportive. However, as with the Healthcare Technology sub-sector, we are not willing to compromise on our longer-term return objectives or take on increased risk just to broaden our exposures.

We hope the preceding paragraphs give some colour around our thinking. As previously mentioned, although 2020 is a Presidential election year, we think the shorter-term political risks are now largely priced in and the focus should continue to shift back to healthcare's ability to generate material investment returns for the long-term, driven by unassailable demographic pressures. This would certainly be welcome after the turbulence of 2019 pronounced in the preceding pages.

We wish you all a happy and successful year and thank you for your support of the Company.

Paul Major and Brett Darke
Bellevue Asset Management (UK) Ltd
20 February 2020

INVESTMENT POLICY, RESULTS AND OTHER INFORMATION

Investment policy

The Company invests in a concentrated portfolio of listed or quoted equities in the global healthcare industry. The Company may also invest in ADRs, or convertible instruments issued by such companies and may invest in, or underwrite, future equity issues by such companies. The Company may utilise contracts for differences for investment purposes in certain jurisdictions where taxation or other issues in those jurisdictions may render direct investment in listed or quoted equities less effective. Any use of derivatives for investment purposes is made on the basis of the same principles of risk spreading and diversification that apply to the Company's direct investments, as described below, and such use is not expected in the normal course to form a material part of the Gross Assets.

The investable universe for the Company is the global healthcare industry including companies within industries such as pharmaceuticals, biotechnology, medical devices and equipment, healthcare insurers and facility operators, information technology (where the product or service supports, supplies or services the delivery of healthcare), drug retail, consumer healthcare and distribution.

No single holding will represent more than 10 per cent. of Gross Assets at the time of investment and, when fully invested, the portfolio will have no more than 35 holdings. The Company will typically seeks to maintain a high degree of liquidity in its portfolio holdings (such that 90 per cent of the portfolio may be liquidated in a reasonable number of trading days) and as a consequence of the concentrated approach, it is unlikely that a position will be taken in a company unless a minimum holding of 1.0 per cent. of Gross Assets at the time of investment can be achieved within an acceptable level of liquidity.

There are no restrictions on the constituents of the Company's portfolio by index benchmark, geography, market capitalisation or healthcare industry sub-sector. Whilst the MSCI World Healthcare Index (in sterling) will be used to measure the performance of the Company, the Company does not seek to replicate the index in constructing its portfolio. The portfolio may, therefore, diverge substantially from the constituents of this index (and, indeed, it is expected to do so). However, the portfolio is expected to be well diversified in terms of industry sub-sector exposures. Given the nature of the wider healthcare industry and the geographic location of the investable universe, it is expected that the portfolio will have a majority of its exposure to stocks with their primary listing in the United States and with a significant exposure to the US dollar in terms of their revenues and profits. Although the base currency of the Company is sterling which creates a potential currency exposure, this will not be hedged using any sort of foreign currency transactions, forward transactions or derivative instruments.

The Company will not invest in any companies which are, at the time of investment, unquoted or untraded companies and has no intention of investing in other investment funds.

Borrowing policy

The Company may deploy borrowing to enhance long-term capital growth. Gearing will be deployed flexibly up to 20 per cent. of the Net Asset Value, at the time of borrowing, although the Portfolio Manager expects that gearing will, over the longer term, average between 5 and 10 per cent. of Net Asset Value. In the event that the 20 per cent. limit is breached as a result of market movements, and the Board considers that borrowing should be reduced, the Portfolio Manager shall be permitted to realise investments in an orderly manner so as not to prejudice shareholders.

No material change will be made to the investment policy without the approval of shareholders by ordinary resolution.

Dividend policy

The Company will set a target dividend each financial year equal to 3.5% of Net Asset Value as at the last day of the Company's preceding financial year. The target dividend will be announced at the start of each financial year. This is a target only and not a profit forecast and there can be no assurance that it will be met.

Dividends will be financed through a combination of available net income in each financial year and other reserves. It is currently expected that most of the total annual dividend will be financed from other reserves. In order to increase the distributable reserves available to facilitate the payment of dividends, the Company cancelled the amount of £146,412,136 standing to the credit of its share premium account immediately following first admission of its Ordinary Shares to trading on the London Stock Exchange in order to create a special distributable reserve. The Company may, at the discretion of the Board, pay all or part of any future dividends out of this special distributable reserve, taking into account the Company's investment objective.

The Company intends to pay dividends on a semi-annual basis, by way of two equal dividends, with dividends declared in July and February/March and paid in August and March/April in each year.

In accordance with regulation 19 of the Investment Trust (Approved Company) (Tax) Regulations 2011, the Company will not (except to the extent permitted by those regulations) retain more than 15 per cent. of its income (as calculated for UK tax purposes) in respect of an accounting period.

Results and dividend

The Company's revenue return after tax for the year amounted to a loss of £2,000 (2018: loss of £193,000). The Company made a capital return after tax of £42,793,000 (2018: £74,108,000). Therefore the total return after tax for the Company was £42,791,000 (2018: £73,915,000).

The Company targeted a total dividend for the year ended 30 November 2019 of 4.85p per Ordinary Share. The Company declared an interim dividend of 2.425p per Ordinary Share in July 2019 and this was subsequently paid in August 2019. The Board proposes a final dividend of 2.425p per Ordinary Share in respect of the financial year ended 30 November 2019 and, subject to approval at the Company's Annual General Meeting, this will paid on 9 April 2020 to shareholders on the register at the close of business on 6 March 2020.

Target total dividend for the year ending 30 November 2020

As announced by the Company on 3 December 2019, for the financial year ending 30 November 2020, the target total dividend will be 5.0p per Ordinary Share, this being 3.5% of the audited net asset value per Ordinary Share of 143.11p (including current financial year revenue items) as at 30 November 2019. The Board intends to declare an interim dividend of 2.5p per Ordinary Share, being half of the target total dividend for the financial year ending 30 November 2020, in July 2020 and intends to pay this dividend in August 2020. The Board intends to propose a final dividend of 2.5p per Ordinary Share for the financial year ending 30 November 2020, in February/March 2021 and intends to pay this dividend in March/April 2021. At the Company's AGM in March 2019, a resolution was passed allowing shareholders the right to elect to receive their entitlement to the interim dividend in new Ordinary Shares instead of cash in respect of the whole or part of any dividend. The resolution was passed with 99.99% of the proxy votes cast (including discretionary votes) being in favour of the resolution.

INVESTMENT POLICY, RESULTS AND OTHER INFORMATION

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	Interim dividend	Final dividend	Total dividend
Dividends paid/payable			
Year ended 30 Nov 2018	2.00p	2.00p	4.00p
Year ended 30 Nov 2019	2.425p	2.425p	4.85p
Target dividend*			
Year ending 30 Nov 2020	2.50p	2.50p	5.00p

* This is a target and should not be taken to imply a profit forecast.

Key performance indicators ("KPIs")

The Board measures the Company's success in attaining its investment objective by reference to the following KPIs:

(i) To beat the total return of the MSCI World Healthcare Index (in Sterling) on a rolling 3 year period

The NAV total return from the Company's listing on 2 December 2016 to 30 November 2019 was 55.0%. The total return of the MSCI World Healthcare Index (in sterling terms) over the same period was 48.3%.

The Chairman's statement on pages 2 and 5 incorporates a review of the highlights during the financial year ended 30 November 2019. The Investment Adviser's report on pages 6 to 10 gives details on investments made during the year and how performance has been achieved.

(ii) To seek to generate a double-digit total shareholder return per annum over a rolling 3 year period

The NAV total returns from the Company's listing on 2 December 2016 to 30 November 2019 was 55.0%.

(iii) To meet its target total dividend in each financial year

The Company targeted a total dividend of 4.85p per Ordinary Share for the year ended 30 November 2019. The Company paid an interim dividend of 2.425p per Ordinary Share in August 2019 and proposes a final dividend in respect of the year to 30 November 2019 of 2.425p per Ordinary Share.

(iv) Discount/premium to NAV

The discount/premium relative to the NAV per Ordinary Share represented by the share price is monitored by the Board. The share price closed at a 1.3% premium to the NAV as at 30 November 2019 (2018: 0.9% premium).

(v) Maintenance of reasonable level of ongoing charges

The Board monitors the Company's operating costs. Based on the Company's average net assets during the year ended 30 November 2019, the Company's ongoing charges figure calculated in accordance with the Association of Investment Companies ("AIC") methodology was 1.19% (2018:1.21%). The Board expects the ongoing charges figure to reduce slightly as the Company grows in size.

Principal risks and uncertainties

(i) Market risks

Economic conditions

Changes in general economic and market conditions including, for example, interest rates, rates of inflation, industry conditions, competition, political events and trends, tax laws, national and international conflicts and other factors could substantially and adversely affect the Company's prospects and thereby the performance of its Ordinary Shares.

Healthcare companies

The Company invests in global healthcare equities. There are many factors that could adversely affect the performance of investee companies. The healthcare sector may be affected by government regulations and government healthcare programs, increases or decreases in the cost of medical products and services and product liability claims, among other factors. Many healthcare companies are heavily dependent on patent protection, and while this is a manageable risk, the expiration of a company's patent may adversely affect that company's profitability. Healthcare companies are subject to competitive forces that may result in price discounting, and may be thinly capitalised and susceptible to product obsolescence. The market prices for securities of companies in the healthcare sector may be highly volatile.

Sectoral diversification

The Company has no limits on the amount it may invest in the healthcare sector and is not subject to any sub-sector investment restrictions. Although the portfolio is expected to be well diversified in terms of industry sub-sector exposures, the Company may have significant exposure to portfolio companies from certain sub-sectors from time-to-time. Greater concentration of investments in any one sub-sector may result in greater volatility in the value of the Company's investments and consequently its NAV and may materially and adversely affect the performance of the Company and returns to shareholders.

Management of risks

The Portfolio Manager has a well-defined investment objective and process which is regularly and rigorously reviewed by the independent Board of Directors and performance is reviewed at quarterly Board meetings. The Portfolio Manager is experienced and employs its expertise in selecting the stocks in which the Company invests.

The Company is invested in a diversified portfolio of investments.

The Company's investment policy states that no single holding will represent more than 10 per cent. of gross assets at the time of investment and, when fully invested, the portfolio will have no more than 35 holdings.

(ii) Financial risks

The Company's investment activities expose it to a variety of financial risks which include liquidity, currency, leverage, interest rate and credit risks.

There is a risk that the Company's holdings may not be able to be realised at reasonable prices in a reasonable timeframe. Although the Company's performance is measured in sterling, a high proportion of the Company's assets may be either denominated in other currencies or be in investments with currency exposure. The Company pays interest on its borrowings and as such, the Company is exposed to interest rate risk due to fluctuations in the prevailing market rates.

Further details on financial risks can be found in note 19 to the financial statements.

Management of risks

The Company will typically seek to maintain a high degree of liquidity in its portfolio holdings. The Company's Portfolio Manager monitors the currency risk of the Company's portfolio on a regular basis. Prevailing interest rates are taken into account when deciding on borrowings. Further details on the management of financial risks can be found in note 19 to the financial statements.

(iii) Corporate governance and internal control risks (including cyber security)

The Board has contractually delegated to external agencies the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the registration services and the accounting and company secretarial requirements. The external agencies are outlined on page 23 of the Directors' Report.

INVESTMENT POLICY, RESULTS AND OTHER INFORMATION

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The main risk areas arising from the above contracts relate to allocation of the Company's assets by the Portfolio Manager, and the performance of administrative, registration and custodial services. These could lead to various consequences including the loss of the Company's assets, inadequate returns to shareholders and loss of investment trust status. Cyber security risks could lead to breaches of confidentiality, loss of data records and inability to make investment decisions.

Management of risks

Each of the contracts were entered into after full and proper consideration of the quality and cost of services offered, including the financial control systems in operation in so far as they relate to the affairs of the Company. All of the above services are subject to ongoing oversight of the Board and the performance of the principal service providers is reviewed on a regular basis. The Company's key service providers report periodically to the Board on their procedures to mitigate cyber security risks.

(iv) Regulatory risks

Breaches of Section 1158 of the Corporation Tax Act could result in loss of investment trust status. Loss of investment trust status would lead to the Company being subject to tax on any gains on the disposal of its investments. Breaches of the FCA's rules applicable to listed entities could result in financial penalties or suspension of trading of the Company's shares on the London Stock Exchange. Breaches of the Companies Act 2006, The Alternative Investment Fund Managers' Directive, accounting standards, the Listing Rules, Disclosure Guidance and Transparency Rules and Prospectus Rules could result in financial penalties or legal proceedings against the Company or its Directors.

Management of risks

The Company has contracted out relevant services to appropriately qualified professionals. The Secretary, AIFM and Depositary report on regulatory matters to the Board on a quarterly basis. The assessment of regulatory risks forms part of the Board's risk assessment programme.

(v) UK exit from the European Union

A referendum was held on 23 June 2016 to decide whether the UK should remain in the EU and a vote was given in favour of the UK leaving the EU ("Brexit"). The extent of the impact on the Company will depend in part on the nature of the arrangements that are put in place between the UK and the EU following Brexit and the extent to which the UK continues to apply laws that are based on EU legislation. In addition, the macroeconomic effect of Brexit on the value of investments in the healthcare sector and, by extension, the value of investments in the Company's portfolio is unknown. As such, it is not possible to state the impact that Brexit will have on the Company and its investments. It could also potentially make it more difficult for the Company to raise capital in the EU and/or increase the regulatory compliance burden on the Company. This could restrict the Company's future activities and thereby negatively affect returns.

Management of risks

The Company expects uncertainty around Brexit to continue during this transition period and until a trade deal is agreed with the EU. However, failure to secure a satisfactory trade deal with the EU is unlikely to significantly alter the risk profile of the Company, as substantially all the Company's investments are based outside the EU, and the majority of Shareholders are UK based. The position is, however, being monitored as the exit negotiation proceeds and the impact on the Company will be reassessed accordingly.

Viability statement

The Directors have assessed the viability of the Company for the five years to 30 November 2024 (the "Period"), which the Directors consider to be an appropriate time horizon, taking into account the long-term nature of the Company's investment objective and recommended by the Financial Reporting Council.

