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**THE MONTREUX HEALTHCARE FUND PLC**

**ANNUAL REPORT AND AUDITED FINANCIAL**  
**STATEMENTS**

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**FOR THE YEAR ENDED 31 MARCH 2018**

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# **THE MONTREUX HEALTHCARE FUND PLC**

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# **THE MONTREUX HEALTHCARE FUND PLC**

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## **FUND INFORMATION**

### **Directors**

Barry Monks  
Ita McArdle  
David Hamlett

### **Auditors**

KPMG Audit LLC  
Heritage Court  
41 Athol Street  
Douglas  
Isle of Man  
IM99 1HN

### **Registered Address**

Exchange House  
54-58 Athol Street  
Douglas  
Isle of Man  
IM1 1JD

### **Legal Advisers**

Appleby (Isle of Man) LLC  
33-37 Athol Street  
Douglas  
Isle of Man  
IM1 1LB

### **Investment Advisor**

Montreux Capital Management (UK) Ltd\*  
Munro House  
Portsmouth Road  
Cobham, KT11 1TF  
United Kingdom

### **Manager and Administrator**

Apex Fund Services (IOM) Ltd\*\*  
Exchange House  
54-58 Athol Street  
Douglas  
Isle of Man  
IM1 1JD

### **Brokers and Custodians**

Cayman National Bank and Trust Company  
(Isle of Man) Limited  
Cayman National House  
4-8 Hope Street  
Douglas  
Isle of Man  
IM1 1AQ

### **Company Secretary**

Apex Fund Services (IOM) Ltd.  
Exchange House  
54-58 Athol Street  
Douglas  
Isle of Man  
IM1 1JD

### **Foreign Exchange Provider**

GCEN  
The Old Barn  
Oasts Business Village  
Red Hill  
Wateringbury  
Maidstone  
Kent  
ME18 5NN

\*Montreux Capital Management (UK) is an Appointed Representative of Sapia Partners LLP, a firm authorised and regulated by the Financial Conduct Authority (FCA).

\*\*Apex Fund Services (IOM) Ltd is licensed by the Financial Services Authority.

# THE MONTREUX HEALTHCARE FUND PLC

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2018

The Directors present the annual report and audited financial statements of The Montreux Healthcare Fund Plc ("the Fund") for the year ended 31 March 2018.

### Principal activity

The Fund was incorporated on 17 June 2013 under the Companies Act 2006 of the Isle of Man. The Fund commenced trading on 25 September 2014. The Fund's objective is to develop a national platform operating in the Healthcare Sector in the UK, operating in a diverse range of areas including Complex Care, Spinal Injuries, Acute Brain Injuries and Special Needs, to achieve a blended income stream.

The report of the Investment Advisor should be considered for a greater insight in how the fund has been invested and administered during the course of the year.

For the purposes of the Collective Investment Schemes Act 2008, the Fund is constituted as a Qualifying Fund.

### Listing

The shares of the fund are not listed.

### Results and dividends

The results for the year are set out in the Statement of Comprehensive Income. The Directors do not propose the payment of a dividend (2017: Nil).

### Distributions

The Fund made distributions of £4,963,248 (2017: £3,651,456) to holders of distributing shares during the year. The below table discloses distribution of all share classes which as follows:

	2018	2017
	GBP	GBP
Class C EUR	20,644	5,795
Class F EUR	3,314	2,902
Class C GBP	18,224	8,501
Class D GBP	456,204	-
Class D1	4,103,943	3,532,261
Class F GBP	117,280	88,263
Class G GBP (No EQ)	9,296	-
Class C USD	9,846	2,610
Class D USD	209,871	-
Class F USD	11,057	11,124
Class G USD (No EQ)	3,569	-
<b>Total</b>	<b>4,963,248</b>	<b>3,651,456</b>

### Directors

The Directors of the Fund during the year and to the date of this report were:

Barry Monks  
Ita McArdle  
David Hamlett

### Investment Advisor

Montreux Capital Management (UK) Limited was appointed as Investment Advisor to the Fund on 1 December 2016, replacing Montreux Capital Management Zug AG.

### Manager

The Directors appointed Apex Fund Services (IOM) Limited, to act as Manager to the Fund with effect from 3 September 2014.

## **THE MONTREUX HEALTHCARE FUND PLC**

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### **DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 MARCH 2018**

#### **Company Secretary**

Apex Fund Services (IOM) Limited was appointed Company Secretary on 17 June 2013.

#### **Auditors**

The auditors, KPMG Audit LLC, being eligible, have expressed their willingness to continue in office. A resolution to re-appoint KPMG Audit LLC will be proposed at the next Annual General Meeting.

**Signed on behalf of the Board of Directors by:**

  
**Director**

**Date 22 September 2018**

## **THE MONTREUX HEALTHCARE FUND PLC**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 MARCH 2018**

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law.

The Directors are required to prepare financial statements for each financial year. They have elected to prepare the financial statements in accordance with International Financial Reporting Standards.

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 Fund and of the result of the Fund for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy at any time the financial position of the Fund and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities.

The directors have resolved to prepare financial statements for each financial year

**Signed on behalf of the Board of Directors by:**

  
**Director**

**Date 22 September 2018**

## INVESTMENT ADVISOR'S (IA) REPORT FOR THE YEAR ENDED 31 MARCH 2018

### Investment objective

The Montreux Healthcare Fund plc is an open-ended Isle of Man Fund, which began pricing in September 2014. During the year to 31<sup>st</sup> March 2018, the Fund successfully exited its former Operating Company (Op Co.), The Regard Group, for a record sector multiple and redeployed its capital into a new platform: Active Assistance. This makes this fiscal year a seminal one for the Fund with the exit generating a 113% return for the Fund's cornerstone investor, over the life of the Fund's ownership of The Regard Group.

The Investment Manager, Montreux Capital Management (UK) (MCM UK) remains bullish on the UK specialist healthcare sector and therefore the sale of The Regard Group was contingent on sourcing a new Op Co. with which to spearhead another consolidation strategy. Several potential assets were sourced and from the beginning Active Assistance (UK) Group Limited was earmarked as the strongest. Following a competitive process, the Fund was successful in acquiring Active Assistance, a mere 2 weeks after completing the Regard Group exit.

Active Assistance is the leading provider of care and support for individuals with complex neurological conditions. Active Assistance provides specialist care to individuals with acquired brain injury (ABI) and spinal cord injury (SCI) in domiciliary and residential settings. Active Assistance also owns the UK's largest Case Management Group, serving clients with an acquired brain injury and other neurological conditions, throughout the care pathway.

We believe the characteristics of Active to be similar to those of the Regard Group as it was when the Fund initially acquired it in 2014. Therefore, the combined organic and acquisitional growth strategy which drove investor return in the Regard Group investment will drive return in the new Op Co.

The Fund seeks to exploit consolidation opportunities identified in the fragmented UK specialist healthcare sector with a view to overlaying the IA's healthcare, change management, and acquisitional expertise to maximise value for the Fund's investors.

### Market review

Approximately £10bn per year is spent on adult specialist care in the UK. It is funded through Local Authorities, Clinical Commissioning Groups, and Insurance Companies. Active's focus on ABI and SCI gives an addressable annual market of £1.6bn with annual growth forecast at 4%, excluding inflation.

Whilst budget cuts are announced in other areas, an increase in demand for UK adult social care has been reflected in the £2bn of additional funding pledged to the sector in the 2018 Budget.