In reaching this conclusion, the Directors have considered each of the principal risks and uncertainties and the liquidity and solvency of the Company and five years is the period over which the investment policy and the principal risks are unlikely to change. The Directors have considered the Company's income and expenditure projections and the fact that the Company's investments comprise readily realisable securities, which could, if necessary, be sold to meet the Company's funding requirements. Portfolio changes and market developments are discussed at quarterly Board meetings. The internal control framework of the Company is subject to a formal review on at least an annual basis.

The Directors do not expect there to be a material increase in the annual ongoing charges ratio of the Company over the Period. The Company's income from investments and cash realisable from the sale of its investments provide substantial cover to the Company's operating expenses, and any other costs likely to be faced by the Company over the period of their assessment.

The Company has a redemption facility through which shareholders are entitled to request the redemption of all or part of their holding of Ordinary Shares on an annual basis. The redemption point is the last business day of November. The Directors' assessment assumes that the number of shares redeemed will not affect the Company's ability to continue in operational existence. At the last redemption point of 30 November 2019, redemption requests in respect of 402,260 Ordinary Shares were received. All of the 402,260 Ordinary Shares, representing 0.09% of the then issued share capital, were matched with buyers and there was no change to the Company's share capital.

Based on their assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due in the Period.

Environmental matters

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Employees

The Company has no employees. As at 30 November 2019 the Company had four Directors, three of whom are male and one is female. The Board's policy on diversity is contained in the Corporate Governance Report (see page 30).

Social, community and human rights issues

Having no employees, the Company, as an investment company, has no direct impact on social, community, environmental or human rights matters.

Modern slavery disclosure

Due to the nature of the Company's business, being a company that does not offer goods or services to consumers, the Board considers that it is not within the scope of modern slavery. The Board considers the Company's supply chains, dealing predominately with professional advisers and service providers in the financial service industry, to be low risk in relation to this matter.

Outlook

The outlook for the Company is discussed in the Chairman's Statement on page 4.

INVESTMENT POLICY, RESULTS AND OTHER INFORMATION

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Strategic Report

The Strategic Report set out on pages 1 to 22 of this Annual Report was approved by the Board of Directors on 20 February 2020.

For and on behalf of the Board

Randeep Grewal
Director
20 February 2020

DIRECTORS' REPORT

The Directors present their annual report and accounts for the year ended 30 November 2019.

Strategic report

The Directors' Report should be read in conjunction with the Strategic Report on pages 1 to 22.

Legal and taxation status

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company conducts its affairs in order to meet the requirements for approval as an investment trust under section 1158 of the Corporation Tax Act 2010. The Company has received initial approval as an investment trust and the Company must meet eligibility conditions and ongoing requirements in order for investment trust status to be maintained. In the opinion of the Directors, the Company has met the conditions and requirements for approval as an investment trust for the year ended 30 November 2019.

Alternative Investment Fund Manager ("AIFM")

Mirabella Financial Services LLP is the Company's AIFM. For the purposes of the AIFM Directive, the Company is subject to the overall control and supervision of the Board. The AIFM has delegated responsibility for the management of the Company's portfolio to the Portfolio Manager, by way of the Delegated Portfolio Management Agreement.

Under the terms of the AIFM Agreement, the AIFM shall be entitled to receive from the Company a monthly fee of £6,000 for the term of the agreement. In addition, the AIFM shall be entitled to fees for Annex IV reporting of £2,000 for each filing. The AIFM is also entitled to reimbursement of reasonable expenses incurred by it in the performance of its duties.

The AIFM Agreement is terminable by either the AIFM or the Company giving to the other not less than 6 months' written notice. The AIFM Agreement may be terminated with immediate effect on the occurrence of certain events, including insolvency, on a change of control of the AIFM or in the event of a material breach which fails to be remedied within 30 days of receipt of notice. The AIFM Agreement shall terminate immediately if the Delegated Portfolio Management Agreement is terminated for whatever reason.

Portfolio Manager

The Company's Portfolio Manager is Bellevue Asset Management AG (the 'Portfolio Manager'). A Delegated Portfolio Management Agreement is in place between the Company, the AIFM and the Portfolio Manager, pursuant to which the Portfolio Manager is appointed to act as Portfolio Manager of the Company with responsibility to manage the assets of the Company and to advise the AIFM on a day to day basis in accordance with the investment policy of the Company and subject to the overall policies and communicated directions of the AIFM, which shall at all times be in accordance with the investment policy and investment restrictions of the Company. Under the terms of the Delegated Portfolio Management Agreement, the Portfolio Manager has discretion to buy, sell, retain, exchange or otherwise deal in investment assets for the account of the Company.

The Portfolio Manager is entitled to receive a management fee payable monthly in arrears and calculated at the rate of one-twelfth of 0.95% per calendar month of market capitalisation. Market capitalisation means the average of the mid-market prices for an ordinary share, respectively, as derived from the daily official list of the London Stock Exchange on each business day in the relevant calendar month multiplied by the number of Ordinary Shares, respectively, in issue on the last business day of the relevant calendar month excluding any Ordinary Shares held in treasury.

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There is no performance fee payable to the Portfolio Manager.

The Delegated Portfolio Management Agreement may be terminated on 12 months' written notice, such notice to expire, in the case of notice given by the AIFM to the Portfolio Manager, on or at any time after the third anniversary of First Admission. The Delegated Portfolio Management Agreement may be terminated with immediate effect on the occurrence of certain events, including insolvency, on a change of control of the Portfolio Manager or in the event of a material breach which fails to be remedied within 30 days of receipt of notice. The Delegated Portfolio Management Agreement shall terminate immediately if the AIFM Agreement is terminated for whatever reason.

The Portfolio Manager has appointed Bellevue Asset Management (UK) Ltd, its UK subsidiary, to provide investment advisory services in relation to the Company and its portfolio. Bellevue Asset Management (UK) Ltd received FCA authorisation on 29 May 2019, enabling them to provide investment management services.

Brokers

In addition to Peel Hunt LLP as Company's broker, J.P. Morgan Cazenove were also appointed as the Company's joint broker as announced on 11 July 2018.

Depositary

CACEIS Bank, UK Branch has been appointed as the Company's depositary.

Company Secretary and Administrator

PraxisIFM Fund Services (UK) Limited is the Company Secretary and Administrator of the Company, providing administration services including calculation of its daily net asset value.

Management engagement

The Directors are satisfied that the AIFM and the Portfolio Manager have the suitable skills and experience to manage the Company's investments and believe that the continuing appointment of the AIFM and the Portfolio Manager is in the interests of shareholders as a whole.

Alternative Investment Fund Portfolio Managers' Directive ("AIFMD")

In accordance with the AIFMD, the AIFM must ensure that an annual report containing certain information on the Company is made available to investors for each financial year. The investment funds sourcebook of the FCA (the "Sourcebook") details the requirements of the annual report. All the information required by those rules are included in this Annual Report or is or will be made available on the Company's website (**www.bbhealthcaretrust.com**).

The AIFM is required to make certain disclosures on its remuneration in respect of the AIFM's relevant reporting period. These disclosures are available on request from the AIFM.

Leverage (under AIFMD)

The AIFM is required to set leverage limits as a percentage of net assets for the Company utilising methods prescribed under AIFMD. These methods are known as the gross method and the commitment method. Under both methods the AIFM has set current maximum limits of leverage for the Company of 120%.

A leverage percentage of 100% equates to nil leverage. The Company's leverage under each of these methods at its year end is shown below:

	Gross method	Commitment method
Maximum leverage limit	120%	120%
Actual leverage at 30 November 2019	101%	101%

Share issues

During the year ended 30 November 2019, the Company issued 114,849,268 Ordinary Shares, both through the formal capital raise in December 2018 (34.1 million shares) and the ongoing share issuance programme (80.8 million shares). The number of Ordinary Shares in issue at 30 November 2019 was 433,957,062.

The authority to issue new shares pursuant to the placing programme, detailed in the Company's prospectus dated 10 November 2016, expired on 9 November 2017. The Company published a new prospectus on 5 November 2018, for the issuance of up to 345 million Ordinary Shares by way of an Initial Placing, Offer for Subscription and Intermediaries Offer, and pursuant to a new share issuance programme. A supplementary prospectus was issued on 20 February 2019.

At the Annual General Meeting held on 19 March 2019, the Board sought authority from shareholders for the Company to issue up to a maximum of 72,642,163 Ordinary Shares and to disapply pre-emption rights when issuing those Ordinary Shares. This authority will expire at the conclusion of the forthcoming Annual General Meeting.

A Circular and Notice of General Meeting was sent to shareholders on 20 September 2019 to seek approval for authority to allot and to disapply pre-emption rights of up to 85,812,614 Ordinary Shares, in substitution for the Company's existing authority. The General Meeting was held on 14 October 2019 and both resolutions put forward at the meeting were passed. The authorities have been used to carry out a series of placings or tap issues, providing the Company with the ability to issue new Ordinary Shares over a period of time.

The Board recommends that the Company is granted a new authority to issue up to a maximum of 43,605,706 Ordinary Shares (representing 10% of the shares in issue at the date of this document) and to disapply pre-emption rights when issuing those Ordinary Shares. Resolutions to this effect will be put to shareholders at the Annual General Meeting to be held on 23 March 2020.

This authority would be used to fulfil demand for the scrip dividend alternative and to carry out a series of placings or tap issues, providing the Company with the ability to issue new Ordinary Shares over a period of time to meet investor demand and help with managing the premium that the shares typically trade at.

Any New Ordinary Shares issued through placings or tap issues under this non pre-emptive authority will be issued at a premium to the prevailing NAV per Ordinary Share (cum income) at the time of issue, to cover issuance costs, so no existing shareholders will suffer any dilution to the value of their holdings as there should be no negative impact on the Company's NAV per Ordinary Share.

Scrip dividend

At the Company's AGM in March 2019, a resolution was passed allowing shareholders the right to elect to receive new Ordinary Shares instead of cash in respect of the whole or part of any dividend (the "Scrip Dividend Scheme").

DIRECTORS' REPORT

CONTINUED

The Scrip Dividend Scheme is advantageous to shareholders because it enables shareholders to increase their shareholding in the Company in a simple manner without paying dealing costs. The Scrip Dividend Scheme is advantageous to the Company (and therefore to the shareholders in general) since the relevant cash dividend amounts payable to shareholders who have elected to participate in the Scrip Dividend Scheme are reinvested in the Company as additional share capital.

On 17 July 2019, the Board declared an interim dividend for the six months ended 31 May 2019 of 2.425p per Ordinary Share and offered shareholders the opportunity to participate in the Scrip Dividend Scheme. Accordingly, the Company posted to shareholders a Circular setting out details of the Scrip Dividend Scheme.

On 12 August 2019, the Company announced a scrip dividend reference price of 129.60p for the interim dividend, payable on 30 August 2019. The scrip dividend reference price was the unaudited net asset value per Ordinary Share as at close of business on 9 August 2019.

On 30 August 2019, in line with the Company's Scrip Dividend Scheme, 591,496 Ordinary Shares were allotted and issued to shareholders who elected for their interim dividend to be automatically subscribed on their behalf for new Ordinary Shares. Any Ordinary Shares issued for cash were issued at a premium to (cum income) net asset value.

Shareholders who do not elect to participate in the Scrip Dividend Scheme receive their dividends in cash.

Treasury shares

The Companies Act allows companies to hold shares acquired by way of market purchase as treasury shares, rather than having to cancel them. This would give the Company the ability to re-issue Ordinary Shares quickly and cost effectively, thereby improving liquidity and providing the Company with additional flexibility in the management of its capital base. Ordinary Shares will not be sold from treasury at a price less than the (cum income) net asset value ("NAV") per existing Ordinary Share at the time of their sale. No Ordinary Shares were bought back during the year ended 30 November 2019 and 2018.

Discount management

The Company may seek to address any significant discount to NAV at which its Ordinary Shares may be trading by purchasing its own Ordinary Shares in the market on an ad hoc basis. As outlined above, no Ordinary Shares have bought back by the Company.

The Directors currently have the authority to make market purchases of up to 85,812,614 Ordinary Shares. The maximum price (exclusive of expenses) which may be paid for an Ordinary Share must not be more than the higher of: (i) 5% above the average of the mid-market values of the Ordinary Shares for the five Business Days before the purchase is made; or (ii) the higher of the price of the last independent trade and the highest current independent bid for the Ordinary Shares. Ordinary Shares will be repurchased only at prices below the prevailing NAV per Ordinary Share, which should have the effect of increasing the NAV per Ordinary Share for remaining shareholders.

It is intended that a renewal of the authority to make market purchases will be sought from shareholders at each annual general meeting of the Company and authority for the Company to purchase up to 65,364,953 Ordinary Shares (subject to a maximum of 14.99% of the Ordinary Shares in issue at the date of the Annual General Meeting) will be sought at the forthcoming Annual General Meeting. Purchases of Ordinary Shares will be made within guidelines established from time to time by the Board. Any purchase of Ordinary Shares would be made only out of the available cash resources of the Company. Ordinary Shares purchased by the Company may be held in treasury or cancelled.

Purchases of Ordinary Shares may be made only in accordance with the Act, the Listing Rules and the Disclosure Guidance and Transparency Rules.

Investors should note that the repurchase of Ordinary Shares is entirely at the discretion of the Board and no expectation or reliance should be placed on such discretion being exercised on any one or more occasions or as to the proportion of Ordinary Shares that may be repurchased.

Redemption facility

The Company has a redemption facility through which shareholders are entitled to request the redemption of all or part of their holding of Ordinary Shares on an annual basis. The redemption facility is entirely at the discretion of the Directors.

The Company announced on 4 November 2019 that valid redemption requests in respect of 402,260 Ordinary Shares were received for the 30 November 2019 redemption point. The process for the redemption of Ordinary Shares, including the calculation of redemption price, is set out in Part 3 of the Securities Note as part of the prospectus published by the Company on 5 November 2018.

All of the 402,260 Ordinary Shares, representing 0.09% of the then issued share capital, were matched with buyers and sold at a calculated redemption price of 144.47 pence per Share and all shareholders who validly applied to have shares redeemed received this redemption price per Ordinary Share.

Life of the Company

The Company has no fixed life.

Market information

The Company's share capital is admitted to the Premium Segment of the Official List of the FCA and is admitted to trading on the London Stock Exchange. The NAV per share is calculated in sterling for each business day that the London Stock Exchange is open for business. The daily NAV per Share is published through a regulatory information service.