The key macroeconomic drivers within the sector are:

- a. **Changing demographics** - modern medicine has extended life, increasing both the size, and average age of the population. Improving the life expectancy of those with more complex care needs has also created demand for a broader, more varied style of care service. There are over 1 million people in the UK with complex care needs with this number expected to increase by 3.6% annually until 2030. The Fund's Op Co. works closely with all its Service Users, planning a pathway of support toward achieving a level of independent living.
- b. **Changing landscape of care** – the quality of an individual's life is paramount to a care provider's fundamental purpose. Historically, individuals with complex care needs were left within a hospital setting for a prolonged period which has a detrimental impact on both the individual, the efficiency of their care, and effectiveness of the hospital. Active's strategy for individuals who have either a spinal or brain injury is to partner with the major trauma centers to ensure that, when it is appropriate for the individual to be discharged from hospital into a secondary care facility, the facility will be intimately familiar with the Service User. This ensures the care pathway works in the best interest of the individual's care needs.

To fully achieve the defined change in the delivery of care, alongside generating the growth required to meet demand: significant energy, momentum, and resource is required. The private sector is the only real, long term solution. New providers are not deemed a significant threat due to the strength of Active's reputation in the sector, but also the increasing importance of the provider's relationships with funding bodies and regional health teams.

# **THE MONTREUX HEALTHCARE FUND PLC**

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## **INVESTMENT ADVISOR'S REPORT (continued)**

### **Operational assets and outlook**

The successful exit from The Regard Group was reflected in the significant return achieved by the Share Class.

The financial strength of both the Fund and its Operating Company allows for the continued strategic focus on expanding estate capacity and improving underlying profitability, both of which will increase investor value and help mitigate against any potential future adverse fee or cost pressures. The focus of the strategy continues to be:

- a. Organic growth - increasing capacity and improving the occupancy of the existing estate;
- b. M&A Opportunities – the acquisition and integration of properties and companies into the Active Group;
- c. Improving average fee per resident – evaluating the level of resident churn within the estate with the aim of retaining all service users but assessing the ability to relocate those with lower care needs into a lower acuity setting and replacing them with more complex individuals.

MCM UK's reputation within the healthcare sector, particularly its Merger & Acquisitions activity, means the IA is continually approached with opportunities in the market. MCM UK plan to complete on a mix of corporate and real estate acquisitions within the next 12 months. The fragmented nature of the sector creates significant consolidation opportunities particularly in the £1-2m EBITDA segment. The increasing cost and regulatory burden on these smaller groups leads to them being available at attractive earnings multiples, and at significant discount to the earnings multiples achieved by national providers.

In conclusion, the outlook continues to be positive. the Boards of the Fund, MCM UK, and the Op Co. continue to work closely together to deliver quality care, and a sustainable return for the Fund's investors.

**MONTREUX CAPITAL MANAGEMENT (UK) LIMITED**

September 2018



# **THE MONTREUX HEALTHCARE FUND PLC**

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## **Independent Auditor's Report to the members of The Montreux Healthcare Fund Plc**

### **Opinion**

We have audited the financial statements of The Montreux Healthcare Fund Plc (the "Fund") for the year ended 31 March 2018 which comprises the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Net assets Attributable to Holders of Redeemable Participating Shares and Statement of Cash Flows and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Fund's affairs as at 31 March 2018 and of its results for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- have been properly 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Fund in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### **Other Information**

The Directors are responsible for the other information presented with the Financial Statements. Our opinion on the Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our Financial Statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 5, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Fund'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 they either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## **THE MONTREUX HEALTHCARE FUND PLC**

### **Independent Auditor's Report to the members of The Montreux Healthcare Fund Plc (continued)**

#### **The purpose of our audit work and to whom we owe our responsibilities.**

This report is made solely to the Fund's members, as a body, in accordance with Section 80(C) of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Fund'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 Fund and the Fund's members as a body, for our audit work, for this report, or for the opinions we have formed.

*KPMG Audit LLC*

*25 September 2018*

**KPMG Audit LLC**  
Chartered Accountants  
Heritage Court  
41 Athol Street  
Douglas  
Isle of Man IM99 1HN

# THE MONTREUX HEALTHCARE FUND PLC

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 GBP	2017 GBP
<b>INCOME</b>			
Bank and broker interest		53,845	2,336
Realised gains on financial assets and liabilities at fair value through profit or loss	15, 20	66,521,307	2,149,442
Movement in net unrealised gains on financial assets and liabilities at fair value through profit or loss	15, 20	(23,922,389)	5,379,889
Net unrealised gain on foreign currency		40,810	172,481
<b>Total income</b>		<b>42,693,573</b>	<b>7,704,148</b>
<b>EXPENSES</b>			
Interest expense		4,020	18
Performance fee	3	4,886,249	298,472
Management fee	3	156,648	78,855
Advisory fees	3	1,446,494	655,769
Administration fees	4	154,401	108,450
Custodian fee		92,335	63,095
Audit fees		139,072	66,543
Transaction charges	11, 20	4,260,000	90,000
Directors' fees	5	283,388	159,142
Commission charges		237,962	307,023
Marketing expenses		600,000	517,588
Other expenses		714,340	579,974
Realised losses on foreign currency		480,605	637,907
<b>Total operating expenses</b>		<b>13,455,514</b>	<b>3,562,836</b>
<b>Increase in net assets attributable to holders of redeemable participating shares from operations</b>		<b>29,238,059</b>	<b>4,141,312</b>

The directors consider that the results derive from continuing activities.

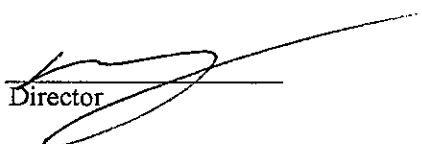
*The notes on pages 14 to 33 are an integral part of these financial statements.*

# THE MONTREUX HEALTHCARE FUND PLC

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

		2018 GBP	2017 GBP
<b>ASSETS</b>	<b>Notes</b>		
Financial assets at fair value through profit or loss	14, 15, 20	111,024,433	72,511,116
Cash and cash equivalents	6	23,672,729	2,194,949
Long term receivables	7	-	2,617,000
Due from affiliate		175,288	-
Other assets		240,070	241,834
<b>Total assets</b>		<b>135,112,520</b>	<b>77,564,899</b>
<b>LIABILITIES</b>			
Financial liabilities at fair value through profit or loss	14, 15	794,298	289,009
Management and advisory fee payable	3	134,084	7,136
Performance fee payable	3	37,401	696
Audit fee payable		150,000	194,500
Performance fee retention		162,987	-
Accrued expenses payable	8	372,991	296,190
<b>Total liabilities</b>		<b>1,651,761</b>	<b>787,531</b>
<b>NET ASSETS</b>		<b>133,460,759</b>	<b>76,777,368</b>
Attributable to: Management Share Capital	9	100	100
Holders of Redeemable Participating Shares	10	133,460,659	76,777,268
		<b>133,460,759</b>	<b>76,777,368</b>

These financial statements from page 10 to 33 were approved by the Board of Directors and signed on its behalf by:

  
Director

Date: 22 September 2018

*The notes on pages 14 to 33 are an integral part of these financial statements.*