Revolving credit facility

During the year the Company had a multi-currency revolving credit facility with Scotiabank (Ireland) Designated Activity Company ("Scotiabank"). Under the terms of the facility, the Company could draw down up to an aggregate of £50 million. On 25 January 2019, the Company renewed and amended the facility with Scotiabank. Under the amended facility, loans of up to US$100 million may be drawn. There is also an uncommitted accordion option to increase the facility size by up to US$50 million which, subject to the agreement of Scotiabank, provides the Company with flexibility to increase the facility as the Company grows in size. The current facility will expire in January 2021.

Capital structure and voting rights

As at 30 November 2019 the Company's issued share capital comprised 50,001 Management Shares and 433,957,062 Ordinary Shares of 1p nominal value. Each Ordinary Share held entitles the holder to one vote and there are no restrictions on those voting rights. Voting deadlines are stated in the Notice of Meeting and Form of Proxy and are in accordance with the Companies Act 2006. Management Shares shall not carry any right to receive notice of nor to attend or vote at any general meeting of the Company.

DIRECTORS' REPORT

CONTINUED

There are no restrictions on the transfer of Ordinary Shares, nor are there any limitations or special rights associated with the Ordinary Shares.

Significant shareholders

As at 30 November 2019, the Company had been formally notified of the following shareholdings comprising 3% or more of the issued share capital of the Company.

Name	Number of Ordinary Shares held	% of voting rights*
Brewin Dolphin Wealth Management	28,953,376	6.67%
Quilter plc	20,671,091	4.76%
Schroders plc	15,482,819	3.57%
Erich Hunziker	14,750,000	3.40%
Heartwood Wealth Management Limited	13,999,779	3.23%

* Based on Ordinary Shares in issue as at 30 November 2019.

Settlement of Ordinary Share transactions

Ordinary Share transactions in the Company are settled by the CREST share settlement system.

Anti-bribery and corruption

It is the Company's policy to conduct all of its business in an honest and ethical manner. The Company takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates. The Company's policy and the procedures that implement it are designed to support that commitment.

Notice of general meetings

At least twenty-one days' notice shall be given to all the members and to the auditors of an Annual General Meeting. All other general meetings shall also be convened by not less than twenty-one days' notice to all those members and to the auditors unless the Company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than fourteen days has been passed, in which case a general meeting may be convened by not less than fourteen days' notice in writing. A special resolution will be proposed at the Annual General Meeting to reduce the period of notice for general meetings other than the Annual General Meeting to not less than fourteen days.

Going concern

The Directors have adopted the going concern basis in preparing the accounts. The following is a summary of the Directors' assessment of the going concern status of the Company.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of this document. In reaching this conclusion, the Directors have considered the liquidity of the Company's portfolio of investments as well as its cash position, income and expense flows. The Company's net assets at 30 November 2019 were £621.0 million.

As at 30 November 2019, the Company held £626.4 million in investments, cash of £59.6 million and bank loans of £58.4 million. Bank loans detailed in note 12 are due to mature during January and February 2020, however the facility will expire in January 2021. The total expenses (excluding finance costs and taxation) for the year ended 30 November 2019 were £5.9 million, which represented approximately 1.19% of average net assets during the year. The Company also incurred finance costs of £2.1 million.

At the date of approval of this report, based on the aggregate of investments and cash held, the Company has substantial asset cover against its loan facility and also substantial operating expenses cover.

Auditor information

Each of the Directors at the date of the approval of this report confirms that:

(i) so far as the Director is aware, there is no relevant audit information of which the Company's auditor are unaware; and

(ii) the Director has taken all steps that he ought to have taken as Director to make himself aware of any relevant information and to establish that the Company's auditor are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

In accordance with Section 489 of the Companies Act 2006, a resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put forward at the forthcoming Annual General Meeting.

By order of the Board

Sugees Mahen
For and on behalf of
PraxisIFM Fund Services (UK) Limited
Company Secretary
20 February 2020

CORPORATE GOVERNANCE

Introduction

The Board of the Company has considered the principles and recommendations of the AIC Code by reference to the AIC Guide. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company as an investment company. A copy of the AIC Code can be viewed on the AIC's website **www.theaic.co.uk**. An updated AIC code was published in February 2019, reflecting changes made in 2018. The 2019 AIC Code will be applicable to the Company for the year ending 30 November 2020.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide more relevant information to shareholders.

The Financial Reporting Council ("FRC"), the UK's independent regulator for corporate reporting and governance responsible for the UK Corporate Governance Code, has endorsed the AIC Code and the AIC Guide. The terms of the FRC's endorsement mean that AIC members who report against the AIC Code and the AIC Guide meet fully their obligations under the UK Corporate Governance Code and the related disclosure requirements contained in the Listing Rules.

From Admission, the Company has complied with the AIC Code of Corporate Governance, which complements the UK Corporate Governance Code and provides a framework of best practice for listed investment companies.

The UK Corporate Governance Code includes provisions relating to: the role of the chief executive; executive Directors' remuneration; and the need for an internal audit function. For the reasons set out in the AIC Guide, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company and the Company does not therefore comply with them.

The Board

Composition

At the date of this report, the Board consists of four non-executive Directors, including the Chairman. All four Directors have served throughout the entire year. On the last day of the Company's financial year, Siddhartha Mukherjee stepped down from his position as Non-Executive Director of the Company due to other commitments. The Board will be commencing a process to identify a suitable replacement for Mr Mukherjee and further information will be made available when an appropriate appointment has been made.

On 17 July 2019 Professor Justin Stebbing stepped down from his position as Chairman of the Company due to his other commitments, he however remained on the Board as a Non-Executive Director. At the same time, Randeep Grewal, was appointed as Chairman of the Board.

The Board believes that during the year ended 30 November 2019 its composition was appropriate for an investment company of the Company's nature and size. All of the Directors are independent of the Portfolio Manager. All of the Directors are able to allocate sufficient time to the Company to discharge their responsibilities effectively. The Directors have a broad range of relevant experience to meet the Company's requirements and their biographies are given below.

Randeep Grewal (Chairman and Chair of the Management Engagement Committee)

Randeep is an ex-Fund Manager, with over 19 years of Healthcare investment experience, including Trium Capital, F&C Asset Management, ICAP Equities, Hox Therapeutics and Tudor. Randeep trained as a Vascular and General Surgeon and read both Medicine and Computer Science at Cambridge University. He sits on the board of Tissue Regenix.

Josephine Dixon (Chair of the Audit Committee)

Josephine is a chartered accountant who sits on the boards of JP Morgan European Investment Trust plc, Ventus VCT plc, Strategic Equity Capital plc, Alliance Trust plc and BMO Global Smaller Companies plc. Her executive experience includes finance, governance and general commercial roles in a number of sectors.

Professor Justin Stebbing

Justin is a clinical oncologist and has published over 500 peer-reviewed papers on cancer. He is a Fellow of the Royal College of Physicians, the American Board of Internal Medicine and the Royal College of Pathologists and sits on a number of advisory boards. He also has previous investment management experience as a healthcare analyst and also acts as a consultant to another UK-based asset management firm.

Paul Southgate

Paul is a London-based Portfolio Manager at Pictet Asset Management, with over 22 years' investment experience. Before joining Pictet, he was a Managing Partner at Eisenstat Capital Partners (ECAP) and managed European Equities for both Deephaven Capital and Fortress Investments Group. He began his career with UBS Asset Management.

The Board recognises the benefits to the Company of having longer serving Directors together with progressive refreshment of the Board. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking reappointment but, when making a recommendation, the Board will take into account the requirements of the AIC Code. The Board has adopted corporate governance best practice and has a succession plan in place. No Director of the Company has served for nine years or more and all Directors remain independent of the Company's Portfolio Manager.

In line with corporate governance best practice, all of the Directors will retire and offer themselves for election at the Annual General Meeting of the Company to be held on 23 March 2020. The Board recommends all the Directors stand for election for the reasons highlighted above and in the performance appraisal section of this report.

The Directors have appointment letters which do not provide for any specific term. They are subject to re-election by shareholders at a maximum interval of three years. Copies of the Directors' appointment letters are available on request from the Company Secretary. Upon joining the Board, any new Directors receive an induction and relevant training is available to Directors on an ongoing basis.

A procedure has been adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

A policy of insurance against Directors' and officers' liabilities is maintained by the Company.

Board committees

The Company has established an Audit Committee which is chaired by Josephine Dixon and consists of all the Directors.

A report of the Audit Committee is included in this Annual Report. The Board considers that the members of the Audit Committee have the requisite skills and experience to fulfil the responsibilities of the Audit Committee. The Audit Committee examines the effectiveness of the Company's risk management and internal control systems. It reviews the half-yearly and annual reports and other financial information. It also reviews the scope, results, cost effectiveness, independence and objectivity of the external auditor.

The Company has established a Management Engagement Committee which is chaired by Randeep Grewal and consists of all the Directors. The Management Engagement Committee's principal duties are to consider the terms of appointment of the Portfolio Manager and the AIFM and it annually reviews

CORPORATE GOVERNANCE

CONTINUED

those appointments and the main terms of the Delegated Portfolio Management Agreement and the AIFM Agreement.

The Board as a whole fulfils the function of the Remuneration Committee and Nomination Committee.

Meeting attendance

The actual number of formal meetings of the Board and Committees during the year under review is given below, together with individual Director's attendance at those meetings. The first number in the table is the meetings attended by the individual Director and the second number is the number of meetings that Director was eligible to attend.

	Quarterly Board	Audit Committee	Management Engagement Committee
Number held	**4**	**2**	**2**
Justin Stebbing	4/4	2/2	2/2
Josephine Dixon	4/4	2/2	2/2
Randeep Grewal	4/4	2/2	2/2
Paul Southgate	4/4	2/2	2/2
Siddhartha Mukherjee*	1/4	1/2	1/2

* Siddhartha Mukherjee resigned from the Board on 30 November 2019 due to other commitments and responsibilities.

Board diversity

The Company's policy is that the Board should have an appropriate level of diversity in the boardroom, taking into account relevant skills, gender, social and ethnic backgrounds, cognitive and personal strengths. Consideration is given to the recommendations of the AIC Code and the Company supports the recommendations of the Hampton-Alexander Review.

Performance appraisal

A formal annual performance appraisal process is performed on the Board, the committees, the individual Directors and the Company's main service providers.

A programme consisting of open and closed ended questions was used as the basis for the appraisal. The results were reviewed by the Chairman and the Chairman of the Management Engagement Committee and discussed with the Board. A separate appraisal of the Chairman has been carried out by the other members of the Board and the results reported back by the Chairman of the Management Engagement Committee to the Chairman. The results of the performance evaluation were positive and demonstrated that the Directors showed the necessary commitment for the fulfilment of their duties.

Internal control

Prior to the Company's listing a detailed review was carried out on the financial position, prospects and procedures applicable to the Company.

The AIC Code requires the Board to review the effectiveness of the Company's system of internal controls. The Board recognises its ultimate responsibility for the Company's system of internal controls and for monitoring its effectiveness. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can provide only reasonable assurance against material misstatement or loss. The Board has undertaken a review of the aspects covered by the guidance and has identified risk management controls in the key areas of business objectives, accounting, compliance, operations and secretarial as being matters of particular importance upon which it requires reports. The Board believes that the existing arrangements, set out below, represent an appropriate framework to meet the internal control requirements. By these procedures the Directors have kept under review the effectiveness of the internal control system throughout the year and up to the date of this report.

Financial aspects of internal control

The Directors are responsible for the internal financial control systems of the Company and for reviewing their effectiveness. These aim to ensure the maintenance of proper accounting records, the reliability of the financial information upon which business decisions are made and which is used for publication and that the assets of the Company are safeguarded. As stated above, the Board has contractually delegated to external agencies the services the Company requires. The Board receives and reviews reports on the internal control environments of key suppliers, in order to provide reasonable assurance on the effectiveness of internal financial controls.

The key procedures include review of management accounts and net asset value and monitoring of performance at quarterly Board meetings, segregation of the administrative function from that of securities and cash custody and from investment management, maintenance of appropriate insurance and adherence to physical and computer security procedures. In addition, procedures have been put in place for authorisation of all expense payments.

The Statement of Directors' Responsibilities in respect of the accounts is on page 41 and a Statement of Going Concern is on page 28. The Report of the Independent Auditor is on pages 42 to 48.

Other aspects of internal control

The Board holds quarterly meetings, plus additional meetings as required. Between these meetings there is regular contact with the Portfolio Manager, the Company Secretary and the Administrator.

The Board has agreed policies with the Portfolio Manager on key operational issues. The Portfolio Manager and/or the AIFM reports in writing to the Board on operational and compliance issues. The Portfolio Manager reports directly to the Audit Committee concerning the internal controls.

The Directors review detailed management accounts from the Administrator, including holdings in the portfolio, transactions and other aspects of the financial position of the Company. The Depositary provides oversight reports for the quarterly Board meetings. Additional ad hoc reports are received as required and Directors have access at all times to the advice and services of the Corporate Company Secretary, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

This contact with the AIFM, Portfolio Manager, Administrator and the other key service providers enables the Board to monitor the Company's progress towards its objectives and encompasses an analysis of the risks involved. The effectiveness of the Company's risk management and internal controls systems is monitored and a formal review, utilising a detailed risk assessment programme has been completed. This included consideration of the Administrator's, the Depositary and the Registrar's internal controls report. There are no significant findings to report from the review.

CORPORATE GOVERNANCE

CONTINUED

Principal risks

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks and how they are being managed are set out in the Strategic Report.

Shareholder relations

The Company encourages all shareholders to attend the Annual General Meeting and seeks to provide a minimum of twenty working days' notice of that meeting. The Notice of Meeting sets out the business of the AGM and any item not of an entirely routine nature is explained in the Directors' Report. Separate resolutions are proposed for each substantive issue. The Portfolio Manager has a programme of meetings with any available shareholders and reports back to the Board on its findings. The Chairman and the Board welcome direct feedback from all shareholders.

Annual General Meeting

At least twenty-one days' notice shall be given to all the members and to the auditors of an Annual General Meeting. All other general meetings shall also be convened by not less than twenty-one days' notice to all those members and to the auditors unless the Company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than fourteen days prior to the general meeting, in which case a general meeting may be convened by not less than fourteen days' notice in writing. A special resolution will be proposed at the Annual General Meeting to reduce the period of notice for general meetings, other than the Annual General Meeting, to not less than fourteen days.

Exercise of voting powers and stewardship code

The Company and the Portfolio Manager support the UK Stewardship Code issued by the Financial Reporting Council.

Environmental, social and governance ("ESG") policy

The Company has no staff, premises, manufacturing or other operations. The Portfolio Manager incorporates ESG issues into its analysis and decision making processes.

DIRECTORS' REMUNERATION IMPLEMENTATION REPORT

This report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. An ordinary resolution for the approval of this report will be put forward at the forthcoming Annual General Meeting.

The Directors' Remuneration Implementation Report is put forward for approval by shareholders on an annual basis. The result of the shareholder resolution on the Implementation Report is non-binding on the Company, although it gives shareholders an opportunity to express their views, which will be taken into account by the Board.

The law requires the Company's auditor to audit certain of the disclosures provided. Where disclosures are audited they are indicated as such. The auditor's opinion is on page 42.

Remuneration

The Company currently has four non-executive Directors.

As detailed in the Company's prospectus, Directors' fees are payable at the rate of £27,500 per annum for each Director other than the Chairman, who is entitled to receive £40,000. The Chairman of the Audit Committee is entitled to additional fees of £5,000 per annum and the Chairman of the Management Engagement Committee is entitled to additional fees of £2,500 per annum. With effect from 1 April 2019, the Board approved an increase to annual Directors' fees of £1,250. Net fees payable to the Directors are settled in Ordinary Shares.

The current aggregate remuneration that can be paid to Directors under the Company's Articles of Association is £500,000 per annum.

The Board reviews the fees payable to the Directors on an annual basis and following the year end, a review has been completed. The Board believes that these fees appropriately reflect prevailing market rates for an investment trust of the Company's complexity and size, and will also enable the Company to attract appropriately experienced additional Directors in the future.

Directors' service contracts

The Directors do not have service contracts with the Company. The Directors are not entitled to compensation on loss of office. The Directors have appointment letters which do not provide for any specific term. However, they are subject to re-election by shareholders at a maximum interval of three years. There are no restrictions on transfers of the Company's shares held by the Directors or any special rights attached to such shares.

Directors' indemnities

Subject to the provisions of the Companies Act 2006, the Company may indemnify any person who is a Director, secretary or other officer (other than an auditor) of the Company, against (a) any liability whether in connection with any negligence, default, breach of duty or breach of trust by him in relation to the Company or any associated company or (b) any other liability incurred by or attaching to him in the actual or purported execution and/or discharge of his duties and/or the exercise or purported exercise of his powers and/or otherwise in relation to or in connection with his duties, powers or office; and purchase and maintain insurance for any person who is a Director, secretary, or other officer (other than an auditor) of the Company in relation to anything done or omitted to be done or alleged to have been done or omitted to be done as Director, Secretary or Officer.

A policy of insurance against Directors' and officers' liabilities is maintained by the Company.

DIRECTORS' REMUNERATION IMPLEMENTATION REPORT

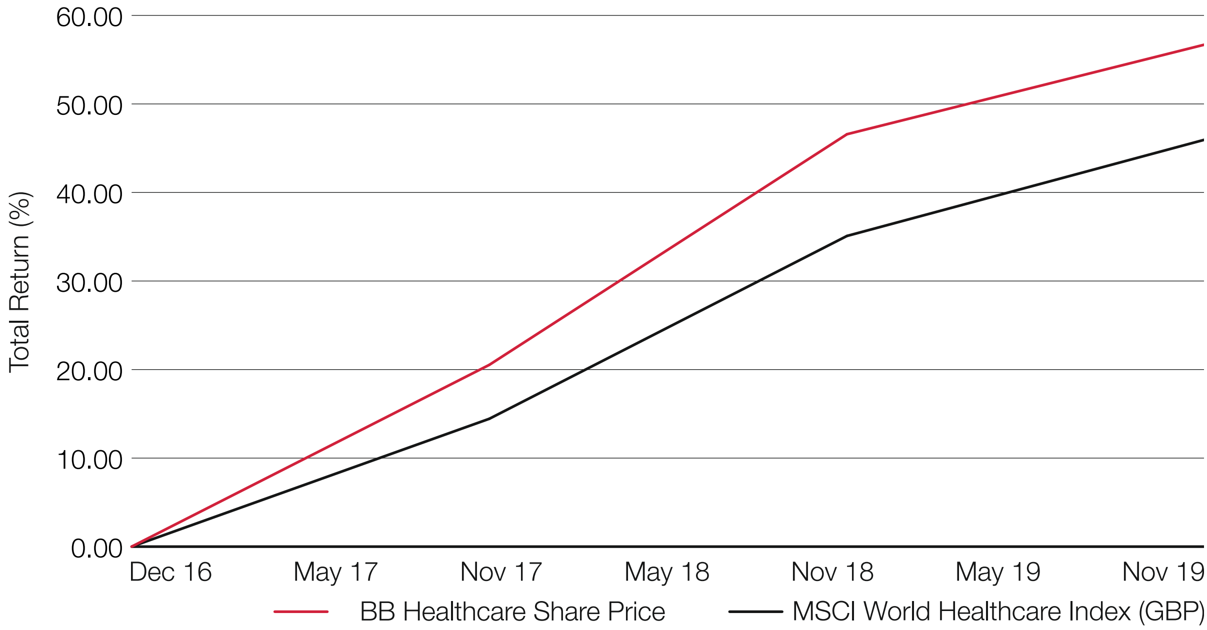
CONTINUED

Director search and selection fees

No Director search and selection fees were incurred during the year to 30 November 2019.

Performance

The following chart shows the performance of the Company's share price by comparison to the MSCI World Healthcare Index (GBP), on a total return basis.



Directors' emoluments for the year ended 30 November 2019 (Audited)

The Directors who served during the year received the following remuneration for qualifying services.

	Fees and taxable benefits to 30 November 2019 £'000	Fees and taxable benefits to 30 November 2018 £'000
Randeep Grewal	35.6	33.2
Professor Justin Stebbing	36.2	40.0
Josephine Dixon	33.3	29.3
Paul Southgate	28.3	27.5
Siddhartha Mukherjee	28.3	27.5
	161.7	**157.5**

There are no other taxable benefits payable by the Company other than certain expenses which may be deemed to be taxable. None of the above fees was paid to third parties.

A non-binding ordinary resolution to approve the Directors' Remuneration Implementation Report contained in the Annual Report for the period ended 30 November 2018 was put forward at the Annual General

Meeting held on 19 March 2019. The resolution was passed with 99.99% of the proxy votes cast (including discretionary votes) being in favour of the resolution.

A non-binding ordinary resolution to approve the Directors' Remuneration Implementation Report contained in the Annual Report for the year ended 30 November 2019 will be put forward for approval at the Company's Annual General Meeting to be held on 23 March 2020.

The Directors' Remuneration Policy was last put forward at the Annual General Meeting held on 22 March 2018. The resolution was passed with over 99% of the proxy votes cast (including discretionary votes) being in favour of the resolution. The Directors' Remuneration Policy will next be put forward for approval at the Annual General Meeting to be held in March 2021.

Relative importance of spend on pay

The following table sets out the total level of Directors' remuneration compared to the distributions to shareholders by way of dividends and share buybacks, and the management fees and other expenses incurred by the Company.

Year ended 30 November	2019 £'000	2018 £'000
Income	2,669	1,770
Directors' fees	162	158
Management fees and other expenses	5,966	4,188
Dividends paid and payable to shareholders	20,600	12,747

Directors' holdings (Audited)

The Directors held the following shareholdings at 30 November 2019 and as at the date of this report. Net fees payable to the Directors, other than the resident US Director, are settled in Ordinary Shares quarterly.

The Board consists of 1 female and 3 male Directors.

The Directors had the following shareholdings in the Company, all of which are beneficially owned.

	Ordinary Shares as at 30 November 2019	Ordinary Shares as at date of this report	Ordinary Shares as at 30 November 2018
Randeep Grewal	62,521	66,094	49,857
Professor Justin Stebbing	45,717	48,270	31,056
Josephine Dixon	62,226	64,958	49,544
Paul Southgate	56,121	58,192	46,449
Siddhartha Mukherjee	25,000	25,000	25,000

DIRECTORS' REMUNERATION IMPLEMENTATION REPORT

CONTINUED

Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Report on Remuneration Policy and Remuneration Implementation summarises, as applicable, for the financial year to 30 November 2019.

(a) the major decisions on Directors' remuneration;

(b) any substantial changes relating to Directors' remuneration made during the financial year to 30 November 2019; and

(c) the context in which the changes occurred and decisions have been taken.

Randeep Grewal
Director
20 February 2020

REPORT OF THE AUDIT COMMITTEE

Role of the Audit Committee

The AIC Code of Corporate Governance (the "Code") recommends that Boards should establish audit committees consisting of at least three, or in the case of smaller companies, two independent non-executive Directors. The Board is required to satisfy itself that at least one member of the audit committee has recent and relevant financial experience. The main role and responsibilities of the audit committee should be set out in written terms of reference covering certain matters described in the Code. The Company complies with the Code.

The Audit Committee meets formally at least twice a year for the purpose, amongst other things, of considering the appointment, independence and objectivity, and remuneration of the auditor and to review the annual accounts and half-yearly financial report. The Audit Committee also reviews the Company's internal financial controls and its internal control and risk management systems. Where non-audit services are provided by the auditor, full consideration of the financial and other implications on the independence of the auditor arising from any such engagement are considered before proceeding.

Composition

All of the Directors of the Company are members of the Audit Committee. The Audit Committee has formal written terms of reference and copies of these are available on the Company's website or on request from the Company Secretary. The Audit Committee as a whole has recent and relevant financial experience. The Audit Committee has considered the need for an internal audit function and considers that this is not appropriate given the nature and circumstances of the Company. The Audit Committee keeps the needs for an internal audit function under periodic review.

Meetings

There have been two Audit Committee meetings in the year to 30 November 2019.

Financial statements and significant accounting matters

The Audit Committee considered the following significant accounting issues in relation to the Company's Financial Statements for the year ended 30 November 2019.

Valuation and existence of investments

The Company holds the majority of its assets in quoted investments. The valuation and existence of these investments is the most material matter in the production of the financial statements. Investments are valued using independent pricing sources and the holding quantities at the year end were agreed to the Depositary's records. The Audit Committee has reviewed the Administrator's procedures in place for ensuring accurate valuation and existence of investments and is comfortable that these are appropriate.

Recognition of income

The Audit Committee has reviewed the Administrator's procedures for recognition of income and is comfortable that these are appropriate. The Audit Committee reviews the treatment of any special dividends receivable in the period to ensure that these have been treated appropriately as revenue or capital. Revenue recognition accounting policy are disclosed page 54 of the annual report.

Conclusion with respect to the Annual Report and financial statements

During the year ended 30 November 2019, the Audit Committee received reports from service providers, including the depository, which gives comfort that the operations throughout the year were in accordance with the reported statements. At the year end there is third party verification of the balance sheet, which is audited by the Company's auditor.

STRATEGIC REPORT GOVERNANCE FINANCIALS OTHER INFORMATION

REPORT OF THE AUDIT COMMITTEE

CONTINUED

The Audit Committee has concluded that the Annual Report for the year ended 30 November 2019, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's business model, strategy and performance. The Audit Committee has reported its conclusions to the Board of Directors. The Audit Committee reached this conclusion through a process of review of the document and enquiries to the various parties involved in the production of the annual report.

Audit tenure

Ernst & Young LLP has been appointed as the Company's auditor since the Company's launch in October 2016 following a competitive process and review of the Auditor's credentials. The re-appointment of the external auditor will be reviewed annually by the Audit Committee and the Board and is subject to approval by shareholders. In accordance with the FRC guidance, the audit will be put out to tender within ten years of the initial appointment of Ernst & Young LLP.

Effectiveness of external audit

The Audit Committee is responsible for reviewing the effectiveness of the external audit process. The Audit Committee received a presentation of the audit plan from the external auditor prior to the commencement of the audit and a presentation of the results of the audit following completion of the main audit testing. The Audit Committee performed a review of the external auditor following the presentation of the results of the audit. The review included a discussion of the audit process and the ability of the external auditor to fulfil its role. Following the above review, the Audit Committee has agreed that the re-appointment of the Auditors should be recommended to the Board and the shareholders of the Company.

Provision of non-audit services

The Audit Committee has put a policy in place on the supply of any non-audit services provided by the external auditor. Such services are considered on a case-by-case basis and may only be provided to the Company if the provision of such services is at a reasonable and competitive cost and does not constitute a conflict of interest or potential conflict of interest which would prevent the auditor from remaining objective and independent.

No non-audit fees were payable to the Auditor in the year ended 30 November 2019.

Josephine Dixon
Audit Committee Chair
20 February 2020

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 accounts for each financial year. Under that law the Directors have elected to prepare the financial statements under International Financial Reporting Standards as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company as at the end of the year and of the net return for the year. In preparing these accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; 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 which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts 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 accounts are published on the Company's website at **www.bbhealthcaretrust.com**, which is maintained by the Company's Portfolio Manager. The work carried out by the auditor does not involve consideration of the maintenance and integrity of these websites and, accordingly, the auditor accept no responsibility for any changes that have occurred to the accounts since being initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmation statement

The Directors each confirm to the best of their knowledge that:

(a) the accounts, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and

(b) this Annual Report includes a fair review of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that it faces.