# THE MONTREUX HEALTHCARE FUND PLC

## STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES FOR THE YEAR ENDED 31 MARCH 2018

	2018 GBP	2017 GBP
<b>Net assets attributable to holders of redeemable participating shares at the start of the year</b>	<b>76,777,268</b>	<b>60,863,657</b>
Proceeds on the issue of redeemable participating shares	45,437,466	28,539,315
Payments on the redemption of redeemable participating shares	(13,012,667)	(13,200,452)
Equalisations	(16,219)	84,892
Distributions	(4,963,248)	(3,651,456)
Net proceeds from redeemable participating shares	<u>27,445,332</u>	<u>11,772,299</u>
 Increase in net assets attributable to holders of redeemable participating shares from operations	 <u>29,238,059</u>	 <u>4,141,312</u>
 <b>Net assets attributable to holders of redeemable participating shares at the end of the year</b>	 <u><b>133,460,659</b></u>	 <u><b>76,777,268</b></u>

*The notes on pages 14 to 33 are an integral part of these financial statements.*

# THE MONTREUX HEALTHCARE FUND PLC

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 GBP	2017 GBP
<b>Cash flows from operating activities</b>			
Increase in net assets attributable to holders of redeemable participating shares from operations		29,238,059	4,141,312
Proceeds from sale of investments	15, 20	117,740,658	-
Purchases of investments	15, 20	(108,705,227)	(7,448,452)
Net receipts/(payments) from derivative activities	15, 20	(2,525,720)	-
Net gain on investments	15, 20	(42,118,313)	(5,379,889)
Net unrealised gain on foreign exchange		(40,810)	(172,481)
Net increase/(decrease) in creditors		358,941	(1,777,589)
Net decrease/(increase) in debtors and other receivables		44,050	(232,224)
<b>Net cash outflow from operating activities</b>		<b>(6,008,362)</b>	<b>(10,869,323)</b>
<b>Net impact from foreign exchange</b>		<b>40,810</b>	<b>172,481</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of redeemable participating shares		45,437,466	28,539,315
Payments on the redemption of redeemable participating shares		(13,012,667)	(13,200,452)
Equalisations		(16,219)	84,892
Distributions	18	(4,963,248)	(3,651,456)
<b>Net cash inflow from financing activities</b>		<b>27,445,332</b>	<b>11,772,299</b>
<b>Net increase in cash and cash equivalents</b>		<b>21,477,780</b>	<b>1,075,457</b>
Cash and cash equivalents at the start of the year		2,194,949	1,119,492
<b>Cash and cash equivalents at end of the year</b>		<b>23,672,729</b>	<b>2,194,949</b>
<b>Cash and cash equivalents consist of:</b>			
Cash at bank and broker		23,672,729	2,194,949
<b>Net cash and cash equivalents</b>	6	<b>23,672,729</b>	<b>2,194,949</b>
<b>Supplementary information:</b>			
Interest received		53,845	2,336
Interest paid		(4,020)	(345,018)

*The notes on pages 14 to 33 are an integral part of these financial statements.*

# **THE MONTREUX HEALTHCARE FUND PLC**

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## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

### **1. THE FUND**

The Fund was incorporated on 17 June 2013 under the laws of Isle of Man (Company number 009788V). The Fund is a body corporate with unlimited duration under the provisions of the Companies Act 2006. The Fund is an "open-ended investment company" and a "collective investment scheme" for the purposes of the Collective Investment Schemes Act 2008 (CISA) and is constituted as a Qualifying Fund for the purposes of the CISA.

Accordingly, the Articles empower the Fund to create one or more Classes of Shares. As per the Offering Document dated 15 January 2018, the Fund has established thirteen Share Classes ("Share Class A", "Share Class A1", "Share Class B", "Share Class B1", "Share Class C", "Share Class C1", "Share Class D", "Share Class D1", "Share Class E", "Share Class F", "Share Class G", "Share Class H" and "Share Class I") each of which have up to 4 currency subscription options (USD, Euro, CHF and GBP). All prospective Shareholders will have different risk and return objectives and investment into one or more Share Classes will need to be considered in conjunction with these parameters

The investment activities of the Fund are managed by the Board based on advice provided by the investment advisor, Montreux Capital Management (UK) Ltd and the management and administration of the Fund is delegated to Apex Fund Services (IOM) Ltd (the "Manager").

The investment objective of the Fund is to develop and grow a portfolio of UK healthcare assets. These assets will generate their revenue from various sources, including the NHS, local authorities, insurance companies and private fee pay individuals. The Fund's Subsidiary Companies will run a portfolio of specialist care and elderly care assets.

The Fund may also invest in listed securities, collective investment schemes, and debt instruments within the sector as part of the overall strategy, although no such investments are currently held as at the date of this document.

The Fund has no employees.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is Pound Sterling ("GBP"), which reflects the Fund's primary economic environment and its main share class which is denominated and issued in GBP.

The Directors have elected to have Pound Sterling (GBP) as the presentation currency, as this is the currency noted in the Fund's Offering Document dated 15 January 2018.

The Directors consider the Fund to be a going concern, therefore the financial statements have been prepared on the going concern basis. In coming to this conclusion the Directors have considered the future expected cash flows of the Fund, including options available for managing the Fund's liquidity position, and the performance of its underlying investments. See note 15 for additional disclosures around the Fund's risk management policies and procedures.

In preparing these financial statements, management has made 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.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 March 2018 are included in Note 15 and relate to the determination of the fair value of financial instruments with significant unobservable inputs.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Comparative financial statements are for the year from 1 April 2016 to 31 March 2017.

The following is a summary of significant accounting policies followed by the Fund:



# THE MONTREUX HEALTHCARE FUND PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *a) Statement of Compliance*

The Fund's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements are prepared under the historical-cost convention, as modified by the revaluation of financial assets and liabilities held at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates. It also requires management to exercise its judgement and make assumptions in the process of applying the Fund's accounting policies.

#### *(i) New standards and interpretations effective from 1 April 2017*

There are no new standards or amendments to standards for financial year beginning after 1 April 2017 which are expected to have a material impact on the Fund.

#### *(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Fund*

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Fund.

Standard	Effective Date
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
Effective date of IFRS 15 – amendment to IFRS 15	1 January 2018
IFRS 16 Leases	1 January 2019

On adoption of the above standards, no material impact on the Fund's financial statements is expected.

#### *b) Investment entity*

The Fund is an investment entity as defined by IFRS and measures all of its investment at fair value through profit or loss.

In determining whether the Fund meets the definition of an investment entity, management considered the following:

The Fund measures and evaluates the performance of substantially all of its investment on fair value basis



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018****2. SIGNIFICANT ACCOUNTING POLICIES (continued)***b) Investment entity (continued)*

Considering the above, the Fund's management determined that the Fund meets the definition of investment entity in accordance with IFRS 10 Consolidated Financial Statements and, accordingly, the Fund has not consolidated its subsidiaries. The Fund measures its investments in subsidiaries at fair value through profit or loss (note 15). Such an approach provides a fair and transparent view of the Fund's financial performance and position to the Fund's shareholders and stakeholders.

*c) Subsidiaries*

Subsidiaries are investees controlled by the Company. The Company controls an investee when it is exposed to, or has right to, variable returns from its involvement with the company and has the ability to affect those returns through its power over the investee. Investment in unconsolidated subsidiaries are measured and accounted for at fair value with gain or loss recognised in profit or loss (see note 15). During the year ended 31 March 2018, the percentage of project ownership in Montreux Holdings Limited is 100% (2017: Nil).

Unconsolidated directly held subsidiaries and their grouping by investment in respective projects are as follows:

Name	Country of incorporation	Project % of ownership
Montreux Holdings Limited	Isle of Man	100%

*d) Valuation of investments*

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The best estimate of the fair value of a market instrument at initial recognition is the transaction price i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When the transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in profit and loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets and long positions including liabilities and securities sold short are measured at mid market value.

The Fund recognises transfer between levels of the Fair value hierarchy as at the end of the reporting period when change occurred.

The Fund has made an assessment of portfolio bid-ask spread in order to identify the most applicable fair value, and mid price is considered appropriate.

All changes in fair value, other than interest income are recognized in statement of comprehensive income as part of the net realised and unrealised gain from investments.

The Fund classifies financial instruments issued as financial liabilities in accordance with the substance of the contractual terms of the instruments.

*e) Redeemable participating shares*

The redeemable participating shares are classified as a liability and are measured at the present value of the redeemable amounts attributable to the relevant share classes. In accordance with the Fund's Offering Document, the redemption amounts of the individual redeemable participating shares are calculated using the mid-market prices of the Fund's underlying investments/securities sold short. Note 9 details the share capital issued by the Fund.

## **THE MONTREUX HEALTHCARE FUND PLC**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

#### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*f) Investment income*

Interest income and expense is recognised on a time proportionate basis using the effective interest method and includes interest from bank.

*g) Realised and unrealised gains and losses on investments*

Realised and unrealised gains and losses on investments represent the difference between disposal proceeds or valuation and historic cost. Realised and unrealised gains or losses on investments are recorded in the Statement of Comprehensive Income.

*h) Cash and cash equivalents*

Cash and cash equivalents are defined as cash in hand and deposits repayable on demand or within a three month maturity period less bank overdrafts that are repayable on demand.

*i) Financial assets and liabilities at fair value through profit or loss*

Financial assets and liabilities are at fair value through profit or loss. Financial assets or liabilities at fair value through profit or loss are acquired or incurred principally for the purpose of selling or repurchasing in the short term.

Financial assets and liabilities at fair value through profit and loss are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value. Financial assets and liabilities at fair value through profit or loss are derecognised when the rights to receive cash flows from the assets have expired or the Fund has transferred all risks and rewards of ownership. Gains and losses arising from changes in the fair value of the "financial assets and liabilities at fair value through profit or loss" category are included in the Statement of Comprehensive Income in the year in which they arise.

*j) Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has a legal right to offset the amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis for gains and losses from financial instruments at fair value through profit or loss and foreign exchange gains and losses.

*k) Currency translation*

Financial assets and liabilities denominated in currencies other than the base currency (GBP) are translated into GBP at the closing exchange rate at the reporting date. Transactions during the period are translated at the rate of exchange prevailing on the date of the transaction. Foreign currency translation gains and losses are included in the Statement of Comprehensive Income.

# **THE MONTREUX HEALTHCARE FUND PLC**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

### **3. INVESTMENT MANAGEMENT, ADVISORY AND PERFORMANCE FEES**

#### **MANAGEMENT FEES**

The Fund has appointed Apex Fund Services (IOM) Ltd (the "Manager") to provide management services to the Fund. The Fund pays the Manager a management fee, subject to a minimum of £1,000 per month: up to £200 million - 0.10% of the Net Asset Value of the Fund; greater than £200 million - 0.08% of the Net Asset Value of the Fund for Share Class A, Share Class B, Share Class C, Share Class D, Share Class D1, Share Class E, Share Class F, Share Class G, Share Class H and Share Class I. Management fees were incurred during the year are GBP 156,648 (2017: GBP 78,855) out of which GBP 11,556 (2017: GBP 7,136) was outstanding as at 31 March 2018.

#### **INVESTMENT ADVISORY FEES**

The Fund has appointed Montreux Capital Management (UK) Ltd as investment advisor (the "Investment Advisor"). The Investment Advisor is entitled to receive an advisory fee of 1.5% per annum or 0.125% per month for Share Class A, Share Class B, Share Class C, and Share Class I, 3.5% per annum or 0.292% per month on, Share Class F and 2.0% per annum or 0.167% on Share Class G. The Investment Advisor is entitled to receive an advisory fee of 1.0% per annum or 0.08333% per month for Share Class D and Share Class D1. Share Class E, Share Class H is not charged any advisory fees. Investment advisory fees were incurred during the year of GBP 1,446,494 (2017: GBP 655,769) out of which GBP 122,529 (2017: GBP nil) was outstanding as at 31 March 2018.

As at 31 March 2018 GBP nil (2017: GBP 56,708) was receivable from Investment Advisor.

#### **PERFORMANCE FEES**

The Investment Advisor is also entitled to receive a performance fee equal to 20% of any net profits (realised and unrealised) after a monthly hurdle rate of 0.83% is achieved for Share Class A, Share Class B, Share Class C, Share Class D and Share Class I. The Investment Advisor is also entitled to receive a performance fee equal to 20% of any net profits (realised and unrealised) after a monthly hurdle rate of 1% is achieved for Share Class D1. The Investment Advisor will receive a Performance Fee equal to 100% of any net profits (realised and unrealised) after a monthly hurdle rate of 0.922% is achieved for Share Class F and G. The Investment Advisor will receive a Performance Fee equal to 100% of any net profits (realised and unrealised) after a monthly hurdle rate of 0.917% is achieved for Share Class G. The Investment Advisor is entitled to receive an annual performance related fee in respect of each Performance Fee calculated with reference to the net profit attributable to Share Class H in excess of the Target Fixed Return based upon the Net Asset Value of Share Class H. Share Class E is not charged any performance fees.

The fee is calculated monthly and crystallised quarterly with a new High-Water Mark established on a quarterly basis. A subsequent Performance Fee in respect of a Share that was in issue at the date of such high water mark will be payable only if and so far as the subsequent Net Asset Value exceeds such high water mark as increased at the monthly hurdle rate.

In respect of Share Class F, the Investment Advisor is entitled to any performance of Share Class F in excess of performance hurdle of 0.922% per month (taking into account capital appreciation and quarterly distributions) which has the effect of capping the return to investors in Share Class F at approximately 11.63%. Investors in Share Class F will not be entitled to participate in returns of the Fund in excess of this amount. The Performance Fee will accrue monthly and be payable quarterly on the last Business Day in each quarter.

Performance fees were incurred during the year of GBP 4,886,249 (2017: GBP 298,472) out of which GBP 37,401 (2017: GBP 696) was outstanding as at 31 March 2018.

Performance fees are not adjusted subsequently for any decrease in the fair value of the investments.

### **4. ADMINISTRATOR FEES**

The Manager is also entitled to a minimum Administration Fee of £1,750 per month per feeder entity or an ad valorem fee based on the Net Asset Value of the Fund (whichever is the greater): up to £100 million - 0.12% of the Net Asset Value of the Fund; £100 million to £300 million - 0.10% of the Net Asset Value of the Fund; greater than £300 million - 0.08% of the Net Asset Value of the Fund for Share Class A, Share Class B, Share Class C, Share Class D, Share Class D1, Share Class E, Share Class F, Share Class G, Share Class H and Share Class I. The administration fee incurred during the year ended 31 March 2018 is GBP 154,401 (2017: GBP 108,450). There was GBP 14,793 (2017: GBP 9,593) payable as at 31 March 2018.

# THE MONTREUX HEALTHCARE FUND PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### 5. DIRECTORS' FEES

Each Director is entitled to fees of GBP 30,000 per annum. The charge during the year ended 31 March 2018 is GBP 283,388 (2017: GBP 159,142) reflecting significant additional time spent on the sale of Regard Group and purchase of Active Assistance Group on behalf of the Fund. There was GBP 105,000 (2017: GBP 35,000) payable as at 31 March 2018.