Having taken advice from the Audit Committee, the Directors consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

For and on behalf of the Board

Randeep Grewal
Director
20 February 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BB HEALTHCARE TRUST PLC

Opinion

We have audited the financial statements of BB Healthcare Trust plc (the 'Company') for the year ended 30 November 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 30 November 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report on pages 18 to 20 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation on pages 23 to 29 in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement on pages 23 to 29 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation on pages 20 to 21 in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Incomplete and inaccurate revenue recognition, including classification of special dividends as revenue or capital in the Statement of Comprehensive Income. • Incorrect valuation and defective title of the investment portfolio.
Materiality	• Overall materiality of £6.21m (2018: £4.43m) which represents 1% of the Company's Net Asset Value.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incomplete and inaccurate revenue recognition, including classification of special dividends as revenue or capital in the Statement of Comprehensive Income *Refer to the Report of the Audit Committee (pages 39 and 40); Accounting policies (pages 54 to 56); and Note 5 of the Financial Statements.* The Company has reported investment income for the year ended 30 November 2019 of £2.67m (2018: £1.77m). Income is received primarily in the form of dividends from the listed equity investments in the Company's portfolio. The investment income receivable by the Company during the year directly affects the Company's ability to make a dividend payment to shareholders. There is a risk that income is recognised incorrectly through failure to recognise proper income entitlements or apply appropriate accounting treatment. In addition to the above, the Directors are required to exercise judgement in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital'.	We performed the following procedures: • Walked through the revenue recognition process to obtain an understanding of the design and implementation of the controls. • Obtained an understanding of Bellevue Asset Management AG's (the 'Manager') and PraxisIFM Fund Services (UK) Limited's (the 'Administrator') processes and controls surrounding identification and classification of special dividends by performing our walkthrough procedures; • Obtained the income report and acquisitions and disposals report to identify special dividends, above our testing threshold, that have been received and accrued during the period. Our procedures did not identify any special dividends received or receivable during the year; • Made enquiries of the Administrator who confirmed they were not aware of any special dividends received or receivable during the year; • Agreed all dividends received from the income report to an independent data source, recalculated the dividend amount receivable and confirmed that the cash received as shown on bank statements was consistent with the recalculated amount; • Agreed, on a sample basis, investee company dividend announcements from an independent data vendor to the income recorded by the Company; and • For all dividends accrued at the year end, we reviewed the investee company announcements to assess whether the dividend obligation arose prior to 30 November 2019.	We have no matters to report with respect to our procedures performed over incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Statement of Comprehensive Income.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BB HEALTHCARE TRUST PLC

CONTINUED

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incorrect valuation and defective title of the investment portfolio *Refer to the Report of the Audit Committee (pages 39 and 40); Accounting policies (pages 54 to 56); and Note 4 of the Financial Statements.* The Company's investment portfolio consists of equity investments valued at £626.38m at 30 November 2019 (2018: £487.63m) which are held at fair value in line with the Company's accounting policy. There is a risk of incorrect valuation of the investment portfolio, including incorrect application of exchange rate movements, failure to maintain proper legal title of the assets held by the Company, or failure to assess stock liquidity appropriately that could result in the Statement of Financial Position and Statement of Comprehensive Income being materially misstated.	We performed the following procedures: • Walked through the investment valuation process of the Administrator to obtain an understanding of the design and implementation of the controls; • We agreed 100% of investment valuations and foreign exchange rates to a relevant independent source; • We obtained confirmation from the Custodian of all investments held at the year end and agreed those to the Company's records; and • We investigated any stale priced investments by reviewing the stale price report and have not identified any as at 30 November 2019. We performed an independent evaluation of the portfolio's liquidity through analysing the trading volume of the investments and did not identify any potentially stale prices not included on the stale price report.	We have not identified material misstatements with respect to our procedures performed over incorrect valuation and defective title of the investment portfolio.

There were no changes to the key audit matters from the prior year.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £6.21m (2018: £4.43m), which is 1% (2018: 1%) of the Company's Net Asset Value. We believe that Net Asset Value provides the most important financial metric on which shareholders judge the performance of the Company and it is a generally accepted auditing practice for investment trust audits.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2018: 75%) of our planning materiality, namely £4.65m (2018: £3.32m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Company, we have also applied a separate testing threshold for the revenue column of the Statement of Comprehensive Income of £310k (2018: £221k) being the greater of the reporting threshold and 5% of the net revenue return on ordinary activities before taxation.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £310k (2018: £221k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual Report on pages 1 to 41, including the Strategic Report set out on pages 1 to 22 and the Corporate Governance section set out on pages 30 to 34, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report with regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 40** – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- **Audit Committee reporting set out on pages 39 and 40** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BB HEALTHCARE TRUST PLC

CONTINUED

- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 30** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 41, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor’s responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code and section 1158 of the Corporation Tax Act 2010.

- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of the Company’s documented policies and procedures.

- We assessed the susceptibility of the Company’s financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to classification of special dividends as revenue or capital in the Statement of Comprehensive Income. Further discussion of our approach is set out in the section on key audit matters above.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Other matters we are required to address

- We were appointed by the Company on 27 November 2017 to audit the financial statements for the period ended 30 November 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is 3 years, covering the period ending 30 November 2017 to year ending 30 November 2019.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BB HEALTHCARE TRUST PLC

CONTINUED

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the Audit Results Report presented to the Audit Committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

James Beszant (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
20 February 2020

Notes:

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

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 30 November 2019 Revenue £'000	Capital £'000	Total £'000	Year ended 30 November 2018 Revenue £'000	Capital £'000	Total £'000
Gains on investments	4	–	50,660	50,660	–	79,404	79,404
Losses on currency movements		–	(2,114)	(2,114)	–	(1,876)	(1,876)
Net investment gains		**–**	**48,546**	**48,546**	**–**	**77,528**	**77,528**
Income	5	2,669	–	2,669	1,770	–	1,770
Total income		**2,669**	**48,546**	**51,215**	**1,770**	**77,528**	**79,298**
Portfolio management fees	6	(1,009)	(4,036)	(5,045)	(661)	(2,643)	(3,304)
Other expenses	7	(921)	–	(921)	(884)	–	(884)
Profit before finance costs and taxation		**739**	**44,510**	**45,249**	**225**	**74,885**	**75,110**
Finance costs	8	(429)	(1,717)	(2,146)	(196)	(777)	(973)
Operating profit before taxation		**310**	**42,793**	**43,103**	**29**	**74,108**	**74,137**
Taxation	9	(312)	–	(312)	(222)	–	(222)
Profit for the year		**(2)**	**42,793**	**42,791**	**(193)**	**74,108**	**73,915**
Return per Ordinary Share	**10**	**0.00p**	**10.79p**	**10.79p**	**(0.07)p**	**26.75p**	**26.68p**

There is no other comprehensive income and therefore the 'Profit for the year' is the total comprehensive income for the year.

The total column of the above statement is the statement of comprehensive income of the Company. The supplementary revenue and capital columns, including the earnings per Ordinary Shares, are prepared under guidance from the Association of Investment Companies.

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

The notes on pages 53 to 67 form and integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Note	30 November 2019 £'000	30 November 2018 £'000
Non-current assets			
Investments held at fair value through profit or loss	4	626,383	487,630
Current assets			
Cash and cash equivalents		59,654	3,802
Dividend receivable		–	137
Other receivables	11	551	81
		60,205	**4,020**
Total assets		**686,588**	**491,650**
Current liabilities			
Purchases of investments for future settlement		6,028	–
Bank loans payable	12	58,393	48,138
Other payables	13	1,131	831
Total liabilities		**65,552**	**48,969**
Net assets		**621,036**	**442,681**
Equity			
Share capital	14	4,352	3,204
Share premium account		351,331	199,625
Special distributable reserve		116,003	133,293
Capital reserve		149,545	106,752
Revenue reserve		(195)	(193)
Total equity		**621,036**	**442,681**
Net asset value per Ordinary Share	16	**143.11p**	**138.72p**

Approved by the Board of Directors on 20 February 2020 and signed on their behalf by:

Randeep Grewal
Director

Registered in England and Wales with registered number 10415235.

The notes on pages 53 to 67 form and integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 NOVEMBER 2019

	Note	Share capital £'000	Share premium account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Opening balance as at 01 December 2018		3,204	199,625	133,293	106,752	(193)	442,681
Profit/(loss) for the year		–	–	–	42,793	(2)	42,791
Issue of Ordinary Shares	14	1,148	153,745	–	–	–	154,893
Dividend paid	15	–	–	(17,290)	–	–	(17,290)
Share issue costs		–	(2,039)	–	–	–	(2,039)
Closing balance as at 30 November 2019		**4,352**	**351,331**	**116,003**	**149,545**	**(195)**	**621,036**

FOR THE YEAR ENDED 30 NOVEMBER 2018

	Note	Share capital £'000	Share premium account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Opening balance as at 01 December 2017		2,609	120,934	143,355	32,644	71	299,613
Profit/(loss) for the year		–	–	–	74,108	(193)	73,915
Issue of Ordinary Shares	14	595	79,392	–	–	–	79,987
Dividend paid	15	–	–	(10,062)	–	(71)	(10,133)
Share issue costs		–	(701)	–	–	–	(701)
Closing balance as at 30 November 2018		**3,204**	**199,625**	**133,293**	**106,752**	**(193)**	**442,681**

The Company's distributable reserves consist of the special distributable reserve, capital reserve and revenue reserve.

The Company can use its distributable reserves to fund dividends, redemptions of Ordinary Shares and share buy backs.

The notes on pages 53 to 67 form and integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Note	Year ended 30 November 2019 £'000	Year ended 30 November 2018 £'000
Cash flows from operating activities			
Income*		2,806	1,861
Management expenses		(6,287)	(4,150)
Foreign exchange losses		(2,577)	(1,876)
Taxation		(312)	(222)
Net cash flow used in operating activities		**(6,370)**	**(4,387)**
Cash flows from investing activities			
Purchase of investments		(408,929)	(315,283)
Sale of investments		326,864	218,811
Net cash flow used in investing activities		**(82,065)**	**(96,472)**
Cash flows from financing activities			
Bank loans drawn		10,718	35,352
Finance costs paid		(1,995)	(686)
Dividend paid		(17,290)	(10,133)
Proceeds from issue of shares	13	154,893	79,987
Share issue costs		(2,039)	(701)
Net cash flow from financing activities		**144,287**	**103,819**
Increase in cash and cash equivalents		**55,852**	**2,960**
Cash and cash equivalents at start of year		3,802	842
Cash and cash equivalents at end of year		**59,654**	**3,802**

* Cash inflow from dividends for the financial year was £2,571,000 (2018: £1,827,000).

The notes on pages 53 to 67 form and integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting entity

BB Healthcare Trust plc is a closed-ended investment company, registered in England and Wales on 7 October 2016. The Company's registered office is Mermaid House, 2 Puddle Dock, London EC4V 3DB. Business operations commenced on 2 December 2016 when the Company's Ordinary Shares were admitted to trading on the London Stock Exchange. The financial statements of the Company are presented for the year from 1 December 2018 to 30 November 2019.

The Company invests in a concentrated portfolio of listed or quoted equities in the global healthcare industry. The Company may also invest in American Depositary Receipts (ADRs), or convertible instruments issued by such companies and may invest in, or underwrite, future equity issues by such companies. The Company may utilise contracts for differences for investment purposes in certain jurisdictions where taxation or other issues in those jurisdictions may render direct investment in listed or quoted equities less effective.

2. Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards 'IFRS', the Disclosure Guidance and Transparency Rules ('DTRs') of the UK's Financial Conduct Authority and the provisions of the Companies Act 2006.

When presentational guidance set out in the Statement of Recommended Practice ('SORP') for Investment Companies issued by the Association of Investment Companies ('the AIC') in November 2014 and updated in February 2018 is consistent with the requirements of 'IFRS', the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

Going concern

The Directors have adopted the going concern basis in preparing the financial statements.

The Directors have a reasonable expectation that the Company has adequate operational resources to continue in operational existence for at least twelve months from the date of approval of these financial statements.

Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected. There have been no estimates, judgements or assumptions, which have had a significant impact on the financial statements for the year.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss, which are measured at fair value.

Functional and presentation currency

The financial statements are presented in sterling, which is the Company's functional currency. The Company's investments are denominated in multiple currencies. However, the Company's shares are issued in sterling and the majority of its investors are UK based. In addition all expenses are paid in GBP as are dividends. All financial information presented in sterling have been rounded to the nearest thousand pounds.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

3. Accounting policies

(a) Investments

Upon initial recognition investments are classified by the Company "at fair value through profit or loss". They are accounted for on the date they are traded and are included initially at fair value which is taken to be their cost. Subsequently quoted investments are valued at fair value which is the bid market price, or if bid price is unavailable, last traded price on the relevant exchange. Unquoted investments are valued at fair value by the Board which is established with regard to the International Private Equity and Venture Capital Valuation Guidelines by using, where appropriate, latest dealing prices, valuations from reliable sources and other relevant factors.

The valuation of Company's holding in contingent variable right is disclosed in note 4.

Changes in the fair value of investments held at fair value through profit or loss and gains or losses on disposal are included in the capital column of the Statement of Comprehensive Income within "gains on investments".

Investments are derecognised on the trade date of their disposal, which is the point where the Company transfers substantially all the risks and rewards of the ownership of the financial asset.

(b) Foreign currency

Transactions denominated in foreign currencies are translated into sterling at actual exchange rates as at the date of the transaction. Monetary assets and liabilities, and non-monetary assets held at fair value denominated in foreign currencies are translated into sterling using London closing foreign exchange rates 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 Statement of Comprehensive Income as appropriate. Foreign exchange movements on investments are included in the Statement of Comprehensive Income within "Losses on currency movements".

(c) Income from investments

Dividend income from shares is accounted for on the basis of ex-dividend dates. Overseas income is grossed up at the appropriate rate of tax.

Special dividends are assessed on their individual merits and may be credited to the Statement of Comprehensive Income as a capital item if considered to be closely linked to reconstructions of the investee company or other capital transactions. All other investment income is credited to the Statement of Comprehensive Income as a revenue item. Interest receivable is accrued on a time apportionment basis.

(d) Reserves

Capital reserves

Profits achieved in cash by selling investments and changes in fair value arising upon the revaluation of investments that remain in the portfolio are all charged to the capital column of the Statement of Comprehensive Income and allocated to the capital reserve.

Special distributable reserve

Following admission of the Company's Ordinary Shares to trading on the London Stock Exchange, the Directors applied to the Court to cancel the share premium account so as to create a new special distributable reserve which may be treated as distributable reserves and out of which tender offers and share buybacks may be funded. This reserve may also be used to fund dividend payments.

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses are recognised through the Statement of Comprehensive Income as revenue items except as follows:

Management fees

In accordance with the Company's stated policy and the Directors' expectation of the split of future returns, 80% of investment management fees are charged as a capital item in the Statement of Comprehensive Income.