### 6. CASH AND CASH EQUIVALENTS

	2018 GBP	2017 GBP
Cash held with brokers and custodians	22,040,566	1,708,826
Cash held with foreign exchange provider	1,632,163	486,123
<b>Total</b>	<b>23,672,729</b>	<b>2,194,949</b>

### 7. LONG TERM RECEIVABLES

	2018 GBP	2017 GBP
Montreux Regard Holdings SARL	-	2,617,000
<b>Total</b>	<b>-</b>	<b>2,617,000</b>

Long Term Receivables have been advanced to fund the original purchase of the Fund holding in The Regard Partnership Limited. The loan was fully settled during the year as part of the sale of the Regard Group.

### 8. ACCRUED EXPENSES PAYABLE

	2018 GBP	2017 GBP
Administration fees payable	14,793	9,593
Directors fee payable	105,000	35,000
Financial statement preparation payable	7,000	7,000
General expenses payable	2,897	1,812
Marketing expense payable	213,729	206,233
Custodian fees payable	27,232	33,583
FATCA services fee payable	2,140	2,729
Secretarial fees payable	200	240
<b>Total</b>	<b>372,991</b>	<b>296,190</b>

# THE MONTREUX HEALTHCARE FUND PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### 9. SHARE CAPITAL

The Fund is authorised to issue up to 100 Management Shares of GBP1.00 each and an unlimited number of Redeemable Participating Shares of no par value. One hundred Management Shares have been issued at par and allotted to Montreux Capital Management Zug AG. The holder of a Management Share has the right to receive notice of, attend and vote at a members' meeting of the Fund. Management Shares carry no right to dividends declared in respect of the Fund.

The Redeemable Participating Shares are voting redeemable participating shares issued in classes with reference to a particular Share Class. Participating Shares carry a right to dividends (if any) declared in respect of the relevant Share Class. Share Class C, Share Class D and Share Class D1 are distributing share classes and, subject to the Act, the Directors intend to declare and pay a twice-yearly cash distribution of 3.75% of the Net Asset Value of Share Class C, Share Class D and Share Class D1 as at the distribution dates, which will fall in June and December. It is not expected that dividends will be declared or paid in respect of any other Share Class.

The Participating Shares are participating voting redeemable shares.

Authorised Share Capital	No of Shares	GBP
<b>Details as at 31 March 2018</b>		
Management Shares	100	100
Redeemable Participating Shares	89,978	133,460,659
<b>Total</b>	<b>90,078</b>	<b>133,460,759</b>

Shares do not carry any preferential or pre-emptive voting rights and each share, irrespective of the Class to which it belongs or its Net Asset Value, is entitled to one vote at all members' meetings of Shareholders. Fractions of Shares are not entitled to a vote, but are entitled to participate in any dividends and liquidation proceeds.

Directors may create one or more additional Share Classes at any time with such rights, investment objectives, policies and restrictions as they may consider appropriate.

# THE MONTREUX HEALTHCARE FUND PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### 10. NET ASSET VALUE ATTRIBUTABLE TO REDEEMABLE PARTICIPATING SHARES

The Net Asset Value ("NAV") attributable to redeemable participating shares is calculated by dividing the net assets attributable to holders of redeemable participating shares on a mid-market basis as per the Offering Document by the number of redeemable participating shares in issue at year end.

	2018	2017
<b>Total net assets attributable to Redeemable Participating Shares (GBP)</b>		
Class A EUR	5,527,964	3,345,357
Class A GBP	13,326,367	6,947,634
Class A USD	17,170,773	13,000,071
Class B CHF	580,139	-
Class B EUR	20,488,676	536,941
Class B GBP	2,236,416	454,984
Class B USD	517,878	115,762
Class C CHF	88,067	-
Class C EUR	618,698	74,833
Class C GBP	80,395	82,565
Class C USD	153,606	110,982
Class D GBP	7,097,212	3,293,578
Class D USD	4,622,740	1,486,949
Class D1	55,176,262	42,568,961
Class E	704,405	312,886
Class F EUR	84,406	69,717
Class F GBP	2,628,519	2,598,008
Class F USD	156,786	319,494
Class G GBP (No EQ)	6,427	381,592
Class G USD (No EQ)	19,799	109,176
Class H GBP	1,033,471	967,778
Class I GBP	1,142,139	-
	<u>133,460,659</u>	<u>76,777,268</u>
<b>Issued Redeemable Participating Shares</b>		
Class A EUR	3,573.5817	3,021.3068
Class A GBP	7,726.3527	5,554.4447
Class A USD	13,430.0670	12,435.6948
Class B CHF	659.9407	-
Class B EUR	14,941.0442	548.8337
Class B GBP	1,188.9940	337.1099
Class B USD	438.0197	120.6953
Class C CHF	120.0000	-
Class C EUR	511.5227	80.9603
Class C GBP	57.1975	74.3953
Class C USD	188.2270	153.9910
Class D GBP	5,877.7821	3,499.9880
Class D USD	5,462.9560	1,999.9851
Class D1	30,833.9545	30,833.9545
Class E	381.2675	304.2296
Class F EUR	85.5163	85.5163
Class F GBP	2,353.0195	2,658.9158
Class F USD	187.0908	393.6027

# THE MONTREUX HEALTHCARE FUND PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### 10. NET ASSET VALUE ATTRIBUTABLE TO REDEEMABLE PARTICIPATING SHARES (continued)

#### Issued Redeemable Participating Shares (continued)

Class G GBP (No EQ)	6.3064	407.4697
Class G USD (No EQ)	26.4212	147.4376
Class H GBP	892.1902	1,023.0923
Class I GBP	1,036.8877	-
	<u>89,978</u>	<u>63,682</u>

#### Net Asset Value per share (GBP)

##### Redeemable Participating Shares

Class A EUR	1,546.8973	1,107.2549
Class A GBP	1,724.7940	1,250.8242
Class A USD	1,278.5322	1,045.3836
Class B CHF	879.0768	-
Class B EUR	1,371.3015	978.3320
Class B GBP	1,880.9313	1,349.6603
Class B USD	1,182.3166	959.1297
Class C CHF	733.8915	-
Class C EUR	1,209.5213	924.3186
Class C GBP	1,405.5722	1,109.8102
Class C USD	816.0682	720.7053
Class D GBP	1,207.4643	941.0257
Class D USD	846.1976	743.4801
Class D1	1,789.4643	1,380.5871
Class E	1,847.5343	1,028.4522
Class F EUR	987.0220	815.2435
Class F GBP	1,117.0835	977.0930
Class F USD	838.0228	811.7172
Class G GBP (No EQ)	1,019.1030	936.4913
Class G USD (No EQ)	749.3737	740.4880
Class H GBP	1,158.3527	945.9347
Class I GBP	1,101.5065	-

### 11. RECONCILIATION OF PUBLISHED NET ASSET VALUE TO AUDITED NET ASSETS

A reconciliation of the differences is as follows:

Published Net Asset Value (GBP)	£138,523,900
Transaction costs relating to the acquisition of Active Assistance group that were fully expensed in the year in the audited financial statements but are being amortized over 4 years	(£3,781,929)
Timing Adjustments	
Deferred Incorporation Costs	(£23,939)
Prepaid Commissions	(£1,257,273)
Audited Net Asset Value	£133,460,759

# THE MONTREUX HEALTHCARE FUND PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### 12. EXCHANGE RATES

The following foreign currency exchange rates to the GBP, obtained from Bloomberg LLC, were used as at 31 March 2018 in the application of the policy disclosed in accounting policy note 2 (k).

	2018	2017
CHF	1.3378	-
Euro	1.1378	1.1776
US Dollar	1.4017	1.2552

### 13. TAXATION

Under Isle of Man Tax legislation, the Fund is subject to tax at a rate of 0%.

The Fund invests in securities issued by entities which are domiciled in countries other than the Isle of Man. Many of these foreign countries have tax laws which indicate that capital gains taxes may be applicable to non-residents, such as the Fund. Typically, these capital gains taxes are required to be determined on a self assessment basis and, therefore, such taxes may will be dealt with by the local entity. All returns reported by the Fund will be on a post-tax basis.

### 14. FINANCIAL ASSETS AND LIABILITIES THROUGH PROFIT OR LOSS

The following table details the categories of financial assets and liabilities held by the Fund at the reporting date:

Assets	31 March 2018 GBP	31 March 2017 GBP
<b>Financial assets at fair value through profit or loss</b>		
Property based equity investments	-	72,511,116
Equity investment	2,881,592	-
Bond	108,142,841	-
<b>Total financial assets at fair value through profit or loss</b>	<b>111,024,433</b>	<b>72,611,116</b>
<b>Liabilities</b>		
<b>Financial liabilities at fair value through profit or loss</b>		
Derivative financial instruments	794,298	289,009
<b>Total financial liabilities at fair value through profit or loss</b>	<b>794,298</b>	<b>289,009</b>

The Fund strategy is to build a national platform focussed on providing services to a range of areas including complex care, acquired brain injuries and spinal injuries. This will be achieved by investing into a network of companies providing such services. The portfolio is held through a number of subsidiaries with an IOM based company being the ultimate holding company which is a wholly owned subsidiary of the Fund. The IOM Holding Company invests on behalf the Fund into a UK holding company which in turn is a co-investor with management into the underlying structure, with the Fund being ultimately the majority shareholder in the structure. All third party debt is held within the UK company structure.

### 15. RISK MANAGEMENT POLICIES AND PROCEDURES

The Fund is exposed to currency, credit and market risk, which includes interest rate risk, liquidity risk and other risk arising from the financial instruments it holds. The risk management policies employed by the Fund to manage these risks are discussed below.

#### *Market Risk*

The Fund's securities and trading derivative financial instruments are susceptible to market price risk arising from changes in market prices, such as interest rates, foreign exchange rates and credit spreads that affect the Fund's income on the fair value of its holdings of financial instruments.



# THE MONTREUX HEALTHCARE FUND PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### 15. RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

#### *Market Risk (continued)*

The UK Healthcare market is facing a number of uncertainties including Brexit and potential changes in the political environment. However, while these risks are real threats to the sector the reality is that demand for healthcare services in general and specialist healthcare services in particular will always be there. Healthcare service providers will expect to see pressure on margins and availability of resources and will be expected to adapt to this challenging environment.

The Fund's overall market positions are monitored on a regular basis by the Fund's Investment Advisor.

At 31 March 2018, the overall market exposures were as follows:

	Contractual Amount	Fair value	% of Net Assets
	GBP	GBP	
Equity investment	-	2,881,592	2.16%
Bond	-	108,142,841	81.03%
Forward currency contracts	51,375,980	(794,298)	(0.60%)
	<b>51,375,980</b>	<b>110,230,135</b>	<b>82.59%</b>

At 31 March 2017, the overall market exposures were as follows:

	Contractual Amount	Fair value	% of Net Assets
	GBP	GBP	
Property based equity investments	-	72,511,116	94.44%
Forward currency contracts	21,444,248	(289,009)	(0.38%)
	<b>21,444,248</b>	<b>72,222,107</b>	<b>94.07%</b>

#### *Currency Risk*

The Fund holds assets denominated in currencies other than GBP, the functional currency. The Fund is therefore exposed to currency risk, as the value of the securities denominated in other currencies will fluctuate due to changes in exchange rates.

At 31 March 2018:

(Denominated in GBP)	GBP	EUR	USD	CHF	Total
	GBP	GBP	GBP	GBP	GBP
<b>Assets</b>					
Cash equivalents at bank and broker	23,626,807	5,267	34,166	6,489	23,672,729
Financial assets at fair value through profit or loss	111,024,433	-	-	-	111,024,433
Due from affiliate	175,288	-	-	-	175,288
Other assets	240,070	-	-	-	240,070
<b>Total assets</b>	<b>135,066,598</b>	<b>5,267</b>	<b>34,166</b>	<b>6,489</b>	<b>135,112,520</b>
<b>Liabilities</b>					
Financial liabilities at fair value through profit or loss	794,298	-	-	-	794,298
Other accrued expenses payable	854,804	327	2,249	83	857,463
<b>Total Liabilities</b>	<b>1,649,102</b>	<b>327</b>	<b>2,249</b>	<b>83</b>	<b>1,651,761</b>
<b>Net Assets</b>	<b>133,417,496</b>	<b>4,940</b>	<b>31,917</b>	<b>6,406</b>	<b>133,460,759</b>

# THE MONTREUX HEALTHCARE FUND PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### 15. RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

#### Currency Risk (continued)

At 31 March 2017:

(Denominated in GBP)	GBP	EUR	USD	Total
	GBP	GBP	GBP	GBP
<b>Assets</b>				
Cash equivalents at bank and broker	2,127,848	36,705	30,396	2,194,949
Financial assets at fair value through profit or loss	72,511,116	-	-	72,511,116
Long term receivables	2,617,000	-	-	2,617,000
Other assets	170,308	71,526	-	241,834
<b>Total assets</b>	<b>77,426,272</b>	<b>108,231</b>	<b>30,396</b>	<b>77,564,899</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss	289,009	-	-	289,009
Other accrued expenses payable	495,382	267	2,873	498,522
<b>Total Liabilities</b>	<b>784,391</b>	<b>267</b>	<b>2,873</b>	<b>787,531</b>
<b>Net Assets</b>	<b>76,641,881</b>	<b>107,964</b>	<b>27,523</b>	<b>76,777,368</b>

The below table sets out the effect on the Fund's changes in net assets attributable to holders of redeemable participating shares of a possible weakening of GBP against the USD by 10% and against the EUR by 10%. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2018	2018	2017	2017
	GBP	%	GBP	%
USD	(3,192)	(0.0024%)	(2,752)	(0.0033%)
CHF	(641)	(0.0005%)	-	-
EUR	(494)	(0.0004%)	(10,796)	(0.0128%)

A 10% strengthening of GBP against the above currencies would have resulted in an equal but opposite effect to the amounts shown above.

The Fund uses Foreign Exchange contracts to provide share holder hedging to ensure that shareholders are not subject to currency risk on their capital values. Profits and losses on these contracts are directly attributable to the relevant share classes.

# THE MONTREUX HEALTHCARE FUND PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### 15. RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

#### *Liquidity Risk*

The Fund is exposed to monthly redemptions of redeemable participating shares, unless the Directors agree otherwise. It currently invests the majority of its assets in investments that are not traded in an active market and cannot be readily disposed of. As such the Fund is dependent on the receipt of ongoing subscriptions to meet its redemption, distribution and expense requirements in the short term. In the event of significant redemptions arising in any share class, the Fund has the ability to gate the level of redemptions at 10% of the shares in issue in any share class. The directors also have the ability not to declare distributions in any distributing share in the event that sufficient liquidity is not available to meet such distributions. The fund has no suspensions or gates in place to manage liquidity.

The Fund may from time to time invest in derivative contracts traded over the counter, which are not traded in an organised public market and may be illiquid. As a result, the Fund may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value in order to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer.