Finance costs

Finance costs include interest payable and direct loan costs. In accordance with Directors' expectation of the split of future returns, 80% of finance costs are charged as capital items in the Statement of Comprehensive Income. Loan arrangement costs are amortised over the term of the loan.

(f) Cash and cash equivalents

Cash comprises cash at hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risks of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(g) Taxation

Irrecoverable taxation on dividends is recognised on an accruals basis in the Statement of Comprehensive Income.

Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Investment trusts which have approval as such under Section 1158 of the Corporation Tax Act 2010 are not liable for taxation on capital gains.

(h) Financial liabilities

Bank loans and overdrafts are classified as financial liabilities at amortised cost. They are initially recorded at the proceeds received, net of direct issue costs, and subsequently recorded at amortised cost using the effective interest method.

(i) IFRS standards that have yet to be adopted

A number of new standards, amendments to standards and interpretations are effective for the annual periods beginning after 1 January 2019 and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the measurement of the amounts recognised in the financial statements of the Company.

IFRS 16 – Leases (effective 1 January 2019) specifies accounting for leases and removes the distinction between operating and finance leases. This standard is not applicable to the Company as it has no leases.

IFRIC 23 – Uncertainty over Income Tax Treatments seeks to provide clarity on how to account for uncertainty over income tax treatments and specifies that an entity must consider whether it is probable that the relevant tax authority will accept each tax treatment or group of tax treatments, that it plans to use in its income tax filing. The interpretation also requires companies to reassess the judgements and estimates applied if facts and circumstances change. The interpretation would require the Company to recognise uncertain tax positions which are more than probable within its financial statements.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

3. Accounting policies continued

The interpretation is unlikely to have any impact on the financial statements of the Company.

(j) Adoption of new and amended standards and interpretations

In the current year, the Company has adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

IFRS 9 Financial Instruments revises the approach to financial instruments framework replacing IAS 39 Financial Instruments: Recognition and Measurement. The classification and measurement of the Company's financial instruments were not impacted upon adoption of IFRS 9, and the adoption of the expected credit loss model did not result in a material increase in impairment allowance.

IFRS 15 Revenue from Contracts with Customers revises the approach to revenue recognition from contracts with customers and replaces IAS 11 Accounting for construction contracts. Therefore, there was no impact of adopting IFRS 15 for the Company.

(k) Equity shares

The Company has treated the Ordinary Shares and Management Shares as equity in accordance with IAS 32 Financial Instruments: Presentation, which classifies financial instruments into financial assets, financial liabilities and equity instruments. Both share classes have an entitlement to the residual interest in the assets of the Company after deducting liabilities, suffice that the Management Shares have no participation in any surplus beyond their paid up capital. The Management Shares are not redeemable but the Ordinary Shares are subject to an annual redemption option at the discretion of the Directors. Ordinary Shares participate in dividends and any other profits of the Company.

4. Investments held at fair value through profit or loss

(a) Summary of valuation

As at	30 November 2019 £'000	30 November 2018 £'000
Investments held at fair value through profit or loss		
– Quoted in UK	26,176	–
– Quoted overseas	600,207	487,630
Closing valuation	**626,383**	**487,630**

(b) Movements in valuation

	£'000	£'000
Opening valuation	487,630	312,238
Movement in unrealised gains on investments	(59,142)	(18,591)
Opening book cost	428,488	293,647
Additions, at cost	414,700	314,799
Disposals, at cost	(274,982)	(179,958)
Closing book cost	568,206	428,488
Revaluation of investments	58,177	59,142
Closing valuation	**626,383**	**487,630**

Transaction costs on investment purchases for the year ended 30 November 2019 amounted to £257,000 (30 November 2018: £140,000) and on investment sales for the financial year to 30 November 2019 amounted to £139,000 (30 November 2018: £106,000).

(c) Gains on investments

	£'000	£'000
Realised gains on disposal of investments	51,625	38,853
Movement in unrealised (losses)/gains on investments held	(965)	40,551
Total gains on investments	**50,660**	**79,404**

Under IFRS 13 'Fair Value Measurement', an entity is required to classify investments using a fair value hierarchy that reflects the significance of the inputs used in making the measurement decision.

The following shows the analysis of financial assets recognised at fair value based on:

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 (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The classification of the Company's investments held at fair value is detailed in the table below:

	30 November 2019			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments at fair value through profit and loss – Quoted	625,769	–	614	**626,383**

The level 3 investment comprises a contingent variable right ("CVR") received as a partial consideration when the Company's investment in Alder Biopharmaceuticals was acquired by Lundbeck, which offered to buy the holdings in Alder Biopharmaceuticals for a cash bid of $18 and $2 cash contingent value rights. The Portfolio Manager's value of the CVR as of 30 November 2019 was £614,000.

	30 November 2018			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments at fair value through profit and loss – Quoted	487,630	–	–	**487,630**

There were no transfers between levels during the year ending 30 November 2019 (30 November 2018: nil).

Fair values of financial assets and financial liabilities

All financial assets and liabilities are recognised in the financial statements at fair value, with the exception of short-term assets and liabilities, which are held at nominal value that approximates to fair value, and loans that are initially recognised at the fair value of the consideration received, less directly attributable costs, and subsequently recognised at amortised cost. The carrying value of the loans approximates to the fair value of the loans.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

5. Income

	2019 £'000	2018 £'000
Income from investments		
Overseas dividends	2,375	1,612
UK dividends	59	124
Bank interest on deposits	235	34
Total income	**2,669**	**1,770**

6. Portfolio management fee

	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
Management fee	1,009	4,036	**5,045**	661	2,643	**3,304**

The Company's Portfolio Manager is Bellevue Asset Management AG (the 'Portfolio Manager'). The Portfolio Manager is entitled to receive a management fee payable monthly in arrears and calculated at the rate of one-twelfth of 0.95% per calendar month of market capitalisation. Market capitalisation means the average of the mid-market prices for an Ordinary Share, as derived from the daily official list of the London Stock Exchange on each business day in the relevant calendar month multiplied by the number of Ordinary Shares, in issue on the last business day of the relevant calendar month excluding any Ordinary Shares held in treasury.

7. Other expenses

	2019* £'000	2018 £'000
Administration & secretarial fees	223	214
AIFM fees	102	97
Auditor's remuneration**	33	39
Broker fees	30	36
Consultancy fees	29	38
Custody services	176	109
Directors' fees	162	158
Printing	24	10
Public relations	32	24
Registrar fees	56	51
Other expenses	164	108
*** VAT recoverable	(110)	–
Total	**921**	**884**

* Excluding Value Added Tax ("VAT") where applicable.

** Auditor's remuneration for 2019 does not include VAT of £6,000, whereas 2018 include VAT of £6,000.

*** This is in relation to the partial VAT recoverable on the Company's expenses since inception to 30 November 2018. The current year's VAT recoverable amount of £98,000 has been netted against the relevant expenses above.

8. Finance costs

	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
Loan interest	400	1,599	**1,999**	179	715	**894**
Other finance costs	29	118	**147**	17	62	**79**
Total	**429**	**1,717**	**2,146**	**196**	**777**	**973**

9. Taxation

(a) Analysis of charge:

	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
Withholding tax expense	312	–	**312**	222	–	**222**
Total tax charge for the year (note 9b)	**312**	**–**	**312**	**222**	**–**	**222**

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

The effective UK corporation tax rate for the year is 19.00% (2018: 19.00%). The tax charge differs from the charge resulting from applying the standard rate of UK corporation tax for an investment trust company. The differences are explained below:

	2019 Total £'000	2018 Total £'000
Operating profit before taxation	43,103	74,137
UK Corporation tax at 19.00% (2018: 19.00%)	8,190	14,086
Effects of:		
Gains on investments not taxable	(9,224)	(14,730)
UK dividends not taxable	(11)	(24)
Overseas dividends not taxable	(451)	(306)
Withholding tax expense	312	222
Unutilised excess expenses	1,496	974
Total tax charge	**312**	**222**

The Company is not liable to tax on capital gains due to its status as an investment trust. The Company has an unrecognised deferred tax asset of £2,699,000 (2018: £1,360,000) based on the prospective UK corporation tax rate of 17%. This asset has accumulated because deductible expenses exceeded taxable income for the year ended 30 November 2019. No asset has been recognised in the accounts because, given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

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10. Return per Ordinary Share

Return per Share is based on the weighted average number of Ordinary Shares in issue during the year ended 30 November 2019 of 396,695,325 (30 November 2018: 277,060,711).

	As at 30 November 2019			As at 30 November 2018		
	Revenue	Capital	Total	Revenue	Capital	Total
(Loss)/Profit for the year (£'000)	(2)	42,793	**42,791**	(193)	74,108	**73,915**
Return per Ordinary Share	0.00p	10.79p	**10.79p**	(0.07)p	26.75p	**26.68p**

11. Other receivables

	As at 30 November 2019 £'000	As at 30 November 2018 £'000
Prepayments	179	81
VAT Receivables	372	–
	551	**81**

12. Bank loans

The Company agreed a multi-currency revolving credit facility with Scotiabank (Ireland) Designated Activity Company on 23 February 2017. A replacement facility was agreed with Scotiabank in January 2019 under which the Company may draw down loans up to an aggregate value of USD 100 million (2018: £50 million). The facility also has an uncommitted accordion option which, subject to the agreement of Scotiabank, provides the Company with the flexibility to increase the facility by a further USD 50 million. The replacement facility will expire in January 2021.

As at 30 November 2019, the aggregate of loans outstanding was £58,393,000, comprising £6,700,000 and $66,850,000 equivalent of £51,693,000 (2018: £48,138,000, comprising £6,700,000 and $52,850,000 equivalent of £41,438,000).The table below shows the breakdown of the loans.

Currency of loans	Local currency amount	£'000	Interest rate per annum (%)	Maturity date
GBP loan	£500,000	500	1.89888	24 Feb. 2020
GBP loan	£1,700,000	1,700	1.89888	24 Feb. 2020
GBP loan	£4,500,000	4,500	1.89888	24 Feb. 2020
USD loan	$4,700,000	3,634	3.32688	5 Feb. 2020
USD loan	$48,150,000	37,233	3.12363	24 Feb. 2020
USD loan	$14,000,000	10,826	3.30488	30 Jan. 2020
		58,393		

As at 30 November 2018

Currency of loans	Local currency amount	£'000	Interest rate per annum (%)	Maturity date
GBP loan	£500,000	500	2.09863	22 Feb. 2019
GBP loan	£1,700,000	1,700	2.09863	22 Feb. 2019
GBP loan	£4,500,000	4,500	2.07249	22 Feb. 2019
USD loan	$5,600,000	4,391	3.70278	22 Feb. 2019
USD loan	$4,000,000	3,136	3.71045	22 Feb. 2019
USD loan	$4,700,000	3,685	3.7305	4 Feb. 2019
USD loan	$8,000,000	6,273	3.70969	7 Jan. 2019
USD loan	$8,300,000	6,508	3.71017	22 Feb. 2019
USD loan	$6,500,000	5,096	3.71483	22 Feb. 2019
USD loan	$5,500,000	4,312	3.71308	22 Feb. 2019
USD loan	$10,250,000	8,037	3.77988	22 Feb. 2019
		48,138		

A commitment fee is calculated at 0.35 per cent per annum, if the unutilised amount equals or exceeds 50 per cent of the total commitment; or 0.45 per cent per annum if the unutilised amount is less than 50 per cent of the total commitment.

In the opinion of the Directors, the fair value of the bank loans is not materially different to their amortised costs. Unamortised arrangement fees as at 30 November 2019 amounted to £31,000 (30 November 2018: £64,000).

13. Other payables

	As at 30 November 2019 £'000	As at 30 November 2018 £'000
Loan interest payable	519	369
Accrued expenses	612	462
	1,131	**831**

14. Share capital

	As at 30 November 2019		As at 30 November 2018	
	No. of shares	£'000	No. of shares	£'000
Allotted, issued and fully paid:				
Redeemable Ordinary Shares of 1p each ('Ordinary Shares')	433,957,062	4,339	319,107,794	3,191
Management Shares of £1 each	50,001	13	50,001	13
Total	**434,007,063**	**4,352**	**319,157,795**	**3,204**

Share movement
During the year to 30 November 2019, 114,849,268 Ordinary Shares (30 November 2018: 59,538,526) were issued with gross aggregate proceeds of £154,893,000 (30 November 2018: £79,987,000).

NOTES TO THE FINANCIAL STATEMENTS

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14. Share capital continued

Since 30 November 2019, a further 2,100,000 Ordinary Shares have been issued with gross aggregate proceeds of £3.1 million.

15. Dividend

	Year ended 30 November 2019 Pence per Ordinary Share	Special reserve £'000	Revenue reserve £'000	Total £'000	Year ended 30 November 2018 Pence per Ordinary Share	Special reserve £'000	Revenue reserve £'000	Total £'000
Final dividend – 2017	–	–	–	**–**	1.750p	4,579	71	**4,650**
Interim dividend – 2018	–	–	–	**–**	2.000p	5,483	–	**5,483**
Final dividend – 2018	2.000p	7,264	–	**7,264**	–	–	–	**–**
Interim dividend – 2019	2.425p	10,026	–	**10,026**	–	–	–	**–**
Total	**4.425p**	**17,290**	**–**	**17,290**	**3.750**	**10,062**	**71**	**10,133**

The dividend relating to the year ended 30 November 2019, which is the basis on which the requirements of Section 1159 of the Corporation Tax Act 2010 are considered is detailed below:

	Year ended 30 November 2019 Pence per Ordinary Share	Special distributable reserve £'000	Revenue reserve £'000	Total £'000	Year ended 30 November 2018 Pence per Ordinary Share	Special distributable reserve £'000	Revenue reserve £'000	Total £'000
Interim dividend – paid	2.425p	10,026	–	**10,026**	2.000p	5,483	–	**5,483**
Final dividend – payable/paid	2.425p	10,574	–	**10,574**	2.000p	7,264	–	**7,264**
Total	**4.850p**	**20,600**	**–**	**20,600**	**4.000p**	**12,747**	**–**	**12,747**

The Directors recommend the payment of a final dividend for the year of 2.425p per Ordinary Share. Subject to approval at the Company's Annual General Meeting, the dividend will have an ex-dividend date of 5 March 2020 and will be paid on 9 April 2020 to shareholders on the register at 6 March 2020. The dividend will be funded from the Company's distributable reserves.

16. Net assets per Ordinary Share

Net assets per Ordinary Share as at 30 November 2019 is based on £621,036,000 (2018: £442,681,000) of net assets of the Company attributable to the 433,957,062 (2018: 319,107,794) Ordinary Shares in issue (excluding treasury shares). At 30 November 2019 £12,500 (2018: £12,500) of net assets was attributable to the Management Shares.

17. Related party transactions

Fees payable to the Portfolio Manager are shown in the Statement of Comprehensive Income. As at 30 November 2019, the fee outstanding to the Portfolio Manager was £450,000 (2018: £345,000).

Directors' fees paid during the year are disclosed within the Directors Remuneration Report on page 35. Fees payable as at 30 November 2019 were £26,950 (2018: £26,250). The Directors' shareholdings are disclosed in the Directors' Remuneration Implementation Report on page 35.

18. Post balance sheet events

There are no post balance sheet events since the year end.

19. Financial instruments and capital disclosures

(i) Market risks

The Company is subject to a number of market risks in relation to economic conditions and healthcare companies. Further details on these risks and the management of these risks are included in the Directors' report.

The Company's financial assets and liabilities at 30 November 2019 comprised:

Investments	2019 Interest bearing £'000	2019 Non-interest bearing £'000	2019 Total £'000	2018 Interest bearing £'000	2018 Non-interest bearing £'000	2018 Total £'000
Sterling	–	16,623	**16,623**	–	–	**–**
Swiss franc	–	–	**–**	–	24,716	**24,716**
Danish krone	–	11,418	**11,418**	–	–	**–**
US dollar	–	598,342	**598,342**	–	462,914	**462,914**
Total investment	**–**	**626,383**	**626,383**	**–**	**487,630**	**487,630**
Floating rate						
Cash at bank	59,654	–	**59,654**	3,802	–	**3,802**
Short term debtors	–	551	**551**	–	218	**218**
Bank loans payable – US dollar	(6,700)	–	**(6,700)**	(6,700)	–	**(6,700)**
Bank loans payable – sterling	(51,693)		**(51,693)**	(41,438)	–	**(41,438)**
Short term creditors	–	(7,159)	**(7,159)**	–	(831)	**(831)**
Total	**1,261**	**(6,608)**	**(5,347)**	**(44,336)**	**(613)**	**(44,949)**

Market price risk sensitivity

The effect on the portfolio of a 10.0% increase or decrease in market prices would have resulted in an increase or decrease of £62,638,000 (2018: £48,763,000) in the investments held at fair value through profit or loss at the year end date, which is equivalent to 10.1% (2018: 11.0%) in the net assets attributable to equity holders. This analysis assumes that all other variables remain constant.

(ii) Liquidity risks

There is a risk that the Company's holdings may not be able to be realised at reasonable prices in a reasonable timeframe.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

19. Financial instruments and capital disclosures continued

Financial liabilities by maturity at the year end are shown below:

	30 November 2019 £'000	30 November 2018 £'000
Within one month	7,159	831
Between one and three months	58,393	48,138
Between three months and one year	–	–
More than one year	–	–
Total	**65,552**	**48,969**

Management of liquidity risks

The Company will typically seek to maintain a high degree of liquidity in its portfolio holdings (such that a position could typically be exited within 1 to 5 trading days, with minimal price impact) and as a consequence of the concentrated approach, it is unlikely that a position will be taken in a company unless a minimum holding of 1.0 per cent of gross assets at the time of investment can be achieved within an acceptable level of liquidity.

The Company's Portfolio Manager monitors the liquidity of the Company's portfolio on a regular basis. See note 12 for the maturity profiles of the bank loans. Other payables are typically settled within a month.

(iii) Currency risks

Although the Company's performance is measured in sterling, a high proportion of the Company's assets may be either denominated in other currencies or be in investments with currency exposure.

Currency sensitivity

The below table shows the strengthening/(weakening) of sterling against the local currencies over the financial year for the Company's financial assets and liabilities held at 30 November 2019.

	30 November 2019 % change	30 November 2018 % change
Danish kroner	4.2	(0.5)
Euro	4.1	(0.8)
Swiss franc	1.5	(4.2)
US dollar	1.3	(5.6)

Foreign currency risk profile

	30 November 2019 Investment exposure £'000	30 November 2019 Net monetary exposure £'000	30 November 2019 Total currency exposure £'000	30 November 2018 Investment exposure £'000	30 November 2018 Net monetary exposure £'000	30 November 2018 Total currency exposure £'000
Danish kroner	11,418	54	**11,472**	–	3	**3**
Euro	–	3	**3**	–	6	**6**
Swiss franc	–	304	**304**	24,716	19	**24,735**
US dollar	598,342	54,002	**652,344**	462,914	401	**463,315**
Total investment	**609,760**	**54,363**	**664,123**	**487,630**	**429**	**488,059**

Based on the financial assets and liabilities at 30 November 2019 and all other things being equal, if sterling had weakened against the local currencies by 10%, the impact on the Company's net assets at 30 November 2019 would have been as follows:

	30 November 2019 £'000	30 November 2018 £'000
Danish kroner	1,147	–
Euro	–	1
Swiss franc	30	2,474
US dollar	65,234	46,332

Management of currency risks

The Company's Portfolio Manager monitors the currency risk of the Company's portfolio on a regular basis. Foreign currency exposure is regularly reported to the Board by the Portfolio Manager.

Currency risk will not be hedged using any sort of foreign currency transactions, forward transactions or derivative instruments.

(iv) Leverage risks

The Company may use borrowings to seek to enhance investment returns. While the use of borrowings should enhance the total return on the Ordinary Shares where the return on the Company's underlying assets is rising and exceeds the cost of borrowing, it will have the opposite effect where the return on the Company's underlying assets is rising at a lower rate than the cost of borrowing or falling, further reducing the total return on the Ordinary Shares. As a result, the use of borrowings by the Company may increase the volatility of the Net Asset Value per Ordinary Share.

Any reduction in the value of the Company's investments may lead to a correspondingly greater percentage reduction in its Net Asset Value (which is likely to adversely affect the price of an Ordinary Share). Any reduction in the number of Ordinary Shares in issue (for example, as a result of buy backs or redemptions) will, in the absence of a corresponding reduction in borrowings, result in an increase in the Company's level of gearing.

To the extent that a fall in the value of the Company's investments causes gearing to rise to a level that is not consistent with the Company's gearing policy or borrowing limits, the Company may have to sell investments in order to reduce borrowings, which may give rise to a significant loss of value compared to the book value of the investments, as well as a reduction in income from investments.

The Company will pay interest on its borrowings. As such, the Company is exposed to interest rate risk due to fluctuations in the prevailing market rates.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

19. Financial instruments and capital disclosures continued

As at the year end, the Company's gearing ratio was 0.9 % (2018: 10.2%), based on the drawn down loans as a percentage of gross asset value excluding cash and cash equivalents.

As at the year end, the Company did not hold any derivative instruments.

Management of leverage risks

Gearing will be deployed flexibly up to 20 per cent of the Net Asset Value, at the time of borrowing, although the Portfolio Manager expects that gearing will, over the longer term, average between 5 and 10 per cent of the Net Asset Value. In the event the 20 per cent limit is breached as a result of market movements, and the Board considers that borrowing should be reduced, the Portfolio Manager shall be permitted to realise investments in an orderly manner so as not to prejudice shareholders.

Further details of the Company's bank loans are disclosed in note 12.

(v) Interest rate risks

The Company pays interest on its borrowings. As such, the Company is exposed to interest rate risk due to fluctuations in the prevailing market rates.

Management of interest rate risks

Prevailing interest rates are taken into account when deciding on borrowings.

The Company had bank loans denominated in GBP and USD in place during the year. The loan interest is based on a variable rate. Based on the loans outstanding at the year end a change of 0.25% in interest rates would increase/(decrease) annual profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant:

	Loans at 30 November 2019 £'000	Profit or loss 0.25% decrease £'000	Profit or loss 0.25% increase £'000	Loans at 30 November 2018 £'000	Profit or loss 0.25% decrease £'000	Profit or loss 0.25% increase £'000
USD loan	51,693	129	(129)	41,438	104	(104)
GBP loan	6,700	17	(17)	6,700	17	(17)
Total	**58,393**	**146**	**(146)**	**48,138**	**121**	**(121)**

(vi) Credit risks

Cash and other assets that are required to be held in custody will be held by the depositary or its sub-custodians. Where the Company utilises derivative instruments, it is likely to take a credit risk with regard to the parties with whom it trades and may also bear the risk of settlement default.

Management of credit risks

The Company has appointed Caceis Bank, UK Branch as its depositary. The credit rating of Caceis was reviewed at the time of appointment and will be reviewed on a regular basis by the Portfolio Manager and/or the Board.

The Portfolio Manager monitors the Company's exposure to its counterparties on a regular basis and trades in equities are performed on a delivery versus payment basis.

The Company's assets are segregated from those of the Depositary or any of its sub-custodians.

At 30 November 2019, the Depository held £626,383,000 (2018: £487,630,000) in respect of quoted investments and £59,654,000 (2018: £3,802,000) in respect of cash on behalf of the Company.

(vii) Capital management policies and procedures

The Company considers its capital to consist of its share capital of Ordinary Shares of 1p each, Management Shares of £1 each, reserves totalling £621,036,000 (2018: £442,681,000) and bank loans payable £58,393,000 (2018: £48,138,000).

The Company has a redemption facility through which shareholders will be entitled to request the redemption of all or part of their holding of Ordinary Shares on an annual basis. The first redemption point for the Ordinary Shares was 30 November 2019 and will be annual thereafter. The Redemption facility is entirely at the discretion of the Directors.

The Portfolio Manager and the Company's broker monitor the demand for the Company's shares and the Directors review the position at Board meetings.

The Company's policy on borrowings is detailed in the Director's Report on page 16.

Use of distributable reserves is disclosed in the footnotes on the Statement of changes in equity on page 51.

The Company regularly monitors, and has complied, with the externally imposed capital requirements arising from the borrowing facility.

ALTERNATIVE PERFORMANCE MEASURES

Gearing

A way to magnify income and capital returns, but which can also magnify losses. A bank loan is a common method of gearing.

As at 30 November 2019		Page	£'000
Total assets less cash/cash equivalents	a	50	626,934
Net assets	b	50	621,036
Gearing (net)	**(a÷b)-1**	**3**	**0.9%**

Leverage

An alternative word for "Gearing". (See gearing for calculation)

Under AIFMD, leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded in derivative positions.

Under AIFMD, leverage is broadly similar to gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowing). Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

Ongoing charges

A measure, expressed as a percentage of average net assets, of the regular, recurring annual costs of running an investment company.

Year ended 30 November 2019 (Audited)		Page	£'000
Average NAV	a	n/a	520,823,165
Annualised expenses*	b	n/a	6,174,000
Ongoing charges	**(b÷a)**	**1**	**1.19%**

* Annualised expenses excluding non-recurring VAT recovered amount of £208,000, which is the revenue element of the total VAT recoverable of £372,000.

Premium

The amount, expressed as a percentage, by which the share price is more than the Net Asset Value per share.

As at 30 November 2019 (Audited)		Page	£'000
NAV per Ordinary Share (pence)	a	1	143.11
Share price (pence)	b	1	145.00
Premium	**(b÷a)-1**	**1**	**1.3%**

Total return

A measure of performance that includes both income and capital returns. This takes into account capital gains and reinvestment of dividends paid out by the Company into the Ordinary Shares of the Company on the ex-dividend date.

Year ended 30 November 2019 (Audited)		Page	Share price	NAV
Opening at 1 December 2018 (p)	**a**	1	140.00	138.72
Closing at 30 November 2019 (p)	**b**	1	145.00	143.11
Price movement (b÷a)-1	**c**	n/a	3.6%	3.2%
Dividend reinvestment	**d**	n/a	3.3%	3.4%
Total return	**(c+d)**	**1**	**6.9%**	**6.6%**

n/a = not applicable

GLOSSARY

American Depositary Receipt or "ADR"	A negotiable certificate issued by a U.S. bank representing a specified number of shares in a foreign stock traded on a U.S. exchange.
AIC	Association of Investment Companies.
Alternative Investment Fund or "AIF"	An investment vehicle under AIFMD. Under AIFMD (see below) the Company is classified as an AIF.
Alternative Investment Fund Managers Directive or "AIFMD"	A European Union directive which came into force on 22 July 2013 and has been implemented in the UK.
Annual General Meeting or "AGM"	A meeting held once a year which shareholders can attend and where they can vote on resolutions to be put forward at the meeting and ask Directors questions about the company in which they are invested.
Custodian	An entity that is appointed to safeguard a company's assets.
Discount	The amount, expressed as a percentage, by which the share price is less than the net asset value per share.
Depositary	Certain AIFs must appoint depositaries under the requirements of AIFMD. A depositary's duties include, inter alia, safekeeping of the Company's assets and cash monitoring. Under AIFMD the depositary is appointed under a strict liability regime.
Dividend	Income receivable from an investment in shares.
Ex-dividend date	The date from which you are not entitled to receive a dividend which has been declared and is due to be paid to shareholders.
Financial Conduct Authority or "FCA"	The independent body that regulates the financial services industry in the UK.
Gearing	A way to magnify income and capital returns, but which can also magnify losses. A bank loan is a common method of gearing.
Gross assets	The Company's total assets adjusted for any leverage amount (outstanding bank loan).
Index	A basket of stocks which is considered to replicate a particular stock market or sector.
Investment company	A company formed to invest in a diversified portfolio of assets.
Investment Trust	An investment company which is based in the UK and which meets certain tax conditions which enables it to be exempt from UK corporation tax on its capital gains. The Company is an investment trust.
Large Cap	A Company with a market capitalisation above $10 billion.