The table below analyses the Fund's financial assets and liabilities and net settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

At 31 March 2018	Less than 1 month GBP	1-3 Months GBP	No Stated maturity GBP
Financial assets at fair value through profit or loss	-	-	111,024,433
Cash and cash equivalents	23,672,729	-	-
Other assets	175,288	-	-
Due from affiliate	239,970	-	-
<b>Total financial assets</b>	<b>24,087,987</b>	<b>-</b>	<b>111,024,433</b>
Financial liabilities at fair value through profit or loss	794,298	-	-
Other accrued expenses	-	857,463	-
Participating redeemable participating shares	-	133,460,659	-
<b>Total financial liabilities</b>	<b>794,298</b>	<b>134,318,122</b>	<b>-</b>
<b>Mismatch Surplus / (Deficit)</b>	<b>23,293,689</b>	<b>(134,318,122)</b>	<b>111,024,433</b>
<b>Cumulative mismatch Surplus / (Deficit)</b>	<b>23,293,689</b>	<b>(111,024,433)</b>	<b>-</b>

# THE MONTREUX HEALTHCARE FUND PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### 15. RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

#### *Liquidity Risk (continued)*

At 31 March 2017	Less than 1 month GBP	1-3 Months GBP	No Stated maturity GBP
Financial assets at fair value through profit or loss	-	-	72,511,116
Cash and cash equivalents	2,194,949	-	-
Other assets	241,734	-	-
Long term receivables	-	-	2,617,000
<b>Total financial assets</b>	<b>2,436,683</b>	<b>-</b>	<b>75,128,116</b>
Financial liabilities at fair value through profit or loss	289,009	-	-
Other accrued expenses	-	498,522	-
Participating redeemable participating shares	-	76,777,268	-
<b>Total financial liabilities</b>	<b>289,009</b>	<b>77,275,790</b>	<b>-</b>
<b>Mismatch Surplus / (Deficit)</b>	<b>2,147,674</b>	<b>(77,275,790)</b>	<b>75,128,116</b>
<b>Cumulative mismatch Surplus / (Deficit)</b>	<b>2,147,674</b>	<b>(75,128,116)</b>	<b>-</b>

#### *Interest Rate Risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Financial assets which are potentially subject to interest rate risks are cash and cash equivalents. There is no risk of interest rates in preference shares as the rate is fixed, not floating.

For the year ended 31 March 2018, had the interest rates on cash and cash equivalents increased or decreased by 1% with all other variables remaining constant, the impact on the results of the Fund would have been insignificant.

#### *Credit Risk*

The Fund takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred by the Statement of Financial Position date, if any. All transactions in listed securities are settled / paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet their obligation.

The Fund's exposure to credit risk arises in respect of the following instruments:

Cash and cash equivalents – see Note 6;  
Long term receivables – see Note 7;  
Investments in property-based equity investments – see Note 14; and  
Derivative assets - Note 14

# THE MONTREUX HEALTHCARE FUND PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### 15. RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

#### Offsetting financial assets and financial liabilities

The gross amounts of the recognised financial assets and financial liabilities and their net amounts presented in the Statement of Financial Position disclosed have been measured on at fair value in the table below;

Type of financial liabilities	Gross amounts of recognised financial liabilities GBP	Gross amounts of recognised financial assets offset in the statement of financial position GBP	Net amounts of financial liabilities presented in the statement of financial position GBP	Related amounts not offset in the statement of financial position – 31 March 2018		
				Financial instruments (including non-cash collateral) GBP	Cash collateral pledged GBP	Net amount GBP
Forward currency contracts						
Global Currency Exchange Network Ltd (GCEN)	(794,298)	-	(794,298)	-	794,298	-
<b>Total</b>	<b>(794,298)</b>	<b>-</b>	<b>(794,298)</b>	<b>-</b>	<b>794,298</b>	<b>-</b>

The Fund has pledged GBP 1,632,163 (2017: GBP 486,123) in respect of forward foreign currency contracts with GCEN as at 31 March 2018.

Type of financial liabilities	Gross amounts of recognised financial liabilities GBP	Gross amounts of recognised financial assets offset in the statement of financial position GBP	Net amounts of financial liabilities presented in the statement of financial position GBP	Related amounts not offset in the statement of financial position – 31 March 2017		
				Financial instruments (including non-cash collateral) GBP	Cash collateral pledged GBP	Net amount GBP
Forward currency contracts						
Global Currency Exchange Network Ltd (GCEN)	(289,009)	-	(289,009)	-	(289,009)	-
<b>Total</b>	<b>(289,009)</b>	<b>-</b>	<b>(289,009)</b>	<b>-</b>	<b>(289,009)</b>	<b>-</b>

The Fund's maximum credit exposure at the reporting date is reported by the respective carrying amounts of the relevant financial assets in the statement of financial position.

The Funds cash and cash equivalents are held mainly with Cayman National Bank Ltd. Cayman National Bank Ltd. is not rated by any rating agency.

No Financial assets carried at amortised cost were past due or impaired as at 31 March 2018 and 2017.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### 15. RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

#### *Fair Value Measurement*

Many of the Fund's financial instruments are carried at fair value in the Statement of Financial Position. Usually the fair value of the financial instruments can be reliably determined within a reasonable range of estimates. For certain other financial instruments, including investments in derivatives, amounts due to/from brokers, accounts payable and accrued expenses, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates bond and equity prices, foreign currency exchange rates, equity indices, EBITDA multiples and revenue multiples and expected price volatilities and correlations.

The objective of valuation technique is to arrive at fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date

The Fund uses widely recognised valuation models for determining the fair value of common and simple financial instruments, such as interest rates and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple OTC derivatives such as interest rate swaps. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the fund believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Fund and the counter party where appropriate. For measuring derivatives that might change classification from being an asset to a liability or vice versa, such as interest swaps, fair values include adjustment for both own credit risk and counterparty credit risk.

Model inputs and values are calibrated against historical data and published forecast and, when possible, against current or recent observed transactions and broker quotes. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair value, and management judgement is required to select the most appropriate point in range.

The Fund measures fair value using the following fair value hierarchy that reflects the significance of inputs used in making the measurements.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

# THE MONTREUX HEALTHCARE FUND PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### 15. RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

#### Fair Value Measurement (continued)

The following table analyses within the fair value hierarchy the Fund's financial assets and liabilities measured at fair value:

31 March 2018	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
<b>Assets</b>				
Financial assets at fair value through profit or loss				
Equity investments	-	-	2,881,592	2,881,592
Bond	-	-	108,142,841	108,142,841
<b>Total assets</b>	-	-	<b>111,024,433</b>	<b>111,024,433</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	-	(794,298)	-	(794,298)
<b>Total liabilities</b>	-	<b>(794,298)</b>	-	<b>(794,298)</b>

31 March 2017	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
<b>Assets</b>				
Financial assets at fair value through profit or loss				
Property based equity investments	-	-	72,511,116	72,511,116
<b>Total assets</b>			<b>72,511,116</b>	<b>72,511,116</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	-	(289,009)	-	(289,009)
<b>Total liabilities</b>	-	<b>(289,009)</b>	-	<b>(289,009)</b>

There were no movements between levels 1 and 2 during the year ended 31 March 2018 and 2017.

# THE MONTREUX HEALTHCARE FUND PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### 15. RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

#### Fair Value Measurement (continued)

The following table shows a reconciliation of the opening and closing balance for Level 3 instruments on the fair value hierarchy:

	Property based equity Investments	Equity investment	Bond	Investments
	2018	2018	2018	2017
	GBP	GBP	GBP	GBP
Balance as at beginning of year	72,511,116	-	-	59,393,765
Total gain recognised in profit or loss	42,267,731	2,881,591	-	5,658,898
Purchases (Note 20)	-	1	108,142,841	50,212,577
Sales (Note 20)	(114,778,847)	-	-	(42,754,125)
Balance at end of the year	-	2,881,592	108,142,841	72,511,116
Change in unrealised gains or losses for the year included in profit or loss for financial assets and financial liabilities held at	(26,298,690)	2,881,591	-	5,658,898

#### EBITDA

These gains and losses are calculated using an average multiple of 11.00 (2017: 10.75) to the consolidated Earnings Before Interest and Tax (EBITDA) for the underlying entities. The use of a multiple of 11.00 is based on a similar multiple being used by competitors and the multiple being achieved in market sales of similar types of business. These gains are recognised in profit or loss as net gain from financial instruments at fair value through profit or loss.

#### Sensitivity

In the event that the average multiple was to decrease by 10% to 9.675 times the impact on the valuation of the assets would be a decrease of £11,102,443 (2017: £7,251,112) and in the event that the average multiple were to increase by 10% to 12.1 the impact on the valuation of the assets would be £11,102,443 (2017: £7,251,112).

#### Geographic Risk

The Fund's underlying investments are all located in the UK and are therefore exposed to any downtown or sovereign events that may impact the UK economy as whole. However, the UK market is significantly fragmented such that by having exposure to more than 40 NHS and Local Authorities management control the overall risk exposure.

#### Industry Risk

The Fund investments are all engaged in activities related to the UK healthcare sector and are therefore exposed to any deterioration in this sector.

#### Capital Management

The Fund is required by the Financial Services Commission to maintain authorized and paid-up capital at a minimum amount of £100 in the form of management shares. The holders of management shares are entitled to repayment of up to par value only on the winding-up of the Fund in priority to redeemable shares. The Fund is not subject to other externally imposed capital requirements.

The redeemable shares issued by the Fund provide an investor with the right to require redemption for cash at a value proportionate to the investor's share in the Fund's net assets at each redemption and are classified as liabilities. For a description of the terms of the redeemable shares issued by the Fund, see Note 10. The Fund's objective in managing the redeemable shares are to ensure a stable base to maximize returns to all investors, and to manage liquidity risk arising from redemptions. The Fund's management of the liquidity risk arising from redeemable shares is discussed in Notes 9 and 10.



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

### **16. RELATED PARTY TRANSACTIONS**

Montreux Capital Management Zug AG holds 100 Management Shares as at 31 March 2018.

The fees paid to Investment Advisor and Manager are disclosed in Note 3.

The fees paid to Directors are disclosed in Note 5.

During the year parties related to the Fund have redeemed participating shares amounting to GBP Nil (2017: GBP 6,753,718). Of which, Fund Nominees Limited has redeemed participating shares amounting to GBP Nil (2017: GBP 103,138) and Montreux LD SPV S.a.r.l. has redeemed participating shares amounting to GBP Nil (2017: GBP 6,650,580).

Montreux Group Entities, linked by common ownership to the Investment Advisor, recharged marketing expenses of £592,504 (2017: £389,897) to the Fund for cost incurred in direct marketing of the Fund during the year.

At the time of the purchase of Active Assistance, the Fund advanced an amount of £1m for the entire ordinary share capital of Montreux Holdco Limited. Shares equivalent to 17.5% of the ordinary share capital are to be allocated to management as part of their incentive package and will be transferred to key employees over the coming months. An amount of £175,000 has been recorded as an asset of the Fund which represents the cost of the shares which management will be required to pay on transfer to them. The sale consideration of Regard effectively included the receipt of £2,617,000 (2017: £2,617,000) of Montreux Capital Management and £344,000 (2017: £179,026) of Montreux Regard Holdings S.A.R.C. due as "receivables" to the Fund

### **17. CAPITAL COMMITMENT**

The Fund has no capital commitments at the date of these accounts.

### **18. DISTRIBUTIONS**

The Fund has paid distributions of £4,963,248 (2017: £3,651,456) during the year.

### **19. APPROVAL OF FINANCIAL STATEMENTS**

The Financial Statements were approved by the Board on 22 September 2018

### **20. SIGNIFICANT EVENT**

During the current financial year, the sale of the Regard Group was executed. This transaction represented the crystallisation of the performance of the fund since inception generating a small premium over the calculated NAV at end of November. Unlike Private Equity Funds, where most of the capital gain is achieved at exit, the Fund recognizes capital gains throughout the life of the asset thus ensuring a smooth and accurate valuation process being utilized over the life of the asset.

The accounting impact of this transaction resulted in a significant recognition of previously recorded unrealized gains thus recording a significant realized gain (£66.5m) which is partially offset by a decrease in unrealized gains (-£24.1m). This is consistent with the life cycle of the Fund investments where the portfolio is valued during its life cycle which generates positive returns on an unrealized basis and on exit the unrealized gains are crystallised on behalf of shareholders generated a significant positive cash flow (£117.1m, made up of £114.8m related to the investment sale and £3.0m of settlement of receivables, per Note 16) which was largely utilized in the purchase of Active Assistance Group (£108.7m, made up of £108.1m relating to the investment purchase and £0.6m related to settlement of payables), see below.

The Fund also executed a transaction purchasing the Active Assistance Group in January 2018. This is a Healthcare Group which is active in various sectors including acquired brain injuries, serious spinal injuries and a number of other diverse sectors. It is anticipated that this group will follow a similar trajectory to the Regard Group over a similar period whereby organic growth can be generated and a number of smaller businesses will be purchased and integrated into the Active Group. This process will generate significant synergies and allow an overall increase in the value of the Group which obviously drives investor growth within the Fund.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**20. SIGNIFICANT EVENT (continued)**

In line with the Regard transaction, management have been incentivised with performance related shares. The full dilution impact of these shares has been recognised, which increases the implied value of the management owned shares and in turn decreases the value of the Company's holding in the Active Assistance Group. This is based on the Director's best estimates of the equity value that would be achieved on a future exit.

**21. SUBSEQUENT EVENT**

Subsequent to year end the Operating Company successfully negotiated a refinancing package of £65m with the Blackrock Group. This package was necessary to replace a short term bridging facility that had been entered into at the date of the acquisition.

Proceeds from the refinancing package were used to repay the bridging facility and to create additional liquidity in the Fund.

The refinancing package also included an additional commitment of £30m to be utilised in future acquisitions.

The Operating Company completed the purchase of a group of care homes trading as John Edwards Care Homes resulting in £6.65m of new preference shares being issued in September 2018. This is a high quality group of homes which will complement the geographic spread of the Operating Company and will make an immediate positive contribution to the EBITDA of the Company.

## **THE MONTREUX HEALTHCARE FUND PLC**

### **UNAUDITED SCHEDULE OF INVESTMENTS**

As at 31 MARCH 2018

<b>Investments</b>	<b>Cost GBP</b>	<b>Fair Value GBP</b>	<b>% of NAV</b>
<b>Financial Assets</b>			
Equity investment	1	2,881,591	2.16%
Bond	112,102,842	108,142,842	81.03%
<b>Total Financial Assets</b>	<b>112,102,843</b>	<b>111,024,433</b>	<b>83.19%</b>
<b>Financial Liabilities</b>			
Derivatives GBP	-	794,298	0.60%
<b>Total Financial Liabilities</b>	<b>-</b>	<b>794,298</b>	<b>0.60%</b>
<b>Total Investments</b>	<b>112,102,843</b>	<b>110,230,135</b>	<b>82.59%</b>