Leverage	An alternative word for "Gearing". Under AIFMD, leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded in derivative positions. Under AIFMD, leverage is broadly similar to gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowing). Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.
Liquidity	The extent to which investments can be sold at short notice.
Management Shares	Non-redeemable preference shares of £1.00 each in the capital of the Company.
Mega Cap	A Company with a market capitalisation above $50 billion.
Net assets	An investment company's assets less its liabilities.
Net asset value (NAV) per Ordinary Share	Net assets divided by the number of Ordinary Shares in issue (excluding any shares held in treasury).
Ongoing charges ratio	A measure, expressed as a percentage of *average net assets*, of the regular, recurring annual costs of running an investment company.
Ordinary Shares	The Company's redeemable Ordinary Shares of 1p each.
Portfolio	A collection of different investments held in order to deliver returns to shareholders and to spread risk.
Premium	The amount, expressed as a percentage, by which the share price is more than the net asset value per share.
Share buyback	A purchase of a company's own shares. Shares can either be bought back for cancellation or held in treasury.
Share price	The price of a share as determined by a relevant stock market.
Small Cap	A Company with a market capitalisation less than $2 billion.
Total return	A measure of performance that takes into account both income and capital returns. This may take into account capital gains, dividends, interests and other realised variables over a given period of time.
Treasury shares	A company's own shares which are available to be sold by a company to raise funds.
Volatility	A measure of how much a share moves up and down in price over a period of time.

DIRECTORS, PORTFOLIO MANAGER AND ADVISERS

Directors
Randeep Grewal (Chairman)
Professor Justin Stebbing
Josephine Dixon
Paul Southgate

Joint Broker
Peel Hunt LLP
Moor House
120 London Wall
London EC2Y 5ET

Joint Broker
J.P. Morgan Cazenove
25 Bank Street
Canary Wharf
E14 5JP

Depositary
CACEIS Bank, UK Branch
Broadwalk House
5 Appold Street
London EC2A 2DA

Registrar
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Legal Adviser
Stephenson Harwood LLP
1 Finsbury Circus
London EC2M 7SH

Portfolio Manager
Bellevue Asset Management AG
CH-8700 Kusnacht / Zurich
Seestrasse 16
Switzerland

Investment Adviser
Bellevue Asset Management (UK) Ltd
32 London Bridge Street
24th Floor
London SE1 9SG

Secretary & Administrator
PraxisIFM Fund Services (UK) Limited
Mermaid House
2 Puddle Dock
London EC4V 3DB

Auditors
Ernst & Young LLP
25 Churchill Place
Canary Wharf
London E14 5EY

AIFM
Mirabella Financial Services LLP
Norfolk House
31 St James's Square
London SW1Y 4JJ

Registered Office*
Mermaid House
2 Puddle Dock
London EC4V 3DB

* Registered in England and Wales No. 10415235.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of BB Healthcare Trust plc will be held at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London, EC2M 7SH on 23 March 2020 at 11.00 a.m. for the following purposes:

To consider and if thought fit pass the following resolutions of which resolutions 1 to 10 will be proposed as ordinary resolutions and resolutions 11 to 13 will be proposed as special resolutions.

1. To receive the Company's Annual Report and Accounts for the year ended 30 November 2019, with the reports of the Directors and auditors thereon.

2. To approve the Directors' Remuneration Implementation Report included in the Annual Report for the year ended 30 November 2019.

3. To re-elect Randeep Grewal as a Director of the Company.

4. To re-elect Josephine Dixon as a Director of the Company.

5. To re-elect Justin Stebbing as a Director of the Company.

6. To re-elect Paul Southgate as a Director of the Company.

7. To re-appoint Ernst & Young LLP as auditor to the Company.

8. To authorise the Directors to fix the remuneration of the auditor until the conclusion of the next Annual General Meeting of the Company.

9. To approve a final dividend of 2.425p per Ordinary Share of the Company in respect of the year ended 30 November 2019.

10. That the Directors be and are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (in substitution for all subsisting authorities to the extent unused) to exercise all the powers of the Company to allot up to 43,605,706 Ordinary Shares of 1p each in the capital of the Company ("Ordinary Shares"), such authority to expire (unless previously varied, revoked or renewed by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company to be held in 2021 or, if earlier, on the expiry of 15 months from the passing of this resolution, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment of shares in pursuance of such an offer or agreement as if such authority had not expired;

11. That, subject to the passing of resolution 10, in substitution for any existing power under sections 570 and 573 of the Companies Act 2006 but without prejudice to the exercise of any such power prior to the date hereof, the Directors be and are hereby empowered (pursuant to sections 570 and 573 of the Companies Act 2006) to allot Ordinary Shares of 1p each and to sell Ordinary Shares of 1p each from treasury for cash pursuant to the authority referred to in Resolution 10 above as if section 561 of the Act did not apply to any such allotment or sale, such power to expire (unless previously varied, revoked or renewed by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company to be held in 2021 or, if earlier, on the expiry of 15 months from the passing of this resolution, save that the Company may, at any time prior to the expiry of such power, make an offer or enter into an agreement which would or might require equity securities to be allotted or sold from treasury after the expiry of such power, and the Directors may allot or sell from treasury equity securities in pursuance of such an offer or an agreement as if such power had not expired;

12. That the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 ("the Act") to make market purchases (within the meaning of section 693(4) of the Act) of its Ordinary Shares of 1p each, provided that:

NOTICE OF ANNUAL GENERAL MEETING

CONTINUED

(a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 65,364,953 (representing 14.99% of the Company's issued Ordinary Share capital (excluding shares held in Treasury) at the date of the notice of this meeting);

(b) the minimum price (exclusive of any expenses) which may be paid for an Ordinary Share is 1p;

(c) the maximum price (excluding expenses) which may be paid for an Ordinary Share is not more than the higher of (i) 5% above the average of the middle market quotations for the Ordinary Shares for the five business days immediately before the day on which it purchases that share and (ii) the higher of the price of the last independent trade and the highest current independent bid for the Ordinary Shares;

(d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2021 or, if earlier, on the expiry of 15 months from the passing of this resolution, unless such authority is renewed prior to such time; and

(e) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority, which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract.

13. That a general meeting of the Company other than an Annual General Meeting may be called on not less than 14 clear days' notice, provided that this authority shall expire at the conclusion of the Company's next Annual General Meeting after the date of the passing of this resolution.

Registered Office:
Mermaid House
Puddle Dock
London EC4V 3DB

By order of the Board
Brian Smith
For and on behalf of
PraxisIFM Fund Services (UK) Limited
Company Secretary

20 February 2020

NOTES TO NOTICE OF ANNUAL GENERAL MEETING

Website address

1. Information regarding the meeting, including the information required by section 311A of the Companies Act 2006, is available from **www.bbhealthcaretrust.com**

Entitlement to attend and vote

2. Only those holders of Ordinary Shares registered on the Company's register of members at 11.00 am on 20 March 2020 or, if this meeting is adjourned, at close of business on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the meeting.

Appointment of Proxies

3. Members entitled to attend, speak and vote at the meeting (in accordance with Note 2 above) are entitled to appoint one or more proxies to attend, speak and vote in their place. If you wish to appoint a proxy please use the Form of Proxy enclosed with this document or follow the instructions at note 7 below if you wish to appoint a proxy through the CREST electronic proxy appointment service. In the case of joint members, only one need sign the Form of Proxy. The vote of the senior joint member will be accepted to the exclusion of the votes of the other joint members. For this purpose, seniority will be determined by the order in which the names of the members appear in the register of members in respect of the joint shareholding. The completion and return of the Form of Proxy will not stop you attending and voting in person at the meeting should you wish to do so. A proxy need not be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise the rights attached to a different share or shares held by you. If you choose to appoint multiple proxies use a separate copy of this form (which you may photocopy) for each proxy, and indicate after the proxy's name the number of shares in relation to which they are authorised to act (which, in aggregate, should not exceed the number of Ordinary Shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned in the same envelope.

4. You can appoint the Chairman of the Meeting, or any other person, as your proxy. If you wish to appoint someone other than the Chairman, cross out the words "the Chairman of the Meeting" on the Form of Proxy and insert the full name of your appointee.

5. You can instruct your proxy how to vote on each resolution by ticking the "For" and "Against" boxes as appropriate (or entering the number of shares which you are entitled to vote). If you wish to abstain from voting on any resolution please tick the box which is marked "Vote Withheld". It should be noted that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes "For" and "Against" a resolution. If you do not indicate on the Form of Proxy how your proxy should vote, he/she can exercise his/her discretion as to whether, and if how so how, he/she votes on each resolution, as he/she will do in respect of any other business (including amendments to resolutions) which may properly be conducted at the meeting.

   A company incorporated in England and Wales or Northern Ireland should execute the Form of Proxy under its common seal or otherwise in accordance with Section 44 of the Companies Act 2006 or by signature on its behalf by a duly authorised officer or attorney whose power of attorney or other authority should be enclosed with the Form of Proxy.

Appointment of Proxy using Hard Copy Form

6. The Form of Proxy and any power of attorney (or a notarially certified copy or office copy thereof) under which it is executed must be received by Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, BR3 4TU at 11 a.m. on 20 March 2020 in respect of the meeting. Any Forms of Proxy received before such time will be deemed to have been received at such time. In the case of an adjournment, the Form of Proxy must be received by Link Asset Services no later than 48 hours before the rescheduled meeting.

NOTICE OF ANNUAL GENERAL MEETING

CONTINUED

On completing the Form of Proxy, sign it and return it to Link Asset Services at the address shown on the Form of Proxy in the envelope provided. As postage has been pre-paid no stamp is required.

Appointment of Proxy through CREST

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting to be held on the above date and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to a proxy's appointee through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

   All messages relating to the appointment of a proxy or an instruction to a previously appointed proxy, which are to be transmitted through CREST, must be lodged at 11 a.m. on 20 March 2020 in respect of the meeting. Any such messages received before such time will be deemed to have been received at such time. In the case of an adjournment, all messages must be lodged with Link Asset Services no later than 48 hours before the rescheduled meeting.

Termination of proxy appointments

8. In order to revoke a proxy instruction you will need to inform the Company. Please send a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, BR3 4TU.

   In the case of a member which is a company, the revocation notice must be executed under its common seal or otherwise in accordance with section 44 of the Companies Act 2006 or by signature on its behalf by an officer or attorney whose power of attorney or other authority should be included with the revocation notice.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified in note 2 above then, subject to the paragraph directly below, your proxy will remain valid.

Completion of a Form of Proxy will not preclude a member from attending and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will be automatically terminated.

If you submit more than one valid proxy appointment in respect of the same Ordinary Shares, the appointment received last before the latest time for receipt of proxies will take precedence.

Nominated Persons

9. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights:

- You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights (Relevant Member) to be appointed or to have someone else appointed as a proxy for the meeting.
- If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights.
- Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in the notes to the form of proxy.

Questions at the Meeting

10. Under section 319A of the Companies Act 2006, the Company must answer any question you ask relating to the business being dealt with at the meeting unless:

- answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
- the answer has already been given on a website in the form of an answer to a question; or
- it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Issued Shares and total voting rights

11. As at the date of this Notice, the total number of shares in issue is 436,057,062 Ordinary Shares of 1p each and 50,001 management shares. The total number of shares with voting rights is 436,057,062 Ordinary Shares. On a vote by a show of hands, every holder of Ordinary Shares who (being an individual) is present by a person, by proxy or (being a corporation) is present by a duly authorised representative, not being himself a member, shall have one vote. On a poll every holder of Ordinary Shares who is present in person or by proxy shall have one vote for every Ordinary Share held by him.

NOTICE OF ANNUAL GENERAL MEETING

CONTINUED

Communication

12. Except as provided above, members who have general queries about the meeting should use the following means of communication (no other methods of communication will be accepted):

- calling Link Asset Services' shareholder helpline (lines are open from 9:00 a.m. to 5:30 p.m. Monday to Friday, excluding public holidays):

  (i) From UK: 0371 664 0300 (calls cost 12p per minute plus network extras);

  (ii) From Overseas: +44 371 664 0300 (calls from outside the UK are charged at applicable international rates); or

- in writing to Link Asset Services.

You may not use any electronic address provided either in this notice of meeting or in any related documents (including the Form of Proxy for this meeting) to communicate with the Company for any purposes other than those expressly stated.

FORM OF PROXY

I/We ....

of ....
(BLOCK CAPITALS PLEASE)

being (a) member(s) of BB Healthcare Trust plc appoint the Chairman of the meeting, or ....

(see note 1) ....

of ....

as my/our proxy and, on a poll, to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at the offices of Stephenson Harwood, 1 Finsbury Circus, London, EC2M 7SH on 23 March 2020 at 11.00 a.m. and any adjournment thereof.

Please indicate with an 'X' in the spaces provided how you wish your votes to be cast on the resolutions specified.

	Resolution	For	Against	Withheld	Discretionary
1.	To receive and adopt the Annual Report and Accounts for the year ended 30 November 2019.				
2.	To approve the Directors' remuneration implementation report.				
3.	To re-elect Randeep Grewal as a Director of the Company.				
4.	To re-elect Josephine Dixon as a Director of the Company.				
5.	To re-elect Justin Stebbing as a Director of the Company.				
6.	To re-elect Paul Southgate as a Director of the Company.				
7.	To re-appoint Ernst & Young LLP as auditors to the Company.				
8.	To authorise the Directors to fix the remuneration of the auditors.				
9.	To approve a final dividend of 2.425p per Ordinary Share for the year ended 30 November 2019.				
10.	To give authority to allot new shares.				
11.	To give authority to allot new shares free from pre-emption rights.				
12.	To give authority for the Company to purchase its own shares.				
13.	To authorise calling general meetings (other than Annual General Meetings) on 14 clear days' notice.				

Subject to any voting instructions so given the proxy will vote, or may abstain from voting, on any resolution as he may think fit.

Signature ....Dated this............................ day of............................... 2020

NOTES

1. If any other proxy is preferred, strike out the words "Chairman of the Meeting" and add the name and address of the proxy you wish to appoint and initial the alteration. The proxy need not be a member.
2. If the appointer is a corporation this form must be completed under its common seal or under the hand of some officer or attorney duly authorised in writing.
3. A vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes for or against a resolution.
4. The signature of any one of joint holders will be sufficient, but the names of all the joint holders should be stated.
5. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
6. To be valid, this form and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power, must reach the registrars of the Company, Link Asset Services not less than forty-eight hours before the time appointed for holding the General Meeting or adjournment as the case may be.
7. The completion of this form will not preclude a member from attending the Meeting and voting in person.
8. Any alteration of this form must be initialled. Your completed and signed proxy form should be posted, in the enclosed reply paid envelope, to the Company's Registrars, Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, BR3 4ZF, so as to arrive before 11 a.m. on 20 March 2020.

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